

## TRANSCRIPT

### ROUND TABLE

#### «Kazakhstan – Kyrgyzstan: state and perspectives of a strategic partnership»

On June 26<sup>th</sup> 2008, the Institute for Public Policy held a round table on “Kazakhstan – Kyrgyzstan: state and perspectives of a strategic partnership” together with the Institute for World Economics and Politics with the Fund of the First President of Kazakhstan. The round table brought together representatives of government structures, researchers and experts in economics and foreign policy.

#### *List of participants:*

**Marat Shaihutdinov**, Director of the Institute for World Economics and Politics (IWEP);

**Konstantin Syroejkin**, Chief Scientific Officer, IWEP;

**Murat Laumulin**, Chief Scientific Officer, IWEP;

**Askar Nursha**, Head of the Center for International Research by IWEP;

**Adil Kaukenov**, Director of the Center for China Studies by the IWEP;

**Erbol Ahmetov**, The First Secretary of the Kazakh Embassy to Kyrgyzstan;

**Muratbek Imanaliev**, IPP President;

**Bazarbai Mambetov**, President of the Association of Oil Traders in Kyrgyzstan;

**Erlan Abdyldaev**, Director of IWPR office in Kyrgyzstan;

**Almaz Biybosunov**, Head of Department for Perspective Development of Industry and Energy of the Ministry for Industry, Energy and Fuel Resources of the Kyrgyz Republic;

**Valentine Bogatyryov**, Head of Perspektiva Analytic Consortium

**Aseyin Isaev**, Head of Commonwealth of New Independent States Department in the KR Ministry For Foreign Affairs

**Muratbek Imanaliev:** I am happy to welcome you all to the Institute for Public Policy. I especially want to welcome our colleagues and friends from Kazakhstan. Today we have guests from Almaty, the Institute for World Economics and World Politics with the help of the Fund of the First President of Kazakhstan. I think that representatives from Kyrgyzstan know of the existence of this Institute and the Fund and are well aware of this institution being one of the most perspective and reputable scientific-expert organizations in Kazakhstan. All of us recognize what a serious influence the Kazakh expert community has on the opinions and positions of scientists and experts in Central Asia. Kyrgyzstan values highly the studies made and presented to the scientific-expert community by our Kazakh colleagues.

Yesterday, the Institute for Public Policy hosted consultations on cooperation between our organizations. I think that we have a good outlook and capacity for cooperation. Today we would like to hold a round table devoted to the issue of Kazakh-Kyrgyz relations. This issue is more than relevant for both countries in the context of developing a strategic vision and deciding the future. Kyrgyzstan and Kazakhstan have a very specific foundation for forming this capacity and developing strategy. In particular, the President of Kazakhstan, Nursultan Nazarbaev said that there was no nation closer to the Kazakhs than the Kyrgyz. I think that this assessment relates not so much to political structures nor

even to humanitarian ones, but to the possible outcome of solutions to complicated political issues. Economics and politics don't always play the most serious role in the development of relations. As is known, in the history of international relations sometimes the humanitarian foundation for relations plays a more significant role. As the Germans say: "Memories are a good platform for good future results". I assume that we have serious grounds for a very strong and a perspective development and cooperation between our countries. Of course, that should not in any way shield or camouflage the laws of economics and international life. The initiative of the Institute for World Economics and Politics must be supported by the Kyrgyz side.

Before starting the round table, I would like to introduce its participants. To the left are our Kazakh friends. Mr. Marat Shaihutdinov is the Director of the Institute for World Economics and Politics, He is a Doctor of Historical Science, a Professor and a fairly famous person in the world of science and expertise, and a person that has held top decision making positions in the Administration of Kazakhstan's President for a long time. Please, Marat Ersainovich.

**Marat Shaihutdinov:** Before introducing my colleagues, I would like to thank the management of the Institute for Public Policy for an opportunity to visit you, for supporting the plans and suggestions expressed by myself and my coworkers. Now there is a good opportunity to speak more substantially, sincerely and objectively about the questions and issues outlined. I can only add that there is a big desire to work together through particular events from case to case, and to build creative dialogue and cooperation. Our official friendly proposal to the Institute for Public Policy in Kyrgyzstan is not accidental since this country is of a high interest to us. Besides all those historical elements mentioned today is one of the essential aspects; a key for Kazakhstan and Kyrgyzstan to become even more successful.

My colleagues work on foreign policy issues: Konstantin Syroejkin – chief scientific officer of IWEP, professor. Professor Laumulin has the same position. Askar Nursha – head of the Center for International Research, and Adil Kaukenov – Director of the Center for China Studies based in IWEP. We are also grateful to our Embassy.

**Muratbek Imanaliev:** I would like to introduce the Kyrgyz side. Bazarbai Mambetov is currently President of the Association of Oil Traders in Kyrgyzstan. He has worked in various decision making positions for a long time, he was a Vice Prime-Minister of the Kyrgyz Government and he is the main expert on water – energy issues. Valentine Bogatyryov is a multi-disciplined expert including foreign policy issues. Currently he is leading the Perspektiva analytical consortium. Erlan Abdyldaev is now Director of IWPR in Bishkek. He is a professional diplomat with a career in the Ministry for Foreign Affairs of the Soviet Union, the Embassy of the USSR to China, and later in the Embassy of Russia to China, and thence Kyrgyz Ambassador to China. Aseyin Isaev is head of the Commonwealth of Independent States Department in the Ministry of Foreign Affairs of the Kyrgyz Republic. If you do not mind, I would like to look to him for the official position of Kyrgyzstan on Kyrgyz-Kazakh relations and then we will proceed with the discussion. Since today we have a general theme, I think we can talk about various points of Kyrgyz-Kazakh cooperation and relations with our neighbors, particularly the larger countries. Everyone is interested in relations with the so-called "Big Three" – the US, China and Russia. Maybe we will manage to come to a consensus on relations with these countries. I have a feeling that we could prepare some recommendations to our governments on a number of fairly challenging issues. Aseyin Isaev, please.

**Aseyin Isaev:** A significant part of our bilateral relations are under the Ministries of Foreign Affairs of Kyrgyzstan and Kazakhstan. I would like to emphasize that today intergovernmental relations between Kyrgyzstan and Kazakhstan are fairly diversified. These include relations between our customs officers, border officers, reinforcement bodies, transport communication and cooperation of bordering provinces. Based on the information everyone has, all of these entities cooperate with each other

without problems; there is a sufficient agreement-legislative framework and there are no issues here that should be resolved on the level of heads of state. In this sense, the legal framework for cooperation between Kyrgyzstan and Kazakhstan is the most advanced. Kyrgyzstan has agreements on alliance relations only with two countries – Kazakhstan and Russia. But in the case of Kazakhstan, we have an agreement on the international council headed by the leaders of the two states. The international council has a reporting body of an intergovernmental council led by the Prime Ministers of the countries and a council of Ministers of Foreign Affairs led by two of their ministers. This is a fairly new institute, a fairly new phenomenon, and there are supranational elements. In other words, the two Presidents can make decisions obligatory for implementation by respective government bodies of the two states. Considering the level of participants on the Kazakh side, it is necessary to give advice to the political management and executive branch on how to resolve a number of issues. Political contact is good and top officials meet often, make decisions and talk about them, but when it comes down to the implementation, a lot of issues are bottlenecked. Indeed we maybe need such round tables to take a third look at the process and to understand what is causing problems.

I said that our relations are mostly trouble-free but I would like to direct your attention to a range of outdated questions. We have mutual debts left in perpetuity from economic bodies as far back as Soviet Times. There are water-energy resource questions that have not been resolved from year to year. There are urgent humanitarian issues– issues of labor migration. Based on some calculations, around 70 thousand labor migrants are now in Kazakhstan and we cannot legalize their situation there and provide a legal framework. Although legal aspects are not resolved there is an informal agreement since Kazakhstan needs human resources while Kyrgyz citizens working there send money to their homeland.

I would like to direct your attention to the fact we have had 60 visits on a top level since 2001. That makes 8 mutual visits per year. Active interaction is also taking place on a Parliamentary level. As regards trade and economic cooperation, Kazakhstan takes second place in volume after Russia. During 2007, trade circulation between Kyrgyzstan and Kazakhstan made up 550 million US dollars. In this year we see an increase. Regarding investment, support from Kazakhstan today is the largest of those countries. The main import items from Kazakhstan are wheat, sugar, oil products and metal. From Kyrgyzstan electric energy, electric bulbs, glass, cement and dairy products are supplied. Over 400 Kyrgyz-Kazakh enterprises are working in Kazakhstan and 90 joint Kazakh-Kyrgyz companies. These joined companies mainly work in the spheres of trade, construction and tourism. Here there are several examples of investment activity; currently Kazakhstan has actively joined the hydro energy program and there is a question about further participation in the construction of the Kambarata Hydro Power Stations. In 2006, Kurmetinskiy Cement Plant was purchased in Issykkul oblast [province], the gold deposit Taldy-Bulak was purchased from Almaty and the Issykkul road is under construction. Our bilateral trade-economic relations are developing actively. Mutual political contact is also contributing to this. Our relations so far do not require active cooperation in the military; there are no clearly identified military issues although during the Batken events, the Kazakhs reacted very efficiently. In the agreement on relations, there is a point that our governments will provide mutual military assistance in the case of a threat. Thank you.

**Muratbek Imanaliev:** Thank you, Aseyin. I think that this is useful and valuable information and we have received a deeper understanding of positions of the Kyrgyz Government on Kyrgyz-Kazakh relations. I think that concerning our relations there are two important issues. Firstly it is necessary to outline priority directions for cooperation, which has not been done yet. Water-Energy issues, transportation issues and communications issues are mainly related to problematic aspects of our relations rather than being a priority. The negative aspects of these issues mean we should highlight them as a priority. In reality, a constructive approach has not been developed yet in my view. Therefore I think it is important to seriously discuss this.

Aseyin mentioned labor migration. Certainly, this is quite a serious and painful issue for Kyrgyzstan. It is considered to be one of the most important points for the Kyrgyz Government. But in the sense of a legal format and further work on it, it is still in the draft state. In other words it is not thoroughly worked on and it is unclear how to solve it. The consequences of this may be very unpleasant primarily for Kyrgyzstan. Today it would be desirable to track a block of existing negative problems. Any government has them. Therefore it is important to distinguish what is a priority and what is a problem for the construction of an overall schema of relations between our governments. Certainly, trade, economic cooperation, investment cooperation and the presence of Kazakh banks in Kyrgyzstan (and Kazakh business overall) is a positive thing. But even in this, we should see certain problems that we should work on together. I can say that Kyrgyz society also has a negative attitude towards the presence of Kazakh business here. But unfortunately, neither the government nor NGOs can explain anything. There is a range of business projects run by Kazakh investors and businessmen here that they themselves, unfortunately, cannot legitimately explain. Therefore various rumors and misunderstanding come out; someone even said something about Kazakh "occupation". It is hard to say to what degree that may impede the alignment and stable development of relations. But considering an enormously positive attitude existing today in our relations, and in historical terms, it is not seriously revealed in our modern relations.

So what priorities can we talk about? I would like our guests and Kyrgyz experts to express their considerations. The floor is to our guests.

**Marat Shaihtudinov:** I would like to say that Kazakhstan and Kyrgyzstan need a distinct and consistent approach to mutual interests. All of us are dealing seriously with integration issues that Russia is building towards its regions, and us in particular. When it comes down to bilateral relations, it is important for us, how consistently it is designed and what the official doctrine of the government is. That is important at all the frequent meetings of heads of states. It seems to me that these issues are not defined yet.

On behalf of the Kazakh side, there is indeed a crucial momentum today. Your presence in our region and the construction of long-term strategic plans require a mutual approach. There were times when governments created their sovereignty and national interests were the priority; serious work had been undertaken for building relations with global players, while the interests of Kazakh-Kyrgyz relations were left in the background. Today we work with Astana, provide our recommendations and discuss a qualitatively new level of relations. This should be exclusively our own position and the specific interests of both our countries. Everyone acts based on their own pragmatic plans and the issues mentioned today will continue to exist. Market laws will dictate their conditions and Kazakh business will contribute there, where it is more beneficial and where they can draw profit. But there are interests of specific businesses and also state interests and the interests of bilateral relations. This is the second point that I would like to draw your attention to. The third point touches upon uniting and cooperating on internal and external issues. Their number is increasing each year and they are acquiring a qualitatively new level. If up to 2007, the European Union's presence here was passive, now we see that they intend to work more actively and more focused; in other words along with Russia and the People's Democratic Republic of China new players are emerging that are related to each other not only by mineral resources and energy, but also geopolitical interests. These are the three issues.

**Valentine Bogatyryov:** May I ask a question to our guests? Could you answer the following question; what is drawing Kazakhstan's interest towards Kyrgyzstan? What terms is the nature of alliance expressed in? I understand that there are ideologies related to some Central-Asian association that exist in the head of the President Nazarbaev. But speaking realistically, cynically and simply, what are the real grounds for Kyrgyz-Kazakh relations, in your opinion?

**Marat Shaihutdinov:** I cannot agree with you about idea existing only in the head of the President Nazarbaev. I have just touched upon this issue. Nazarbaev personally, and the political and scientific elite of Kazakhstan, have already dealt with this issue: the leadership that everyone was eagerly discussing, competition with Uzbekistan, etc. I spoke of a qualitative momentum. President Nazarbaev understands that complex phenomena and trends are taking place around the world. It is not that he has an urge to invade the region and to become its leader. One cannot argue with full confidence that Kazakhstan has been established as a government although it seems that it is a dynamically developing state; we do not have any illusions about ourselves. It is important for the president that after his governance Kazakhstan preserves itself, and the issue of political succession passes without conflict. That is the first thing.

The second is related to the region itself. We spoke a lot about subjective and objective nature of the region and whether we can resist problems. I will say some hackneyed things that you have already heard: it is profitable for Kazakhstan if Kyrgyzstan is a stable and strong state and if the situation in Uzbekistan is stable. We care about this Southern arc of instability that will probably still remain – related to Afghanistan, Tajikistan, Iran, with Caspian elements, etc. Just as it is important for Russia, it is important to us that everything here is peaceful. One more point: in order not to argue and not to slug it out, but trade beneficially, it is important to create an energy, water and transportation-communication platform that will provide the opportunity for this. It is important for people to move freely and to ensure free work in business. In this case, it is important for us that Kazakh business is guaranteed to have profit in Kyrgyzstan. It is important to do large projects together.

One of our visits to Uzbekistan last year was considered a breakthrough. They talked about the creation of joint cotton processing enterprises to compete on the world market. A huge amount of food products from Uzbekistan coming to Russia or to us become thrice more expensive after passing through their borders. It is necessary to create conditions for avoiding this. We agreed with the President Karimov and have signed papers, but when it came down to specific implementation, almost all of the projects failed on the border, in other words none of them were implemented. Misunderstanding and barriers do not play in favor of our countries and the region in general. It is extremely profitable to Kazakhstan for us to be capable of expressing our opinion, our position on tariffs, etc in a consolidated manner. In the same manner, in military-political and strategic issues we could consolidate our efforts for protecting our positions with CSTO [Collective Security Treaty Organization] and SCO [Shanghai Cooperation Organization]. Politics taking place on militarization and on retro-fitting our military forces in conformance with NATO standards, earlier or later will anyways raise a problem - whether it be a ‘zenith’ complex of Russia or related to NATO. In this case, we should speak one language and it should be a common language in the sense of an attitude to those global players that have up till now approached us separately to solve their issues. These are several points I wanted to elicit.

**Muratbek Imanaliev:** Thank you. Problems in Central Asia appear because there are not any joint state-legal spaces. This is one of the fundamentals for the construction of a national state that is not here yet. We should clearly understand it. Many of my colleagues in Kazakhstan and especially in Uzbekistan will say: “We have been established and have been working”. But when I mentioned gaps and problems in Kazakh-Kyrgyz relations I have not focused on corruption in this sphere. It exists unfortunately. This is a weakness of failed states. Marat Ersainovich mentioned Afghanistan. The relevance of the Afghan problem was shifted to Russia, China and the US. In our country they say that the Americans should leave. But those who are really dealing with politics should understand that the departure of the Americans signifies the emergence of colossal problems. And no one besides us will be solving those problems. I also want to emphasize that the absence of a government approach to the matter has significantly reduced a clear understanding of this issue.

And the last thing that I want to say in this regard: coverage beyond post Soviet borders has not happened. Membership in the UN is a formal existence within a global organization. The OSCE -

Many still did not understand what it was about, and Europeans, frankly speaking, have not understood what we were doing there. This is my personal feeling, I may be wrong. The OSCE was created for ensuring the security of Europe, first of all. That was a caprice of a history of international relations. Two giants were fighting, and as a result we joined the OSCE. So I think we should seriously think about this problem because a turnaround has not happened in the context of the collapse of the USSR. It is a simplified understanding of the situation. This is a prolonged crisis taking place on the planet and causing us not to see the problems that exist or to solve them incorrectly. In principle, the outside world is proposing to us to build a national government based on two problems: they have a struggle with terrorism and energy resources. And now, the food supply issue has also been added. All other concepts related to humanitarian and cultural development are somehow cut off. And we, sitting here in Central Asia, agree with this and deny what is actually called culture. That is what I wanted to add.

**Konstantin Syroejkin:** Muratbek Imanaliev has frankly verbalized many interests. I want to add that I do not have a very good attitude to the idea of the creation of this union either but there is a rational grain in it. The problem of the SCO and our membership in it is that China has managed to divide the post Soviet space. It has done it very successfully on the issue of borders. No one forced us to destroy a commission on the border created in 1992. The problem is that inside the CIS we do not have a consolidated position. It is not a question whether that position will be anti-Russian. We do not have a consolidated position even within the region. And to my mind, this is the main challenge. I understand that there are suspicions that Kazakhstan is supposedly working on investment expansion. I agree with Muratbek Imanaliev that in this sense we do not have a government approach in international relations. The activities of those banks that have individual politicians behind them are perceived as a government activity. That is not quite so. This is an activity of specific economic entities. They might be backed up by some politicians but they should not be considered as government politics. The interest is in something different. From my point of view, the interests should be concluded in the development of a consolidated position on many international issues. Therefore we need to deal with the economics. It is necessary to adopt a normal legislature on the level of economic entities. On post-Soviet space a basic economic law – a Law “About Private Property” is absent. It does not exist anywhere. And it is not incidental that it has not been adopted yet because it is easier to shore up everything without it. For me, as a person working on foreign policy, the most important thing is to find a platform upon which we can try to develop a consolidated position on certain issues. I am strongly confident that one should not talk to China separately but everyone together with the participation of Russia.

At first, the position of Central-Asian states on a given issue should be formed, whereupon this position should be coordinated with Russia, and then it should be presented to China. Otherwise, nothing is going to work out. In other words, the idea itself has a rational grain. But here’s the problem – how much of it can be realized with the consideration of the corruption component. One of the problems is that we know nothing about each other. There is an informational vacuum. I know more about China than about Kyrgyzstan or Uzbekistan. We learn about each other from a Russian Media that works very specifically. No one will transmit positive news since it is not interesting to people. Interesting agreements are signed but unfortunately they are published in Russian editorials. They have not been published in Kazakhstan. I don’t understand what is so confidential about them? I have only read the Agreement “About Strategic Partnership of Kazakhstan and China” in a book published in China. Due to secret curtains and rumors, tension and suspicion appear.

**Marat Shaihutdinov:** When we are talking about Kazakh business in Kyrgyzstan, it is not Kazakhstan. It is not a full business structure but a part of people doing business. Since this issue has been raised here numerous times, I would like to say that what really concerns us is that public opinion about Kazakhstan, from year to year, is formed from those working here. There are large companies; there is a small business and real estate market. It is necessary to explain to large business structures working in Kyrgyzstan that their activity here is not always working in favor of Kazakhstan - that they bring

serious harm to the national interests of a state fighting for economic profit. Being citizens of the Republic of Kazakhstan, they should measure their deeds against more than money and projects. That is important and these things should not be left out. At the same time the government has recommended our large financial – industrial groups to wisely approach the issue of investing money abroad and studying the political situation and economic stability before doing so. That is vital in order not to end up bankrupt or a victim of a court trial. This is a serious issue and it cannot be solved in one day. And our visit is part of a long-term planned work. It is one of large focused discussions for understanding two parties in the solution of serious questions including political and economic ones.

**Valentine Bogatyryov:** I apologize, maybe I have said something wrong but I did not want the conversation to flow on the level of a discussion about what bad businessmen the Kazakhs were. I spoke about something totally different. When I said that agreements had been poorly realized, etc – for me it is important to understand what is there in the idea that is not letting it be implemented? I look for roots there and not in the fact that there is corruption or bad customs officers. Since we have a conversation in an expert format, I ask you to treat my words as concepts and not assessments. The words “empire” or “expansion” will not have a negative connotation.

In my opinion, three types of alliances exist. The first is when two strong competing states make an alliance for avoiding a conflict. A typical example of such an alliance is the SCO: Russia, China and we – as a garnish. The second type of alliance is when states have a common idea. This idea and a common goal unite them. Such an alliance is represented by Europe. And finally, the third, the most widespread type of alliance, in my opinion, is a pre-empire or post empire alliance. When a country, moving towards the acquisition of empire consciousness and status, forms certain alliances with other countries for achieving its own objectives. There’s either an objective of acquiring imperial position or retaining it. The CIS is a typical example of such an alliance. Then I ask a question: when we talk about a Central Asian alliance, what do we mean? Which alliance are we talking about? The response is easiest for Kyrgyzstan: we are dealing with a growing Kazakhstan that is acquiring a serious status and which, in this sense, needs certain protectorates. Germany is behaving in the same manner. It is also trying to acquire a certain status as a global player at the expense of the influence it has in colonial-type zones. And Kazakhstan is trying to gain certain allies, which would support it and would make up some type of an imperial retinue. Once again I am asking you not to judge my words.

That feeling exists from the point of view of our country. That leads to a bunch of issues, especially because demonstrations of Kazakh expansion clash with the interests of local business and the interests of regional elites. An additional challenge is that the Kyrgyz-Kazakh question is actively used by our opposition. That is revealed in border issues and will even be more relevant in the issue of energy resources if Kazakh companies start to participate in it, and it is obvious that they will.

What is the idea of an alliance? What can be proposed as a Central-Asian alliance in a Kyrgyz-Kazakh format? To my opinion, there can be two ideas here. The first is a path towards the foundation upon some cultural level. This is a cultural justification with ethnic content; it is a common Turkic idea of a new Central Asia which may be equally accepted and be a framework for a large country such as Kazakhstan as for a small state, such as Kyrgyzstan. In this type of an alliance we would really feel as partners. But this idea does not exist yet and Kazakhstan has not suggested it. The second method of an alliance is simple, in other words, all problems of Kyrgyz-Kazakh relations should be translated into a pragmatic economic course; be cynical and do what is profitable for both states. From the point of Kazakhstan’s view, Kyrgyzstan has many profits. There is a possibility of withdrawing capital through Kyrgyzstan and working with it in various formats – either investment, or laundering or anything else one wants. This is one method. The second is what is taking place in Issykkul and the investment in tourism. One or another may be used for taking off energy resource deficits in the South of Kazakhstan that is growing there. What should Kazakhstan do: either build its own Hydro Power Station or Atomic Station or use the spare energy of Kyrgyzstan?

In my opinion, there are no answers to these questions yet and a real choice has not been yet made. This should be done by elites.

**Muratbek Imanaliev:** Thank you. What Valentine Bogatyryov said is valuable in all aspects, at least for understanding this situation. In support I will say that a Central-Asian alliance is interpreted by many politicians here as a method of Kazakhstan to position itself as the third equivalent participant of the SCO. In order for Kazakhstan to position itself this way, it needs some stanchion. Such an opinion exists.

Another issue is of the existence of our republics in the Soviet Union where mutual criticism and claims did not have a public form. Why did Kyrgyzstan refuse to create the same delegation on water issues with China in 1997? At that time, the year of 1994 was marginal. In Bishkek, people immediately said: “If Kazakhs and Russians are suggesting something that means they want to solve all of their problems at our expense.” Such things, unfortunately, are very tenacious and it is a challenge to eliminate them.

Yesterday I was trying to interpret ideas of President Nazarbaev in the sense that a joined Central Asia would be capable of advancing this historical process that would renew our life. And if it is so then I think it will be acceptable. A negative assessment should encourage the emergence of the positive in our relations, and in general in what is called Central Asia. Let’s continue.

**Askar Nursha:** Often we had to speak to experts that asked us what the alliance had been needed for. Is this an idea for its own sake or for the increased capabilities of Kazakhstan and a necessity to invest money, capital and somehow to manage new capabilities? I have been dealing with this problem for three years and the expert community believes that we are starting to lose Central Asia. Kazakhstan became involved in relations with the super powers – Russia and the USA – but what is happening by our side? And at that time, explosions took place in Tashkent; “color revolutions” started, whereupon power shifts occurred in Turkmenistan. We really do not know what is happening here. It is time for Kazakhstan to start paying attention to problems in Central Asia and since there are such capabilities, why not push our partners to their resolution? In other words, that is a matter of talking and not about increased capabilities.

The second question: how can we do it, are there any mechanisms for it? Really when I have been working in the Kazakh Institute for Strategic Research almost every analytical report had a statement that Kazakh business should come to Kyrgyzstani and Tajikistani markets. And then you start to look where this Kazakh business may come realistically and what real spheres exist. It turned out that there were not that many spheres after all. In other words we publish similar products. And that leaves banking, the investment resources of Kazakhstan or resource deposits, management and hydro energy resources. In essence, there are not that many spheres. And our objective, as of experts, is to create these very spheres. Therefore an alliance of Central – Asian states is needed to solve these issues in the first place as a mechanism of intergovernmental coordination. Too many problems are being accumulated and a conflict capacity in relations with republics is growing inside the region. Uzbekistan is behaving in a fairly conflicting way.

Therefore, we ourselves need the alliance so that in the future we do not fight with each other. Already it is necessary to foresee certain mechanisms and agreements with civil society to ensure that our nations continue living in peace in the future. Therefore, in the sense of bilateral relations it is necessary to think which alliance it would be. How will Kazakhstan and Kyrgyzstan act within this alliance? If we are allies then how should we act together towards other countries as within Central Asia as within the perimeter of our borders? Today I see no real presence of Kyrgyzstan in a united space of Kazakhstan. Visits of the Presidents of both countries passed, the media has covered it and

that is all, everyone forgot about it. But ordinary people, inhabitants, have not understood what these visits were for. For him there is not any real alliance and only the problems of labor migrants exist.

Another aspect is the Chinese factor. Indeed, we see that now the Chinese factor is strengthening. And Kazakhstan and Kyrgyzstan position themselves as certain bridges of cooperation. In Kazakhstan this factor will continue increasing. The issue is in the openness of the borders of the region. Today Kazakhstan is launching several railways, Kyrgyzstan is doing the same. That is the bridge strategy. But what will that give? We are talking about integration. But going through the border, we saw what a queue is there. What is realistically being done for our citizens to peacefully pass those borders? Why can't we do it as Europe does: one procedure for citizens of the European Union and another one for all others? In other words, why don't we introduce a humanitarian element. Then we will see that some mechanisms are indeed functioning. In diplomacy, the word "alliance" has some meaning but in the real world it does not exist. There is inter-parliamentary cooperation and international councils – but all these are bureaucratic decisions. We have made institutional decisions on problems but it has no program. Agreements that were signed on borders and recreational hotels have solved old issues.

Kazakhstan due to its geographic location has a different look at the situation. Kyrgyzstan is deeper rooted inside Central Asia. And Kazakhstan should consider the specifics of world perception. Since the discussion touched upon OSCE, and the program of its activity is being discussed. Kazakhstan would like to be more than an ambiguous chair but to ensure that its chairmanship is useful for Central Asia. There is a problem with the borders and Kazakhstan could speak out with a consolidated position. Therefore there is an opportunity to discuss our cooperation in the OSCE with Kyrgyzstan. Thank you for your attention.

**Muratbek Imanaliev:** I think that everything will be too complicated with the OSCE. Because all Central-Asian states except Kazakhstan would like to leave the OSCE but they do not know how to do it. That is a direct statement of the situation. Turkmenistan has long stopped being present there. Uzbekistan has a negative view on work with OSCE. Here everyone except human rights organizations look at the OSCE as at an American-European instrument of influence. Therefore it is practically impossible to develop a consolidated position on the chairmanship of Kazakhstan in OSCE.

**Bazarbai Mambetov:** Based on my observations, every third Kyrgyz family is somehow related to Kazakhstan, and this relation today provides for expansion of Kazakh business to Kyrgyzstan. At that I want to note that the government has no participation in this expansion. I am an economist myself and have spent all my life working in economic positions excluding my work in party institutions. Many think that we are the closest nations.

Our great Manas epic is over 1 000 years old. When Kyrgyz people wanted to organize a funeral feast in honor of death of the richest Kyrgyz khan [rich regional governor] Koko-Tai, they brought together a council made of smart aksakals [wise gray-haired men] to Karkyra place located on the border of Kyrgyzstan and Kazakhstan to make ash [plov – national meal]. They started thinking whom they should send invitations for the next year's one-year funeral and out of more than forty nations; one of the first to be invited was the Kazakh nation. So 1 000 years ago the propinquity of the Kyrgyz with Kazakhs was emphasized.

Now we have a common road and railway and we use water from the same rivers and we have the same pastures. This truth should lead to the fact that all of us should have been joined long ago into a single economic space. Unfortunately, that is not working: we have created a Central Asian economic community but it fell apart. Now we are together in Eurasec, CSTO and CIS and I see that life will lead us to the creation of a Kazakh-Kyrgyz alliance based on the Russia-Belarus model. I am more than confident that we will by no means follow this path. In this case we would have enough natural gas, oil, coal, electricity, wheat, water and all modern types of products. We have plenty of everything.

I was a witness when in December 25-26, 2003 there were serious negotiations and Nazarbaev was the first to say that the Kyrgyz were demanding freedom of transit. Kyrgyzstan wanted to reach the West, Russian and Pacific regions by railway through Kazakhstan. It is important to remember that international transit and intergovernmental tariffs are two-three times more than your internal tariff. In this situation it is not profitable for the Kyrgyz to export commodities. President Nazarbaev has understood that and said that an internal Kazakh tariff would be provided to the Kyrgyz without signing an agreement and that it results in the Kazakh railway losing 8 million dollars per year while volumes of Kyrgyz cargo do not make up even half a percent from the overall volume of cargo flow passing through the railway of Kazakhstan.

If we speak about oil and gas then we sit on one pipe and gas is coming from Uzbekistan. But today there is no way to explain the situation related to oil. We have oil but the economics are weak and we cannot extract it. If the government cannot provide this industry with the required investment then let's invite foreign investors, but they must be brand companies working in a core industry. In addition we should ensure that a certain portion is guaranteed for Kyrgyzstan with the condition that 1-2 million tons of oil are mined to provide a sufficient load to a constructed plant and to satisfy market demand.

Today our need in oil products makes up 1 250 000 tons. Out of them a little more than 100 thousand are imported from Kazakhstan. After our revolution the Kazakh oil processing plant stopped selling its products for various reasons. But we are not asking it free of charge. We agree to a market price by export quote but it is still not sold to us because it is profitable for them to sell oil products to Afghanistan, China and Pakistan.

In two days our President met with the President of Kazakhstan and orally agreed that Kazakhstan was ready to supply up to 300 thousand tons of crude oil to the Jalalabat Plant for processing. Besides, 10000 tons of petroleum and diesel fuel should be supplied from Chimkent oil Processing Plant on a monthly basis. After that, literally after 6 days a regulation of the Kazakh Government passed placing a ban on the export of all types of oil products. But we were asking just for 10 percent of the overall needs of our market.

In 2004, 90 percent of our market was supplied by shipments from these plants. And it is good that the Russians started to supply their products when this situation occurred. And they asked me: "You are almost relatives with Kazakhstan, why did it turn out this way?"

We are the only governments in Central Asia that are members of the WTO and we were the first to sign a protocol of agreement on a membership of Kazakhs into the WTO. I think that considering our membership in this organization, Kazakhstan could allow us a small volume even under conditions of a ban.

Regarding foreign investment, especially the presence of Kazakh business in a large capacity in Kyrgyzstan, then there are different opinions. My colleagues are also frequently talking about expansion partially due to lack of understanding a world development regime. This is not true. If an investor is working in Kyrgyz economics, is building a plant, is organizing a production, then all of it is staying here, while the investor is paying much-needed taxes to the government. It does not matter who is the owner of this Plant. More so because the government has a regulatory function in its hands and any time can regulate both a monopolistic and taxation part. Unfortunately, that is lacking and Kazakh business is implemented through "dummy" parties. Everything would be different if real companies working in relevant industries came directly here...

Today our 20 largest enterprises of light industry are standing idle. Before they used to be leaders of light industry not only in Central Asia but also Russia. I understand that for a trustworthy investor to

come, the Kyrgyz side needs to put unbelievable efforts into it. Even Putin says that they have reserved 2 billion dollars for us in the form of direction production investments but we do not have projects. For ten years we have been talking about the construction of the Kambarata Hydro Power Station with Kazakhstan but now Kazakhstan has made an agreement with Tajikistan about the joint construction of Ragon Hydro Power Station. And here I understand that Tajikistan offered acceptable conditions, issued stocks and allocated a specific volume of stocks.

I am very well aware of Kazakh economics especially in fruit and vegetable processing. We mainly drink Kazakh juice. And where do they take raw materials? They bring lemon and orange concentrates from Greece, peaches come from Algeria and carrot-strawberry concentrate from the West and that is when Kyrgyzstan has plenty of ecologically pure commodities that we cannot sell. And one should just process this harvest into concentrate in Kyrgyzstan. That requires Kazakh investment.

We are talking about the construction of a road from Cholponata to Almaty. It would be better to build a road that is 73 km long here. Now Kazakh specialists are suggesting building a road in a different route because the Kazakh company promised to build it only after receiving 40 ha of land on Issykkul.

In Kemin there is a copious deposit of gold. Four years ago upon protection of our civil servants we have given a license on mining this deposit to a Kazakh company “Altyn Ken”. Four years passed and they wrote that they had purchased excavators and bulldozers. This is a corrupt company. If this was a proper company with a serious capacity for mining deposits, it would be invaluable. But license was not given to those hands that we would like to give it to. Now 20 gold deposits have been given away in a corrupt manner. For example, in London there are people that used to work in Kyrgyzstan in “Kyrgyzaltyn” and “Kyrgyzgeologiya”. They asked for the license and our people do not even check who they are hoping to have invest here. Thus, out of 20 gold deposits there was research and independent expertise carried out on eleven of them; this data is shown on the international stock exchange markets in London, are included in a list of bit-list stocks, and part of them is put out for sale. But they do not want to invest and only seek resale. To ensure that these gold assets are circulated, a special joint stock company Kyrgyzaltyn was created. But this company can do nothing because we do not have the capacity. On the other hand, corruption has strangled us to such an extent that it cannot be any worse.

The Kazakh media said that it would be better to construct heat stations in Kazakhstan instead of investing money into the development of hydro energy resources in Kyrgyzstan. If we are to build Kambarata station together then the dependence of Kazakhstan on Kyrgyz electricity and water will increase. But we have never made any restrictions on water for Kazakhstan and, for example, created a situation when water in Toktogul water reservoir reached a zero line because last year Kazakhs had demanded water and electricity. Everyone thought that in spring we will restore a water level... however for the first time in the last 50 years in Central Asia, and in particular Syrdarya-Amudarya basin has been facing water shortage for the fourth year in a row. Big rains did not come and the situation even came down to scheduled power cuts for the population.

Probably, Kazakhstan was right when it built the Kok-Sarai water reservoir along the right shore of Syrdarya. Since Uzbekistan will influence our politics, we suggest signing a four-party agreement on water but the Uzbeks disagree. They know that when water shortage occurs, lower countries will start to demand water. And Uzbekistan has enough problems as to where it gets water and Kazakhstan would not have it. In the best case, Uzbekistan will give Kazakhstan secondary water while the Kyrgyz will never refuse water to Kazakhs. It would be better for the Uzbeks and Kazakhs to agree a coordinated water usage that we supply in summer and in winter from Toktogul Water Reservoir.

**Marat Shaihutdinov:** Thank you very much. At first I wanted to say that these unpleasant facts can only be justified by one point. Institutionalism sometimes plays the main role in foreign economic

activity. Lately we have faced up to the fact that even within a government there is a confrontation of the center and regions, which is absolutely natural in conditions of a transit state. A rough confrontation is present in one or other government institutes. Thus, highways going through our territory or are to be built is economically profitable but how politically legitimate they are is assessed from the position of national interests... in the same manner politics does not fit into that strategy that we are talking about anyhow. It seems that we are moving towards it, we are calling for it, we are making agreements about it but in reality we get an opposite result. And in the near future we will prepare a final document for state management, where the issues will be clearly reflected. We are working on a relevant course. And we are sincere in this sense.

**Muratbek Imanaliev:** We here, in Bishkek, do not want to confess that our country has become a semi-criminal offshore zone. I can give many examples of what some foreign business frequently do here having purchased a license for 30 soms. We cannot regulate many issues related to the acceptance of investment in a legal mode. It is worth recognizing that there is no agricultural production. It exists within natural farming. But we have to recognize that we cannot feed ourselves. Look at our bazaars. We are buying Chinese and Iranian apples. A huge problem is how we are perceived outside of our country as a subject and an object of economic life. They understand the way situation goes. Therefore here we do not see European, American or Japanese businessmen. With China – we have a paradox. They said that the Chinese factor is strengthening here. But here we do not have any of the serious Chinese companies that were like the top 500 leading Chinese companies our neighbors attracted. For example, in Tajikistan the Chinese are actively working but not here.

**Murat Laumulin:** We got together here not to discuss old issues but to speak about the future. Regarding Kazakh business, then it is more our problem. All other problems we have already discussed, there is nothing insolvable. Everything again comes down to political will and legislature drafting. If we decided to make a targeted strike on one spot from both sides, maybe we can do it in a positive course. 1991 has cut our optimism. Of course, things happening in Georgievka and Pokrovka should not occur. Passports should be checked. But we have a possibility to restore everything on a local level so life is easier for people. Before I have also been skeptical about any Central-Asian Alliance. But having visited and talked directly to people and having heard of the problems, I am becoming a supporter. Possibly it is better for Kazakhstan and Kyrgyzstan to start doing something together. Russia and Belarus are not looking around at someone and are not asking our advice although all of us are in Eurasec. And we can start here. Willingly or not, Uzbeks will start to get involved. Anyway, we do not have to look at Tashkent. All large international problems of Kazakhstan and Kyrgyzstan are almost the same: our relations with Russia, China and West. There is a difference in geography and size, but the nature is common. We should resolve them together. I want to express my gratitude to our small delegation. Our meeting is a motive for further work towards mutual progress.

**Bazarbai Mambetov:** It would be better for citizens of Kyrgyzstan and Kazakhstan to make separate corridors on the border, there would just be three-four of them. It is a good thing I have a diplomatic passport. What is stopping us from it? Migration is taking place without us. If we do it everyone will see that Kazakhs and Kyrgyz have advanced. We are close nations. And what is happening with our cargo?

**Muratbek Imanaliev:** I think that here the problem is in bureaucracy and a lack of infrastructure, in the presence of corruption. I think that we are more advanced in this regard than in our relationship with Uzbeks. There is an agreement about joined crossing points. I do not know why it is not being implemented. At that I will say a strange thing for the Kyrgyz: The Kazakh side is more active and progressive in this sense than the Kyrgyz are.

**Erlan Abdyl daev:** Today we talked a lot about our relationships, forms of cooperation, integration and about foreign policy in general. Kazakhstan, in my opinion is a country that we should integrate with as

much as possible. All of the problems that we have discussed have possible solutions that we have to work on and it requires political will. I also want to say that there is a time factor. After the USSR broke apart, with the consideration of all the issues and all the transitions we see that mutual communication between Kyrgyzstan and Kazakhstan on the level of ordinary people has lately been decreasing. People that were born after 1992 know what the United States and China are, they know more of what Europe is but know less about Kazakhstan. Now more students study in China. Before we were acquiring knowledge in Almaty, Kazakh students were studying here and relations between relatives were denser. If the trend continues in the same manner, we will know less and less about each other. Therefore we need to eliminate obstacles and to move towards each other; for example, let's tackle those border issues.

**Muratbek Imanaliev:** I think that today we had a very interesting and substantial conversation on many aspects of Kyrgyz-Kazakh relations. We have a general understanding that this process should be taken on a positive course. We should try to avoid unnecessary risks so that they will not harm our relations. Our meeting today brings that positive charge that is essential for an expert community of both countries to be capable of making a positive contribution in the development of our partnership. I fully support the initiative of our Kazakh colleges in mutual cooperation. Once again I thank everyone for their participation in today's round table. Further we will work on forming joint plans and the development of unified material for our managers. Thank you.