Economic Aspects of The Foreign Policy of Kyrgyzstan: Analysis of Modern Trends

Aspectos económicos de la política exterior de Kirguistán: análisis de las tendencias modernas

Fecha de recepción: mayo 03 de 2024
Fecha de aceptación: mayo 24 de 2024
DOI: https://doi.org/10.5377/reice.v12i23.18288

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Abstract

The multi-vector nature of the unstable foreign policy of the Republic of Kyrgyzstan contradicts its official traditional course: ever-changing regional, bloc, and geopolitical processes encourage the country to regularly revise its foreign economic policy and refuse to comply with its conceptual framework. The main research method is the comparative analysis of sources, including scientific literature, statistical data, official documents, and opinions of political experts. The authors of the article have considered the economic and political cooperation of Kyrgyzstan with major actors influencing the economic and political landscape in Central Asia. They have systematized mechanisms of intervention in the internal economy and politics of Kyrgyzstan on the part of major political players (USA, EU, Russian Federation, China, Turkey) and inter-country political blocs (EAEU, SCO, CSTO). It has been established that the economic and foreign policy potential of neighbors (Kazakhstan and Uzbekistan) in Central Asia is used to exert economic pressure on the foreign policy decisions taken by Kyrgyzstan. Considering the sanctions imposed against Russia, the role of Kyrgyzstan as a transit country of goods and a parallel importer has increased. The authors have revealed and classified barriers and factors that discourage investors from financing infrastructure and economic projects in Kyrgyzstan. It is worth mentioning the important transit role of Kyrgyzstan for China which is particularly interested in strengthening the economic dependence of Kyrgyzstan.

Keywords: Economy, Multi-Vector Nature, Opportunistic Benefit, Diplomatic Cooperation, External Debt.
RESUMEN

La naturaleza multivectorial de la inestable política exterior de la República de Kirguistán contradice su rumbo oficial tradicional: los procesos regionales, de bloque y geopolíticos en constante cambio alientan al país a revisar periódicamente su política económica exterior y a negarse a cumplir con su marco conceptual. El principal método de investigación es el análisis comparativo de fuentes, incluida la literatura científica, datos estadísticos, documentos oficiales y opiniones de expertos políticos. Los autores del artículo han considerado la cooperación económica y política de Kirguistán con los principales actores que influyen en el panorama económico y político de Asia Central. Han sistematizado mecanismos de intervención en la economía y la política internas de Kirguistán por parte de los principales actores políticos (EE.UU., UE, Federación de Rusia, China, Turquía) y bloques políticos multinacionales (UEE, OCS, OTSC). Se ha establecido que el potencial económico y de política exterior de los vecinos (Kazajstán y Uzbekistán) en Asia Central se utiliza para ejercer presión económica sobre las decisiones de política exterior tomadas por Kirguistán. Teniendo en cuenta las sanciones impuestas contra Rusia, ha aumentado el papel de Kirguistán como país de tránsito de mercancías e importador paralelo. Los autores han revelado y clasificado las barreras y factores que desalientan a los inversores a financiar proyectos económicos y de infraestructura en Kirguistán. Vale la pena mencionar el importante papel de tránsito de Kirguistán para China, que está particularmente interesada en fortalecer la dependencia económica de Kirguistán.

**Palabras claves:** Economía, Naturaleza Multivectorial, Beneficio Oportunista, Cooperación Diplomática, Deuda Externa.
Introduction

The analysis of economic aspects of foreign relations between states is important for economic science. Their detailed study helps understand the motivation for cooperation between countries and the specific features of such relations. To solve these problems, it is necessary to analyze the principles of foreign and economic policy and compare them with the aspects exceeding their conceptual framework. It is also required to study the factors that influence foreign policy and economic motivation both for cooperation between countries and the disintegration of existing ties. It is advisable to consider these factors by applying criteria that allow to establish mechanisms of cooperation and mechanisms of influence. Based on this integrative approach, we propose a way to analyze the economic and foreign policies of various states.

This article analyzes the economic and foreign policy of the Republic of Kyrgyzstan which, due to its geographical location, attracts the attention of major political players. Kyrgyzstan is under the influence of large countries such as China, Russia, the USA, the EU, and Turkey because it allows them to realize their economic and political interests in Central Asia in this territory. At the present stage, Kyrgyzstan's foreign policy is multi-vector: the country’s budget depends on financial injections which are the payment for short-term political loyalty. The goals of political interactions between Kyrgyzstan and foreign countries are based on the need to form a loyal political orientation and use the potential of the territory to clash the interests of other political actors.

The country cannot rely on monocentrism in its foreign economic policy but can obtain opportunistic benefits, despite the conflict-generating potential of such a vector of foreign policy. Major political players determine the foreign policy and internal political development of Kyrgyzstan, using the economic and foreign policy potential of Central Asia as a mechanism for exerting economic and political pressure. In turn, it is possible to overcome the economic disintegration of Kyrgyzstan and its neighbors through the political and military mechanisms of major
political players. According to scientists and politicians, the possible solution is the organization of regional and inter-country free trade zones.

Kyrgyzstan has stable economic and political ties with Turkey. This connection is due to the ethnic proximity of the peoples, as well as Turkey’s desire to strengthen its influence in Central Asia.

A separate foreign policy agenda consists of the political and economic relations of Kyrgyzstan with the states of Central Asia (Kazakhstan, Uzbekistan, Tajikistan, and Turkmenistan). These ties are due to territorial disputes, issues related to the use of land, water, and biological resources, as well as customs regimes for the passage of transit cargo.

In light of the foregoing, an analysis of modern foreign policy trends in Kyrgyzstan requires comprehension.

The article aims at studying the factors influencing foreign policy and economic motivation both for cooperation between countries and the disintegration of existing ties.

**Materials and methods**

The reliability and validity of the results obtained are ensured by the theoretical and comparative analysis of scientific literature, official documents, statistical data, and opinions of political experts.

Specialists from various branches (political scientists, lawyers, economists, or diplomats) show interest in the analysis of economic trends in the foreign policy of Kyrgyzstan. First of all, the results of research over the past 5-10 years were considered. The main method was the theoretical analysis of scientific literature. The opinions of both Kyrgyz and foreign experts were considered. However, the problems of Kyrgyzstan’s foreign policy were in focus before.

Russian scholars are also involved in this issue. They consider statistical data on foreign economic relations between countries (exports, imports, trade turnover, and
external debt) for the period 2022-2023. Based on the criteria, we selected cooperation and influence mechanisms to study the countries, trends, and features of their cooperation and co-influence.

**Results and discussion**

The issues stated in the article are the focus of attention of political scientists, economists, and other specialists. However, their research does not allow them to come to a consensus on a suitable approach to studying the economic aspects of foreign policy. This scientific trend extends to Kyrgyzstan. For a better understanding of the economic aspects of its foreign policy, it is necessary to systematize the key factors that determine cooperation and co-influence between countries.

An appeal to the Kyrgyz scientific works shows a few attempts to comprehensively assess the economic aspects of the foreign policy of Kyrgyzstan (Osmonaliev, 2022; Osmonov, 2020). Other scholars (Pynko, 2024) gave a general evaluation of the role of Kyrgyzstan within inter-country economic blocs (primarily the EAEU). Thus, there is no complete picture of the economy and foreign policy of Kyrgyzstan, i.e., the current assessments are fragmentary and incomplete. Trends and factors influencing economic aspects of the foreign policy of Kyrgyzstan for the period 2022-2023 have not been studied by other scientists. Therefore, the proposed results will fill this gap in economic science and create a complete picture of what is happening. For these purposes, using certain criteria (mechanisms of cooperation and influence), we selected groups of countries that have the greatest influence on Kyrgyzstan. In addition, we analyzed features, factors, and trends to assess their influence and cooperation on various aspects of economic policy. Previously, none of the Kyrgyz and foreign scholars managed to solve this scientific task.

The US has been paying Kyrgyzstan for a long time to host its military bases. For many years, the interest of EU countries has been manifested in trade and investment partnerships. However, the EU efforts are not limited to this: their foreign policy both in Kyrgyzstan and Central Asia aims at destroying economic integration within the EAEU. China also demonstrates an interest in diplomatic and economic
partnerships. Russia supports economic, diplomatic, military-technical, and humanitarian cooperation with Kyrgyzstan. The result of general economic trends is the growth of the country’s GDP in 2023, which exceeded 1 trillion 72 billion Kyrgyz soms (more than 1 trillion Russian rubles). Sixty new enterprises were launched. More than 1 billion rubles of investment were attracted in 2023. The industries responsible for the GDP growth of Kyrgyzstan in 2023 are presented in Figure 1.

Figure 1 shows that almost half of the country’s GDP comes from the services sector (49.8%).

The volume of foreign trade in Kyrgyzstan in 2023 amounted to 12.3 billion US dollars (+24.9%). The country’s exports and imports amounted to 2.4 billion US dollars (+29.6%) and 9.8 billion US dollars (+23.8%), respectively. The negative trade balance amounted to -$7.4 billion US dollars.
The impetus for new research was the rethinking and development of new conceptual frameworks for the foreign policy of Kyrgyzstan in 2006 (Decree of the President of the Kyrgyz Republic No. 543, 2005). Its feasibility is stipulated by the search for catalysts to accelerate foreign economic processes, transform all spheres of the country’s life, adjust international integration processes, and strengthen trends toward globalization and integration. The document establishes the key priorities of the country’s economic foreign policy: ensuring security through foreign policy methods and forming conditions for economic development. For these purposes, the diplomatic institutions in Kyrgyzstan selected a policy of maneuvering between the interests of major political players (Osmonov, 2022). An assessment of the concept implementation and internal political changes in the country has demonstrated that something needs to be changed after 12 years. On the initiative of the President of Kyrgyzstan S. Jeenbekov, the country’s foreign policy concept was updated in 2019. The main principles are the defense of national interests and pragmatism (Decree of the President of the Kyrgyz Republic No. 37, 2019). Some ideas about the country’s foreign policy priorities are contained in the “National Development Program of Kyrgyzstan until 2026” (2021) which sets participation in the CSTO and EAEU as priorities (Decree of the President of the Kyrgyz Republic No. 435, 2021). Although the document establishes the conceptual framework of foreign policy, this does not prevent the country from cooperating with the UN, OSCE, CIS, WTO, SCO, OIC, and many other international organizations. Kyrgyzstan is a member of the Chinese “One Belt, One Road” initiative.

It is worth dwelling on significant areas of Kyrgyzstan’s foreign policy, in which major political players show interest. First of all, the current situation was considered.

Currently, the relations between the US and Kyrgyzstan are characterized as complex. As of 2024, the US plans to impose secondary economic sanctions against Kyrgyzstan for violating the anti-Russian sanctions and export control rules: Kyrgyzstan has increased trade turnover with Russia through the sale of sanctioned goods (Palekhov, 2024). The exports of dual-use goods to Russia increased 2.5 times in 2023 (from 393 to 963 million US dollars) (Gasymov, 2023). Considering
that Kyrgyzstan does not have trade and economic relations with the US and large companies do not operate in the country, the possibilities of US sanctions on Kyrgyzstan are very limited. The top officials of Kyrgyzstan made a statement that they do not need non-governmental organizations from the US. Exports of goods from Kyrgyzstan to the US amount to 3.6%. More than 10 foreign organizations are operating in Kyrgyzstan and are funded by the US (USAID, Peace Corps, US Embassy, and international organizations). They implement mainly a human rights agenda, enjoying the support of the local population. Thus, we can conclude that such a step is a political indicator of the declining US interest in Kyrgyzstan. Nine years have passed since Kyrgyzstan’s unilateral denunciation of the US cooperation agreement. In light of recent changes, the “foreign representative” term was introduced into the Law of the Kyrgyz Republic “On Non-Profit Organizations” and a list of such organizations receiving foreign funding was compiled. We also need to dwell on the Kyrgyz media that regard the activities of pro-Western media operating in the country and Peace Corps volunteers as destabilizing the situation in Kyrgyzstan in 2024, whose actions spread uncertainty and lay the foundation for protest sentiments among citizens (Azhiev, 2024).

If the US is losing interest in Kyrgyzstan, this does not mean that the EU countries support this political line. Kyrgyzstan received GSP+ status from the EU, which provides unilateral customs preferences for the country (the import of goods without customs duties). However, this status did not help the country strengthen its export potential. Experts believe that the EU wants to use the territories of Kyrgyzstan to confront Russia and China in Central Asia, and views the country as a supplier of inexpensive resources. In turn, Kyrgyzstan receives considerable economic benefits. First of all, this refers to the anti-Russian sanctions: the exports of goods to Kyrgyzstan increased by 300% in 2022; the exports of advanced technologies and dual-use goods grew up to 700%. This increase in requests from Kyrgyzstan to the EU is explained by the violation of the sanctions regime and parallel import and re-export of sanctioned goods (primarily to the Russian Federation). D. O’Sullivan, the special representative of the EU on sanctions, announced the dispatch of a mission to Kyrgyzstan to monitor the flow of goods from the country. Political discourse dwells
on secondary sanctions for violating the Countering America’s Adversaries through Sanctions Act. There are enough cases of Uzbekistan or Kazakhstan (the list will be expanded). A difficult task is the US-European control of customs invoices within the sovereign members of the EAEU. Experts believe that secondary sanctions will not be harmful to Kyrgyzstan since the country is in a logistics impasse for geographical reasons (Panfilova, 2023). Attendees of the Investors Forum for EU-Central Asia Transport Connectivity in Brussels in January 2024 discussed agreements, including with Kyrgyzstan on the trans-Caspian transport corridor, and the possibility of opening a middle corridor. The latter is considered by the EU a project that will allow Kyrgyzstan to break away from Russian transport logistics. However, apart from agreements and demonstrations of interest, there are no significant economic results from this initiative (Kylychaev, 2024). It must be recognized that most foreign policy initiatives are hampered by several limiting factors, including those related to Kyrgyzstan (unsettled territorial disputes, border demarcation, military operations and access to water resources, economic influence of the Russian Federation) (Eremina, 2024). In general, the EU countries and the US are not interested in establishing economic ties with Kyrgyzstan and to a greater extent use political instruments to destroy integration ties in Central Asia.

Cooperation with the Russian Federation within the CIS and the EAEU has good prospects for Kyrgyzstan (Karimov, 2024). The total trade turnover with the CIS countries amounted to 5 billion US dollars (+30%) (Asanbekov, 2024). Both countries are members of the EAEU, i.e., this removes economic barriers to goods, services, labor, and capital. More than 1 million Kyrgyz citizens work in Russia. Direct trade turnover with the EAEU is 27.6% (the exports and imports of Kyrgyzstan are 40.7 and 24.4%, respectively). The structure of Kyrgyz exports is as follows: Russia (24.3%), Kazakhstan (15.7%), and Uzbekistan (9.5%). The structure of Kyrgyz imports is as follows: Russia (16.4%), Kazakhstan (7.4%), and Uzbekistan (3.1%). Moscow is implementing 40 large projects in Kyrgyzstan worth 2 billion US dollars. Russia expressed its readiness to assist in localizing production facilities (Pynko, 2024). The results of cooperation between Kyrgyzstan and Russia within the EAEU are as follows: growth in the GDP from 400 to 557 billion soms; trade turnover
increased from 5.6 to 7 billion US dollars; the budget deficit and the volume of external debt decreased. There are also negative trends: the uncontrolled import of goods from the EAEU causes difficulties in collecting taxes. Another problem is the actions of Kazakhstan to strengthen border and customs control over transit goods from Kyrgyzstan to other countries. The effectiveness of cooperation between Kyrgyzstan and the EAEU is determined by the following statistics: the country’s GDP grew by 4.6% and exceeded 1 trillion soms in 2023. 16% of GDP is made up of transfers from abroad (mainly from the Russian Federation) (Nechaev, 2024).

The Kyrgyz scientific discourse provides a negative assessment of the country’s foreign policy towards China due to the lack of initiative of the Government of Kyrgyzstan compared to its neighbors from Central Asia. China is the largest importer of goods to Kyrgyzstan (43.1%). Kyrgyzstan’s chairmanship in the SCO in 2019 did not bring any political results. Between 2000 and 2024, relations with China were characterized by a visa war and the absence of joint infrastructure projects in Kyrgyzstan. According to Kyrgyz scholar K. Osmonaliev (2020), political competitors who are fighting for influence in Central Asia directly benefit from the lack of good relations between Kyrgyzstan and China. However, the “Strategy of national debt management of the Kyrgyz Republic for 2022-2024 (as amended by Resolution of the Cabinet of Ministers of the Kyrgyz Republic of June 23, 2023 No. 316)” shows that not everything is so simple. As of 2022, Kyrgyzstan owes Chinese banks 1.7 billion US dollars (42.9% of the total external debt), which is expected to be repaid in full by 2035. In general, Kyrgyzstan’s external debt amounts to 4.5 billion US dollars (57.82% of Kyrgyzstan’s GDP). The fight against corruption within the framework of the “custurization” policy established that the country’s customs department was involved in a corruption scandal related to the illegal transportation of transit goods from China through the country’s territory. The total damage to the economy of Kyrgyzstan amounted to 700 million US dollars (half of the external debt to China). The Kyrgyz political scientist N. Muratalieva draws attention to the inconsistency of official foreign trade statistics: Kyrgyzstan estimates trade turnover with China at 4 billion US dollars, while China and Kyrgyzstan report 15.5 billion US dollars. Thus, the high level of corruption is supported by Chinese loans.
China also provided a deferment on external debt payments for six years. There are other ways to solve this problem, i.e., transferring strategic assets to China. This foreign policy dilemma reveals the dubious reputation of the political elites of Kyrgyzstan.

If not so long ago the country was striving for economic integration with the EAEU (Kyrgyzstan's chairmanship in 2022), now Kyrgyzstan is going through primary integration in the Organization of Turkic Peoples, which seemed to be a more competitive proposal. The exports of goods from Kyrgyzstan to Turkey amounted to only 5.3% (1.1 billion US dollars) in 2023. The Turkish imports of goods to Kyrgyzstan increased and amounted to 918.15 million US dollars (+41.6%). The Kyrgyz exports to Turkey amounted to $201.87 million US dollars (+129.9%). The weakening of Turkey's economic position does not allow it to invest in the development of economic relations (trade turnover) and to provide such economic benefits to Kyrgyzstan as, for example, the ASEAN. Within the framework of this bloc, economic integration is being replaced by military integration based on the sales and production of weapons, including in the territory of Kyrgyzstan. In other words, it is all about developing domestic production based on NATO standards (Nurgozhaev, 2024). Manipulating factors of national and religious proximity, Turkey is interested in selling Kyrgyzstan unmanned aerial vehicles for military purposes to resolve its border disputes with Tajikistan (ANFnews, 2022). In general, the overall ties between Kyrgyzstan and Turkey, including economic ones, are characterized as weak.

**Conclusion**

Summing up the results of the article, we can conclude that modern geopolitics influences the implementation of a multi-vector economic foreign policy in Kyrgyzstan. It should be recognized that the shift in the country’s foreign policy is systematic and depends on the economic and geopolitical situation. Despite the declared aspirations to adhere to the traditional foreign policy course, the country’s actions are inconsistent.
An appeal to the foreign policy concept of Kyrgyzstan and medium-term program documents shows that such actions are motivated by continuous changes in geopolitical and regional processes, prompting a regular revision of foreign policy guidelines. Therefore, Kyrgyzstan does not follow the conceptual framework of its economic and foreign policy. Kyrgyzstan’s chairmanship in various inter-country foreign policy blocs (OSCE, CIS, SCO, EAEU) is most often accompanied by lost economic benefits.

It has been established that the main mechanism of US intervention in the internal affairs of Kyrgyzstan is the activities of media and volunteer organizations operating in the country, which are believed to destabilize the situation in Kyrgyzstan in 2024. Economic and political ties between the US and Kyrgyzstan are characterized as weak and unconstructive.

In relations with Kyrgyzstan, the EU assumes the function of an auditor for the implementation of legal recommendations. The analysis of economic data indicates weak economic ties between the countries. To strengthen their positions in Central Asia and intervene in the internal affairs of sovereign Kyrgyzstan, EU countries are using the following political mechanisms and tools: an appeal to respect for human rights and cooperation on sanctions policy.

It has been established that to influence the internal affairs of Kyrgyzstan, the Russian Federation and the EAEU countries use the following mechanisms and tools: socio-economic mechanisms related to the development of trade, investments, settlements in national currencies, and educational projects. Currently, Kyrgyzstan receives the greatest economic benefits from cooperation with the countries of this bloc, where Russia is its strategic partner.

The relations between Kyrgyzstan and China in the field of politics are characterized as unconstructive and non-initiative. The economic situation is completely different: China is a key importer of goods, accounting for almost half of imported goods. Kyrgyzstan’s situation is worsened by its external debt to China. The high level of corruption in Kyrgyzstan is ensured by Chinese loans. To influence the internal affairs
of Kyrgyzstan, China is using the following mechanisms and tools: socio-economic mechanisms related to the development of trade, investments, infrastructure projects, and external loans. In addition, corruptogenic mechanisms are used to discredit local elites. Despite political difficulties, economic ties between Kyrgyzstan and China are strong.

The relations of Kyrgyzstan with Turkey are characterized by a military agenda. Little attention is paid to establishing economic ties between these countries. The main mechanisms of interference in the internal affairs of Kyrgyzstan are the trade in weapons and dual-use products. To develop external relations, Turkey uses the factor of spiritual closeness of the Turkic peoples. According to this criterion, it is a condition to enter the Organization of Turkic Peoples. Kyrgyzstan is partly interested in this cooperation because Turkey’s proposal helps regulate territorial and border disputes with its neighbors. From the economic perspective, the countries are weakly connected.

In the process, the study experienced the following limitations: an insufficient scientific interest among Kyrgyz scholars in the topic and its consideration through the prism of the participation of the Republic of Kyrgyzstan in various inter-country blocs (OSCE, CIS, SCO, EAEU).

The prospect for further research is the analysis of trends that determine changes in the economy and foreign policy of Kyrgyzstan for the period 2019-2024, which forms the modern economic and geopolitical landscape.

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