



India-Kyrgyzstan: Enhancing Cooperation for Mutual Progress

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Executive Summary

India and Kyrgyzstan have cordial relations. The Kyrgyz Republic supports India's UNSC bid and New Delhi's stance on Kashmir.

Kyrgyzstan has the potential to emerge as a regional knowledge and recreational hub. The country attracts a large number of students, tourists and health visitors.

Kyrgyz farmers generally do not use chemical fertilizers, thus, there is scope for organic farming. In view of topographical similarities between Indian state of Jammu and Kashmir, and regions in the Kyrgyz Republic, joint agriculture can be explored. Possibility of much sought after item, saffron, can be explored.

Top political leaders from India need to undertake regular visits to Kyrgyzstan.

Introduction

The emergence of independent Kyrgyz Republic from the Union of Soviet Socialist Republics in early 1990s has been a momentous development for the Kyrgyz people, who were now themselves able to define their destiny. As an independent nation, the country gave precedence to political reforms over economic reforms, while other republics, such as Kazakhstan, opted for the latter. Kyrgyzstan is the only country in the region to have a parliamentary system of democracy and is often called the 'island of democracy'. However, two successive revolutions in 2005 and 2010 hindered its economic progress and disturbed the social fabric, resulting in many untoward incidents, displacements and deaths in the country, especially in south.

Kyrgyzstan is a relatively small economy of US \$ 7 billion, but the country has a wide array of natural resources. It is the second largest gold producer in Central Asia after Uzbekistan and the hydropower potential is more than 150 billion kilowatt, the second highest in the region after Tajikistan. Kyrgyzstan is the first country in Central Asia to introduce a national currency, initiate privatization of land and become a member of the WTO. However, lack of investments and funds, under-exploitation of natural resources and limited access to advanced technologies impede its faster economic growth. Bishkek has been trying to develop business friendly environment and is inviting foreign investments in the country, and seeking partnership from neighbouring countries. India is a big and rising economy and the two countries can share their expertise and develop complementarities for shared progress. This Policy Brief highlights some of the specific areas of mutual interest that can enhance bilateral relations and maximize the reciprocal advantages.

India's engagements with Kyrgyz Republic

India is among the first countries to establish diplomatic relations with Kyrgyzstan and the two countries enjoy cordial political and cultural relations. Kyrgyzstan supports India's bid for the UN Security Council permanent membership and full membership of the Shanghai Cooperation Organization (SCO). Bishkek also supports New Delhi on the Kashmir issue at different international organizations, including the Organization of Islamic Conference (OIC) and considers it a bilateral issue between India and Pakistan to be resolved mutually.

Highlighting the centrality and significance of Kyrgyzstan in India's relations with its extended neighbourhood of Central Asia, New Delhi launched its 'Connect Central Asia' policy in Bishkek during the first Central Asia-India Dialogue in June 2012.

However, despite cordial relations, India-Kyrgyzstan economic engagement seems below potential. Trade is affected due to the absence of direct land connectivity, and circuitous routes causing delay and escalated costs as compared to Central Asia's trade with other regional countries. The total bilateral trade in 2013-14 was US\$ 35 million and tilted in India's favour with export of more than US \$ 30 million and import of less than US \$ 1 million from Kyrgyzstan. This needs to be rectified to make it sustainable. India has been looking for external supply of agriculture produce, mineral resources, such as coal, rare earth and gold, etc. Kyrgyzstan can supplement India's growing food security and mineral resources requirements.

India-Kyrgyzstan trade

Values in US \$ Millions

| S.No. | Year | 2009-2010 | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 |
|-------|--------------------------|-----------|-----------|-----------|-----------|-----------|
| 1. | Export | 26.84 | 25.79 | 30.55 | 34.99 | 34.54 |
| 2. | Import | 0.64 | 1.20 | 0.89 | 2.09 | 0.64 |
| 3. | Total Trade | 27.48 | 26.98 | 31.44 | 37.07 | 35.18 |
| 4. | Percentage Growth | NA | -1.79 | 16.50 | 17.92 | -5.10 |
| 5. | Trade Balance | 26.20 | 24.59 | 29.66 | 32.90 | 33.90 |

Source: Department of Commerceⁱ

India's multi-sectoral approach and medium-term recommendations

Continuing its pursuit of economic integration with the region, Kyrgyzstan is set to join this year the Eurasian Economic Union (EEU), inaugurated on January 1, 2015. Indian business

houses need to establish joint ventures with Kyrgyz partners in order to cater to the demands arising due to the opening of the EEU economic space. India is leading in IT and pharmaceutical sectors and can explore the possibilities in these areas. Besides, Kyrgyzstan is emerging as a major transit route for trade in Central Asia and Europe.

Taking cue from the economic requirements in India, availability of opportunity and resources in Kyrgyzstan, which are in sync with the components mentioned in the Connect Central Asia policy, New Delhi can devise a multi-sectoral approach to deepen economic relations between the two friendly countries.

Gold, Gems & Jewellery: Kyrgyzstan is an important gold producer, annual output is about 20 tonnes. It is located close to large Indian jewellery and ornament manufacturing and consuming centres and the developed European markets. Neighbouring Tajikistan has deposits of precious and semi-precious stones. India can explore jewellery fabrication in Kyrgyzstan thereby, making the products more competitive internationally and increasing employment and revenue for Kyrgyzstan. Currently, gold export constitutes about 34 per cent of total Kyrgyz export, finished gold ornaments would increase the revenue.

Tourism: The tourism and hospitality sector is fast growing in Kyrgyzstan. The country has numerous natural tourist sites, such as the world famous Lake Issyk Kul. Tourism has been given priority in economic development by the government and Indian hospitality sector can invest in creating tourist infrastructure in the country. It may be surprising to note that a small country of 5.5 million people attracted more than 3 million tourists in 2013. Indian tour operators and healthcare providers can explore the possibility of tourism and health rejuvenation in the pristine natural environment around Issyk Kul. Bishkek is about three and half hours flight from New Delhi. Bilateral rules related to visa need further discussion and facilitation. India can include Kyrgyzstan to its recently launched visa on arrival facility, similarly, Kyrgyzstan can give Indians visa on arrival and long-term multiple entry visa.

Agriculture: Agriculture is another promising area of cooperation between the two countries primarily for two reasons; first, there are huge tracts of lands available and the

Kyrgyz farmers generally do not use fertilizers, hence, enabling ample scope for organic farming and organic produce, which is in demand in the nearby health-conscious European markets, and increasingly in India. Secondly, the similarity in topography of Kyrgyzstan and Jammu & Kashmir state of India opens the possibility to explore joint saffron cultivation and floriculture as practiced in the Indian state.

Education: Availability of infrastructure, low costs, relatively open relaxed norms etc. enable Kyrgyzstan to attract a large number of foreign students. The students are primarily enrolled for medical education; the provision of teaching in English is also an incentive. There are about 2,000 Indian students mainly studying medicine. India has a big gap in its population to doctor ratio. Indian educational institutions can be encouraged to use the infrastructure of hospitals and hostels in Kyrgyzstan on lease to teach Indian students in that country. On an average, the four-year medicine course in Kyrgyzstan costs an Indian student about 15-16 lakh Indian rupee, similar or, in many cases, lower than the amount incurred in India for the course. However, mutual recognition of degrees needs to be discussed between the two countries.

Entertainment industry: The scenic beauty in Kyrgyzstan offers the Indian film industry, which is very popular in the country, an affordable and close-by locales to shoot Indian films, commercials and TV serials. This will help significantly in lowering the cost of film production in India and expanding Indian audiovisual market in the region.

Recommendations for immediate measures

Kyrgyzstan has been a friend of India and the country is given priority in India's engagement with the region and in its Connect Central Asia policy. These measures can be taken up without much investment and can play important role in connecting with the region and deepening political, commercial and cultural relations between the two countries.

Air garland route: Direct air connectivity between India and the Kyrgyz Republic has been lacking. Travellers from India go to Bishkek via Dubai, Istanbul, Kabul or Almaty, thereby

escalating cost and additional time consumption in transit and luggage issues, thus, making business leaders less enthusiastic to explore possibilities in Kyrgyzstan. In general, air connectivity with Central Asian cities from India has been an issue. The commercial airlines, especially from India can explore the possibilities of operating a weekly or biweekly circuitous flight of Delhi-Srinagar-Dushanbe-Ashgabat-Tashkent-Bishkek-Almaty-Urumqi-Delhi. This will constitute a regional air garland route, connecting important regional cities.

High-level political visit: The regional countries' leaders, including from China and Russia, maintain regular touch with the Central Asian leaders, many of whom are ruling their countries since independence. High-level mutual political visits should be undertaken at regular intervals to give thrust to the bilateral relations.

Opening Indian bank branches: In order to facilitate economic engagement and smooth commercial transactions between the two countries directly, Indian banks should be encouraged to set up branches in Kyrgyzstan. Or, till the time an Indian bank branch is opened in the country, possibilities can be explored to make a Kyrgyz bank as the nodal Indian bank working on behalf of an Indian entity and vice versa, using IT networking tools.

Cultural, academic and people-to-people contact: Culturally, India and Kyrgyzstan have many connections. The society in Kyrgyzstan seems to be moving towards spirituality and many students from the country go abroad to study religion. Famous and widely respected Indian seminaries may be encouraged to admit students from Kyrgyzstan. It will expose them to syncretic Indo-Islamic traditions that are more tolerant and inclusive, and allow them learning in a multi-religious and democratic society. Similarly, the two countries can take up joint academic research, especially on the shared medieval

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ⁱ Director General of Foreign Trade, Export Import data bank, <http://commerce.nic.in/eidb/iecmt.asp>, accessed September 27, 2014.