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Greater China Aug 1, 2008

China strengthens its role in Kyrgyzstan

By Daniel Allen

BEIJING - At the high-altitude Irkeshtam border crossing a convoy of shiny Chinese rigs waits to cross into Kyrgyzstan. Facing the deserted vehicles, a snaking line-up of battered Kamaz trucks with Kyrgyz plates sits patiently, returning to China to load up with more cheap cellphones, TV sets and plastic kitchenware.

Here, even at this remote trade conduit between Xinjiang and Central Asia, the Chinese economic juggernaut is dominating the dynamics of trade.

Chinese and Kyrgyz vehicles alike are tangible reminders of the huge imbalance that exists between these two countries: in 2006 the value of Chinese exports flowing into Kyrgyzstan was 150



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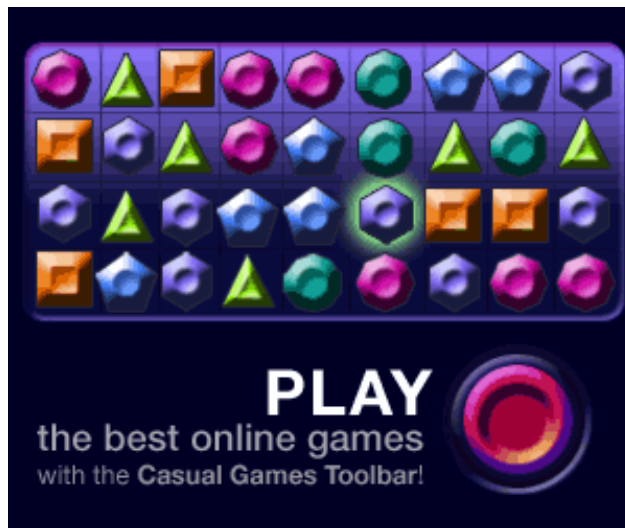
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times greater than the flow in the opposite direction. China is steadily strengthening political and economic ties with small, landlocked Kyrgyzstan, with one eye on the sizeable energy reserves of its neighbors to the north and west. At the same time, Kyrgyzstan's dependence on Chinese income and infrastructure grows deeper by the day.

Looking to fill the vacuum created when the Russians returned home from the five former Soviet Central Asian republics of Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan, and the roubles dried up, China is now making moves to become the new Central Asian superpower. It is constructing roads, factories, power plants and pipelines and filling supermarket shelves with cut-price consumer goods bought with low-interest loans from Chinese banks.

One of the principal mechanisms by which China is expanding its influence in Kyrgyzstan and Central Asia is the Shanghai Cooperation Organization (SCO). The grouping was initially formed as the Shanghai Five in 1996, bringing together Russia, China and the three Central Asian countries of Kazakhstan, Kyrgyzstan and Tajikistan, being renamed when Uzbekistan joined in 2001.

Despite its cosmopolitan membership, China is clearly the driving force behind the SCO, giving the organization's economic heavyweight the appearance of a well-intentioned mother hen. Last year saw Chinese President Hu Jintao's first state visit to Kyrgyzstan as he attended the annual SCO summit in the capital Bishkek, promising other SCO member states that "China would

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promote regional economic co-operation to advance towards mutual benefits and all-win results."

The growing influx of Chinese products into Kyrgyzstan has been accompanied by a similar inflow of Chinese citizens. Over the past 15 years Kyrgyzstan's Chinese population has swelled from zero to around 100,000 in a total population of a little more than 5 million. These immigrants marry locals, obtain Kyrgyz citizenship, ramp up their business interests, and buy apartments. Current plans to make the yuan fully convertible in Kyrgyzstan will only serve to accelerate the flow of both Chinese currency and people.

One business analyst in Kyrgyzstan's second city of Osh, who wished to remain anonymous, commented, "It's obvious this country is fast becoming another Chinese satellite. Trade with China now accounts for almost 80% of Kyrgyz foreign turnover. The European Union and Russia seem to have no unified policy on Kyrgyzstan. In the end the Chinese will become so strong that they will directly influence government policy, and that will alter the foreign political orientation of Kyrgyzstan."

Indeed, the growing influence of China within Kyrgyzstan's corridors of power, and in the foreign policy of other Central Asian states, has led to fears in Washington that the SCO is being developed to counter US interests in the region. These fears have been strengthened by the recent inclusion in the SCO of Iran, Pakistan, India, Mongolia and Afghanistan as either observer or guest nations.

Despite claims by Russian president Vladimir Putin and Hu Jintao that the SCO is not being built up as a rival to the North Atlantic Treaty Organization, or NATO, the SCO has already secured the closure of a US military base in Uzbekistan in 2005. A similar base at Kyrgyzstan's Manas Airport in Bishkek, which is proving crucial for US and coalition operations in Afghanistan, remains open in spite of Sino-Russian pressure, although the rent has jumped to more than US\$150 million a year (roughly 7% of Kyrgyzstan's entire GDP).

Kyrgyzstan is now paying for the price for not bending fully to Beijing's will. Bishkek's reluctance to close the Manas Base has been cited as a major factor in China's refusal to include Kyrgyzstan in a gas pipeline set to run from Turkmenistan to Xinjiang and beyond. Although the most direct route from Turkmenistan to China does pass through Kyrgyzstan, and the Kyrgyz government lobbied hard for inclusion in the project, Beijing's move was interpreted by some as a warning to Kyrgyz leaders not to get too close to the US.

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Indeed, despite China's ascendancy, Beijing isn't getting everything its own way in Kyrgyzstan. Alarmed by strengthening Chinese-Kyrgyz and Kazakh-Kyrgyz ties, Moscow has taken steps to renew its interest in the country. Former Russian president and now prime minister Vladimir Putin recently announced plans to invest up to \$2 billion in the Kyrgyz economy, and Russian energy giant Gazprom is investing \$300 million in a joint venture with Bishkek to explore for new fuel reserves and build pipeline infrastructure. Only 7% of Kyrgyzstan's land is available for agriculture and it has relatively limited hydrocarbon resources.

Preparatory work has been announced on a China-Kyrgyzstan-Uzbekistan railway, which will start in Kashgar, in the far west of China's Xinjiang autonomous region, while China and Uzbekistan have announced their intention to accelerate construction of transit roads through Kyrgyzstan to facilitate growing regional trade. China has also helped to construct a road that links northern and southern Kyrgyzstan.

Many analysts see power generation as another area where Kyrgyzstan may be able to generate much-needed income. Although a China-Kyrgyzstan partnership formed in 2004 promised \$2 billion from China for construction of two hydroelectric sites on the Naryn River, Kyrgyzstan's "Tulip Revolution" in 2005, which saw the overthrow of president Askar Akayev, seems to have effectively scuppered the deal. However, the apparent recent willingness of Bishkek to privatize all national assets is almost guaranteed to bring about renewed Chinese investment in Kyrgyzstan's energy sector.

Not all Kyrgyz citizens resent China's growing influence within their nation's economy and internal affairs. Aseel Amankulova, who runs a guesthouse in Karakol beside Lake Issyk-Kul, hopes that China can assume Russia's previous role in Kyrgyzstan. "I'm not saying the Soviet days were great, but at least we had enough to eat, enough water, and enough power," she says. "Now I'm struggling to feed myself, I've got this trickle of dirty water, and the town's plagued by constant blackouts. If China can help us by investing in this country then that's fine by me."

As the Chinese economy continues to grow, accompanied by spiraling energy and raw material demands, so the strategic importance of Kyrgyzstan to Beijing will undoubtedly increase. Kazakhstan and Russia, both currently awash with fossil-fuel dollars, are looking for foreign investment opportunities, and the US needs to retain its crucial foothold in Kyrgyzstan for Afghan

operations.

***Daniel Allen** is a freelance writer and photographer from London who has lived in China for the past three years.*

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