



Science Diplomacy for Kyrgyz-Indian Trade: Economic and Scientific-Technical Cooperation



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Introduction

India-Kyrgyz Republic bilateral relations

Historically, India has had close contacts with Central Asia, especially countries which were part of the Ancient Silk Route, including Kyrgyzstan. During the Soviet era, India and the then Kyrgyz Republic had limited political, economic and cultural contacts. Former Prime Minister Rajiv Gandhi visited Bishkek and Issyk-Kul lake in 1985. Since the independence of Kyrgyz Republic on 31 August 1991, India has been among the first to establish diplomatic relations on 18 March 1992, and the resident Mission of India was set up on 23 May 1994. At the institutional level on 27 April 2016 the 8th round of Foreign Office Consultation Was held on Bishkek.

Shanghai Cooperation Organisation

During its Council of Heads of State Meeting in Ufa, Russia, in July 2015, the Shanghai Cooperation Organisation (SCO) announced its decision to initiate India's membership. Prime Minister addressed the SCO Plenary Session. Gen. Dr. V.K. Singh, Minister of State for External Affairs, attended the SCO meeting of the Heads of Government, held on 15 December 2015 in Zhengzhou, China. During the year, representatives from India attended different ministerial meetings and the meeting of SCO Prosecutors General concerning health, interior, justice, trade and commerce.

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Status of bilateral trade and investment

(A) Two-way trade (goods)

1.1.1. According to the Kyrgyz side, the trade turnover is given in Table 1.1.

1.1.2 The data relating to trade in goods, in accordance with the information of the Directorate General for Commercial Information and Statistics (DGCIS) of the Government of India, is as follows (Table 1.2).

India-Kyrgyzstan Joint Statement during the State visit of President of Kyrgyzstan to India

His Excellency Mr. Almazbek Atambayev, the President of the Kyrgyz Republic, paid a State Visit to India from 18-21 December 2016. The official programme included ceremonial reception at Rashtrapati Bhavan, and meetings with President Shri Pranab Mukherjee, Vice President Shri M. Hamid Ansari and Prime Minister Shri Narendra Modi; a Banquet hosted by President Shri Pranab Mukherjee; and, participation in an India and Kyrgyz Republic Business Forum.

Table 1.1: Status of Bilateral Trade - Kyrgyzstan and India ((Million US\$))

Years	Export from India to Kyrgyzstan	Import from Kyrgyzstan to India	Total trade turnover	Trade balance
2012-2013	34.99	2.09	37.08	32.90
2013-2014	34.54	0.64	35.18	33.90
2014-2015	37.76	0.77	38.53	36.99
2015-2016	25.11	1.79	26.90	23.32
2016-2017 (April-Sept) *	14.70	0.38	15.08	14.32

Source: DGCIS, Kolkata, * preliminary

Table 1.2: Status of Bilateral Trade - Kyrgyzstan and India ((Million US\$))

Years	Export from Kyrgyzstan to India	Import from India to Kyrgyzstan	Total trade turnover	Trade balance
2011	18,3	28,3	46,6	20,0
2012	0,5	29,3	29,8	28,8
2013	0,7	26,3	27,0	25,6
2014	2,6	25,2	27,8	22,6
2015	1,2	22,7	23,9	21,5
9 months 2016	0,5	15,5	16,0	15,0

Prime Minister Modi and President Atambayev held a fruitful exchange of views in a warm and friendly environment, and discussed the full range of issues, covering friendly cooperation, bilateral relations, and the regional and international situation. The leaders reviewed the status of the agreements reached by two countries following the visit of Prime Minister Modi to Kyrgyzstan in 2015, and expressed satisfaction with the achievements in bilateral relations and reaffirmed their readiness to enhance further multifaceted cooperation.

Guided by the common desire to improve the level of the Kyrgyz-Indian relations, the two sides reiterated that India and the Kyrgyz Republic are democratic countries and are partners sharing common fundamental values such as freedom, democracy, human rights, and the rule of law.

Bilateral Relations

The leaders noted that the peoples of the Republic of India and the Kyrgyz Republic have historic and cultural ties since time immemorial, and

expressed satisfaction at the upward trend in broadening these ties since the establishment of diplomatic relations between the two countries 25 years ago.

Reaffirming their commitment to strengthen cooperation in all spheres of life on the basis of mutual respect, the two sides agreed to work in close cooperation for peace and prosperity of their people. The Indian side appreciated the successful and transparent conduct of parliamentary elections with the use of biometric data in the Kyrgyz Republic in October 2015.

India and Kyrgyzstan underlined the value of Parliamentary exchanges. The Indian side offered to share their experience during special courses which were arranged for the members and staff of the Parliament of the Kyrgyz Republic. The Kyrgyz side appreciated this special gesture of the Indian side.

The two sides expressed satisfaction over the effective implementation of the Memorandum of Understanding on cooperation on electoral matters between the Central Commission for Elections and Referenda in the Kyrgyz Republic and the Election Commission of India, which was signed in July 2015.

The Kyrgyz side appreciated India's role as a partner in development. Both sides took note of projects under implementation as also those in the pipeline in diverse fields, including information technology, health care, telemedicine, agriculture, biomedical research, training and capacity building, education and culture.

To celebrate the 25th anniversary of establishment of diplomatic relations between the two countries, the two leaders agreed to hold a series of events to commemorate the occasion.

Cooperation in the field of Defence

The two sides expressed satisfaction with the development of cooperation in defence sphere, which reflects high level of mutual trust between the two.

Three IT-Centres have been established by India since the two years at Kyrgyz Military Institutions, and an IT Centre has been upgraded.

"Khanjar" series of the India-Kyrgyzstan military exercises have become an annual event; "Khanjar-II" exercises were held in March 2015 in Kyrgyzstan; "Khanjar III" in March-April 2016 in Gwalior, India, and The "Khanjar-IV" were held in Kyrgyzstan in February-March 2017.

The third Joint India-Kyrgyz Army Mountaineering Expedition was conducted in August-September 2016. A joint team comprising 19 officers and soldiers climbed JOGIN-III peak at a height of 6113 metres above sea level in the Central Himalayas in India. Earlier expeditions had scaled the peak of Stock Kangri in Ladakh (September 2011) and Lenin Peak in Kyrgyzstan (3-25 August 2013).

India and Kyrgyzstan are constructing jointly the Kyrgyz-Indian Mountain Training Centre in the city of Balykchi in Issyk-Kul District of Kyrgyzstan. This Centre would be providing instructions and training for personnel of the Armed Forces of the Kyrgyz Republic, as well as host joint Kyrgyz and India mountain-training exercises.

The Kyrgyz side appreciated Indian side for support and assistance in equipping Kyrgyz Military Field 2nd Level Hospital for UN Peacekeeping Missions, and welcomed offer of assistance in training.

Economic Cooperation

The two sides noted that the current level of trade and investment relations between them are below the available potential, and directed that Ministries and Departments of the two countries shall develop a comprehensive Road-Map in this area for a five-year timeframe. The two countries have agreed to explore new mechanisms to further strengthen economic ties between them. Both were satisfied with the Bilateral Investment Treaty initiated on 20 December 2016.

The two sides noted the success of the 8th meeting of the Kyrgyz-Indian Intergovernmental

Commission (IGC) on Trade, Economic, Scientific, Technological and Cultural Cooperation, held in Bishkek on 27-28 November 2016. The leaders directed the IGC to strengthen implementation of bilateral agreements, including holding regular meetings in the framework of different Joint Working Groups on sectoral issues.

And both expressed satisfaction over the progress achieved in agriculture, envisaging *inter alia* university to university cooperation; setting up of a demonstration unit for drip irrigation; and promoting export of dry fruits, honey and walnuts from the Kyrgyz Republic to India. The Kyrgyz side welcomed assistance of Indian side in establishing aromatic industry and consultancy in organic farming. There has been increased flow of tourists between the two countries, in particular, after the opening of direct flights from New Delhi to Bishkek, with working towards effective visa facilitation.

As part of the discussions on the integration process in the Eurasian space, the Kyrgyz side highlighted opportunities available for the Indian entrepreneurs as a result of their joining Eurasian Economic Union (EaEU). The two sides noted progress in work of the Joint Study Group considering feasibility of a Free Trade Agreement between India and the Eurasian Economic Union.

And cargo movement on the International North-South Transport Corridor (INSTC) would be a significant step in solving logistics issues, and would give a fillip to India-Kyrgyzstan trade relations. As member- states of the INSTC both sides agreed to jointly operationalize cargo movement on the INSTC. They together agreed that the Chahbahar Port in Iran would provide the shortest connectivity for Kyrgyzstan to warm waters and to India.

Scientific, technical, cultural cooperation as well as people-to-people contact

The Indian side highly appreciated the support extended by the Kyrgyz Republic to the Kyrgyz-India Mountain Bio-Medical Research Centre. The two sides were satisfied with the successful

completion of the Second Phase Laboratory at the Suez High Pass and conducted tests in November and December 2017. They agreed to continue collaboration in research and development in this field and to expand scope of research.

President Atambayev highly praised India's contribution in setting up a Telemedicine Network in Kyrgyzstan and its expansion in the remaining regions of Kyrgyzstan. There are growing successful links between private hospitals in the health sector, including regular visits by doctors from specialized hospitals in India to Kyrgyzstan.

And Kyrgyzstan remains a popular destination for Indian students for pursuing medical education.

Over 1,100 professionals working in the state structures of Kyrgyzstan were trained under the Indian Technical and Economic Cooperation (ITEC) programme. The Kyrgyz side welcomed the decision of the Government of India to continue to support experts from Kyrgyzstan within the ITEC framework.

The Indian side expressed gratitude to the Kyrgyz side for full support extended for the celebration of the second International Yoga Day. The Kyrgyz side appreciated India for setting up an AYUSH Center (Center of Ayurveda, Yoga, Naturopathy, Unani, Siddha and Homeopathy) in the Kyrgyz Republic to offer consultation and instruction in Traditional Indian medicine, and the Centre also arranges yoga camps for instructors from all over Kyrgyzstan.

Prime Minister Modi congratulated President Atambayev over the successful conclusion of the Year of History and Culture, and the Second World Nomad Games in Kyrgyzstan. President Atambayev thanked Prime Minister Modi for India's whole-hearted participation in cultural activities of Kyrgyzstan, including in the World Nomad Games.

The leaders noted with satisfaction staging of the play based on the epic "Mahabharat" in the Kyrgyz language at the Kyrgyz National Drama Theatre; the Festival of India in Kyrgyzstan; participation by the Indian artists in the

handicrafts fair, “Oimo”; and the publication of the autobiography of Mahatma Gandhi in the Kyrgyz language. During his visit, the first copy of heroic epic of the Kyrgyz people “Manas-Semetei-Seitek” in Hindi was presented to Prime Minister Modi by President Atambayev. The first copy of a collection of Indian poems in the Kyrgyz language, “Colours of Life” was presented to President Atambayev by Prime Minister Modi.

Cooperation at Regional and Global Levels

Noting the similarity of both the countries on many important international issues, the two sides stressed importance of deepening cooperation between India and Kyrgyzstan in the international arena, including in the framework of the United Nations and reaffirmed the need to strengthen the role of the UN.

Noting the contribution of India in maintaining peace in the world, the Kyrgyz side reiterated support for the rightful claim of India for Permanent Membership in an expanded UN Security Council. The Indian side thanked the Kyrgyz side for their consistent reiteration.

The Kyrgyz side appreciated the Indian side for active support to the Kyrgyz Republic for election to the UN Human Rights Council for the term 2016-2018. The Kyrgyz side welcomed imminent full membership of India in the Shanghai Cooperation Organisation (SCO).

The two leaders noted the challenges posed by terrorism and extremism in the world, as well as on the Asian continent, and emphasized ensuring a stable and secure environment for peaceful economic development. In this context, they also called for the adoption by the United Nations of the draft Comprehensive Convention on Combating International Terrorism.

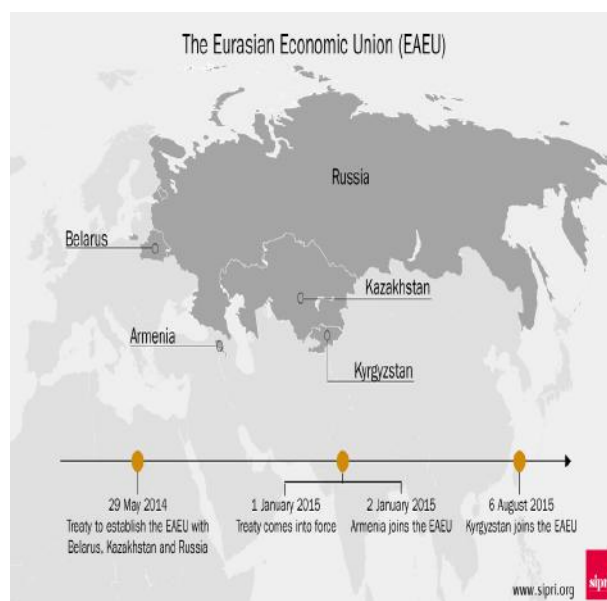
The two side leaders welcomed ratification of the Paris Agreement of the UNFCCC by number of countries, including India, which contributed to its entry into force on 4 November 2016. It was emphasized that the agreement should continue to be guided by the principles of the UN Framework Convention on Climate Change

(UNFCCC), especially the principle of Common but Differentiated Responsibilities (CBDR), and emphasized the need for the Annex II countries to fulfil their pre-2020 obligations. They underlined the importance of using renewable sources of energy for combating climate change.

Highlighting the importance of protecting vulnerable and fragile ecosystems and rare and disappearing species, and the Kyrgyz side organized a Summit on Protection of Snow Leopards in September 2017.

Eurasian Economic Union policies and practice in Kyrgyzstan

Kyrgyzstan’s experience as a member of the Eurasian Economic Union (EAEU) from mid-2015 to late 2016 has been disappointing. While favourable employment conditions have been created for Kyrgyz labour migrants, the anticipated increased access to markets of the EAEU member states and large-scale capital investments are still to be materialized. The prospects for Kyrgyzstan’s membership of the EAEU may become more favourable in a short term, but this would depend if the EAEU functions are as envisaged. Kyrgyzstan’s membership of the EAEU would serve as a testing ground to explore effectiveness of the group and scope for future expansion, as well as the capacity of the Kyrgyz Government to navigate this multilateral structure.



While facing EAEU inefficiencies, China has become the primary creditor of Kyrgyzstan in the recent years. Even though imports and subsequent re-export opportunities have diminished, China's role in funding large-scale infrastructure projects through direct lending to the Kyrgyz Government, as well as foreign direct investment (FDI) and regional initiatives, is expected to increase its importance.

Kyrgyzstan before and after joining the EAEU

After becoming a member of the World Trade Organization (WTO) in 1998, Kyrgyzstan adopted a liberal trade regime. This gave it the benefit from massive re-exports of Chinese goods to neighbouring countries and Russia. Within this framework, the trade sector became a driver of economic growth and a source of employment for about 15 per cent of the Kyrgyz labour force. Following its decision to join the EAEU, it became clear that this re-export activity would cease, given the anticipated end of the differential in import tariffs.

Initially, there was some opposition to joining the EAEU within Kyrgyzstan, particularly from some officials, business organizations and non-governmental organizations (NGOs). They argued that membership would make Kyrgyzstan dependent on Russia not only economically, but politically also. Despite these misgivings, President Almazbek Atambaev and the Kyrgyz Government signed the EAEU membership agreement on May 2015. Kyrgyz officials argued that joining the EAEU was not only the only viable option, but also a highly promising one for development. In this way, they raised public expectations too high. On accession to the EAEU, Kyrgyzstan became the fifth member along with Armenia, Belarus, Kazakhstan and Russia. However, this coincided with a sharp decline in oil prices and imposition of economic sanctions on Russia, which contributed to depreciation of the Kyrgyz currency and contraction of its economy. These events affected Kyrgyzstan's trade, remittances and investment inflows.

The five member states of the Eurasian Economic Union (EAEU) as of June 2017 are Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia.

Currency appreciation and depreciation

The less discussed feature of this period is the appreciation of the Kyrgyz Som against Russian Rouble and the Kazakh Tenge, which induced an increase in imports of goods from EAEU member-states. Kazakhstan's Central Bank depreciated Tenge to maintain its previous parity with Rouble, but the Kyrgyz National Bank did not follow suit. It intervened heavily to keep national currency strong for fear of harming its highly dollarized economy.

Therefore, instead of exporting its agricultural products, Kyrgyz producers suddenly faced competition from Kazakh, Russian and Belorussian companies in its domestic market. This created public disillusion with the Kyrgyzstan Government's decision to join the EAEU, even though the exchange rate developments were not directly connected to integration efforts. These negative sentiments have intensified with the continued struggles of agricultural exporters, whose exports have been banned by both Kazakh and Russian regulatory bodies on the grounds of food quality and safety. A further frustration is Russia's inability to continue with the construction of a hydroelectric station, which resulted in the termination of the agreement. In all these cases, the reality has not lived up to the expectations.

Among the more positive developments, labour migration statistics show that as of 2016, more than 25 per cent of Kyrgyzstan's total workforce was employed in Russia. Remittances account for 30 per cent of Kyrgyzstan's total gross domestic product, and over 90 per cent came from Russia. Between 2015 and 2016, the inflow of remittances increased by 22 per cent to USD \$1.6 billion. These figures contrast with Uzbekistan and Tajikistan, which witnessed a reduction in the number of labour migrants in Russia combined with an ongoing decline in remittances. It may be assumed that Kyrgyz labour migrants also

possess more formal rights and fewer restrictions on employment in the EAEU countries; although there is no evidence to confirm this assertion.

Another advantageous trend is visible in the Kyrgyz-Russian Development Fund, established in November 2014 with USD \$500 million, which aims to boost investment in Kyrgyzstan. The fund increased its level of activity in 2016 by crediting private sector and promoting import-substitution sectors of the economy, such as agriculture, food processing, construction and textiles. By the end of 2016, the fund had extended loans of USD \$175 million, but the total effect of these loans and investments is yet to be fully evaluated.

The increasing role of China

Russia has a strong footprint in Kyrgyzstan, but China's role as a development actor and investor in Kyrgyzstan has been growing exponentially in the recent years. China became a major donor by funding large infrastructure and energy projects and providing budget support. Prominent projects funded by China include USD \$389 million for the Datka-Kemin energy transmission line, USD \$386 million for reconstruction of a Bishkek energy company and USD \$400 million for construction of the Bishkek-Torugart road, as well as construction of an alternative route linking the north and south of the country.

The extent of such projects is likely to grow. The Export-Import Bank of China became Kyrgyzstan's largest creditor in 2016. It has outstanding credits of USD \$1.3 billion, which accounts for almost 40 per cent of external public debt. There is also growing interest from public and private Chinese companies in FDI in the energy, airline and construction sectors to access the EAEU market. Given the expansive nature of these, albeit nascent trends, China is poised to rewrite the rules and alter domestic attitudes to FDI and infrastructure development in Kyrgyzstan.

Overall, it is difficult to assess the benefits of Kyrgyzstan's accession to the EAEU, as its membership has coincided with regional economic and political shocks. The economic prospects for Kyrgyzstan as an EAEU member

may be favourable, but it must fulfil outstanding requirements of EAEU membership. In the meantime, China is clearly increasing its strategic and economic interests in Kyrgyzstan, leading to questions over how the latter would balance its longer-term cooperation with Russia.

India EAEU FTA – FICCI Survey Report

The EAEU, comprising Russia, Belarus, Kazakhstan, Kyrgyz Republic and Armenia, established in 2015, could emerge as a prospective partner for India which have had limited trade with the CIS countries.

Currently, bilateral trade between India and EAEU is around \$9 billion, and was at \$11 billion at its peak in 2012-2014. *"Supported by the modern instruments of trade policy, the trade could grow significantly,"* - Veronika Nikishina, Board Member and Minister for Trade of the Eurasian Economic Commission (EEC). According to her, Belarus would benefit the most with the potential of trade growth with India up by 20 per cent, followed by Russia (18 per cent) and Kazakhstan (12 per cent). For EAEU as well as for India, the potential export growth is estimated to be at around 18 per cent once the FTA is in place.

The Joint Feasibility Study Group report published earlier this year showed a potential growth of bilateral trade between India and EAEU up to \$37-62 billion. The exports from the EAEU to India have the potential of additional growth up to \$23-38 billion while in case of exports from India to the EAEU, there would be potential additional growth of \$14-24 billion

FTA between India and EAEU

The FICCI has performed a perception survey on India Eurasia Relations, on various aspects of trade relations between India and the EAEU countries.

The raison d'être for the FTA Survey is to ascertain interest areas, issues faced, factors hindering trade and investment and what could be the key items which should form part of the 'negative' list for imports and items to be promoted for better market access.

Conclusion

According to the Dr Nina Federoff, Science and Technology Adviser to US Secretary of State, 'Science diplomacy is the use of scientific interactions among nations to address the common problems facing humanity and to build constructive, knowledge based international partnerships.' The role of India's science diplomacy for Kyrgyz Republic is essential in terms of cooperating in space of science, innovation, technology, industry, human building capacity, etc

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