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Economic Aspects of Defence in Kyrgyzstan

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Abstract

This paper provides a country survey of the Kyrgyz defence economy. Kyrgyzstan is small landlocked country situated in Eastern Central Asia. It borders Kazakhstan, Uzbekistan, Tajikistan and China, with a population of nearly five million people. Although The Kyrgyz Republic introduced the most liberal reforms in Central Asia, its economy remains unstable with low level of economic growth. Moreover, Kyrgyzstan has a weak state structure, a history of ethnic tension, inequality and poverty. Defence burden of economy is 1.3 in 2006. Because of lack of capacity of Kyrgyz armed forces, the country faces Uzbek government military activities in the outside and political instability inside the country. The first part of the paper presents a brief economic background of Kyrgyzstan, its armed forces and its structure. The remains of the paper focus on the macroeconomic impacts of the defence spending in Kyrgyzstan. The study concludes that defence expenditure of Kyrgyzstan is less than optimal and it retards the development of the economy..

Keyword: *Kyrgyzstan; defence expenditure; economic growth; conflict, small arms*

JEL Codes: *O53, H56*

1. Introduction

In this paper we analyzed the defence expenditure of Kyrgyzstan. The first part of the paper explains the background of the country by explaining its structure and its political and economic history. In the second part, we focused

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on some macroeconomic impacts of Kyrgyz context of defence expenditure. The third part indicates the distribution of defence spending in the budget as well as its different types of classifications. Conflict in the country is studied in ethnical aspect with its regional context in part four. In the fifth part we analyzed its military role in Central Asia as well as in the world. The study concludes in the last part.

2. Development in Kyrgyzstan

2.1. Background

Kyrgyzstan is a small, mountainous, landlocked country in the heart of Central Asia, and more than 90 per cent is mountainous terrain, of which 12.5 per cent is arable land. Its neighbouring countries are Kazakhstan in the north, China in the east, Tajikistan in the South and Uzbekistan in the west. Its area of 199,500 sq. km is slightly smaller than the United Kingdom. It has a population about 5.3 million and this population is concentrated in the capital Bishkek in the north and in the heavily agricultural Fergana Valley in the south. Apart from that the majority of people live massive mountain ranges such as Pamir Alay, Ala-Too and Tian Shan (Bisig, 2002). The country's population is young – with a median age of 24.2 years. The ethnicity of the population is mostly Kyrgyz (64.9%), followed by Uzbek (13.8%) and Russian (12.5%) (wikidipedia.org). Most Kyrgyz (about 75%) consider themselves Muslims. The official language is Kyrgyz, which belongs to the Turkic language group. In order to provide easy communication with different groups Russian also accepted as an official language in March 1996.

In order to understand the recent economic situation of Kyrgyzstan, it is useful to review the country's brief history. Origin of the Kyrgyz had mixed ancest which were descent from Turkic, Mongol and Kipchak. Their original place were Yenisei, it is now Tyva region in Russia. They emigrate from this region to Tien Shan mountain range in the 10th-11th centuries. When they started to live in this area, they were tribal groups and called themselves as Kyrgyz. Until 19th century, first they were ruled by the Turkic and Chinese empires time to time, later Khanate of Kokand gain control of the Kyrgyz territory. With the Russian encroaching on Central Asia in mid-19th century, Kyrgyzstan was annexed to Russia in 1864 and formally incorporated into the Russian empire in 1876 (Gladman, 2003;248). In 1918 the Turkestan Autonomous Soviet Socialist Republic (ASSR) was established within the Russian Federation and included Kirgizia. In 1924, the Kara-Kyrgyz

Autonomous Oblast (region) was created. In 1925, the region was renamed as the Kyrgyz Soviet Socialist Republic (SSR). In 1985, the republic's Supreme Soviet recognised Kyrgyz as the official language and Russian as the language for communication. Elections were held for the 350 members of Kyrgyz Supreme Soviet in February 1990. In December 1990, the Supreme Soviet voted to change the name of the republic from Kyrgyz Supreme Socialist Republic to Republic of Kyrgyzstan. In February 1991, the name of Kyrgyz capital, Frunze was changed to the pre-1926 Bishkek (Kyrgyzstan Country profile, 2008).

When Soviet Union collapsed in 1991, Kyrgyzstan was the first Central Asian republic to declare its independence and the only one to have a president, Askar Akayev. He was first elected 12 October 1991 by majority and re-elected twice in 1995 and 2000. He was in power till March 2005 election for 14 years. Although, Akayev had a deputy in Supreme Soviet of the USSR but known scientist, he was seen as a liberal leader, open the western ideas, commitment to democratic and economic reform. For the first two terms of his presidency his administration seemed reformist and democratic. As a result of this implementation Kyrgyzstan was often described as an "Island of democracy". All his reforms seem sensible, and received considerable support from Western Countries and International Financial Institutions (Luckins, 2003:36-37). However, Akayev gradually took authoritarian tendencies, allocated many important positions to his relatives and alleged many corruption case. Furthermore, in 1999 local election and 2000 general election, number of political parties and candidates banned to enter the election. This negative development led to many protests which first one occurred in 2002. This protest stopped by force, but it continued following years with small demonstrations until 2005. On March 2005 Akayev resigned his office.

There were two elections in Kyrgyzstan in 2005. First parliamentary election was held on February 25 and March 13 in 2005 which was two round systems. The second was presidential election was held on July the 10th. Political part structure is fragile and need development therefore more than 80 % of candidates were self-nominated rather than party-nominated. Until 2008 election, tension between parliament and president were remarkable point of his presidency. In December 2007 parliamentary election Bakiyev sported party, Ak-Jol (White Road), got the majority of the parliament. Bakiev is re-elected in July 2009. He ruled the country until April 2010. Due to rebellion activity, he

left the first presidential place go to home town Osh city, was later abandoned the country. Interim government was established under Rosa Otanbayeva who called to election in six months' time (CIA World Factbook, 2010).

2.2. Economic Indicators

Economic transition of Kyrgyzstan is profound shift from a command economy to a market economy. After transition Kyrgyzstan's general economic trends are outlined in Table 2 which shows general macro-economic variables. Kyrgyzstan population increased 12% since they obtained their independence. Although Russian population decreases from 21.5% in 1989 to 10.6% in 2003, reducing population increased this period by nearly two-thirds. The reason of this emigration reflects to ethnic diversion which occurred during the former Soviet Union. Kyrgyzstan population of Kyrgyz ethnicity rose from 52.4% in 1989 to 66.9% in 2003 (see table 1). In contrast, the number of ethnic Germans declines from 2.9 % of the population to 0.2% and also number of Russian, Ukrainians and Tatars declined. These big emigrations have economic and politic consequences. Politically this event prepare ending the Akaev Presidency because he was committed to governing through a multiethnic alliance (Huskey, 1997b; 255). A small portion of rising Kyrgyz have a high birth rates as fertility rate was 3.68% in 1990 and slightly decreased during the 90's become 2.78% in 1997 (Becker and Paltsev, 2004.1854).Therefore population, even big emigration, has been growing modestly since independency (Table 2).

Table 1: Ethnic Composition (Yearly Percentage)

	1979	1989	1999	2003	2007(estimate)
Kyrgyz	47.9	52.4	66.9	66.9	68.9
Russian	25.9	21.5	12.5	10.6	9.1
Uzbek	12.1	12.9	13.8	14.1	14.4
Ukrainians	3.1	2.5	1.0	0.8	0.5
Tatars	2.0	1.6	0.9	0.8	0.7
Germans	2.9	2.4	0.4	0.3	0.2

Source: www.stat.kg/stat.files

In transition countries liberalization and privatization are backbone of economic reforms to transform from a centralized command economy to market-driven economic system. Since independence, Kyrgyzstan has tried to

establish a competitive market economy. In order to create market economy, the Kyrgyz Republic has implemented broad systemic reforms. House, small enterprises and 70 % of farm land is transferred to current occupiers and operators. Medium and large enterprises privatized through voucher scheme Three-fifth of GDP was created by private sector at the end of 1999 (Pomfred,2006:76). Meanwhile the economy is relatively open with a liberalized foreign trade regime and full convertibility of the Som (the Kyrgyz currency). After the liberalization, Kyrgyzstan economy become more fragile and opened external shocks (World Bank, 2009).

In early years of independence per capita income levels had dropped from \$517 in 1992 to \$256 in 1999 because country lost direct transfers from the central union budget, which was equivalent to 13% of GDP. This shortfall in revenue was met by external borrowing, privatization, and reduction in private consumption and cut down government expenditures (World Bank, 2009). The other reason of Kyrgyzstan's poor economic performance is large emigration because it lost skilled labour. As a result, GDP declined to nearly 60% over 1991-1995 (Becker and Paltsev, 2004:1854).

The inflation rate was very high during 1990's which was followed by a successful stabilization program, that lowered the inflation from 1,086.6% in 1993 to 18.7% in 2000. Although there was a decreasing trend between 2001 and 2006, as can be seen in table 2, it has been started to increase up to 20% in 2008. By mid-1995 inflation took under control, attention has since then turned toward stimulating growth. As table 2 shows us gross domestic product dramatically decrease from 1993 to 1995 because of the economic connections once linking it to the rest of the Soviet Union disintegrated. The recession was one of the worst in the Central Asia region (worst was Tajikistan). The GDP of Kyrgyzstan fell by -13% in 1993, -19.8% in 1994 and -5.7% in 1995. After that production began to recover and exports began to increase, Kyrgyzstan has robust growth every year since 1996, exception of 2002, 2005 and 2010 (see table 2). GDP remained unchanged in 2002 because of a fall in the gold sector. Gold production is very important for Kyrgyz economy while the Kumtor gold field is among the world's largest (USAID, 2005:5). Growth performance has substantially deteriorated in 2005, apparently because of political turmoil. Between 2003-2008, real GDP growth reached to an average rate of 5.5% partly due to the high international gold prices, but growth is decreased in 2010 because of falling demand and decreasing commodity prices due to

international financial crisis. Although the country's economy has gradually stabilized and growing in recent years, it characterized by stagnation in industrial production, high unemployment, widespread social inequity and considerable frustration and political disillusion within the society. Growth has occurred in the traditionally strong sectors such as agriculture and mining. In addition, the construction and power sectors are growing steadily.

Table 2: Main economic indicators for Kyrgyzstan (1992-2010)

	Population (million)*	Inflation rate (%): per annum*	Unemployment rate (%)	Real growth rate of GNP* (%)	PCGNP (US \$ current)*	Investment/GNP (%)	CGB/GNP (%)	Export/GNP (%)
1992	4,467	n.a	-	n.a-	206.05	-	-	-
1993	4,491	1,086.6	0.2	-13.0	148.47	-	-	-
1994	4,540	180.7	0.7	-19.8	244.39	-	-	-
1995	4,590	43.4	2.9	-5.7	325.38	-	16.7	-
1996	4,657	31.9	4.3	7.0	398.22	-	15.9	-
1997	4,725	23.4	3.1	9.9	373.82	-	16.2	38.3
1998	4,797	10.4	3.1	2.1	348.96	-	18.0	36.5
1999	4,865	35.9	2.9	3.7	260.37	-	17.7	42.2
2000	4,915	18.7	3.1	5.1	278.30	20.0	18.5	43.1
2001	4,955	6.90	3.2	5.4	307.83	19.6	20.4	36.7
2002	4,993	2.03	3.1	0.0	321.724	20.3	22.8	39.9
2003	5,039	3.97	2.9	7.0	380.917	20.7	22.2	38.9
2004	5,089	5.11	2.9	7.0	435.201	20.9	20.0	42.6
2005	5,140	7.13	3.3	-0.2	478.654	21.8	24.7	42.8
2006	5,196	9.25	3.5	3.1	545.929	22.8	26.4	52.3
2007	5,253	20.1	3.3	8.5	724.729	21.6	30.8	59.9
2008	5,311	20.0	2.9	7.6	950.796	21.1	30.4	55.7
2010	5,344	7.7	5.8	-1.4	863.654	24.8	-	-

Source:* <http://www.imf.org/external/pubs/ft/weo/2009/02> (03.03.2010)
http://siteresources.worldbank.org/INTKYRGYZ/Resources/305660-1105446288072/Econ-update-2006_eng.pdf
http://siteresources.worldbank.org/INTKYRGYZ/Resources/Econ_update_Aug09eng.pdf
<http://www.imf.org/external/NP/PFP/Kyrgyz/kyrgyzta.htm#2>
http://siteresources.worldbank.org/INTKYRGYZ/Resources/305660-1105446288072/Econ-update-2006_eng.pdf
http://siteresources.worldbank.org/INTKYRGYZ/Resources/Econ_update_Aug09eng.pdf
www.imf.org/external/np/pp/eng/2011/030911a.pdf

Kyrgyzstan was characterized full employment during Soviet times. There wasn't dramatic increase in unemployment in early stage of transition. Transition has changed employment structure. Although, employment in manufacture and industry sectors drop significantly, agriculture and trade sectors has grown evidently. According to Table 2, the official unemployment rate increased 0.2% in 1993 to 5.8 % in 2010. Many researchers (Abazov, 1999; Pickup; 2003) find these figures unreliable and misleading, due to the availability of many unregistered people. Low unemployment benefits, inefficient labour office are main reasons of low unemployment registration. According to Abazov (1999; 215) actual unemployment was 15 or 20 per cent in the middle of 1990's.

The investment/GNP ratio is 20% on average, with only a slight upward trend between 2000 and 2010. Central government budget's share in gross national product suggests an expansion of government activity in the economy. It was 16% in 1995 and doubled to 30% in 2008. The remaining data are for export shares in GNP which show that the export sector grew rapidly after mid two thousands.

If we looked at the composition of GDP, agriculture is the most important sector of the economy for Kyrgyzstan, producing more than one-third of GDP. The main agricultural product is grain, followed by vegetables, cotton and tobacco. Although, industry was nearly as important as agriculture first year of independence, it was decreasing over the time and just contribute 19% on the GDP in 2007. In 1992 Kyrgyzstan industrial sector had produced 38 per cent of Kyrgyzstan's GDP. This sector was based on agricultural machinery, military equipment, light industry, mining and metallurgy. But all these industry was not independent; they are part of the manufacturing and technological chain of the Soviet industrial complex (Abazov, 1999:198). Therefore, when Union is collapsed, industry share of GDP dropped considerably. According to Table 3 service sector become important component of GDP, it increased considerably and double from 1992 to 2010.

Table 3: Value Added (% of GDP)

	Agriculture	Industry	Service
1992	39	38	23
1994	41	25	34
1996	50	18	32
1998	40	23	38
2000	37	31	32
2002	38	23	39
2004	33	24	43
2005	32	22	46
2006	33	20	47
2007	34	19	47
2010	31	16	53

Source: World Development Indicators

Kyrgyzstan has not reached the oil and gas reserves as its neighbours. Gold, agricultural products, textile and energy products are important goods of the country's exports. The industrial production base is relatively small. Kyrgyzstan's most valuable asset is water and it exports hydroelectric power. But, its energy need is still heavily depend on oil and gas from Kazakhstan and Uzbekistan. Negotiations with neighbouring countries over water rights are source of tension. (UNESCAP, 2006; 103).

Table4: Real GDP Growth Rate by Sectors

	2007	2008
GDP	8.5	7.6
Agriculture	1.6	0.7
Construction	32.3	-10.8
Industry	6.3	16.5
Service	12.6	10.7
Trade	10.6	9.2
Transport/Communication	44.4	29.7

Source: Kyrgyz National Statistical Committee

In the last two years, The Kyrgyz Republic's economic performance has been stronger. GDP increased by 8.5% in 2007 and 7.6% in 2008 (Table 4). The growth base continued to broaden towards services sector, transport/communication, though construction and gold production also

contributed to GDP growth in these two years. Increasing food price worldwide and global economic crisis have affected the country substantially. The global crisis affects the country mainly through real channels like trade and construction sectors (see table 4).

2.3. Kyrgyzstan Defence Expenditure

At the beginning Akaev sought a neutral Kyrgyzstan with very minimal armed forces. It looks like Switzerland that will not belong to any military blocs; just a small number of forces for using emergency case such as rescues in natural disasters. There are two reasons that Kyrgyzstan is not interesting establishing its own army; first there is difficult economic condition in the country and secondly, they are aware that it is not possible to provide security independently (Clark, 1994:185). This issue leaves more powerful neighbours like Kazakhstan and Uzbekistan. As a result of this approach setting up a national Ministry of Defence was slow and defence spending was just 1.5% of GDP in 1993. In August 1993, to coordinate defence and policies activities, general staff was established. The size of the arm was created arbitrarily. Military needs and economic capacity to finance such a force have not been calculated. Furthermore, government failed to reform the military security system in accordance with military and political circumstances (Burnastev, 2002; 50).

The Kyrgyz defence and security budget is not comparable with Western Countries. Besides, there can be important differences between western context of defence and Kyrgyz context of defence spending. In Kyrgyz context, troops can pick cotton, build roads or even protect the commercial interests of their commanders as part of their duty (Hill, 2001:288). Kyrgyz defence expenditure has been around 2.7 % of GNP over the last two decades and an average of 6.4 % of central government outlays goes to defence spending. Kyrgyzstan has not allocated a considerably percentage of GNP (2.7 %) to defence expenditure compared to NATO. At the same time Kyrgyzstan's growth rate (1992-2008) has been around 5% per annum. Table 5 shows indicators of Kyrgyzstan defence expenditure between 1992 and 2007. According to this table, Kyrgyzstan has expanded its military capabilities in recent years. Of course Kyrgyzstan's limited resources constrain how much the armed forces can be built up, but the defence budget was tripled in sixteen years from US\$ 37.4 million in 1992 to US\$ 90.9 million in 2007. First years of independence, defence budget slowly increased, after the 1999 militant incursions, resources

for security were remarkably high. Most funds are used for improving and acquiring better equipment rather than expanding the size of the military.

Table 5: Selected Indicators of Kyrgyz Defence Expenditure

Years	ME	△ME	△GNP	ME/GNP	ME/CGB
1992	37.4	-	-	1.6	2.4
1993	28.8	-22.9	-15.4	1.5	3.2
1994	37.7	0.31	-20.0	2.6	3.7
1995	48.7	29.1	-5.4	3.5	5.4
1996	46.2	-5.13	7.1	3	6
1997	51.1	10.6	9.9	3.1	7.2
1998	44.2	-13.5	2.1	2.7	6.7
1999	44.8	1.3	3.7	2.6	8.9
2000	55.5	23.8	5.1	2.9	10
2001	48.3	-12.9	5.4	2.3	8
2002	56.1	16.1	0.0	2.7	7.2
2003	63.8	13.7	7.0	2.9	7.6
2004	68.4	7.2	7.0	2.8	7.6
2005	75.6	10.5	-0.2	3.1	7
2006	83.3	10.1	3.1	3.2	
2007	90.9	9.12	8.5	3.1	
2008	(79.3)		7.6		

Notes:

- ME: Military expenditure with 2005 constant US\$ m.
- △ME: Growth rate of ME.
- △GNP: Real growth rate of gross national product.
- ME/GNP: Share of military expenditure in the GNP.
- ME/CGB: share of military expenditure in the central government budget.
- () Uncertain Figure

Sources: SIPRI (The figures include spending on internal security, accounting for a substantial part of total military spending), Kyrgyz National Statistical Committee,

**Table 6 Military Expenditure of Kyrgyzstan
In Local Currency (million Som)**

Year	1992	1993	1994	1995	1996	1997	1999	2000
Value	12,2	82	311	558	699	955	1,267	1,864
Year	2001	2002	2003	2004	2005	2006	2007	
Value	1,734	2,055	2,408	2,688	3,100	3,606	4,635	

Source: SIPRI (The figures include spending on internal security, accounting for a substantial part of total military spending)

On one hand, defence budget does not cover just the ministry of defence and security force, it may also include the police and judiciary. On the other

hand, it probably excludes military pensions and other defence related payments. Besides some needs provided via barter from domestic or foreign producers and sometimes buying item do not always show their real price (Hill, 2001; 288)

Despite the increased defence spending and help from abroad, Kyrgyz forces remain weak. After the Batken events in 1999 and 2001, the Ministry of defence determined to create an army with a real fighting capacity. Therefore, defence spending increase and the defence budget of Kyrgyzstan in 2008 was about 90 million dollars (see table 5). Land force units number approximately 12.000 men in 2004, but later this number decrease 8.000 in 2006 (Uçubekkızı, 2008; 1). Armed forces number is about 10.900 which are 8.500 active ground and 2.400 air force troops. This number includes two motorized rifle brigades, an air-defence brigade, an artillery and one special force battalions. Their weapons include 150 tanks, 320 armoured combat vehicles, 35 armoured personnel carriers and 246 artillery. Air force did not establish until 2006. Before that according to National Statistics the air force had only two military plane and four arm helicopters in South-Kyrgyzstan because of terrorist incidents. Air and air defence force units include fighter attack, transport and helicopter regiments, with 2.400 men in 2008, the weapons include 52 aircraft with combat capable, 72 fighters and 32 army helicopters. Furthermore, total paramilitary force is 9.500 which are 5.000 border guards, 3.500 interior troops and 1.00 national guards in 2008. (IISS, 2010; 347).

Military education facilities are inadequate; officers receive their military training in Russian military schools. Small groups also attend military school in Uzbekistan and Turkey. Kyrgyzstan neither solved the problem of preparing sergeant nor shortage of munitions and equipment. Due to the lack of defence industry in the country, it is completely depend on other countries for army needs (Rustam, 2002; 151).

Although drugs and people trafficking are big problems in Kyrgyzstan, researchers do not find any evidence related small arm trafficking. Therefore, small arm violence was limited and related causality rates were very low (Mac Farlane and Torjesen, 2007; 2)

3. Distribution of Defence Spending In Kyrgyzstan

Defence spending can be classified as current, investment and transfer spending. Current defence spending also divided in to two components that are personnel and non- personnel defence spending (Şenesen, 200; 57). In 2007, 58% of non-personnel defence spending divided arm armaments. Second place is taken by municipal services with around 26%. Investment spending helps to economic growth like building, construction, and machine, equipment expenditure. Transfer spending in defence budget covers personnel wages, social security and pension payments.

**Tablo-7 Distribution of Defence Expenditure (as a %)
 Budgets between 2004-2007**

	2004	2005	2006	2007
Wages	55.5	51.1	47.9	53.0
Social Security Deductions	1.7	1.5	1.8	1.9
Mileage Allowance	0,8	0.5	0.6	0.2
Stocks (equipment)	0.9	1.4	1.6	26.3
Health Expenditures	0.4	0.2	0.2	-
Food	23.7	22	21.8	-
Clothes	0.3	0.3	0.3	-
Municipality Services	9.3	12.9	8.8	11.6
Transportation	4.1	4.1	3.9	3.3
Grants	0.5	0.4	0.4	-
Renovation	0.6	1.7	5.2	2.0
Other Services	2.0	3.8	4.1	1.6

Source: Law of Republic of Kyrgyzstan about 'The Budget of 2007' (Appendix 2).

If we take countries budget, 14% of total personnel spending, 52% of total non-personnel spending, 0.002% total investment spending, 0.001% total transfer payment made for defence purposes in 2007 (Uyçubek kızı, 2008;29).

If we look at the same division in Turkey similar approach can be seen. 17% of total personnel spending, 69% of total non-personnel spending, 1% total investment spending and 0.05% of total transfer payment spent for defence purposes in 2001 (Şenesen, 2002;57).

Defence spending can be classified in four different categories in NATO definition. These categories are personnel, equipment, infrastructure and other operational spending. Table 8 shows us the distribution of defence spending according to NATO classification. Table 8 indicates that personnel and other operational spending softly decrease. Although infrastructure spending sharply increases in 2007, equipment spending remains unchanged.

Table 8: Distribution of Defence Spending (as %) (NATO classification)

	Personnel	Equipment	Infrastructure	Other operational
2004	79.37	14.16	2.64	3.27
2005	73.69	18.8	2.9	4.66
2006	71.19	17.92	5.6	5.09
2007	53	16.96	28.16	1.89

Source: Law of Republic of Kyrgyzstan about 'The Budget of 2007' (Appendix no 2).

If we look at the same divisions for NATO countries and Turkey, we find similar ratios except for other operational spending. An average of 50% of defence expenditure per annum goes to personnel expenditure (1990-1994), 23.7% to equipment, 3% to infrastructure and 22.5% to other operational expenditures (Sezgin, 1997).

Kyrgyzstan has started reforming the armed forces in 2008. Kyrgyz Defence Minister Bakytbek Kalyev has said that the reform will last till 2012. By that time, the Kyrgyz army will have become completely professional (BBC, 27-11-2008).

4. Conflict in Kyrgyzstan

Although Kyrgyzstan has not faced significant armed civil conflict since its independence, except 1999, 2005 and 2010, the regional context and ethnicity are important problems. It is surrounded on three sides by countries that have struggled political unrest and civil conflict. The Fergana Valley extends into three Central Asian countries, Kyrgyzstan, Tajikistan and Uzbekistan. The

Kyrgyz part of the Fergana Valley makes up 40% of the area and 51% of the population of Kyrgyzstan. In this border zone Kyrgyzstan has three administrative regions (oblasts): the Jalal Abad oblast, the Osh oblast, and the Batken oblast. The demographic situation in the region is critical. It is one of the most densely populated regions. Apart from the main ethnic groups (Kyrgyz, Uzbek and Tajik), there are over 50 ethnic minorities (Uighur, Tatar, Russian, Kazakh, Korean, Ukrainian and others). There is also a religious diversity such as Judaism, Christianity and Islam in region. Even Islam itself has a number of divisions like Sunna, Siha, Ismailism, Wahabism and Hizb ut-Tahrir. (Bisig, 2002; 4-5). The Osh ethnic conflict of summer 1990 was one of the largest and most violent on the territory of the former USSR. It involved members of two Central Asian ethnic groups which are Uzbeks and Kyrgyz. During the week of June the 4th in 1990, violence between ethnic Uzbeks and ethnic Kyrgyz broke out in the Southern city Osh and surrounding villages. Official sources claim 120 Uzbeks, 50 Kyrgyz and one Russian were killed. The Osh and Uzgen events of 1990 constitute the most serious ethnic conflict to date in Kyrgyzstan; however, there have been smaller incidents in South Kyrgyzstan, such as clashes between Tajiks and Kyrgyz in the Batken area in 1989.

On the other hand Kyrgyzstan has affected violence from neighbouring states. Kyrgyzstan did not give too much attention in security immediately after independence. Country left this issue to more powerful neighbours such as Kazakhstan and Uzbekistan. Security become into agenda with Tajikistan war. Islamic extremism has burgeoned and caused civil war in Tajikistan between 1992-1997. This civil war badly effected Batken region in South Kyrgyzstan in 1997 and 1999 (Burnastev, 2002). Furthermore Afghanistan War and later Taliban hegemony bulldoze terrorist and spilled over to Central Asia. Therefore, refugees' inflow from the civil war in Tajikistan and Kyrgyzstan and Afghanistan has been a focal point in the fighting against terrorism. Afghanistan's instability has long term effect over Kyrgyzstan such as drug consumption and trade, refugees, radical Islamic movements, border closures, trade restrictions and a greater international presence.

In August 1999, Islamic extremist group called Islamic Mover of Uzbekistan entered the Batken region which is in the south of Kyrgyzstan. They took several hostages, including four Japanese geologists. Aim of this group was to establish an Islamic state in the Fergana Valley. All hostages including Japanese geologists were freed on October 1999 after some payment. This event has many serious consequences. One, new regional administration for Batken

was created. In addition, several new border posts established in the Tajikistan border and border control tightened up. (Alaolmolki, 2001:87). Secondly, Japanese Government cut back its grants, economic and technical help between 2001 and 2002. Thirdly, terrorist activity had affected tourism badly which is very important sector for Kyrgyzstan (Pickup, 2003:21). The following year insurgents repeated. This time a group of climber, including four young American climbers captured while some climbers escaped, others released in time. In total 49 Kyrgyzstan soldiers died in 1999 and 2000 incidents (Laurence, 2008). On May 25-26, 2009, a police checkpoint in Uzbek side was attacked on the Kyrgyz Uzbek border and four bombings occurred in commercial district in Andijon. Several deaths and injuries report. Although, Islami Jihad Union takes responsibility of these attacks, Uzbek official blamed the Islamic Movement of Uzbekistan (Nichol, 2010).

There were two elections in Kyrgyzstan in 2005. First one was the parliamentary election, which was held on February 27 and March 13. The second was presidential election that was held on July 10. Before February 2005 election President Akaev pointed out the countries danger and instability that come from the “external factors”. It starts Georgia which calls “velvet revolution”, now threat the national security of Kyrgyzstan. Also government joining the war against terrorism played an important role identifying danger at home (Torjesen; 2006, 25-26). At the parliamentary election in 2005, opposition won just a few seats, while Akaev got to majority of votes. They did not accept that result and the protests widespread especially in the south. On March 24 15.000 protesters in capital Bishkek, called for the government and President Akaev’s resignation. This protest organized by an opposition leader Kurmanbek Bakiev and at the beginning it was called “Multicoloured,” or as it was later called “Tulip revolution”. This movement put by many scholars and analysts in the same chain of regimes changes; like Georgian Rose revolution, Orange revolution in Ukraine. But some other researchers (Radnitz, 2006:133) think these comparisons as overstated. What happened in Kyrgyzstan was a simple change of the power. It is because Ukraine and Georgia changing dynamic come from large urban population, strong civil society and student movement, all these factors weakened the Kyrgyz movement. Kyrgyzstan is more rural than these two countries and most protestors were not from Bishkek, while the role of nongovernmental organizations was insignificant. Furthermore, the political situation remains unstable, economic development and foreign direct

investments have been affecting negatively since the Tulip Revolution on March 2005 (Polity Country Report, 2007).

Starting in April 2010 riots in the city of Talas has jumped capital city of Bishkek. Rebels claims that Bakaev's attitude is undemocratic and they wanted to him resign. Behind this rebellion, as in the revolution of 2005, which is one of leading names Rosa Otunbayeva? The uprising killed 118 people and Bakaev left the country has resulted in. An interim government was formed. Under Rosa Otunbayeva, Interim government had given Rosa Otunbayeva presidential powers until 31.December-2011. However, the authority to approve the new constitution should be accepted in a referendum (Zaman, 2010). Before referendum which was declared to hold on June 27, there was an insurgency. A fight broke out between Uzbeks and Kyrgyz youth pretext for Uzbek attacks began in South cities Osh and Jalalabat. Although the state of emergency declared, conflict turned into ethnic cleansing. According to official figures 200 people died and 400.000 Uzbeks have become refugees. Between the Uzbek and Kyrgyz Osh Jalalabad clashes, however, the economic-based conflicts of interest and may be said to play a role in the formation mafia Because of drug trafficking routes from Afghanistan starting in the region has a significant criminal organizations. However, the situation of the country's is not only "social explosion". Some strategists stress that this issue might be related to the U.S. and Russian bases in Kyrgyzstan. Because in 2009, the deposed leader Kurmanbek Bakiyev promised the Russian Government to closed the U.S. However, when the U.S. government tripled the base rental fee, he returns his promise. He made a new agreement and after Manas Air Base he gave approval the new US base in Batken. (Aksu, 2010). Furthermore, this conflict is not just the presence of ethnic Uzbeks and Kyrgyz, it is the use of water and energy resources as well (Turhan, 2010).

5. Kyrgyzstan's Military Role in the World and the Central Asian Region

In the early year of an independent state, Kyrgyzstan relations with the United States in the military sphere moved slowly because of country too small, economically so poor and known as "island of democracy." Neither Clinton administration nor the George W. Bush administration had seen it as an important a strategic partner. However, the Kyrgyzstan's positive approach to Western World, provide bilateral relation in all areas, including military subject. Security-related priorities in the relationship of course belong to Russia. Two countries have signed several bilateral agreements such as using Russian

military facilities in Kyrgyzstan, supplying weapons, equipment and training troops. Meanwhile, bilateral military relations developed within NATO and under the U.S.A support, the Partnership for Peace Program signed on June 1994. With other CIS countries, Kyrgyzstan joined the Euro-Atlantic Partnership Council (EAPC) on December 1997. This council helps the member about international and regional security. Annual foreign military aid to Kyrgyzstan's security system topped to \$8 million at the end of 2005 (Kazakpaev, 2006). On April 1996, the Shanghai Forum signed between Russia, China, Kazakhstan, Kyrgyzstan and Tajikistan. The aim of this agreement was to resolve border problems between these five countries and take necessary measurement in the military sphere in border areas. Kyrgyzstan has also other military cooperative arrangements with Turkey and Ukraine. Furthermore, Turkey and Uzbekistan train small number of Kyrgyz officers (Clark, 1994, 187)

The 9/11 events changed the balance of power in the region and Central Asia found itself in the centre of new developments. Before this event, this region was just Russia and China's interest area, now they became part of America's geopolitical priorities. Soon after the terrorist attacks on America on September 11, all the Central Asian states including Kyrgyzstan, offered overflight and other support for coalition anti-terrorism efforts in Afghanistan. Kyrgyzstan, hosted coalition troops and provided access to the Gansi military base stationed at Manas civilian airport which was just outside capital of Bishkek. For offering the use of military facilities, Kyrgyzstan desires military support from the USA (Gleason et.al.2008).

As a result of this development, Russia signed an agreement on September 2003. This agreement provided access to the Kant airfield near the capital of Bishkek. The base is a few miles from the U.S.-led coalition's airbase. In early 2009, Kyrgyzstan had initially said it was closing down the U.S. base after receiving a promise of \$2 billion in crisis aid from Russia earlier this year. But Washington responded with a payment of \$180 million to keep the base open (Mc Perry, 2009).

Central Asia consists of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan; it borders Russia, China, the Middle East, and South Asia. They have very common features, like share same geographic location, history and culture, language (the majority speak Turkic languages, the Tajiks speak an

Iranian language) and ethnic groups; religious (most are Sunni Muslims while some Tajiks are Shiia Muslims), common economic problems.

Military expenditure and arms import in Central Asia have increased during the past decades. This increase is even higher than the world average and regional average. (See Table 9). Basic causes of this increase have been military reform and modernization, border disputes, separatism and territorial claims.

**Table 9 World and Regional expenditure estimates
 (US\$ billion, at constant 2005)**

Region	Africa	America	Asia	(Central Asia)	Europe	World
1997	10,3	375	131	0,6	283	844
1998	11,1	367	132	0,6	275	834
1999	12,3	368	136	0,6	280	844
2000	13,0	381	139	-	287	876
2001	13,2	387	146	0,7	287	892
2002	14,4	431	153	0,7	294	948
2003	14,0	481	160	0,8	302	1016
2004	14,8	522	167	0,9	306	1072
2005	15,3	549	176	1,0	309	1119
2006	15,5	575	185	1,1	310	1158
Change (1997-2006)	+51	+53	+41	+73	+10	+37

Source: Stalenheim, P., Perdomo C. and Sköns E Military Expenditure, SIPRI Yearbook 2007

Although, Central Asian countries military expenditure increased over the period 1997-2006, according to Holtom (2010;4) paper the volume of major conventional weapons imported by Central Asian States was 40 percent lower in 2004-2008 than in 1999-2003.

Table 10- The Military Potential of Central Asian Countries In 2007

Countries	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
Tanks	630	210	40	570	370
Armoured Cars	1,000	298	125	1354	909
Aircrafts	131	58	-	218	139
Helicopters	125	11	4	10	42
Defence Exp.(million dollars)(2007)	1,220	40.4	52.2	113.6	902.4
GNP in % (2007)	1.2	1.3	1.8	0.6	4.8
GNP in 2007(billion dollars)	101.5	3.1	2.9	18.9	18.8
GNP in 2006 (billion dollars)	77.9	2.6	2.5	15.6	15.5

Source: <http://www.ferghana.ru/article.php?id=4859>

According to Fergana Ru news agency (2007), although arms spending of post-Soviet Central Asian Countries increased by 50% in 2007, GDP growth of post-Soviet states of Central Asia in 2007 was just around 9-10%. Kazakhstan defence spending is doubled in 2007 compare to 2006. Uzbekistan always spends more money on defence spending. This trend continued in 2007 and their defence spending grew \$ 100 million just in 2007. Turkmenistan defence spending increased 37% in 2007. Other two Central Asia Countries Tajikistan and Kyrgyzstan had spent \$52.2 million and \$ 40.4 million in 2007 respectively. This expenditure is nearly 1.5% of their GDP. These two countries have low level expenditure due to the presence of military bases of Russia in their territories and Russian assistance for security.

6. Conclusions

Kyrgyzstan that emerged collapse of the Soviet Union is a small Central Asian country. Economic transition of Kyrgyzstan is profound shift from a command economy to a market economy. After the liberalization, Kyrgyzstan economy became more fragile and opened external shocks. For example, Kyrgyzstan was badly affected due to the collapse of Moscow's Stock Market in 1998.

The country was not interesting in establishing its own army due to its difficult economic condition and impossibility of providing independent security. Because of its limited resources and Kyrgyz context of defence spending, defence and security budget of Kyrgyzstan is not comparable with Western Countries. Kyrgyzstan has a relatively low defence spending which is less than optimal that seems to cause low economic performance of the country. Although it has been increased in recent years, the Kyrgyz forces still remain weak.

In the regional context, violence from the neighboring states so the instability from the external factors and the demographic situation of the country play a very critical role in its need for re-establishing its own army. In 2008, Kyrgyzstan has started reforming its armed forces, desiring that the country will have a professional army by 2012.

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