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Investment cooperation between Kyrgyzstan and China at the present stage

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Abstract. The article is devoted to the study of investment cooperation between the Kyrgyz Republic and the People's Republic of China in the period 1995-2025. The relevance of the topic is due to the growing role of Chinese investment in the socio-economic development of Kyrgyzstan, as well as the expansion of bilateral cooperation in the context of modern processes in the Eurasian space. The study is based on a wide range of sources, including materials of the National Statistical Committee of the Kyrgyz Republic, regulatory documents of Kyrgyzstan and China, official reports of government agencies, analytical publications and modern scientific research. The aim of the work is a comprehensive analysis of the main stages, directions, features and results of investment cooperation between Kyrgyzstan and China, as well as identifying existing problems and prospects for further interaction. The article uses historical, comparative, systemic and institutional research methods, allowing to trace the dynamics of bilateral relations and determine the impact of investment processes on the development of economic ties between the two states. The author analyzes the investment relationship of the two countries, distinguishing them into three stages, showing their specific impact on bilateral relations. The first stage involved the formation of a legal framework and the establishment of mechanisms for economic cooperation following Kyrgyzstan's independence. The second stage was characterized by intensified investment cooperation and the expansion of Chinese capital in key economic sectors. The third stage began with the launch of the Belt and Road Initiative in 2013 and was marked by a significant increase in investment cooperation, the implementation of major infrastructure projects, and deepening economic interdependence between the two countries. Particular attention is paid to the analysis of Chinese investment in the mining industry, energy sector, transport and logistics infrastructure, the construction of joint ventures, and the development of production capacities. It is shown that investment has contributed to the modernization of certain sectors of the Kyrgyz economy, the creation of new jobs, and the expansion of the country's foreign economic ties. At the same time, problems related to the effectiveness of project implementation, environmental risks, public perception of foreign investment, and the need to improve investment regulation mechanisms were identified. It is concluded that Kyrgyz-Chinese investment cooperation has significant potential for further development. Its effectiveness will depend on the ability of the parties to balance national interests, increase the transparency of investment processes, and create favorable conditions for the implementation of mutually beneficial projects over the long term.
Keywords: Kyrgyz Republic, China, Belt and Road Initiative, economy, investment, energy, transport, infrastructure projects, cooperation, integration

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Қазіргі кезеңдегі Қырғызстан мен Қытай арасындағы инвестициялық ынтымақтастық

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Аңдатпа. Мақала 1995-2025 жылдар аралығындағы Қырғыз Республикасы мен Қытай Халық Республикасы арасындағы инвестициялық ынтымақтастықты зерттеуге арналған. Тақырыптың өзектілігі Қырғызстанның әлеуметтік-экономикалық дамуындағы Қытай инвестицияларының рөлінің артуымен, сондай-ақ Еуразия кеңістігіндегі қазіргі заманғы процестер аясында екіжақты ынтымақтастықтың кеңеюімен байланысты. Зерттеу Қырғыз Республикасы Ұлттық статистика комитетінің материалдарын, Қырғызстан мен Қытайдың нормативтік құжаттарын, мемлекеттік органдардың ресми есептерін, аналитикалық басылымдарды және заманауи ғылыми зерттеулерді қоса алғанда, көптеген дереккөздерге негізделген. Жұмыстың мақсаты – Қырғызстан мен Қытай арасындағы инвестициялық ынтымақтастықтың негізгі кезеңдерін, бағыттарын, ерекшеліктерін және нәтижелерін кешенді талдау, сондай-ақ одан әрі өзара әрекеттесудің бар мәселелері мен перспективаларын анықтау. Мақалада тарихи, салыстырмалы, жүйелік және институционалдық зерттеу әдістері қолданылады, бұл екіжақты қатынастардың динамикасын бақылауға және инвестициялық процестердің екі мемлекет арасындағы экономикалық байланыстардың дамуына әсерін анықтауға мүмкіндік береді. Автор екі елдің инвестициялық қарым-қатынасын талдап, оларды үш кезеңге бөліп, екіжақты қатынастарға нақты әсерін көрсетеді. Бірінші кезең Қырғызстан тәуелсіздік алғаннан кейін құқықтық базаны қалыптастыруды және экономикалық ынтымақтастық тетіктерін құруды қамтыды. Екінші кезең инвестициялық ынтымақтастықтың күшеюімен және негізгі экономикалық салаларда қытай капиталының кеңеюімен сипатталды. Үшінші кезең 2013 жылы «Бір белдеу, бір жол» бастамасының іске қосылуымен басталды және инвестициялық ынтымақтастықтың айтарлықтай артуымен, ірі инфрақұрылымдық жобалардың іске асырылуымен және екі ел арасындағы экономикалық өзара тәуелділіктің тереңдеуімен ерекшеленді. Қытайдың тау-кен өнеркәсібіне, энергетика секторына, көлік және логистикалық инфрақұрылымға, бірлескен кәсіпорындар құрылысына және өндірістік қуаттарды дамытуға инвестицияларын талдауға ерекше назар аударылады. Инвестициялар Қырғызстан экономикасының жекелеген салаларын жаңғыртуға, жаңа жұмыс орындарын құруға және елдің сыртқы экономикалық байланыстарын кеңейтуге ықпал еткені көрсетілген. Сонымен қатар, жобаларды іске асырудың тиімділігіне, экологиялық тәуекелдерге, шетелдік инвестицияларға қоғамдық көзқарасқа және инвестициялық реттеу тетіктерін жетілдіру қажеттілігіне байланысты мәселелер анықталды. Қырғыз-қытай инвестициялық ынтымақтастығының одан әрі даму үшін айтарлықтай әлеуеті бар деген қорытындыға келді. Оның тиімділігі тараптардың ұлттық мүдделерді теңестіру, инвестициялық процестердің ашықтығын арттыру және ұзақ мерзімді перспективада өзара тиімді жобаларды жүзеге асыру үшін қолайлы жағдайлар жасау мүмкіндігіне байланысты болады.

Түйін сөздер: Қырғыз Республикасы, Қытай, «Бір белдеу, бір жол» бастамасы, экономика, инвестиция, энергетика, көлік, инфрақұрылымдық жобалар, ынтымақтастық, интеграция

Сілтеме жасау үшін: Омурова Ж. Қазіргі кезеңдегі Қырғызстан мен Қытай арасындағы инвестициялық ынтымақтастық. *Journal of the National Congress of Historians.* 2026. Vol.5, no.1, pp.7-20. *https://doi.org/10.65076/3105-0042.2026.1.7.20*

Инвестиционное сотрудничество Кыргызстана и Китая на современном этапе

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Аннотация. Статья посвящена исследованию инвестиционного сотрудничества между Кыргызской Республикой и Китайской Народной Республикой в период 1995-2025 гг. Актуальность темы обусловлена возрастающей роли китайских инвестиций в социально-экономическом развитии Кыргызстана, а также расширением двустороннего взаимодействия в условиях современных процессов на евразийском пространстве. Исследование основано на обширном круге источников, включая материалы Национального статического комитета Кыргызской Республики, нормативно-правовые документы Кыргызстана и Китая, официальные отчеты государственных органов, аналитические публикации и современные научные исследования. Целью работы является комплексный анализ основных этапов, направлений, особенностей и результатов инвестиционного сотрудничества между Кыргызстаном и Китаем, а также выявление существующих проблем и перспективы дальнейшего взаимодействия. В статье используются исторический, сравнительно -сопоставительный, системный и институциональный методы исследования, позволяющие проследить динамику двусторонних отношений и определить влияние инвестиционных процессов на развитие экономических связей между двумя государствами. Автор анализирует инвестиционную отношению двух стран, выделив их на три этапа, показывают их конкретное влияние на двухсторонние отношения. Первый этап связан с формированием правовой базы и установлением механизмов экономического взаимодействия после обретения Кыргызстана независимости. Второй этап характеризуется активизацией инвестиционного сотрудничества и расширением участие китайского капитала в ключевых секторах экономики. Третий этап начался после выдвижения инициативы “Один пояс, один путь” в 2013 г. и ознаменовался значительным ростом масштабов инвестиционного взаимодействия, реализацией крупных инфраструктурных проектов и углублением экономической взаимозависимости двух стран. Особое внимание уделяется анализу китайских инвестиций в горнодобывающих промышленность, энергетический сектор, транспортно-логистическую инфраструктуру, строительство совместных предприятий и развитие производственных мощностей. Показано, что инвестиционные способствовало модернизации отдельных отраслей экономики Кыргызстана, созданию новых рабочих мест и расширению внешнеэкономических связей страны. Вместе с тем выявлены проблемы, связанные с эффективностью реализации проектов, экологическими рисками, общественным восприятием иностранных инвестиций и необходимостью совершенствования механизмов регулирования инвестиционной деятельности. Сделан вывод о том, что кыргызско-китайское инвестиционное сотрудничество обладает значительным потенциалом дальнейшего развития. Его эффективность будет зависеть от способности сторон обеспечивать баланс национальных интересов, повышать прозрачность инвестиционных процессов и создавать благоприятные условия для реализации взаимовыгодных проектов в долгосрочной перспективе.

Ключевые слова: Кыргызская Республика, КНР, «Один пояс – один путь», экономика, инвестиция, энергетика, транспорт, инфраструктурные проекты, сотрудничество, интеграция

Introduction

The collapse of the Soviet Union in 1991 led to the emergence of independent states in Central Asia and created a new geopolitical environment along China's western borders. The newly independent countries became important partners for China, both because of their geographic proximity and their growing role in regional economic and political processes. Among hem, Kyrgyzstan occupies a special place due to its strategic location and long-standing economic ties with China. During the 1990s, relations between Kyrgyzstan and China developed gradually. Economic cooperation remained limited, although bilateral trade and investment contacts expanded compared with the initial years of independence. As China's economy continued to grow, its interest in Central Asia increased, creating new opportunities for cooperation with the countries of the region. A new stage in Kyrgyz-Chinese economic relations began in the early 2000s. The establishment of the Shanghai Cooperation Organisation (SCO) in 2001 strengthened regional cooperation, while the accession of Kyrgyzstan and China to the World Trade Organization contributed to the expansion of economic ties. After the launch of the Belt and Road Initiative in 2013, investment cooperation became one of the most dynamic areas of bilateral relations, leading to the implementation of a number of large-scale projects in infrastructure, energy, and mining.

Materials and Methods

The article examines the evolution of investment cooperation between Kyrgyzstan and China during the period from 1995 to 2025. The analysis relies on statistical data published by the National Statistical Committee of the Kyrgyz Republic, official documents of Kyrgyzstan and China, bilateral agreements, reports of international organizations, and academic studies devoted to Kyrgyz-Chinese relations. The research focuses on changes in the volume and structure of Chinese investment in Kyrgyzstan, as well as on the main sectors attracting Chinese capital. Attention is also given to the influence of regional economic initiatives, particularly the Belt and Road Initiative, on the development of bilateral investment relations. Several research methods were employed in the study. Historical analysis was used to trace the development of investment cooperation from the early years of Kyrgyzstan's independence to the present period. Comparative analysis helped identify differences in investment priorities across various stages of bilateral relations. Statistical data were analyzed to assess investment trends and determine the role of Chinese capital in the Kyrgyz economy. These methods were used to examine both the economic and political dimensions of investment cooperation. The article uses historical, comparative, systemic and institutional research methods to trace the dynamics of bilateral relations and determine the impact of investment processes on the development of economic ties between the two states.

Literature Review

Kyrgyz-Chinese relations have been widely discussed in academic and analytical literature. Researchers have examined issues related to trade, investment, regional security, transport connectivity, and economic integration, reflecting the growing importance of China in Central Asia. The expansion of China's economic presence in the region has been analyzed by a number

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of scholars, including G. Chufrin (2012), Zhao Qingsong (2016), K.A.Kudayarov (2023), M. Imanaliev, and A. Dzhorobekova (2018), E. Kuzmina, J. Omurova (2019) and other researchers. Their works consider the growth of Chinese investment, the development of economic ties between China and the Central Asian states, and the impact of regional initiatives on economic cooperation. Particular attention has been devoted to the Belt and Road Initiative and its implications for regional development. Studies focusing on Kyrgyzstan examine Chinese participation in infrastructure construction, energy projects, mining, transport development, and cross-border economic cooperation. At the same time, researchers note a number of challenges associated with investment cooperation, including environmental concerns, public perceptions of foreign investors, debt-related issues, and the effectiveness of large investment projects. Although many publications discuss Kyrgyz–Chinese relations, fewer studies focus specifically on the long-term development of bilateral investment cooperation. As a result, the evolution of bilateral investment relations and their changing characteristics over different periods remain insufficiently explored. This article analyzes these developments and assesses their significance for economic cooperation between Kyrgyzstan and China.

Discussion and Findings

Chinese Investment Activity in Central Asia and Kyrgyzstan within the Belt and Road Initiative

Chinese investment activity in Central Asia, including Kyrgyzstan, increased noticeably after President Xi Jinping's visit to the region in 2013. During that visit, Xi introduced the concept of the Silk Road Economic Belt while speaking in Kazakhstan (Xi Jinping's Visit to Astana.Vlast. kz: 7.09.2013). This idea later developed into one of the main components of the Belt and Road Initiative (BRI). In his speech in Astana, Xi Jinping emphasized the common interest of China and the Central Asian countries in economic growth, prosperity, and regional stability. He noted that geographical proximity, political dialogue, and economic complementarity could create favorable conditions for broader cooperation and shared development. The Belt and Road Initiative aims to improve existing trade and transport routes while encouraging the development of new economic corridors linking Asia, Europe, and Africa. More than 60 countries are currently involved in projects connected with the initiative ("One Belt, One Road" – What Does This Idea Mean? 17.09.2019). For China, Central Asia has become an increasingly important direction of economic cooperation, while Kyrgyzstan's geographical position has strengthened its role as a transit and connectivity hub within the region.

By the late 1990s, Chinese foreign direct investment (FDI) in Central Asia remained below USD 1 billion and was concentrated mainly in the oil and gas sector. Over the following decade, investment increased more than 20 fold, making Beijing one of the region's principal sources of external financing (Chufrin 2012: 54). Following the 2008 global financial crisis, China's role in the regional economy became increasingly apparent, as traditional partners of Central Asia, including Russia, the United States, and European countries, faced economic and budgetary difficulties of their own. During the 2010s, cooperation expanded beyond the fuel and energy sector to include infrastructure development, construction, manufacturing, and agriculture. In recent years, China has become the largest source of imports for three Central Asian countries. The Eurasian Development Bank reported in its study China and the Eurasian Region: Analysis of Investment Flows (December 2025) (More Than One Path: 07.03.2017), that the stock of

Chinese foreign direct investment in Central Asia grew from USD 19.6 billion in 2016 to USD 35.9 billion by mid-2025. Nearly 90 percent of these investments were concentrated in Kazakhstan (32 percent), Uzbekistan (30 percent), and Turkmenistan (27 percent). Most Chinese investment continued to flow into extractive industries, which accounted for 46 percent of the total. Meanwhile, manufacturing and energy projects attracted an increasing share of capital and now represent more than one-third of Chinese investment in the region (More Than One Path: 07.03.2017).

The economy of the Kyrgyz Republic remains relatively open to foreign investment and ranks between Switzerland and Norway on the Foreign Direct Investment Restrictiveness Index. The country offers a competitive corporate tax rate of 10 percent, relatively low labor costs, and affordable electricity generated from its substantial hydropower resources. Significant inflows of foreign direct investment began in the 2000s, with much of the investment directed toward the gold-mining industry (Risks or Benefits: 01.24.2026). Mining has remained the main destination for foreign investment and continues to receive the largest share of incoming capital. Kyrgyzstan ranked 80th in the World Bank's Ease of Doing Business assessment in 2024 (Foreign Investments in Kyrgyzstan: 04.10.2021). Reforms in tax administration, licensing procedures, technical regulations, and inspection systems have helped improve the country's regulatory environment. Nevertheless, limited institutional capacity and infrastructure shortcomings continue to affect overall competitiveness. Kyrgyzstan performs particularly well in property registration, ranking 7th globally, and in access to credit, where it holds 15th place. However, access to electricity (143rd place) and contract enforcement (134th place) (Caravan-info.kg:12.06.2026) remain among the weaker aspects of the business environment and continue to present challenges for investors.

China and Kyrgyzstan signed a bilateral investment agreement in May 1992, which entered into force in September 1995. The treaty sets out the main principles governing investment relations between the two countries and offers legal protection to both private investors and companies operating in the host country. Alongside the protections provided under domestic legislation, the agreement grants investors additional guarantees. It also outlines mechanisms for resolving investment disputes, allowing foreign investors to seek independent arbitration or other legal remedies if the host state fails to uphold its obligations concerning the protection of investors' rights (Foreign Investment in Kyrgyzstan:04.10.20218).

In 2019, Chinese investment in Kyrgyzstan amounted to approximately USD 301 million, exceeding the volumes invested by Canada (USD 115 million), Switzerland (USD 103 million), and Türkiye (USD 75.3 million). Chinese-funded projects in Kyrgyzstan have been implemented in a number of sectors, including transport, telecommunications, energy, mineral resource development, and agriculture (Bilateral Investment Treaty: 04.10.2021). These projects have become an important part of broader economic cooperation between the two countries.

In 2021, China accounted for the largest share of foreign direct investment inflows into Kyrgyzstan, representing 33.4 percent of the total. It was followed by Türkiye with 14.7 percent, the Netherlands with 8.0 percent, the United Kingdom with 7.6 percent, and Germany with 4.4 percent [9]. Russian investment also recovered to its pre-pandemic level in 2021 and reached USD 145 million. Nevertheless, the volume of investment from Russia remained lower than that of both China and Türkiye (Economist.kg: 13.07.2022).

According to the National Statistical Committee of the Kyrgyz Republic, foreign direct investment inflows reached USD 278 million in January–March 2022, which was 2.5 times higher

than in the corresponding period of 2021. China accounted for the largest share of total FDI inflows at 27.1 percent. Canada ranked second with 11.4 percent, followed by the Netherlands (8.8 percent), the United Kingdom (7.4 percent), and Türkiye (7.2 percent) (Vb.kg:16.06.2022). These figures reflect the prominent position of Chinese investment among the main sources of foreign direct investment in Kyrgyzstan.

Stages of Investment Relations between Kyrgyzstan and China

Over the past 35 years, investment cooperation between Kyrgyzstan and China has gone through three main stages. The first stage (1995-2001) marked the emergence of investment relations between the two countries. The second stage (2002-2012) was characterized by a steady growth in investment activity. The third stage (2013-2021) saw a significant expansion of cooperation following the launch of China's Belt and Road Initiative (BRI).

The First Stage: Initial Investment Cooperation (1995-2001) Chinese investment in Kyrgyzstan remained modest during this period. According to the National Statistical Committee of the Kyrgyz Republic, the total volume of Chinese investment amounted to USD 89.6 million between 1995 and 2001 (Stat.kg:20.06.2026).

Between 1995 and 2001, Chinese investment in Kyrgyzstan remained relatively modest and Chinese companies played only a limited role in the country's economy. After Kyrgyzstan joined the World Trade Organization (WTO) in 1998, Chinese foreign direct investment reached USD 1.9 million. Investment inflows declined to USD 1.1 million in 1999 and USD 0.9 million in 2000, before exceeding USD 2 million in 2001. Most Chinese investments during this period were made through small enterprises operating in agriculture, light industry, food processing, and related sectors. The number of Chinese companies in Kyrgyzstan also grew steadily. While only 18 Chinese enterprises were registered in the country in 1993, their number had increased to 138 by the beginning of 1996 (Zhao Qingsong, 2016: 69).

The Second Stage: Gradual Growth and Diversification (2002-2012) From 2002 to 2012, Chinese investment in Kyrgyzstan increased steadily. This trend was influenced not only by economic factors but also by the growing political and economic cooperation between the two countries.

The establishment of the Shanghai Cooperation Organisation (SCO) in 2001 provided additional opportunities for closer regional cooperation. Chinese foreign direct investment in Kyrgyzstan rose to USD 8.5 million in 2002, an increase of 240 percent compared with the previous year. Growth continued over the following years, and by 2008 investment inflows had reached USD 57.5 million, almost twice the level recorded in 2007. During this period, Chinese investment extended beyond traditional sectors and entered areas such as mining, engineering services, telecommunications, transport, and real estate. Although many projects remained relatively small in scale, individual investments often exceeded USD 1 million. More than ten Chinese companies participated in investment projects across Kyrgyzstan. Projects implemented during these years included a China–Kyrgyzstan paper manufacturing joint venture, the Salken-Wusu brewery, Chuhe Poultry Company, Jiangdes Juice Factory, coal-mining enterprises, and several gold development projects. Kyrgyzstan also promoted a number of larger infrastructure initiatives involving Chinese participation, including the proposed China-Kyrgyzstan-Uzbekistan railway and highway, tailings processing facilities, and agricultural processing projects (Zhao Qingsong, 2016:70).

The Third Stage: Expansion of Investment Cooperation (2013-Present) The third stage began in 2013 and continues to the present day. During this period, Chinese investment in Kyrgyzstan increased significantly, although the volume of investment has fluctuated from year to year. A

major factor behind this growth was the launch of the Silk Road Economic Belt in 2013, which later became part of the Belt and Road Initiative (BRI). The initiative created new opportunities for economic cooperation and encouraged greater Chinese participation in investment projects across Kyrgyzstan. At the same time, external economic conditions have also influenced investment activity. Changes in the global economy, shifts in international markets, and periods of economic uncertainty have affected the scale of Chinese investment. Nevertheless, China has remained one of Kyrgyzstan's leading investment partners throughout this period.

According to data from the National Statistical Committee of the Kyrgyz Republic, China became the second-largest source of foreign direct investment in Kyrgyzstan in 2012, accounting for 23.9 percent of total FDI inflows that year. In 2013, Chinese investment increased to USD 468 million, more than doubling compared to the previous year and representing 48.55 percent of all foreign investment received by Kyrgyzstan (Omurova 2019: 240). As a result, China became the country's largest foreign investor. This period also marked an important shift in the structure of Chinese investment. Whereas earlier investment activity had been dominated by small private enterprises, large Chinese state-owned companies increasingly entered the Kyrgyz market and became involved in major infrastructure and energy projects. One example was the reconstruction of the power system in southern Kyrgyzstan. In 2011, Xinjiang Tebian Electric Apparatus (TBEA) began work on a new substation project financed through a concessional loan provided by the Chinese government (Kudayarov 2023: 65). Another major project followed in 2012 with the construction of the Datka-Kemin power transmission line, one of the largest energy cooperation projects between Kyrgyzstan and China. The project, valued at approximately USD 389 million, strengthened the country's electricity network and improved the connection between the northern and southern parts of the national power system. Chinese companies also expanded their activities in engineering and construction. In 2012, they signed new engineering contracts worth approximately USD 150 million, while the value of completed projects and related business activities reached USD 351 million (Margulis 2019:29).

The increasing presence of Chinese businesses in Kyrgyzstan can also be seen in the number of enterprises operating in the country. Between 2002 and 2019, the number of companies wholly or partially owned by Chinese investors more than doubled, reaching 567 enterprises by 2019. Of these, 170 were joint ventures established with Kyrgyz partners. However, only a small share of these companies-around 10 to 15 enterprises-could be considered large-scale businesses (Kuzmina 2019, Eurasia.expert:15.06.2026).

Priority Sectors for Investment in Kyrgyzstan

Sector	Main Areas of Activity
Mining Industry	Extraction of oil, gold, coal, iron ore, copper ore, bauxite, nickel ore, lead-zinc ore, and other mineral resources.
Agriculture	Cultivation of fruits and vegetables, forestry activities, development of irrigated land, and modernization of irrigation systems.
Manufacturing Industry	Production of textiles and garments, footwear, machinery and equipment, electrical products, transport equipment, chemical products, plastics, rubber goods, pharmaceuticals, metal products, food processing, glass, ceramics, cement, as well as products made from leather, wood, paper, and cardboard.

Services Sector	Trade, telecommunications, transportation, catering, education, construction, healthcare, financial services, information technology, and other business services.

Kyrgyzstan was among the first countries to support and participate in the Belt and Road Initiative (BRI). Since its launch, cooperation between Kyrgyzstan and China has expanded across a range of economic and infrastructure projects. Since 2013, the two countries have worked together on several major initiatives. These include the China-Kyrgyzstan-Uzbekistan highway, which has strengthened regional transit links, the reconstruction of Bishkek's road network, and the modernization of irrigation systems in four regions of Kyrgyzstan. Another important project is the North-South Alternative Highway, which is expected to become one of the country's main transport corridors. The implementation of these projects reflects the close economic cooperation that has developed between Kyrgyzstan and China in recent years (Omurova 2019: 242). Today, the Belt and Road Initiative serves as an important framework for bilateral cooperation in infrastructure and economic development.

Approximately 97 percent of Chinese foreign direct investment in Kyrgyzstan is concentrated in a limited number of sectors, including manufacturing, geological exploration, mining, financial and insurance services, information and communications, and wholesale and retail trade.

China's economic interests in Kyrgyzstan are closely connected with the country's mineral resources and energy sector. Cooperation in these areas has developed over many years. In 2002, Kyrgyzstan and China signed an agreement on the exploration and development of oil and gas deposits, most of which are located in the southern part of the country.Cooperation expanded further in 2014, when Chinese companies gained access to several major energy projects. These included the Mailuu-Suu-4 oil field, the East Izbaskent and Changyr-Tash oil and gas fields, and the Chyyrchyk gas field. The implementation of these projects illustrates the steady development of economic ties between Kyrgyzstan and China and the growing scale of cooperation in the energy sector (Strategic Partnership between China and Kyrgyzstan: 06.06.2021).

Much of Kyrgyzstan's transport, industrial, and public infrastructure dates back to the Soviet period. Airports, roads, bridges, hospitals, industrial facilities, and water-management systems require significant modernization, as many of them no longer correspond to current economic and social needs. The government has identified infrastructure development as one of its priorities and plans to implement a number of major construction projects. However, limited financial resources and broader economic constraints restrict the scale of investment available for modernization. Consequently, infrastructure development remains a major challenge for the country. In this context, the contribution of the Belt and Road Initiative to infrastructure development in Kyrgyzstan:

1. The Belt and Road Initiative contributes to closer economic integration across the Eurasian region, including cooperation between China and the member states of the Eurasian Economic Union. This creates additional opportunities for the countries of Central Asia, including Kyrgyzstan. The initiative also supports the further development of the strategic partnership between Kyrgyzstan and China. Cooperation has expanded in several areas, including science and technology, agriculture, energy, and infrastructure development, strengthening economic ties between the two countries (Imanaliev 2018: 40).

2. The Silk Road between Asia and Europe includes major transit routes, and Kyrgyzstan plays an important role in connecting these regions. International transport projects give the country an opportunity to improve its transport infrastructure and modernize key transport corridors. As these routes develop, Kyrgyzstan can generate additional revenue and support the economic development of border areas.

3. However, foreign and domestic experts do not all share the same opinion about the Belt and Road Initiative. Some argue that the growing number of Chinese citizens in Central Asia, including Kyrgyzstan, may create competition in the labor market and make it harder for local people to find employment. There are also concerns that closer ties between China and Central Asian countries could expand China's influence in the region. In the future, this may allow China to become the most influential country in Central Asia, while Russia's influence could gradually decline (Sputnik.kg: 14.12.2021).

4. China is interested in Kyrgyzstan's natural resources because the Xinjiang Uyghur Autonomous Region, which borders Kyrgyzstan, faces energy shortages. The development of mining projects in Kyrgyzstan may help China improve infrastructure in the region and meet its growing energy needs.

Problems in Investment Relations Between the Two Countries

The investment climate in Kyrgyzstan depends on several factors, such as environmental issues, public attitudes, and relations between local communities and foreign investors. Every year, the Investment Promotion Agency of Kyrgyzstan launches new investment projects. These projects help create jobs and generate additional revenue through taxes, pension contributions, and other payments. At the same time, disagreements between investors and local residents can create difficulties and reduce the country's attractiveness to foreign investors.

There have been several cases in China–Kyrgyzstan relations where environmental requirements were not properly followed, resulting in environmental concerns and criticism of Chinese-funded projects.

One notable example is the modernization of the Bishkek Thermal Power Plant, which was completed in 2017 with a Chinese loan of USD 386 million. About a year later, an accident at the plant left the capital without heating during the winter season. The project was later linked to corruption investigations and court proceedings involving senior government officials. In addition, the environmental impact assessment (EIA) report for the modernization project was never made publicly available (Information and analytical report 2017: 20).

It is difficult to consider this project a real modernization because part of the thermal power plant still uses old equipment. In addition, coal remains the main fuel source, which does not help reduce air pollution. For several years, Bishkek has faced serious smog problems during the heating season. According to AirVisual, the city has repeatedly appeared among the most polluted cities in the world. According to the State Agency for Environmental Protection, around 14% of harmful emissions in Kyrgyzstan come from the thermal power plant. The plant burns about one million tons of coal every year, making it one of the country's major sources of air pollution. The report *"Smog in Bishkek: Myths and Reality"* states that coal consumption increased by 22% over the previous six years (Ced.auca.kg: 17.09.2021).

Environmental issues related to Chinese-funded projects are not limited to Bishkek. Similar environmental concerns can be observed in other regions of Kyrgyzstan.

Prospects

Despite these challenges, investment relations between Kyrgyzstan and China continue to expand. According to the Eurasian Development Bank (EDB), accumulated Chinese foreign direct investment in Kyrgyzstan reached USD 2.1 billion by the end of 2025. Chinese interest in the Kyrgyz market has increased over the last five years, with investment activity growing significantly after 2022. In that year, Chinese investments totaled USD 326 million, making China the second-largest investor in the country. In 2024, China became the main source of foreign investment in Kyrgyzstan (Report.kg: 14.01.2026). Chinese companies initiated projects worth more than USD 1 billion, showing the continued growth of economic cooperation between the two countries.

According to the Eurasian Development Bank (EDB), most Chinese investments in Kyrgyzstan focus on infrastructure and industry. About USD 150 million has been allocated to road modernization, while another USD 120 million will be used for the construction and renovation of energy facilities, including 15 small and medium-sized hydropower plants. The mining sector has also received Chinese investment of approximately USD 85 million. The China–Kyrgyzstan–Uzbekistan railway remains one of the most important strategic projects for Kyrgyzstan. China Railway International is participating in the project, and China holds a 51 percent share. Chinese investment is estimated at USD 3.5 billion, with more than USD 2 billion provided through concessional loans (Report.kg: 14.01.2026).

A significant share of Chinese investment is also directed toward the manufacturing sector. One of the key enterprises in the cement industry is the Kant Cement Plant, which is owned by the Chinese company Yatai and produces more than 1.2 million tons of cement each year. Investments in the plant are estimated at around USD 100 million. In the metallurgical sector, one of the largest projects is Alliance Altyn LLC in the Talas Region, where Chinese investment has exceeded USD 200 million (Report.kg: 14.01.2026).

However, analysts from the EDB note that the concentration of Chinese investment in several key sectors may increase dependence on imported equipment and foreign labor. They also warn that such a situation could limit opportunities for local businesses and contribute to the emergence of quasi-monopolies. Recent cooperation between Kyrgyzstan and China shows that the two countries remain important strategic partners. Recent investment projects show continued Chinese participation in infrastructure, energy, manufacturing, and transport development.

Conclusion

Now, an analysis of China's and Kyrgyzstan's investment activities allows us to draw the following conclusions:

– While China was relatively inactive in the region in the 1990s, with expansion occurring through the influx of Chinese goods, we are now seeing a flurry of activity from Chinese companies in Kyrgyzstan. They are showing interest in all areas, including projects of national significance, which will ultimately give China access to many deposits.

– The situation is similar in the investment sphere. China ranks first among investors in the Kyrgyz economy, with a share of approximately 40%. According to official data from the Kyrgyz Ministry of Industry and Trade, Chinese companies are primarily interested in the chemical

industry, as well as in enterprises involved in the mining and processing of rare earth metals. The main investors are large state-owned companies and investment funds, which are purchasing available real estate and also investing in the creation of Kyrgyz-Chinese joint ventures.

Both countries are jointly implementing a number of projects in the Kyrgyz Republic, primarily in infrastructure (mining, transport, and energy). China is contributing the lion's share of both funding and implementation.

In conclusion, it can be said that implementing investment relations is part of China's foreign policy and economic development strategy – the formation of stable states around its borders, for which Beijing is implementing investment projects at the regional level. The length of the border with Kyrgyzstan – one of the most important in the Central Asian region – and the presence of a large Uyghur diaspora in the country, as well as a Muslim Kyrgyz population in general, require significant efforts and various tools from China to establish cooperation and implement joint projects. Furthermore, Kyrgyzstan is one of the main channels for diversifying energy supplies to China. China faces certain difficulties in expanding its political and economic influence in the region due to the protectionist policies of the Eurasian Economic Union and Russia's concerns about its position in the strategically important Central Asian region. However, Russia's war with Ukraine, sanctions imposed by Western countries and the United States against Russia, the decline in global economic growth, and the decline and rise in global energy prices have led to Russia also becoming interested in cooperation with China. It is clear that China's influence in the region as a whole and in Kyrgyzstan in particular will grow, and consequently, investment cooperation between the two countries will also develop.

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