



Chinese investments and challenges of governance in the Kyrgyz Republic.

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Chinese investments in the Kyrgyz Republic: realities and prospects

- A significant number of corruption scandals in recent years in Kyrgyzstan have been linked to Chinese investment.
- In research literature Chinese investment across the globe is closely linked to corruption at the highest levels of government.
- The political conjuncture and the situation in the Kyrgyz Republic objectively determine the lack of alternatives to investments from other countries.
- How and by whom are investment realities perceived in the country? What does Kyrgyzstan's strategy of "fitting" Chinese investments into the development of the country look like? What are the further investment plans in the KR of China?

Background information on ODA and Chinese engagement in Kyrgyzstan

Country	China	Canada	Netherlands	United Kingdom	Cyprus	Turkey
1995	154.66	61.811.20	0.10	7.50	17.80	556.36
1996	346.4	126527.7	345.3	577.0	540.7	10927.3
1997	274.3	31402.0	19.4	13352.5	72.6	17569.2
1998	1886.0	8527.4	221.4	20878.9	18.5	15456.6
1999	1993.5	4868.3	30.1	26121.3	11.6	23253.0
2000	851.3	6759.9	9195.8	6079.7	753.0	12129.8
2001	2488.1	12984.4	1716.4	1625.6	557.8	16334.9
2002	8538.5	12739.0	1116.1	2542.5	941.3	13439.4
2003	14544.2	31121.2	2565.0	1973.0	1626.3	25280.6
2004	6784.7	46518.2	649.0	10491.0	11546.0	23082.4
2005	4510.2	26139.9	2.8	29473.4	10515.9	16109.9
2006	7316.7	8790.5	7.7	37972.6	22929.9	12814.9
2007	29990.3	6303.2	64.9	60095.1	8048.6	16557.7
2008	57530.8	9359.8	-	73927.8	11319.8	12161.7
2009	51467.7	80916.7	6.9	110555.2	1947.4	37776.2
2010	70762.1	16539.1	-	72725.3	2330.8	8169.4
2011	149022.2	44530.1	5.4	61362.1	425.6	5380.3
2012	141171.6	132978.2	1146.4	70653.1	1297.9	22347.1
2013	460336.6	164821.8	3495.8	81707.5	34543.9	21743.7
2014	221846.3	183518.3	6564.4	93389.9	31652.4	29210.6
2015	474412.2	120250.5	13211.4	169526.8	27989.2	111112.3
2016	301163.1	118992.5	9371.5	722.6	15747.1	35235.6
2017	303928.1	4591.1	25415.7	28855.6	10459.8	17174.5
2018	338992.8	98438.7	57318.5	27439.1	6608.0	35461.0
2019	338932.4	159246.7	61430.0	73291.5	3405.1	94565.5
2020	136116.3	154901.1	56275.4	26129.5	5239.5	24296.1

Political imaginary about China

Ruling elites

- Kyrgyzstan has already managed to get a lot of benefits from cooperation with China.
- Unfortunately, in terms of attracting Chinese investment, Kyrgyzstan lags far behind its neighbors in the Central Asian region
- China does not interfere in the internal political affairs of the Central Asian countries.
- China does not benefit from political instability in Central Asia. Chinese order and discipline is an example to follow Recognition of the "specificity" of interaction with Chinese partners (Guānxi as part of the culture)

Intellectuals

- China is great, it must inevitably become not only the main source of goods, investments and technologies for Kyrgyzstan, but also the main export market.
- In the face of China, Kyrgyzstan has a powerful, but responsible and pragmatic partner interested in mutually beneficial cooperation
- There are three modernization opportunities for the Kyrgyz Republic and all of them are possible thanks to Chinese investment

Population

- You cannot trust the authorities, they are corrupt and ready to sell our land to strangers, destroy the sovereignty of the country
- It is better to remain without profit than to receive benefits from the mining & extraction of minerals from our land by the Chinese (35% of the population have a negative attitude towards China, data from the Central Asian Barometer)
- They are killing our land, taking our women (from anti-Chinese protests under ethno-nationalist groups)

Chinese investments in the Kyrgyz Republic: realities and prospects

- Studies have shown that the flow of investment is determined not so much by the level of corruption, but by the degree of predictability of corruption: the less predictable corruption, the sooner the flow of investment is reduced.
- Trends in the reduction of Chinese investment flows in the Kyrgyz Republic have been in place since 2016. Experts believe that "Investment in the framework of the Belt and Road Initiative" may be further reduced as China reconsiders its approaches to investment policies.
- Sinologists believe that "a qualitative shift is taking place in China's strategy towards the Central Asian elites: Instead to influence existing, acting leaders, there is a trend to support pro-Chinese people (sympathizers and enablers) and promote future politicians."

Strategies for the expansion of pro-Chinese elites (sympathizers and enablers) in the Kyrgyz Republic (I)

1. “Huaqiao” support:

- **Dungan population.** It is noteworthy that in the 6th composition of parliament there were 2 representatives of the Dungan ethnic group, in the 7th composition of parliament there were three of them, and one of the deputies went through single-mandate districts, , getting the financial and social capital from unknown sources
- **Immigrants from China who received citizenship of the Kyrgyz Republic** (including ethnic Kyrgyz). It is noteworthy: Adyl Zhunus, who received citizenship in 2001 spend 14 years to become a MP, Orgalch Toktobubu, who received citizenship of the Kyrgyz Republic in 2018, already in 2021 received a Member of Parliament status (for 3 days). Businessman He Guodun, who received the citizenship of the Kyrgyz Republic in 2013, after 6 years, ran for the local kenesh membership.
- In the traditional Chinese consciousness, citizenship is not of decisive importance, the origin of ancestors is much more important: just because your great-grandfather was born in China, you will be considered a Chinese. Therefore, the tradition does not reject the huaqiao, the Chinese perceive them as their compatriots, who, by the will of fate, are far from their homeland. (wikipedia)

Strategies for the expansion of pro-Chinese elites (sympathizers and enablers) in the Kyrgyz Republic (II)

The attitude towards huaqiao and their definition can rationalize numerous media reports about the affiliation of the President of the Kyrgyz Republic S. Japarov with Chinese government.

- The Civil Reform Platform, which monitored the election funds of candidates for the President of the Kyrgyz Republic - 2021, indicated that among those who donated to the electoral fund of candidate S. Japarov is Hua-Er LLC, the founder Huang Jianhong, who received citizenship of the Kyrgyz Republic in 2011. Source (1): ОФ "Гражданская Платформа" (Civic Reform Platform) 23 Dec. 2020.
- Factcheck investigation published in Kloop media claims: “Sadyr Japarov is connected with China through MP Adyl Zhunus uulu”. Source (2): Kloop.kg after Factcheck.kg, 15 Jan. 2021.
- Another Factcheck investigation established that the headquarter of the candidate for Presidency Japarov was situated in the office of a mining company, the owner of which is the wife of Adyl Zhunus. Source (3): Factcheck.kg, 3 Feb. 2021.
- According to the information published by the Moscow Carnegie Center S. Japarov cooperates with the citizens of China both in his entrepreneurial and political activities. In particular, an example of free public transport provided by the charitable organization founded by the First Lady, was carried out by the company Shydyr Zhol, owned by Orgalcha Tokhtobubu. Sources: Carnegie Endowment for International Peace (Moscow Carnegie), 22 Jan. 2021; Kloop.kg, 5 June 2021.
- Unlike all other Presidents of the Kyrgyz Republic, among the first 5 decrees, Japarov signed “On the protection of property and support for entrepreneurship and coverage” and “On the rapid recovery of the mining industry of the Kyrgyz Republic”. Source (6): Официальный Сайт Президента КР (Official site of the President of the Kyrgyz Republic), 29 Jan. 2021.

Strategies for the expansion of pro-Chinese elites (sympathizers and enablers) in the Kyrgyz Republic (III)

2. Encouragement of joint (chinese - kyrgyz) businesses, run \ affiliated by Kyrgyz state servants or politicians. A significant number of politicians or their family members have joint businesses with Chinese companies. For example, ex-MP, relative of the former President of the Kyrgyz Republic Jeenbekov, Abzhaliev.. “Politklinika” and “Kloop Media” investigated his involvement in the transformation of a company with a quarter of the state share into the private property of the Metal Ken company, owned on shares with a Chinese company by the wife of ex-MP Abzhaliev. Source (7): kloop.kg after Политклиника (Politklinika), 15 Feb. 2021.

3. The policy of "soft" bribery through the support of "sons and daughters"-like programs. As the example could be seen the traineeship of Daniyar Arapbaev, the son of Azamat Arapbaev, (twice MP, oligarch) at the London office of China Nonferrous Mining Corp Ltd (CNMC). It could be seen as a conflict of interest, a situation that has the potential to undermine his father impartiality, and potential lobbying of CNMC in Kyrgyzstan, which is similar to the so called scheme of the JPMorgan Asia “Daughters and Sons recruitment program”.

Source (8,9): Daniyar Arapbaev - Professional Profile on LinkedIn, 2022; Forbes Magazine, 14 Apr. 2022.

4. Technology and financial support for ex-citizens of China. For example, He Godung, the owner of the Kyrgyz Korm LLC, has achieved financial success through cooperation with the bio laboratory of the State University in China, obtaining sufficient financial resources for the development of production, etc.

5. Creation of Chinese soft power through infrastructures in the Kyrgyz Republic (Confucius centers) and the possibility of vocational training for Kyrgyzstani boys and girls in China. – In 2020 4,000 students from KR were annually studying in China.

	Akaev	Bakiev	Atambaev	Jeenbekov	Japarov
Citizenship decrees studied (available online) \ number of people	2\ 82	1\8	19\ 2836	13\3773	10\2696
Including Chinese citizens accepted into citizenship, \ incl. Ethnic Kyrgyz	0	0	67 \ 41	36\18	24 \20
Including Turkish citizens admitted to citizenship	0	0	18	11	26

Embeddedness Strategies for ex-citizens of China in the economy and society of Kyrgyzstan (I)

● Marriage strategies - where intermarriages could be seen as a way to expand opportunities in the Kyrgyz-Chinese business

*“As front-line workers, the Chinese employees participating in the company's overseas projects have dedicated their enthusiasm and career to foreign countries. They are not only pioneering builders, but also **practitioners of people-to-people bonds**. The cross-border marriage facilitated through the platform of Chinese companies' overseas projects is even more talked about by the people of the two countries.” (10)*

“...a young man from Henan, also successfully “harvested” love in Iskra Town....Chinese people are honest and hard-working, and they are recognized locally. The local girl and her family like him very much...” (11)

*“There is such a Chinese guy. He won the hearts of foreign girls with his outstanding cooking skills, and she is willing to marry him. **What is even more valuable is that he has also made his business into his father-in-law's family. He can be called a winner in life.**” (12)*

Sources (10, 11,12): 中亚能源 (Central Asia Energy Corporation Ltd.), 5 Dec. 2017.; Baidu - 河南商报社官方帐号 (Baidu - Official account of Henan Business Daily), 17 June 2019.; 新浪网, 新浪公司 (sina.com), 4 Oct. 2020.



Embeddedness Strategies for ex-citizens of China in the economy and society of Kyrgyzstan (II)

- Obtaining citizenship of the Kyrgyz Republic - as a strategy for expanding the opportunities of the Kyrgyz-Chinese business and gaining access to the level of decision-making.
- Practices of obtaining "social licenses" (bata / бата) among the local population and local authorities

How are the ruling elites responding to the reality of the challenges of Chinese investment?

- The rhetorics of the government of the Kyrgyz Republic aims to "improve the investment environment, and in fact, Government associates the main projects of economic development mainly with Chinese investments by all means.
- According to Transparency International, in 2021, Kyrgyzstan worsened its position and, with 27 points, ranked 144 out of 180 countries participating in the rating.
- Current trends that contribute to increased corruption risks or, as experts note, are in fact "legitimization of corruption": the adoption of the Laws of the Kyrgyz Republic "On Amendments to Certain Legislative Acts on Economic Amnesty", "On Public Procurement", legislative initiatives "On Voluntary Legalization and Amnesty of Assets of Individuals" and "On Amendments to Certain Legislative Acts of the Kyrgyz Republic in the Field of Voluntary Declaration and Amnesty of Assets of Individuals", "On Gambling in the Kyrgyz Republic"...

What could/should be the vision and strategies of the KR for Chinese investment?

- Develop your own strategy for working with "huaqiao" to produce a loyal "elite" that could transfer pro-Kyrgyz interests to China
- The investment strategy should clearly design opportunities for cooperation on the principles of ESG, the goal is to get technological development instead of gray schemes, to promote technology transfer
- Involve civil society in monitoring investment flows.
- To provide free media with the opportunity to trace all the facts of the preferences of personal interests, sacrificing the public interest and to provide for public discussion.
- Clearly define what is public interest and how to determine it in specific cases
- The ABC (Anti-Corruption Business Council) should take responsibility for conducting systematic investment analysis and risk prevention.

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THANK YOU!

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