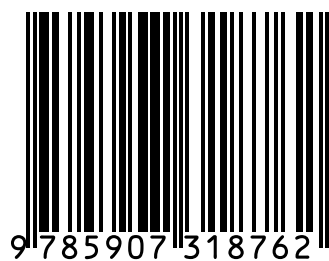




Central Asia and the Ukraine Crisis

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Introduction

Central Asia's place in the constellation of Russia's foreign policy interests is determined by its geopolitics, features of the international political architecture and Russia's wide-ranging and multifaceted ties with the main states in the region. Central Asia is unlike other large parts of the former Soviet Union, such as its European part or South Caucasus. There is not a single Central Asian country for which conflict with Russia could become a central element of their national foreign policy. Furthermore, political relations with all Central Asian states are traditionally friendly, which affects the prioritisation of issues and the specific steps that are being taken as part of Russia's policy in this region.

However, we should not turn a blind eye to multiple signs of potential destabilisation directed against the Central Asian states and their relations with Russia. There are disquieting internal processes stemming from the difficulties that the countries of the region are experiencing amid the military-political crisis in Ukraine. Although, in general, they are in a better position compared to some of Russia's other neighbours, since external influence on their internal development and foreign policy ties is limited by objective geopolitical circumstances.

With the onset of the Ukraine crisis in 2022, Russia's attention to events unfolding in even such a close and important region as Central Asia has understandably waned, and this is arguably one of the important setbacks that could have serious ramifications. Following the collapse of the regime established by foreign interventionists in Afghanistan and the Taliban's¹ return to power, and given the continuing tensions on the Kyrgyzstan-Tajikistan border and the acute domestic political crisis that hit Kazakhstan in the first half of January 2022, this region deserved to be in the focus of Russia's foreign policy priorities. Also, Central Asia's geopolitical location between the leading Eurasian powers makes it an object of considerable interest not only for Russia and China, but their opponents in the international arena as well. This interest manifested itself back when the global economy was open and cross-border trade and economic ties were flourishing. Back then, thanks to the region's enormous human, industrial and scientific potential, the stability of its countries' political systems and their orderly successions at the highest levels of power, Central Asia became attractive to foreign economic partners.

¹ The Taliban is under UN sanctions for terrorist activity.

The place that the states of Central Asia enjoy in international politics and the global economy is a product of their internal development over the past 30 years. The evolution of their national political systems and the state of their economies differ in each case. The geographical proximity to global centres of power is a determining factor not only for building relations with Russia and China, but also for interacting with large and medium-sized partners that are located at a considerable distance from Eurasia.

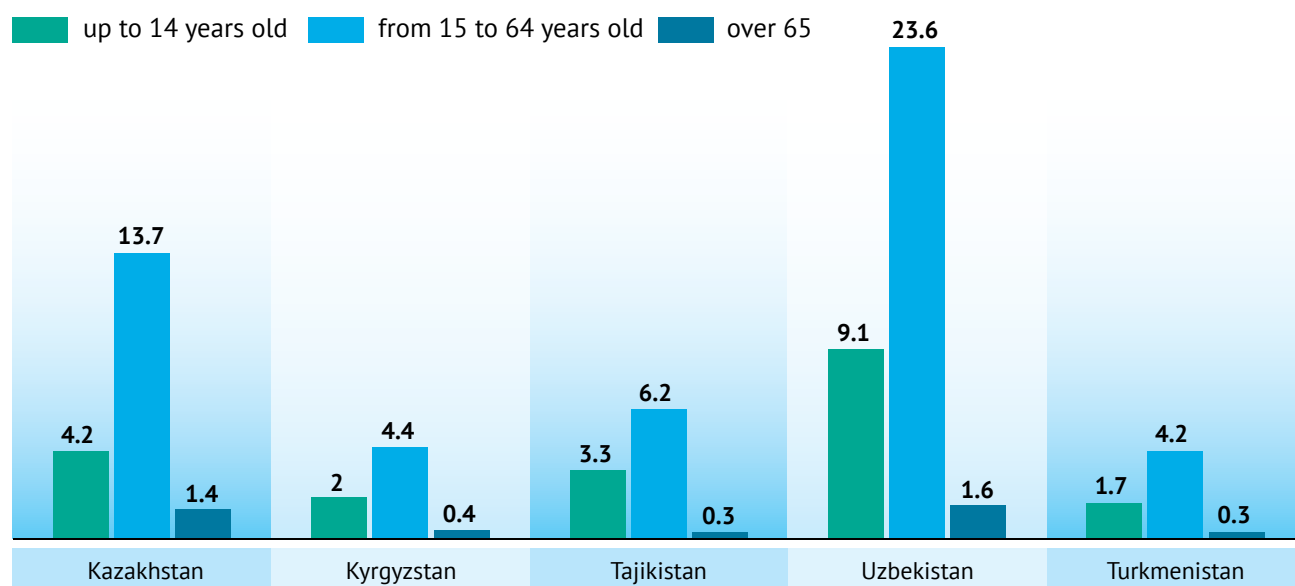
Each state in the region independently determines its internal political life and the intensity of its external relations, while maintaining its identity. Russia traditionally maintains friendly relations with all of them. Countries that are geographically close to Russia and China are, without a doubt, influenced by this proximity, which sometimes affects their domestic and foreign policy decisions. Others, that do not share a border with China or Russia or are geographically far from them, focus more on internal processes and show confidence in their abilities. So, geopolitical position may well determine the way the Ukraine crisis will affect the Central Asian countries and reveal the main challenges for their domestic political stability, independence in their foreign relations and economic development.

In the current political science discourse, Central Asia, or the Central Asian region, includes the former Soviet republics of Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan and Tajikistan. Despite the fact that the term thus construed is firmly entrenched in international relations and regional studies, there's another definition based primarily on the geographical definition of space.

According to this definition, the “large” region of Central Asia includes not only the above republics, but also the vast territory of the Russian Altai, Mongolia, Tibet, a significant portion of western China, and Afghanistan. In the historiography of the Russian Empire, which took a geographical approach, as well as in the notes of travellers and researchers, the territory was referred to as Turkestan. In the Soviet period, according to the principle of economic zoning, the definition “Middle Asia (*Srednyaya Aziya*) and Kazakhstan” was used. In Western historiography, the term “Central Asia” refers to the territory of all five former Soviet republics.

Importantly, “Central Asia” is also how the five countries refer to themselves politically. Back in 1992, addressing the summit of leaders of the countries of Central Asia, Nursultan Nazarbayev proposed replacing the term “Middle Asia and Kazakhstan” with “Central Asia” meaning not the broad geographical definition, but exclusively the political borders of the five republics. This approach has now become dominant in the political statements of representatives of the countries of the region.

AGE STRUCTURE AS OF THE BEGINNING OF 2022, MLN PEOPLE



Sources: Bureau of National Statistics of the Republic of Kazakhstan, UN Department of Economic and Social Affairs Statistics Division

Over the 30 years of independence, each of the Central Asian countries has travelled its own path of adapting their political, socioeconomic and even cultural models/specifics to the challenges stemming from the need to independently establish the foundations of their foreign and domestic policy. When the Soviet Union disintegrated, unlike the Baltic states, Georgia or Armenia, none of the republics in the region sought to secede. Nevertheless, all the countries of the region are now established states, albeit still in search of an identity. They are trying to make themselves known in the international arena. Not only Russia or China, but Western countries and Turkey and, to a lesser extent, Iran have stated their interest in the region and in establishing cooperation with its countries.

The economic and demographic situation in the region is mixed as well. Central Asia is home to 77 million people living on an area of over 4 million sq km. The region is predominantly young with the average age in the “youngest” Republic of Tajikistan standing at 25.3 years, compared to 31.8 years in the “oldest” Kazakhstan. To compare, the average age in the EU countries is 43.9, and in Russia 37-40 years.

In terms of aggregate numbers, Central Asia is growing fast, with regional GDP amounting to \$347 billion in 2021 compared to \$63 billion in 2010. The countries of the region traditionally believe that their position at the trade crossroads between

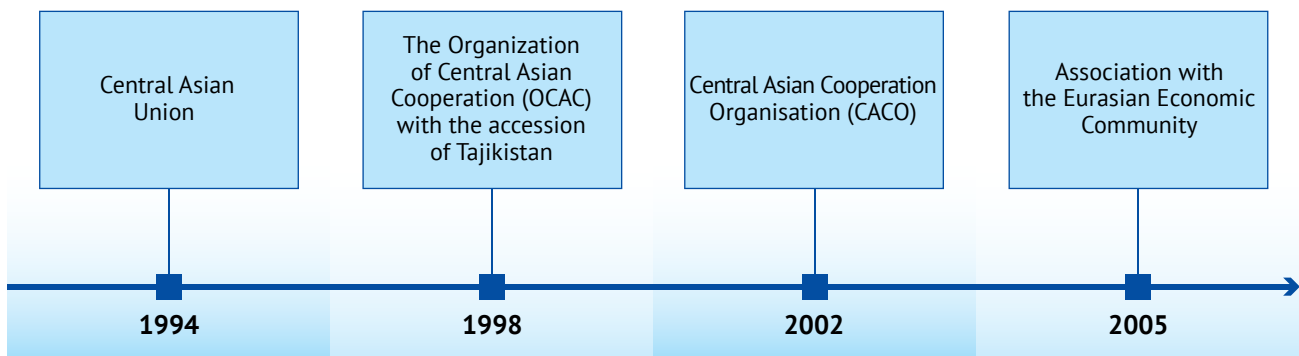
Asia, the Middle East and Europe makes them attractive for investment not only in transit, but also industry and trade. However, their remoteness from sea trade routes and the region's underdeveloped – compared to Asia, Russia and Europe – transport and logistics system preclude any plans to fully tap the region's investment potential. This is also the reason for the consistently high outflow of labour from most of the Central Asian countries to the Russian labour market. Notably, the situation in this area has not changed in the nine years since China announced its Belt and Road Initiative in 2013, which was seen by many as a chance to develop industrial potential in the region, to include Central Asian countries in international value chains and to incorporate them in the global transport and logistics system. In countries like Kazakhstan or Kyrgyzstan, greater investment from China is hampered by corruption, clan structures and a high degree of public Sinophobia. The latter runs deep historically and is fuelled by information about the alleged problems faced by Muslims in China's Xinjiang Uyghur Autonomous Region.

Independent attempts at regional integration have been made throughout the 30 years of independence, but have so far not taken a form that has proved sustainable. The five countries met in Ashgabat on December 13, 1991, and agreed to join the CIS as a result. In April 1994, in Cholpon-Ata, Kazakhstan, Kyrgyzstan and Uzbekistan signed an agreement to create a single economic space, which marked the beginning of the efforts to create the Central Asian Union. In March 1998, Tajikistan joined in, and since July 1998, the association of four countries has become known officially as the Central Asian Economic Union. In 2002, the Central Asian Cooperation Organisation (CACO) was established and the corresponding agreement was signed in February. However, at the CACO summit in St Petersburg in October 2005, a decision was made to merge the CACO with the EurAsEC.

The regular failed attempts at regional integration were due to dependence on the will of national leaders, the specifics of political regimes and the stages in the formation of statehood, differences in the economic structures and, ultimately, a lack of expediency and real, rather than speculative, chances for unification that would be beneficial for all.

A significant number of differences and issues that came as a legacy of territorial delimitation during the initial period of the Central Asian republics joining the Soviet Union were part of the problem as well. These issues ranged from border delimitation and demarcation issues, as well as nature and water use issues to informal competition between regional capitals for the role of informal leader. Notably, Turkmenistan opted for neutrality and did not participate in the above associations, which, however, did not prevent it from hosting summits and meetings.

STAGES OF REGIONAL INTEGRATION



The Central Asian countries' external partners have never opposed their narrow regional cooperation. Russia saw this as another opportunity for internal stabilisation in a challenging area of its foreign policy. China proceeded from similar considerations, whereas Western countries, on the contrary, have always regarded regional integration as a way to undermine the positions of Moscow and later Beijing.

Currently, the countries of the region are connected by single transport and logistics chains and the need to share water resources and energy grids that were left over from the Soviet era and directly affect the investment appeal of Central Asia and internal political stability. And yet this was not enough to make real political and lucrative economic steps. The regional integration project never came to fruition, and, most likely, chances are slim that we will see any changes in this regard any time soon. Nevertheless, in practice, Central Asia's foreign partners see the republics, maybe not as a homogeneous space, but at least as a single format for international cooperation. Occasionally, this even irritates the Central Asian countries which, despite lofty words about unity and cooperation, see each other as competitors for scarce foreign investment.

In practical terms, in 2004, the Central Asia-Japan dialogue was held for the first time; and the Central Asia-Republic of Korea dialogue was held in 2007. In 2015, the United States introduced the C5+1 format (a framework agreement on trade and investment between the United States and the Central Asian countries was signed back in 2004). Russia, China and the EU began to use the Central Asia + format in 2019, after the format of the Central Asian Five was revived at the initiative of President of Uzbekistan Shavkat Mirziyoyev in 2018 and consultative meetings of the heads of states of Central Asia began to be held annually. While differences between the states remain, and the gap between the economies of the republics has only widened over the past years, the format appears to be a convenient platform for the Central Asian leaders to compare notes.

Central Asia by February 2022

The start of Russia's special military operation (SMO) in Ukraine on February 24, 2022, caught the Central Asian countries in different political and socioeconomic circumstances. The military-political crisis in Ukraine and the West's economic war against Russia are impacting the Central Asian countries both at the regional level and at individual country level. The impact is unfolding at varying speeds and levels, and varies depending on the state of national political systems, the state of affairs in the economy, and the degree of economic integration with Russia, as well as the scale of the West's involvement in the economies of the republics and its influence on their societies and political elites.

The countries of the region with relatively consolidated political systems and a high level of genuine sovereignty like Uzbekistan, Tajikistan and Turkmenistan, are most resistant to the Ukraine crisis. The countries with unbalanced political regimes and closely connected with Russia and the West in equal proportions – Kazakhstan and Kyrgyzstan – are most at risk. The republics of the region are uneven in terms of internal stability as well, with the most stable being Turkmenistan, and the least stable being Kazakhstan, which is close to Russia but plagued by internal contradictions and unresolved imbalances.

Kazakhstan

Kazakhstan found itself in the most challenging situation after the SMO began. By that time, it had just emerged from the events of January 2022, when social unrest caused by natural gas price hikes was used by the political elites, with the support of non-regional players, to change the internal political balance of power.

The causes of the internal crisis were mostly economic and ran deep. Social stratification had been underway in the country's regions since the 2010s. The gap between the average and median wages in the Mangystau Region, western Kazakhstan, home to the city of Zhanaozen, where protests erupted, and the Atyrau Region stands at 45.3 and 44.3 percent, respectively. The oil producing companies Tengizchevroil and

KazMunayGas, which are the backbone of the country's economy, are located here. After 30 years, Kazakhstan has reached a point where national wealth is concentrated in the hands of the elite, and a significant portion of revenue is sent abroad. The stake held by national companies is significantly inferior to the stake of foreign investors. For example, the national company KazMunayGas has only 20 percent in the Tengiz oil field, 16.88 percent in the Kashgan field, and 10 percent in the Karachaganak field. In addition, by early 2022, the unemployment rate had shot up two points to reach 5 percent. Importantly, the most densely populated and less developed in terms of infrastructure and social coverage southern Kazakhstan, especially Alma-Ata and the Turkestan Region, account for the highest unemployment numbers. Since 2019, consumer power has been declining amid a surge in inflation. These factors sparked public protests which grew into riots and looting in major cities of Kazakhstan.

The dramatic January developments were resolved with the involvement of the CSTO collective peacekeeping forces as requested by the leadership of the republic. However, by the time the SMO began, the domestic political situation in Kazakhstan had just begun to stabilise despite the major staff reshuffling that had just been completed, including replacement of the chairman of the Security Council, the prime minister, the head of the National Security Committee, the akim (mayor) of the "southern capital" Alma-Ata, and the chairman of the Majilis of the lower house of the parliament of the republic, as well as a number of ministers and other officials.

That meant that the government of the republic had to develop a position with regard to the SMO amid internal uncertainty on the heels of its own acute crisis. Also important is the fact that the events of January 2022 destroyed the image of Kazakhstan as the "Switzerland of the steppe" with a successful economy and political system that had been crafted over years, and exposed the government's inability to resolve internal problems on its own. The rhetoric with regard to Russia and the international situation in general on the part of Kazakhstan that followed the beginning of the SMO is attributed by observers to the reputational damage that was inflicted on the republic in January 2022.

Kyrgyzstan

Kyrgyzstan went through a political crisis a little earlier, in October 2020, when Sadyr Japarov came to power in the wake of yet another wave of mass protests. He was legitimately elected in 2021 with 79.2 percent of the vote with an all-time low voter turnout at 39 percent. To compare, the previous president Sooronbai Jeenbekov was elected in 2017 with 54.22 percent of the vote (turnout 55.93 percent); Almazbek Atambayev in 2011 with 63.24 percent (turnout 61.28 percent); Kurmanbek Bakiyev percent (turnout 72.52 percent) in 2005 and 76.12 percent (turnout 79.3 percent) in 2009; and Askar Akayev 74.47 percent (turnout 78.4 percent) in 2000 and 71.59 percent (turnout 86.19 percent) in 1995.²

However, the unique features of Kyrgyz governance and society create more risks than stability. The existing consensus-based system of what is de facto a duumvirate retains the appearance of a certain balance of the Kyrgyz model of governance: the tandem of Japarov (a native of the Issyk-Kul Region) with the head of the security bloc and a native of the Jalal-Abad Region Vice Prime Minister and Chairman of the State Committee for National Security of the Kyrgyz Republic Kamchybek Tashiyev is controlling the key state bodies and agencies.

In April 2021, following the presidential election, a referendum on the form of government took place, where 84.1 percent of the people voted to move from a parliamentary-presidential to a presidential republic, which was later enshrined in the new constitution. While this streamlined government decision-making (the reform significantly expanded presidential authority), with low turnout and disgruntled parliamentarians, it created fertile soil for protests. The ever-increasing border conflicts with the Republic of Tajikistan remained a particularly acute challenge for the system.

By the early 2022, the Kyrgyz economy had not fully recovered from the coronavirus pandemic. Even though GDP has regained pre-pandemic levels mainly due to the recovery of the manufacturing and

² In 1991, Akayev was elected with 95.33 percent vote. But he ran unopposed and the choice was “yes/no.”

agriculture sectors, the borders with key trading partners were still restricted. In 2021, year-end inflation ran at 11.91 percent (6.32 percent in 2020), which led to an increase in consumer prices. Remittances from Kyrgyz workers in Russia, which make up about 30 percent of the country's GDP, returned to pre-pandemic levels in monetary terms in early 2022.

Tajikistan

By early 2022, Tajikistan had largely overcome the economic aftermath of the pandemic. Migrants' remittances (according to various estimates, they make up about 34.5 percent of the country's GDP)³ by late 2021 had returned to 2020 levels. The recovered mining industry (mainly gold mining by the Zarafshon company) coupled with increased agricultural output propelled the republic way above international forecasts.

However, there were different kinds of internal challenges as well. In November 2021, mass protests took place in the Badakhshan Mountainous Autonomous Region (BMAR) after the arrest of a number of local activist leaders. This is one of the most troublesome regions of the country with a long border with Afghanistan which is not easy to patrol because of the terrain and radical groups that Kabul has practically no control over. The region occupies 45 percent of the republic's territory with about only 3 percent of the country's population living there. A significant portion of the locals speak the Pamir languages and profess Ismailism, an offshoot of the Shiite branch of Islam (the Tajiks living in the plain are Sunni). The mountain ranges are rich in minerals that are being mined by foreign, mostly Chinese, companies. This gives rise to social tensions. Protests regularly break out due to poverty, hardships with housing infrastructure and access to consumer goods and food, high levels of crime, and harsh governing methods.

Protest sentiments in BMAR are endemic and have a history of their own. During the civil war in Tajikistan, Badakhshan leaders

³ A War in a Pandemic// World bank group, 2022. URL: https://www.knomad.org/sites/default/files/2022-07/migration_and_development_brief_36_may_2022_0.pdf

were active supporters of the anti-government bloc of the United Tajik Opposition. The BMAR's key role in the Afghan drug trafficking, which intensified after the Taliban took power in Afghanistan, does nothing to promote stability, either.

In addition to BMAR, the situation on the Kyrgyz-Tajik border is a challenge for the republic as well. The border is 980 km long, of which only about 600 km have been delineated and mutually recognised, with the rest of the border remaining disputed to this day. The use of shared roads, and most importantly, water resources and pastures, leads initially to clashes between individuals and then to intervention of the border guards.

The president of Tajikistan is also confronted with a challenging succession, which is likely to pass from father to son. Since April 2020, Emomali Rahmon's son, Rustam Emomali, has served as Chair of the National Council (Majlisi Milli), the upper house of the Supreme Assembly (Majlisi Oli) of the Republic of Tajikistan, and Mayor of Dushanbe. According to Tajik experts, Rustam Emomali has a good track record of working in different public agencies, has represented the country on the international stage and is ready to assume the country's top job on the whole.

The situation with Afghanistan presents another challenge for Tajikistan. The exodus of US troops in August 2021 exacerbated national security issues for Dushanbe. When withdrawing troops from Afghanistan, the United States left behind a significant number of weapons, some of which made their way into the hands of radical groups. How much is anyone's guess. Tajikistan has the second longest border with Afghanistan, and Dushanbe is concerned not only about the direct infiltration of the terrorists into the country, but also the formation of a legitimate (from the international point of view) Sharia law-based state next to its border. There are good chances to see that happen since Tajikistan is the only post-Soviet country with an Islamic parliamentary party. The Islamic Renaissance Party of Tajikistan (IRPT) was among the main forces that opposed the government in the civil war with an alternative concept of the country's future based on Islamic laws. Given an increase in religiosity among the Tajiks, low level of education and poverty, the ideas behind this governance system may regain popularity.

Turkmenistan

The transfer of power is among the most important issues for Turkmenistan as well. On February 12, 2022, Gurbanguly Berdimuhamedov announced his resignation. His son, Serdar Berdimuhamedov, who by that time held the post of deputy prime minister in charge of finance and the economy and oversaw the oil and gas industry, became his successor.

Berdimuhamedov Jr's training included employment with public agencies, senior positions at ministries and the government, and establishing strong contacts with foreign partners through the International Patent Classification system, as well as his education. The transfer of power was reinforced by the supervising role of Berdimuhamedov Sr as he took the post of Chairman of the Khalk Maslakhaty – the upper house of the Milli Gengesh (the country's parliament).

The republic's economy relies on hydrocarbon exports, with 80 percent going to China.⁴ Importantly, a significant portion of supplies goes to cover Turkmenistan's debt to China. In addition to China, Russia and Kazakhstan buy its gas. Turkmenistan is extremely interested in diversifying supplies and finding new supply routes. Dependence on energy sales pegged to the US dollar, as well as the lack of genuine diversification, leads to the country's utter dependence on external actors and represents a risk for the country's domestic policy.

Uzbekistan

By the time of the military and political crisis in Ukraine, Uzbekistan stood out for its high level of political and economic stability. The policy of Shavkat Mirziyoyev, who was re-elected in 2021 with a major show of trust from voters (80.31 percent with a turnout of 80.04 percent), is focused on gradual reforms, attracting investment and developing the real sector of the country's economy. The economy is the priority for Uzbekistan. A side effect of population growth in the country has been a significant imbalance in regional development. Russia and China are the key investors in Uzbekistan. Russia is Uzbekistan's largest trading partner and the main destination for labour migration, which accounts for about 13 percent of the republic's GDP.

⁴Major Macro Economic Indicators // Coface. 2022. URL:<https://www.coface.com/Economic-Studies-and-Country-Risks/Turkmenistan>.

In early 2022, Uzbekistan had the following plans: to form a positive investment image, to attract investment in the real sector and to improve the quality of human capital in order to be able to implement major economic reforms. The development of transport projects is of particular interest. Uzbekistan is a land-locked country and has to cross the borders of at least two countries before it can access the sea. The withdrawal of troops from Afghanistan and the coming to power of the Taliban movement led Uzbekistan to bring up the issue of building trans-Afghan projects, primarily Mazar-i-Sharif-Peshawar. Uzbekistan is working systematically to raise investment for the construction of the corridor and is interested in implementing all trans-Afghan projects, although the prospects are slim.

Impact of the crisis in Ukraine on the international situation of Central Asian countries

Central Asia's geostrategic location has historically drawn the attention of the great powers. Its most striking manifestation was the struggle between the Russian and British empires in the second half of the 19th and early 20th centuries. Convenient land routes between Asia and Europe, considerable raw material resources and an opportunity to use the region as a lever of pressure on adjacent countries made the main extra-regional players – the US and the EU – even more interested in the Central Asian countries after the collapse of the USSR. Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan have officially adhered to a multi-vector foreign policy concept after becoming independent in 1991,⁵ largely because they wanted to attract the attention of the leading countries of the liberal world order. Turkmenistan stands aside with its foreign policy of “positive neutrality”⁶ that is set out in a UN General Assembly resolution.

⁵ Uzbekistan formulates its foreign policy principle as “balanced equidistance” with regard to the world centres of power.

⁶ Мирзеханов В., Тюльпаков М. Доктрина позитивного нейтралитета и внешнеполитические приоритеты постсоветской Туркмении. КиберЛенинка. 03.03.2018. URL: <https://cyberleninka.ru/article/n/doktrina-pozitivnogo-neytraliteta-i-vneshnepoliticheskie-prioritety-postsovetskoy-turkmenii/viewer/>.

VISITS TO CENTRAL ASIA: US AND EU IN 2022



USA



EU



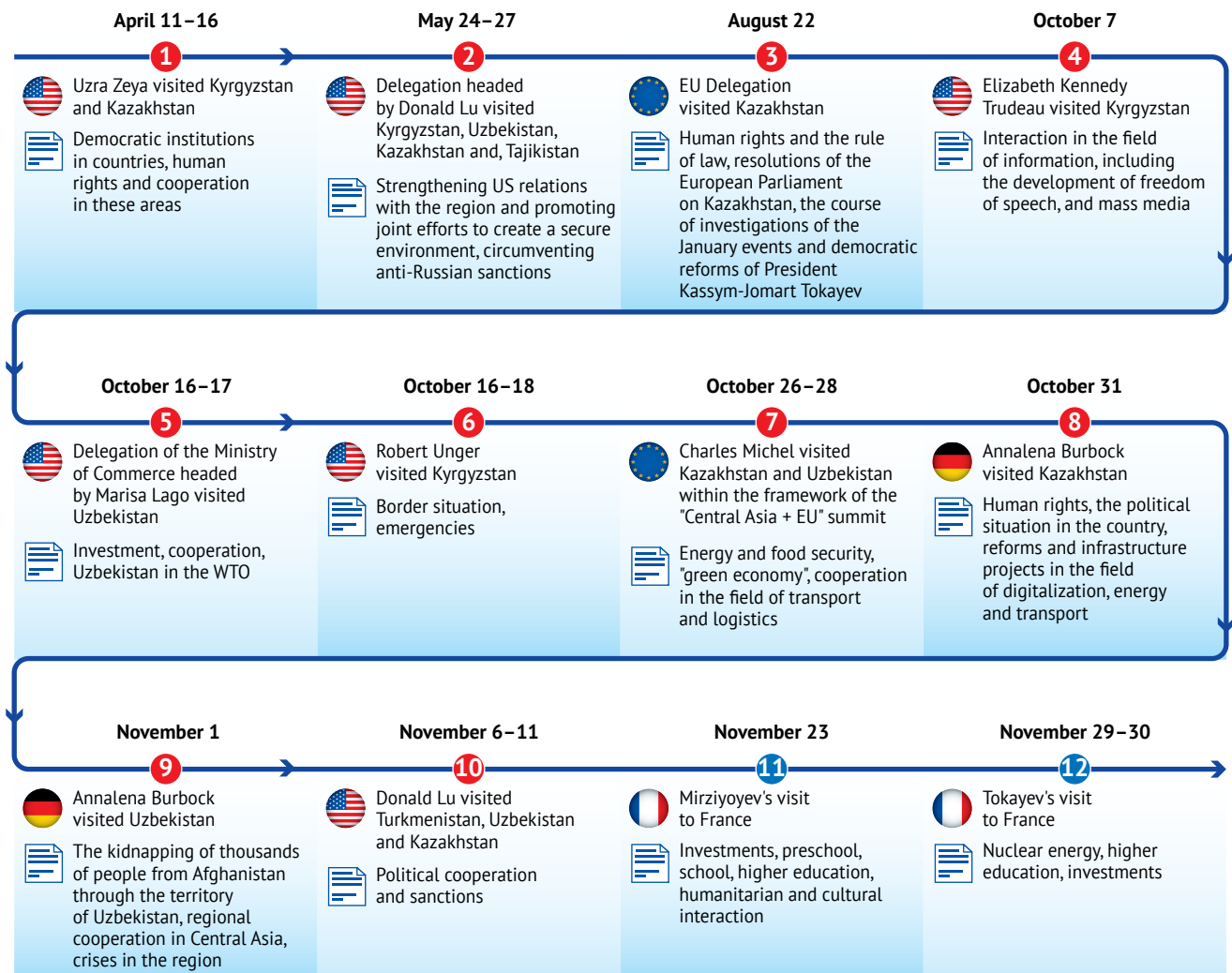
Germany



France

Visits to the
Central AsiaVisits from
Central Asia

Topics



After 1991, partnership with Western countries was initially the region's only possible strategy for attracting investment in the economy, creating new trade chains and resolving security issues. Although Western support was never decisive in the latter case, the region's countries viewed cooperation with the US and the EU as a way to somewhat balance out Russia's dominant influence on their security.

However, by the middle 2010s, the multi-vector policy was hit by a crisis – the unipolar world order began falling to pieces against the background of the emergence of power centres that were an alternative to the US. This process reached its peak with the crisis in Ukraine, which developed into a direct confrontation between Russia and the collective West. This was bound to affect the Central Asian countries, which are now under strong external pressure. Some observers tend to think that the Western partners of Central Asian countries demand that they determine their cooperation priorities. Thus, it is possible to assume that despite the overall relatively positive influence of the crisis in Ukraine on the region (it offers an opportunity to derive a number of economic benefits), Central Asian countries may face serious challenges in the long-term.

From February to November 2022, representatives of official EU and US structures made at least eight visits to Central Asian countries, at different levels. Let's note that such intensity is not typical for the interaction between Central Asian countries and the collective West.

That said, the EU and the US did not moderate their rhetoric as regards Central Asian countries with the start of the Ukrainian crisis. On the contrary, it became even tougher and more articulate. The West formulates its political goals publicly, according to the more-for-more principle – a promise of investment in exchange for access to an assessment of the democratisation of the regimes. Importantly, despite common security interests, the EU and the US have different economic and humanitarian strategies.

The European Union

Even before the crisis in Ukraine, the EU's Central Asia strategy, published in May 2019, recorded the region's importance to the EU. According to this strategy, the EU is interested in both developing the region's transport-and-logistics potential between Europe and Asia, and in the import of resources and the potential export of its goods (the

Central Asian market has 77 million people, including 35 percent under the age of 15).⁷ Economic cooperation with the EU is insignificant (with the exception of Kazakhstan, which is Europe's fourth largest crude oil supplier).

The EU's strategy declared renunciation of aggressive interference in restructuring the region's political systems in favour of supporting the democratisation of its institutions with a view to ensuring development and security.

Even before the crisis in Ukraine in 2022, the EU announced its *Global Gateway* infrastructure project, aimed at developing nations and designed to enhance Europe's positions in the world. The project's overall budget amounted to 300 billion euros over six years. Central Asian countries were supposed to pursue the following goals of cooperation – increase economic digitalisation, diversify transport routes with reliance on the Trans-Caspian multi-modal corridor, introduce renewable energy and develop smart agriculture. Needless to say, the Brussels bureaucracy was supposed to continuously monitor domestic political realities and verify whether the systems of the participants matched the principles of democracy. This initiative was developed in 2021 but now in the context of the energy crisis and mounting inflation in Europe, part of this sum may be channelled into resolving European domestic problems.

Special attention to “the democratisation” of political systems is a classic EU demand. However, the absence of clear-cut criteria is turning the principles of observing human rights and assessment of democracy of institutions into an EU instrument for exerting pressure on non-Western states. Thus, in its report on the November 2022 presidential elections in Kazakhstan, the OSCE ODIHR described them as lacking competitiveness and accused the authorities of non-transparent vote counting and an absence of freedom of expression.

The EU remains one of the biggest humanitarian donors. It allotted over 390 million euros for 2021-2024 for developing humanitarian programmes on digitalisation and environmental management although the bulk of these funds are bound to be spent on local NGOs or European consultations on adjacent issues.

⁷ Еремина Н. Стратегия ЕС в Центральной Азии: прогноз на 2022 год // Евразия. Эксперт. 25.01.2022. URL: <https://eurasia.expert/strategiya-es-v-tsentralnoy-azii-prognoz-na-2022/>.

The United States

The US does not have real economic interests in Central Asia (with the exception of Kazakhstan where its private companies own a considerable part of oil production). It is interested in using the region as an instrument to exert influence on its main opponents – Russia and China. This explains why the public rhetoric of US officials is extremely tough. In effect, the US Department of State bluntly declares its intention to “separate” the Central Asian region from Russia,⁸ while USAID sets the aim of reducing Central Asia’s dependence on the Russian market and export routes.

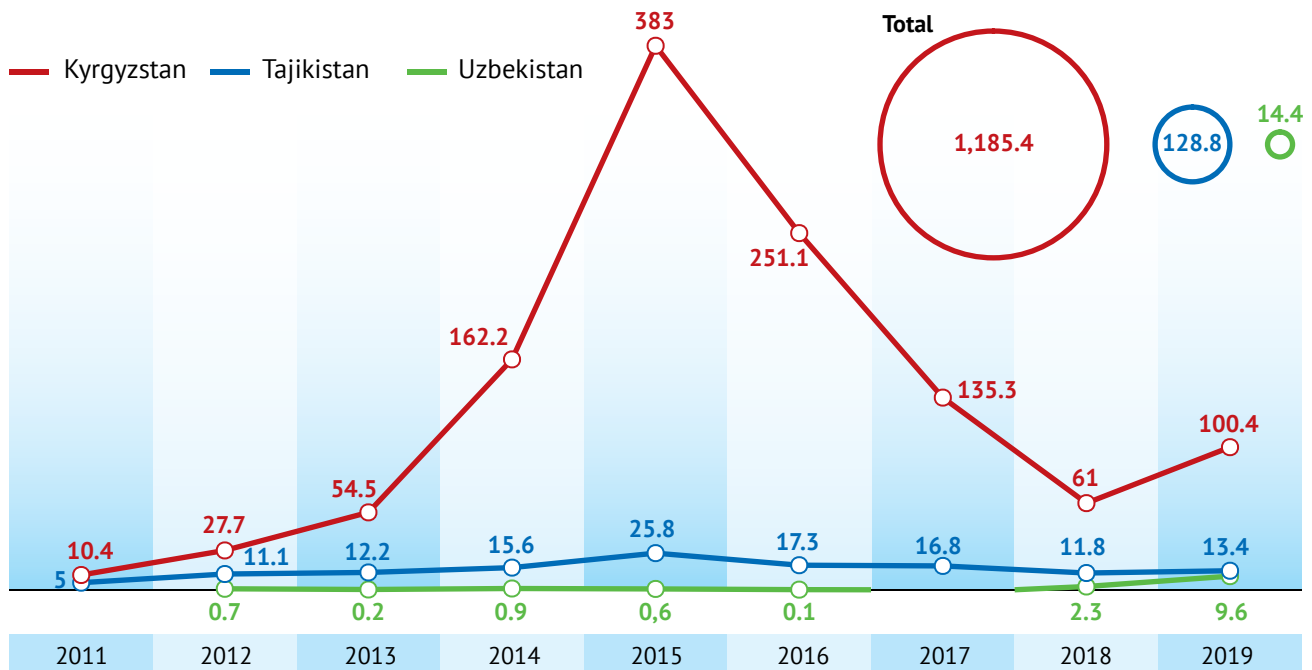
In February 2020, the US published its Strategy for Central Asia 2019–2025, whereby it emphasised that “Central Asia is a geostrategic region important to United States national security interests.” It noted two vectors of the strategy – countering China’s ascent in the region and supporting stability in Afghanistan – helping it to rebuff terror threats and develop economically. Since 2021, there have been reports about Washington’s desire to resume its military presence in the region⁹ and reopen its military base “for countering terrorism.” It is impossible to imagine anything like this in the current geopolitical situation because neither Russia, nor China, which has economic levers of pressure on the Central Asian elites, will allow such actions and because the region’s countries display understanding for the interests of Moscow and Beijing. However, the US is actively pursuing bilateral contacts. Thus, in October 2022, Robert Unger, the director of the Resources and Analysis at the US Central Command, visited the border area of Kyrgyzstan and Tajikistan. The goals of this visit are not entirely transparent but were apparently linked with the US’s great interest in studying the Fergana Valley, the powder keg of Central Asia.

The vector on countering the influence of China and Russia in the region is implemented with soft power instruments, in part, via the establishment of intra-state systems and lobbying structures – parties, the media and associations of civil activists that influence decision-making and public opinion.

⁸ The US wants “to separate” Central Asia from Russia, USAID said // RIA Novosti. 15.09.2022. URL: <https://ria.ru/20220915/aziya-1816872302.html>.

⁹ The US already deployed its bases in Central Asia – Manas in Kyrgyzstan (2001-2014) and Khanabad in Uzbekistan (2001-2005).

DISTRIBUTION OF RUSSIAN AID BY COUNTRY (MLN USD)



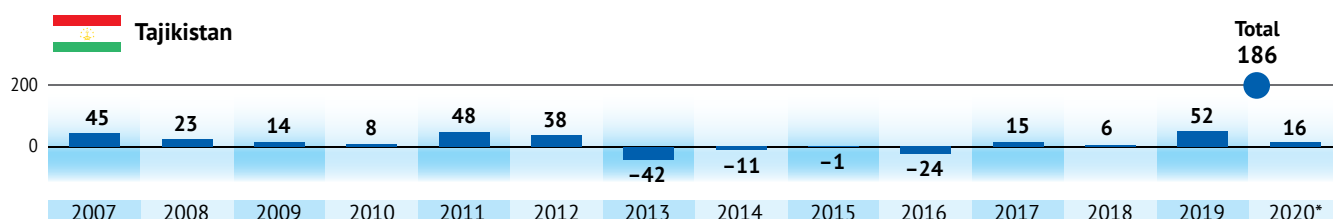
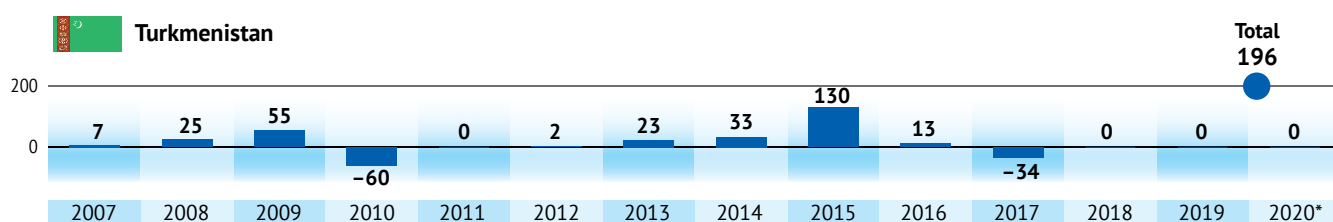
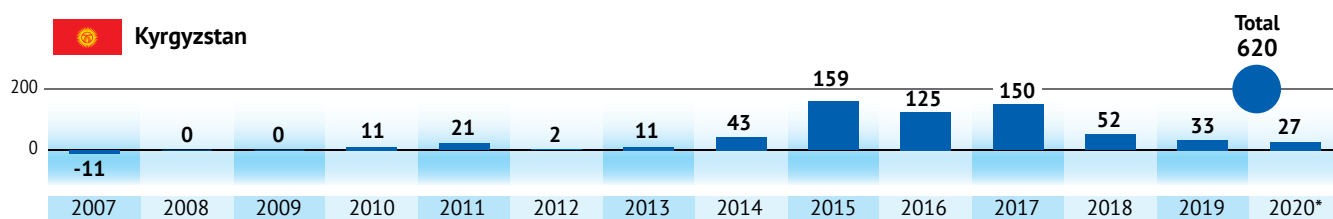
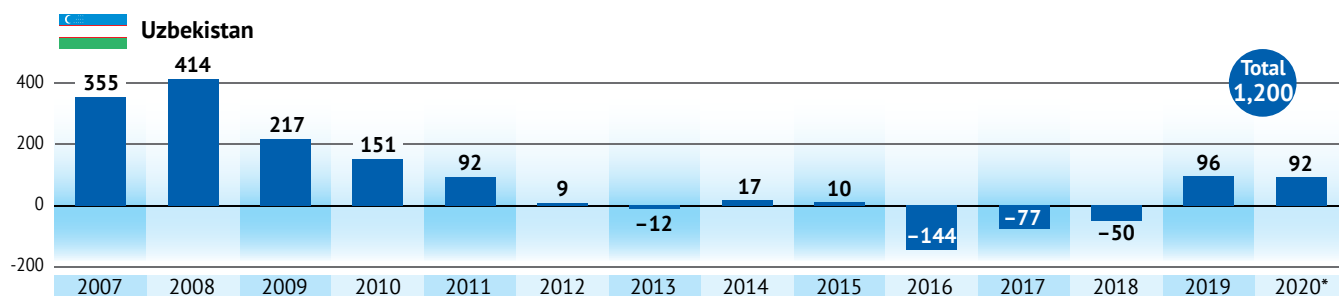
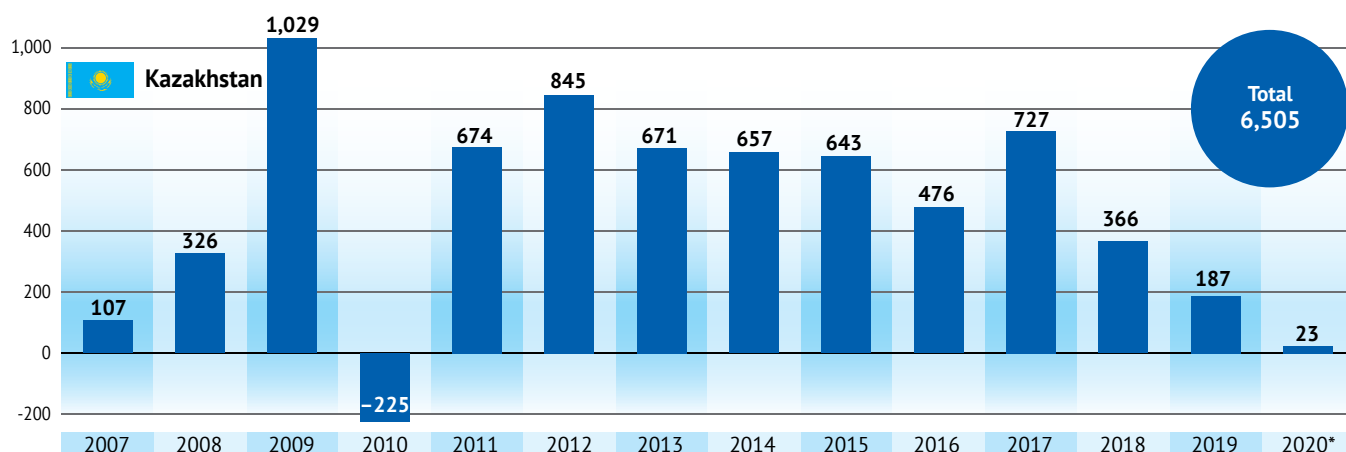
Source: compiled from OECD statistics

In 2022, the US changed its ambassadors in all Central Asian countries. Their biographies are indicative – almost all of them have had experience of working with the civil sector.

Daniel Rosenblum who had completed his job in Uzbekistan, was appointed Ambassador to **Kazakhstan**. He started his career in NGOs that were defending the rights of workers in the former Soviet republics. For a long time, Rosenblum was supervising NGOs dealing with projects related to economic reforms, development of democratic institutions and supremacy of the law, as well as institutions of security and humanitarian aid distribution in the US Department of State. His specialty is to improve the performance of the non-commercial sector and work with trade unions.

Jonathan Henick was appointed Ambassador to **Uzbekistan**. Prior to this job, he worked as **Acting Deputy Assistant Secretary and Director for Press and Public Diplomacy in the Bureau for South and Central Asian Affairs** where he was responsible for public diplomacy in the region. Previously, he also served as **Acting Deputy Coordinator of the Global Engagement Center (GEC)** where he helped to coordinate all US government efforts to counter disinformation from Russia, China, and Iran. For the past year, he has been working as US Department of State Chair at the College of Information and Cyberspace at the National Defence University.

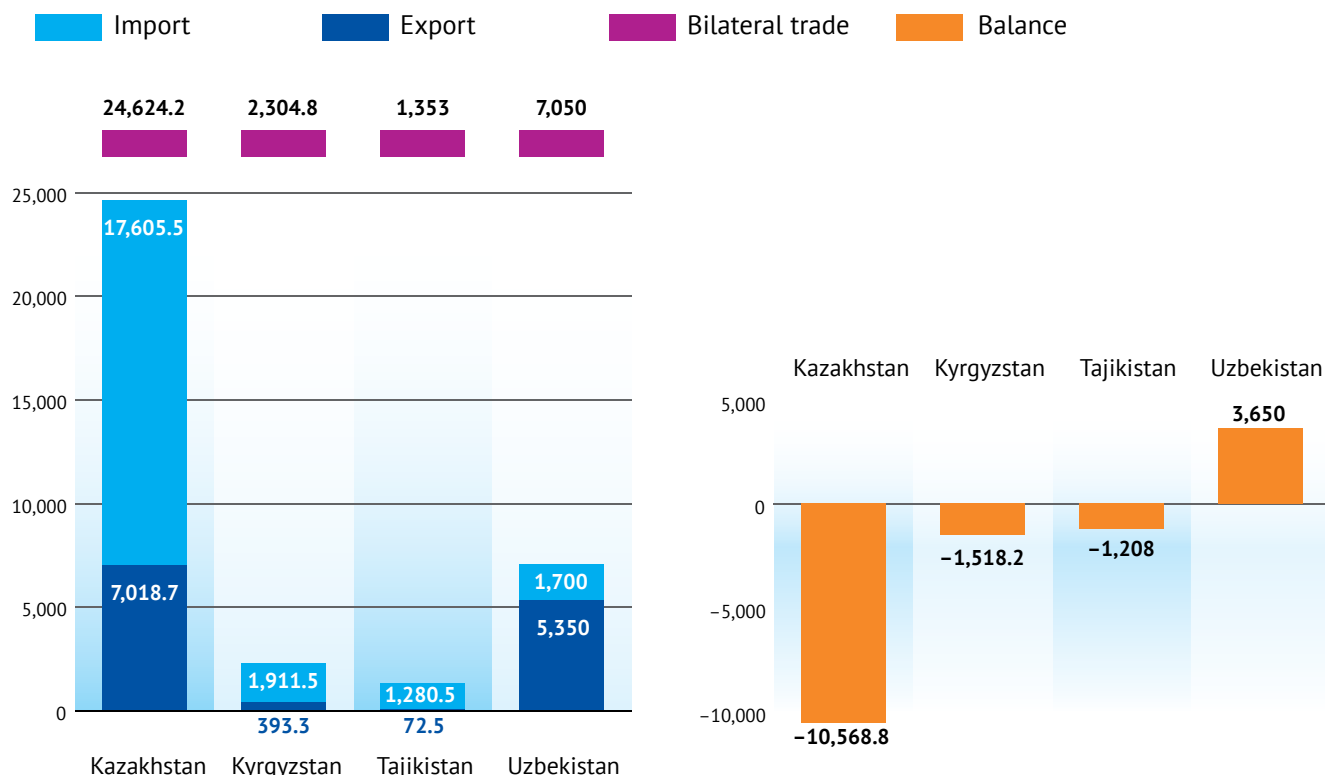
FDI OF THE RUSSIAN FEDERATION IN THE COUNTRIES OF THE REGION (MLN USD, BALANCE)



Source: "Direct investments from the Russian Federation abroad: operations by instruments and partner countries" of the Central Bank of the Russian Federation

*Third quarter

TRADE WITH RUSSIA IN 2021, MLN USD



Source: Foreign Trade of the Republic of Kazakhstan, Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan 2017–2021, National Statistical Committee of the Kyrgyz Republic, National Bank of Uzbekistan, National Bank of Tajikistan

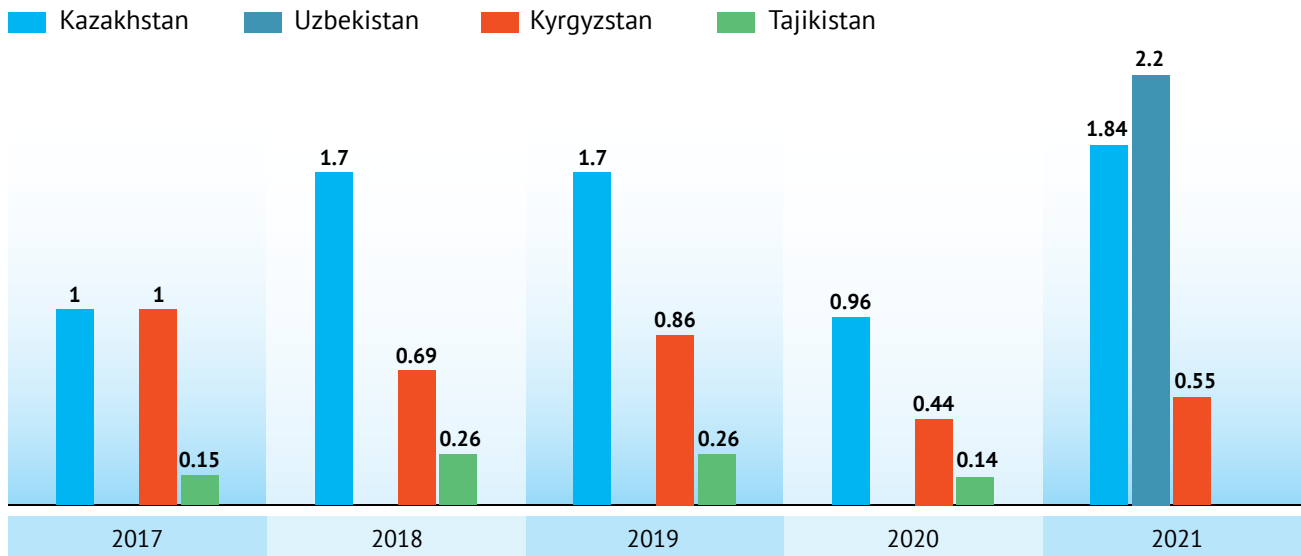
Manuel P. Micaller Jr was appointed to **Tajikistan**. At the beginning of his career, he had already worked in Tajikistan as an advisor on economic issues. His official biography says that he speaks both Russian and Tajik.

Lesslie Viguerie was appointed the new US Ambassador to **Kyrgyzstan**. Prior to his appointment, he served as Deputy Assistant Secretary of State for Central Asia and Pakistan Affairs in the Bureau for South and Central Asian Affairs. Previously, he was Deputy Chief of Mission at the US Embassy in Tashkent, Uzbekistan, and worked in the diplomatic missions in New Delhi and Moscow. Viguerie said on the record¹⁰ that his main goal would be to support civil society, develop the media and promote democratic institutions.

Elizabeth Rood was appointed to **Turkmenistan**. She was deputy chief of the mission at the US Embassy in Moscow and a faculty advisor

¹⁰ The related committee of the US Senate endorsed the appointment of the new ambassador to Kyrgyzstan// EADaily. 29.07.2022. URL: <https://eadaily-com.turbopages.org/eadaily.com/s/ru/news/2022/07/29/profilnyy-komitet-senata-ssha-utverdil-kandidaturu-novogo-posla-v-kirgizii>.

CHINA'S INVESTMENTS IN THE ECONOMY OF THE CENTRAL ASIAN COUNTRIES, BLN USD



Sources: National Bank of the Republic of Kazakhstan, National Statistical Committee of the Kyrgyz Republic, National Bank of Tajikistan, National Bank of Uzbekistan

at the US Army War College. Elizabeth Rood speaks Russian, Pashto, Dari, French, German and Georgian.

All this correlates with an increase in the annual funding that the US is allocating for Central Asian projects. The US Strategy for Central Asia 2019-2025 records the figure of \$9 billion “to support peace and security, democratic reform and economic growth...” In addition, over \$50 billion will be spent “in credit, loans, and technical assistance designed to support the development of the region.” In 2022, there was a big increase in funding for projects via USAID – grants designed to reorient exports from Tajikistan, Kyrgyzstan, Kazakhstan and Uzbekistan went up from \$15.2 million to \$34 million.

Although in real terms, the amount of assistance is less than that of the Russian Federation, it is targeted on working with the non-government sector and the media, which allows the US to create groups to influence policy in each of these countries and the region in general. Considering that the goal of the US, and to a lesser extent, of the EU is to destabilise the region, these pinpoint allocations seem more expedient to Washington, London and some other European capitals. Indicatively, Kyrgyzstan and Kazakhstan tried to adopt a law on foreign agents but the authorities postponed this initiative because of resistance by pro-Western activists.

Despite the afore-mentioned efforts, the West is unlikely to fulfil its goal of “separating” the region from cooperation with Russia in the medium term. Russia is Central Asia’s largest investment and trade partner and a guarantor of security in the region.

China

As the main target of US counteraction in the region, the People’s Republic of China (PRC) is closely following ongoing processes and responding to them. Importantly, there is no competition between Russia and China in the security area. Russia and the CSTO are the basic guarantors of security in the region, a fact recognised by China. A good illustration was the January crisis in Kazakhstan when the CSTO skilfully used its instruments to stabilise the republic. The SCO and other associations have no mechanisms for using force. However, there are no grounds to say that China has no weight in Central Asia in individual areas of military-technical cooperation.

For China, security in the region is not limited to countering terrorist and extremist threats from Afghanistan. It also has to control the situation in the Xinjiang Uygur Autonomous Region (XUAR) inhabited by Uyghurs, Kazakhs, Kyrgyz, Dungans (Hui Muslims) and Tajiks, to name a few. This is why China’s priority is to control its borders, especially in West China. The Wakhan Corridor leading to this area from Afghanistan is poorly controlled, while patrolling of the border with Tajikistan is complicated by its landscape. China is investing a lot of money in these efforts. Thus, under bilateral agreements, China built five border checkpoints, three commandant offices and a training centre in the Badakhshan Mountainous Autonomous Region in Tajikistan. China regularly holds joint military exercises (both bilateral and within the SCO) and provides Tajikistan with military-technical assistance without advertising its extent in public. The September 2022 state visit to Kazakhstan by Chinese President Xi Jinping, which took place against the background of the crisis in Ukraine and a deterioration in Sino-US relations, emphasised the importance of Central Asia for China. Today, China is the biggest investor in the economies of Central Asian countries. This investment is uneven in the region, but in Tajikistan alone China invests more than in other regions, for example, in the South Caucasus.

In the context of the crisis in Ukraine, Beijing had not changed its policy in Central Asian countries for the time being. It adheres to the same strategy – focus on the economy, non-interference in internal affairs

and creating a positive image of the country. Naturally, Beijing will take further actions depending on the conduct of Central Asian countries themselves. It is interested in the functioning of current transport-and-logistics routes, steady economic development and a politically sustainable region. And, of course, China is primarily interested in implementing the agreements that have already been signed.

Turkey

Discussing the impact of the Ukrainian crisis on the international situation of the Central Asian countries, it is necessary to mention the strengthening of the Turkish vector in the region. Since the early 1990s, Turkey has been consistently creating an image of itself as the leader of the Turkic community. Turkey was the first country in the world to recognise the independence of the Central Asian countries. The crisis in Ukraine moved Turkey and its leader to the fore. Mediation in settling the conflict, manoeuvring between the interests of the great powers and skilful use of combat equipment have made Turkey a media headliner and the main channel for talks between Russia and the West.

For Central Asia, Turkey is a model of relatively successful advance. The image of a sovereign Turkic state with traditional Islamic values but a secular way of life and successful foreign policy became a driver for the public support of Turkish projects and raised the appeal of integration associations. The idea of uniting Turkic states received a fresh impetus in the 1990s. Turkey and Azerbaijan initiated this process. The first summit of Turkic-speaking states took place in 1992 and the International Organisation of Turkic Culture (TURKSOY) has been functioning since 1993.

The Turkic Council or the Cooperation Council of Turkic-Speaking States, was established in 2009. Initially, it was made up of Azerbaijan, Kazakhstan, Kyrgyzstan and Turkey. In 2014, Turkmenistan joined the council, having had an observer status in it from the very start. Later, in 2018, Uzbekistan officially joined the council. Hungary received the observer status in the same year. In 2020, Ukraine announced its desire to receive the observer status but did not submit its application for it (the regional diaspora section of the Turkic Council has been functioning in the Central Office of the United Diaspora of Ukrainian Azerbaijanis (COUD) in Kiev since 2014). At the eighth summit of the Turkic Council in Istanbul in 2021, President of Turkey Recep Tayyip Erdogan announced that the Council was rebranding as the Organisation

of Turkic States (OTS). Turkmenistan decided to apply for the observer status in the organisation.

Interaction in the OTS is largely taking place in the cultural and humanitarian vein, which is crucial for the Central Asian republics that are building their domestic policies on cultivating the ethnic factor. However, the region is not homogenous – Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan are Turkic-speaking states whereas Tajikistan is a Persian-speaking country. This is complicating the formation of a sustainable integration association around the Turkic identity. Moreover, the OTS does not have a sound economic foundation – its investment fund, instituted in 2022, has a charter capital of \$350 million, which cannot compare with the investments of the main foreign players. Today, the OTS format is sooner an addition to the region's palette of international cooperation but this situation may change in the medium term.

Turkey's evolving geopolitical status has a direct impact on the appeal of its projects. For the time being, Turkey cannot offer serious investment initiatives. However, considering anti-Russia sanctions and a search for alternative transport routes and markets, Turkey may strengthen its positions in the Central Asian countries in the medium term.

Iran

The Islamic Republic of Iran is a no less interested player in the region. When Ebrahim Raisi was elected President, Iran started implementing its Look to the East concept. One of its key ideas is to develop cooperation with the countries of Central Asia and the Caucasus. Although Iran borders only on Turkmenistan in Central Asia, its transit potential of the region is vital for Tehran.

Being under serious international sanctions, Iran is looking for opportunities to develop its own economy in South Asian and Persian Gulf countries. The development of infrastructure projects, in part, the Iran-Turkmenistan-Kazakhstan railway (the North-South axis) is very important for Iran. For the time being, this branch does not work at full capacity because Kazakhstan and Turkmenistan cannot operate it at full volume. Russia's connection to this route may provide a fresh economic impetus to cooperation and intensify Tehran's interest in the region.

In general, the crisis in Ukraine has limited the opportunities for a multi-vector policy of Central Asian countries. The interests of Russia and China, which have serious economic and infrastructure projects in the region, are clashing with the interests of the Western countries. The latter are exerting influence on civil society in a bid to adjust the foreign policy choice of Central Asian countries in their favour. The West is using these countries' hopes of avoiding secondary sanctions as a pretext to bring them to the negotiating table to discuss a broad range of issues. Paradoxically, although the room for manoeuvre has diminished, the region's countries have intensified their interaction with foreign players trying in this way to avoid choosing a definite vector.

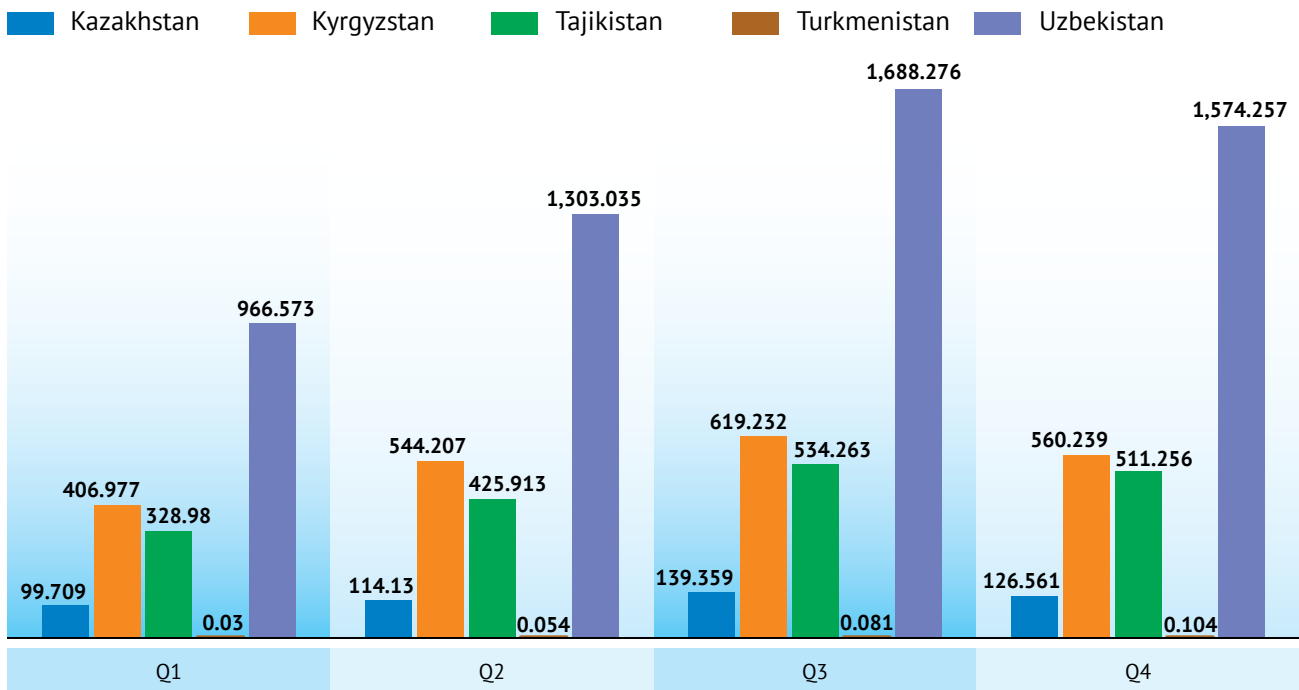
The economic impact of the Ukraine crisis on Central Asia

The economic war that the West has been waging against Russia since the beginning of the SMO affected the Central Asian countries, their economic relations with their external partners, and may affect their ability to achieve their main development goals as well, especially given the United States and the EU's pressure on the Russian economy. Within a span of several months of 2022, the European Union alone has introduced eight packages of wide-ranging restrictions. In total, Western countries have imposed 10,207 bans, of which 1,720 – about 17 percent – concern firms and companies from the energy, financial, transport, IT and other industries.

The echo of powerful Western restrictions has reached Central Asia since it has traditionally close and intensive economic ties with Russia. After all, they exist not only in bilateral trade, but also in the activities of integration associations and institutions ranging from the CIS and the EAEU to the CSTO and financial institutions, such as the Eurasian Development Bank and the Russian-Kyrgyz Development Fund, which focus on specific projects that seek to promote development. This interconnectedness carries with it risks of secondary sanctions for

CROSS-BORDER TRANSACTIONS OF INDIVIDUALS BY MAIN COUNTERPARTY COUNTRIES

Transfers from Russia from Q1 2021 to Q4 2021 (mln USD)



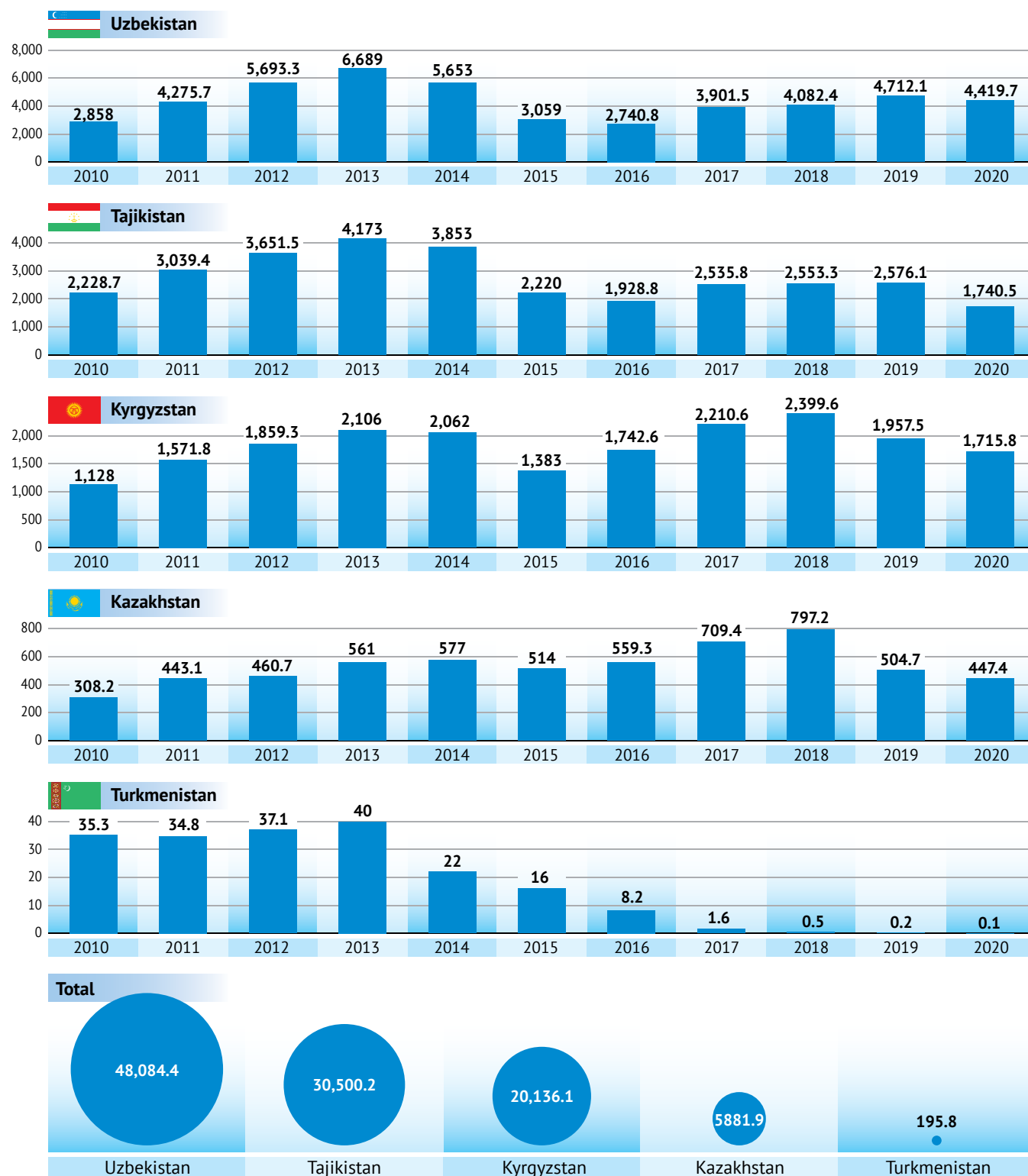
Source: Central Bank of the Russian Federation

the Central Asian countries, that is, potential restrictions imposed in connection with business ties with sanctioned individuals or companies and losses caused by higher transport costs, currency fluctuations and inflation, not to mention the political pressure on Russia's partners to reduce or abandon their multi-level engagement with it.

The sanctions on Russia followed the lean years of the COVID-related recession, whose challenges were not unlike today's issues and which the region toughed out fairly well. However, the challenges that each of the five economies then ran into exposed their weaknesses, structural gaps and growth constraints.

Now, in the late 2022, we can conclude that global turbulence has not yet impacted the region critically, but has significantly exacerbated existing problems. Many of them are shared with Russia, such as economies built around commodity exports, dependence on imports, lack of alternative transport routes and low levels of buyer diversification.

REMITTANCES OF INDIVIDUALS FROM RUSSIA TO DEVELOPING COUNTRIES (MLN USD)



Source: Compiled based on the database of the Central Bank of the Russian Federation

"Cross-border transactions of individuals by main counterparty countries;" Transfers from Russia from 2010 to 2020"

In order to lessen the ramifications for the economies and political regimes and to coordinate the actions of the central banks and the governments, Russia and the Central Asian countries held, in February-May 2022, regular industry-specific talks which made it possible for Russian consumers to keep the familiar range of goods imported from the international market, and for the Central Asian countries to boost their imports to Russia. A well-coordinated monetary policy precluded panic in the foreign exchange market and quickly stabilised the national currencies' exchange rate.

The Western countries disconnecting Russian banks from SWIFT international payments network carried a threat of complicating trade-related transactions. However, the Central Bank of Russia had prepared in advance by launching, in 2014, the Financial Messaging System (SPFS), which included, as of February 2022, 331 organisations, among them banks of Kazakhstan, Kyrgyzstan, and Tajikistan, and later the National Bank for Foreign Economic Activity of Uzbekistan, which neutralised risks and boosted trade.

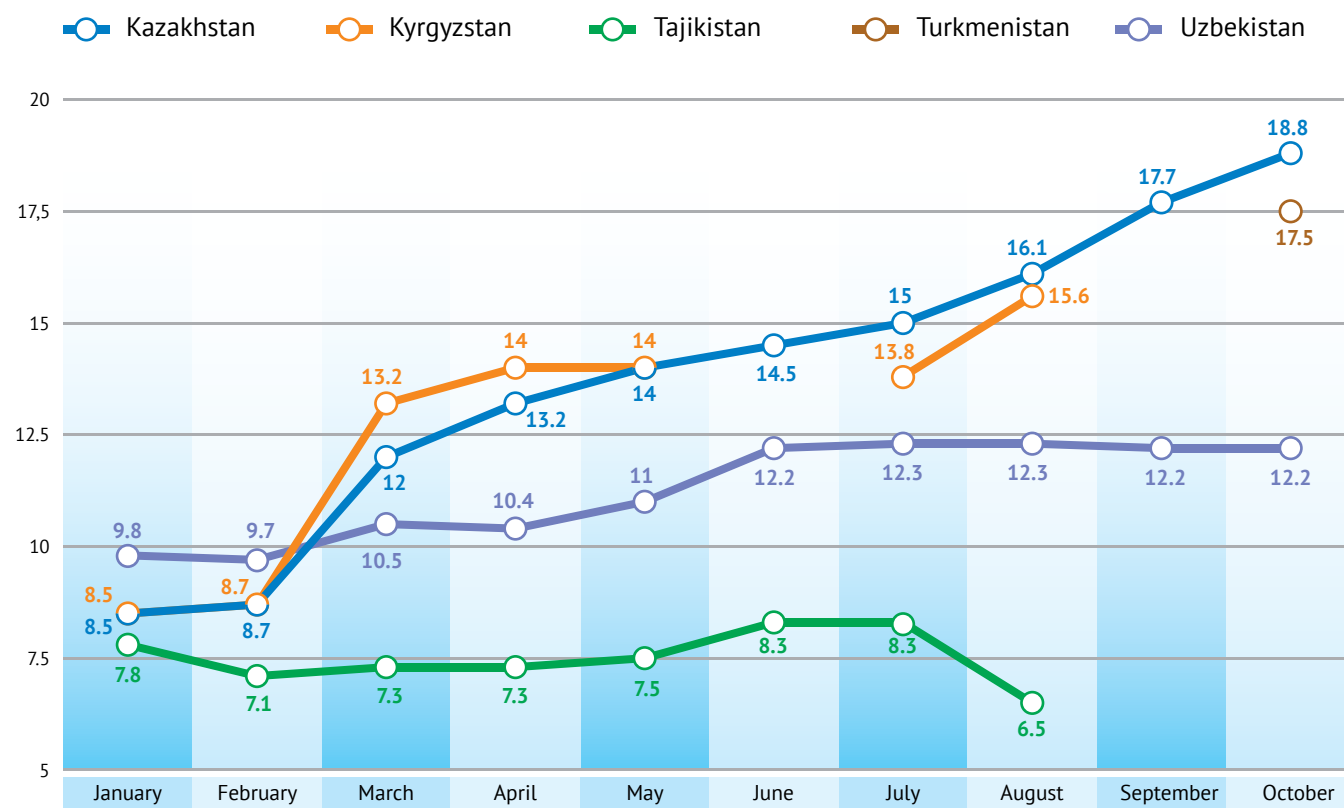
The MIR payment system, which was also launched in 2014 as an analogue of the Western VISA and MasterCard systems, came as another important tool for mitigating the impact of sanctions on Russia for the Central Asian countries. Even though MIR functionality is limited in Central Asia (a significant number of banks are apprehensive of the prospect of falling under secondary sanctions), the largest banks in Kyrgyzstan and Tajikistan – whose GDP consists largely (33 and 34.5 percent, respectively) of labour migrant remittances – are still handling cash and merchandise payments. This is particularly important for the governments of the two countries now that Western Union has left the Russian market. It was one of the largest payment companies in the CIS and among the main companies handling cross-border remittances by migrants.

In early February of 2022, the issue of migrants staying in Russia re-emerged with newfound urgency in case the country faces economic hardship.¹¹ But the return of migrants is fraught with risks for Kyrgyzstan, Tajikistan and Uzbekistan – not only significant fiscal risks (labour migrant remittances make up 33, 34.5 and 13 percent of their GDPs, respectively), but also serious social ramifications. Analysts predicted a change in the structure of the Russian labour market, a decrease in the number of vacancies for labour migrants,¹² and a fall in the volume of

¹¹ В России фиксируется отток трудовых мигрантов // Ведомости. 28.03.2022. URL: https://www.vedomosti.ru/society/articles/2022/03/28/915601-ottok-trudovih-migrantov?utm_campaign=newspaper_29_3_2022.

¹² Безработица примеряется к росту // Коммерсант. 29.03.2022. URL: <https://www.kommersant.ru/doc/5281886>.

INFLATION IN COUNTRIES OF THE REGION BY MONTH, %



Source: NBK annual report (National Bank of Kazakhstan), National Bank of Tadjhikistan, Central Bank of Uzbekistan

remittances.¹³ This forecast did not come true, though, and the number of migrants doubled from January to May compared to 2021, and the volume of remittances in monetary terms increased as well. Thus, in the first six months of 2022, money transfers to Kyrgyzstan totaled \$1,347.5 million, which is \$94.26 million more than in 2021; in Uzbekistan, transfers from Russia grew by 2.4 times; and in Tajikistan by 3.4 percent. It should be noted that this is the result of close coordination: the Russian Ministry of Labour regularly updates foreign labour quotas, which allows employment centres in Central Asian countries to regulate migration flows.

However, the record high volume of transfers, the influx of Russian emigrants with cash roubles amid a seriously skewed trade balance between the countries and the global supply chain crisis, which put pressure on manufacturers, led to a rise in inflation. Inflation in the region was expected to hit 8.8 percent in the summer of 2022 and 7.1 percent in 2023, which was later revised upward to 11.3 and 8.1 percent, respectively. Indeed, inflation did reach record high levels in Kazakhstan and Uzbekistan during

¹³ Финансы утекают от всемирной прозрачности // Коммерсант. 16.05.2022. URL: <https://www.kommersant.ru/doc/5354760>.

the year as a result of the national banks' systematic policy back during the pandemic, when maintaining economic activity was a higher priority than fighting inflation.

However, these pessimistic forecasts did not come true, and the Central Asian economies performed better than expected. Thus, in the early summer, the Asian Development Bank raised the growth forecast for the countries of the Caucasus and Central Asia from 3.6 percent to 3.8 percent. This was made possible by attracting direct investment, relocating production facilities and offices of major companies, and Russia's willingness to meet its partners halfway in order to arrive at mutually acceptable solutions in trade and finance.

Kazakhstan: inflation versus diversification

The economy of Kazakhstan is structurally geared towards commodity exports. As of 2021, foreign trade accounts for 66 percent of the country's GDP.¹⁴ Mineral products (66.0 percent), metals and derived products (17.5 percent), chemical and related industries' products (4.8 percent) and animal and vegetable products, as well finished food products (4.5 percent) account for the bulk of exports.

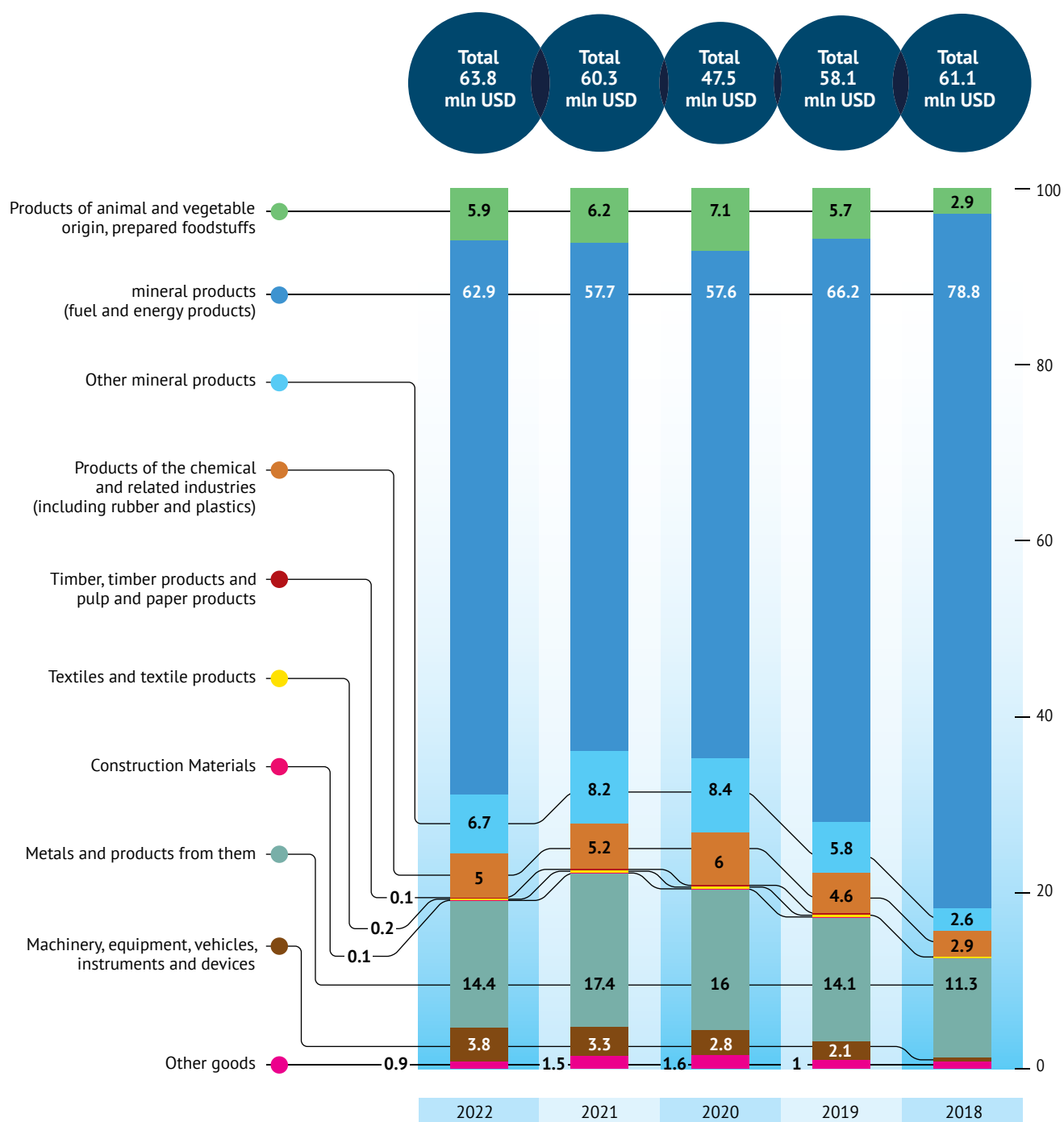
The industrial sector, part of the Kazakhstan-2050 strategy, is a priority for the country. The industrial production index is steadily growing, largely due to the mining industry.

Kazakhstan understands that developing the manufacturing sector is critically important for the national economy, and the sanctions on Russia provide additional opportunities in this regard. Having the lowest revenue tax among the EAEU countries and fast-track procedures for transferring production facilities to the country can potentially increase the number of such enterprises. For example, the Irbit Motorcycle Plant is planning to open an assembly shop. However, transferring production facilities and building new infrastructure cannot be done overnight. Despite negative forecasts, the volume of foreign direct investment in the economy of Kazakhstan did not fall, but rather increased in 2022, and Russia had remained on the list of key investors in Kazakhstan's economy.

The business environment in Kazakhstan has received a shot in the arm as well. From January to May 2022, the number of operating foreign

¹⁴ Концепция государственной программы развития торговли Республики Казахстан на 2021-2025 годы // Открытые НПА. 20.02.2022. URL: <https://legalacts.egov.kz/npa/view?id=3186282>.

THE STRUCTURE OF KAZAKHSTAN'S EXPORTS BY MAIN COMMODITY GROUP, January-September, % of total



Source: Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan

companies grew by 12.7 percent to a total of 25,000, of which 13,000 are Russian companies. Relocating the offices of major foreign companies is a separate issue. Talks with 51 companies that are interested in the CIS market and are willing to open their headquarters in Kazakhstan have been announced. The transition of international technological powerhouses with a total capitalisation of over \$27 billion to Kazakh jurisdiction holds the most promise. The relocation of offices will not, however, seriously impact the structure of Kazakhstan's exports. Changing it will require not only new production facilities, but also new markets, of which Russia is the largest and the closest one, and the companies will be confronted with the challenge of expanding their presence amid Western economic sanctions.

Probably, in order to avoid critical risks for the economy and social tensions, Kazakhstan chose to take a tough stand in public regarding sanctions on Russia. The country's leaders have repeatedly stated that they will not help Russia circumvent the restrictions. Kazakhstan-US advisory commissions were created to clarify the Western sanctions policy provisions. However, the real trade between Russia and Kazakhstan grew by 10 percent, which is indicative of a certain consensus between Russia and Kazakhstan regarding the positioning of the country amid the sanctions pressure.

Sanctions on Russia impacted inflation rates in Kazakhstan more than anything else. In September 2022, year-on-year inflation accelerated to 17.7 percent and to 18.8 percent in October. There are many reasons behind that, including the unstable international situation, the inertia of the previous crisis, the inflow of immigrants, and close ties with Russia. In August 2022, Russia accounted for about 40 percent of imports. As of late 2022, GDP grew by 2.8 percent, which is 0.8 percent less than in post-COVID 2021.

Analysts tend to explain this by pointing to the inertia of the global recession, high transport costs and inflation, as well as oil production cuts that are due to scheduled work and disruptions on the country's main artery – the Caspian Pipeline Consortium – which accounts for 70 percent of Kazakhstan's oil exports. At the same time, diversifying supplies and creating its own alternative routes across the Caspian Sea to Europe will take many years of work, billions in investment and dealing with multiple angles in an effort to reach an agreement with the Caspian Five members.¹⁵

Various Western investment projects and Western assistance in promoting development deserve a separate mention. The attempts to get into sensitive areas of the country's economy, in particular, the energy

¹⁵ Caspian Five is five Caspian littoral states: Russia, Azerbaijan, Iran, Kazakhstan and Turkmenistan.

sector (French companies are working hard to become part of the nuclear power plant projects), has become a dilemma for the Kazakh authorities. For example, saying no to agreements with Europe is fraught with significant risks for the economic and social well-being of that country, but the same agreements are being used by the West as additional leverage over the leadership of Kazakhstan.

Kyrgyzstan: parallel imports as a new goldmine?

Nearly 30 percent of Kyrgyzstan's GDP was put at risk when Russia was disconnected from the global payment systems and saw its labour market contract, since anywhere from 800,000 to over 1.5 million of Kyrgyz nationals are working in Russia. However, over the first six months, the volume of remittances from Russia has grown by 10.5 percent, or over \$1 billion. Trade reached \$1.4 billion in the first half of 2022 showing no sign of decline and stood at \$2 billion as of the end of the first eight months of 2022. Overall, exports amounted to \$445 million versus \$238 million last year. Perfumes, cosmetics, clothing and accessories becoming part of the parallel import operations were among the reasons behind this growth. Non-resident demand for Kyrgyz goods and services has revived the economy as well.

Nevertheless, the traditional driver of the economy – the gold mining sector and agriculture, which showed significant growth relative to the low baseline of 2020-2021 made the key contribution to the 7.2 percent growth of the republic's GDP. The net inflow of money transfers, which are sizable for the economy, fell by \$90.9 million to \$1.3 billion in January-August 2022.

Oddly enough, in political and economic terms, Kyrgyzstan faced less pressure due to the fact that its economy was Russia-centric. Kyrgyzstan's involvement in large-scale projects with Russia's participation translated into greater Russian support for Kyrgyzstan's economy.

Tajikistan: false alarm and victory over inflation

The first weeks of the crisis were troubling for Tajikistan as it relied heavily on migrant workers' remittances, which also account for 34.5 percent of the country's GDP. In March, the rouble fell by more than 20 percent against the somoni, while the US dollar was up by 15-20 percent. This sharply reduced the purchasing power of households, especially

migrant families. But the rouble rebounded later. More than 1.7 million labour migrants, 1 million more than the year before, came to Russia in January-June 2022.

According to Minister of Industry and Innovative Technology of Tajikistan Sherali Kabir, the oil and gas sector was another point of vulnerability. However, the 17.4 percent growth in the industry as a whole (9.9 percent yoy in mining, 14.4 percent yoy in the manufacturing industry, and 15.4 percent yoy in the energy sector) brought some relief. This and an increase in retail sales propelled by confidence brought on by a stronger rouble contributed to the rise in GDP, which will have amounted to approximately 7.5 percent by the end of 2022.

Imported goods have become more expensive in Tajikistan in the wake of soaring demand and economic growth. However, prices for key import items like fuel and lubricants and food fell in the second half of the year. Coupled with the National Bank's stringent policies, this made it possible to reverse the regional trend and bring inflation down to 5.7 percent compared to the previous year.

Just like Kyrgyzstan being seriously dependent on the general situation in the Russian economy, Tajikistan is overcoming the ongoing crisis with minimal losses through constant consultations and attempts to develop mutually beneficial agreements. In the long term, if the ongoing bilateral approach which is, among other things, geared to taking account of Russia's interests leads to success, Tajikistan will strengthen its economic position and ensure an acceptable level of social stability for the future transfer of power.

Turkmenistan: other drivers

According to official data, Turkmenistan not only managed to maintain GDP growth at 6.2 percent, but also increased retail trade by 10.5 percent and foreign trade by 38.6 percent compared to 2021. The sanctions and the related repurposing of the production chains impacted that country indirectly. The fact that it opened to international transit, import and export after coronavirus restrictions had been lifted played a much greater role. Turkmenistan reopened air traffic with Russia only in May 2022, and transit cargo transport between Uzbekistan and Iran on June 1. Transit for foreign vehicle drivers from other directions opened on September 8. As such, the higher trade numbers are the result of a low baseline.

With regard to the potential impact of the sanctions on Russia, which triggered soaring energy prices, they are boosting Turkmenistan's motivation to export gas to Europe and to expand the Trans-Caspian gas corridor project. In October, the head of Turkmengaz spoke about good cooperation prospects between Turkmenistan and the EU. However, the issue is the indirect impact on the future of the country's economy. So far, the Trans-Caspian gas corridor project has been stalled by unsuccessful efforts to coordinate the gas pipeline with Russia and Iran that are competitors and current transit countries, meaning that the construction timeline will be pushed back.

Unlike its partners in the region, Turkmenistan is publicly expressing heightened interest in expanding trade, economic, transport and logistics cooperation with Russia while maintaining neutrality. Probably, this gives it more room for manoeuvre between the West and Russia, and it can choose the model that suits it best and brush off Western blackmail.

Uzbekistan: adaptation for the sake of investment

On March 4, 2022, President of Uzbekistan Shavkat Mirziyoyev instructed the Cabinet of Ministers to come up with a plan to mitigate the negative impact of the sanctions on Russia. Also in March, the bilateral Russian-Uzbek Business Council agreed on steps to lift trade barriers and to strengthen cooperation, which follows the logic of trade and investment relations between Russia and Uzbekistan. In 2021, Russia came out on top among Uzbekistan's partner countries leaving China behind with Russia-Uzbekistan trade accounting for 17.9 percent of Uzbekistan's total foreign trade. In terms of investment, which is meaningful for the development of infrastructure in Uzbekistan, Russia invested \$9 billion in Uzbekistan from 2016 to 2021, making it the second largest recipient of Russian money among the CIS countries.

The trend of increased Russian funds going to Uzbekistan continued in 2022. Russia has become the leading investor in the Uzbek economy. As of late October, Russia accounted for about 21 percent of the total foreign investment in Uzbekistan. Russian capital is funding 200 projects in petrochemistry, energy, mining metallurgy, public health and pharmaceuticals, light industry, and the production of construction materials worth \$20 billion. An investment drought coupled with a development model reliant on foreign borrowing make it impossible for

Uzbekistan to do without trade relations with such a partner and make adaptation to the changing international situation and Western pressure on Russia a must.

The public sector and the private sector came up with a meaningful initiative. The OSON electronic money system is a case in point. In the first weeks of the crisis, when users were scrambling to transfer their money to Russian wallets and the risk of fraud was running high, OSON was monitoring some transactions case by case to ensure the security of the higher volume of transfers and payments. The support accorded by the state to local exporters is noteworthy as well. The banks began to accept roubles and convert them into US dollars at the Forex exchange rate charging a commission of 0.3 percent, making currency exchange transactions in Uzbekistan more lucrative. Thus, the falling rouble had little effect on the exchange rate of the Uzbekistani sum. Finally, despite the sanctions and the Western pressure, Russia's ongoing industrial projects in Uzbekistan are going strong. All of the above, along with business activities in the services sphere and the assistance provided by the state, contributed to the growth of foreign trade in goods and services and drove GDP growth throughout 2022. By the end of the third quarter, growth amounted to 5.81 percent. The CPI growth rate reached 12.3 percent by December, which is typical of the region as a whole.

In summary, we can say that the Western sanctions on Russia did not change the structure of the Central Asian economies, make them sharply reorient their focus to the EU or Chinese markets, or lead to a total collapse. Growth drivers that took shape back in the 2010s have retained their strength during the crisis. At the same time, sanctions on Russia and the way the five Central Asian countries responded to them mirrored the issues plaguing these countries and stem from the traditional areas of foreign economic relations.

We are witnessing these republics' efforts to come up with different approaches to the mounting Western sanctions' pressure on Russia. Some are trying, openly or covertly, to level their multi-tier cooperation with Russia either in an attempt to soften the edges of the political and socioeconomic situation at home, or in an attempt to dissociate themselves from Russia. Others have a clear understanding of how unpredictable the future can be and take as their starting point the trust-based and mutually beneficial relationship with Russia in an attempt to find their respective niches and to enlist Russia's support in areas that are most vulnerable to external challenges such as migrants, hydrocarbons and logistics.

Crisis in Europe and Central Asian countries' political positioning

Since February 2022, Central Asian countries have been under pressure to take a stand on the Ukrainian crisis. Although all of them were more or less prepared for the consequences of a potential Russia-West confrontation, today they need to adjust their interaction with their main partner not only with due regard for their domestic problems that have accumulated over the past 30 years of independence, but also taking into account other countries' pressure. Russia has been and remains their closest partner and ally, and Central Asian states cannot disregard years of multilevel cooperation with it when formulating their positions. However, Western countries are acting differently now. Public neutrality and a focus on a diplomatic settlement of the conflict in Ukraine have been part of Central Asian states' strategy since 2014, but today their Western partners demand that they pick a side.

Russia continues to uphold the idea of cooperation based on past experience and has been acting flexibly to find compromises and mutually beneficial solutions to trade, economic and diplomatic problems. The West, which is taking advantage of the results of the multifaceted policy the Central Asian states pursued over the past 30 years and its increased economic and cultural influence in the region, is trying to break off the republics' ties with Russia and to redirect them towards Turkey under the Greater Turan project or towards the West with the promise of expanded partnerships and agreements.

China has not changed its official stance but is becoming involved in military-political matters much more intensively because there is a promise of new opportunities. Turkey is raising the level of dialogue with its Central Asian partners through the Organisation of Turkic States and cultural cooperation. However, it is unable to serve as a guiding force in the region due to weaknesses in the Turkish economy and considerable ideological barriers. The idea of Turkic unity is not enough for the success of an integration project from Ankara to Bishkek.

In 2022, Central Asian states made one more attempt to formulate a response to external challenges by coordinating their positions. However,

facing a raft of internal political problems, such as leaders' aspirations, public opinion, and political and economic expediency, the Central Asian leaders only made new declarations of intent at their summit meeting in Cholpon-Ata, Kyrgyzstan, held in July 2022.

In other words, Central Asian states have to deal with a number of new external challenges, including Western pressure, a Turkish charm offensive, China's deeper involvement in Central Asian affairs, and the views of the Central Asian public and elites of Russia and its actions. An analysis of the external and internal moves by the Central Asian elites in 2022 shows that the economic expediency of complying with or evading anti-Russia sanctions is not the only or biggest stumbling block. Each Central Asian state encountered many problems during its post-Soviet development period and each of them now has to make a choice between joining a new system of regional security and transport and logistics links in the emerging world order, balancing between Russia, the West, China, Turkey and other players, or accepting the social, political and economic advantages of continued integration in joint projects with Russia, which means that they will have to work around unavoidable problems.

Kazakhstan

Kazakhstan offered to mediate at the very beginning of the Ukrainian crisis in 2014. It did the same in 2022. In early April 2022, President Kassym-Jomart Tokayev published an article, titled *Turbulence Across Eurasia Will Not Slow Kazakhstan's Progress*, in The National Interest magazine.¹⁶ He wrote about special relations of mutual cooperation with Russia and deep traditions of friendly relations with Ukraine. "We respect its territorial integrity – as the overwhelming majority of the world does. We hope for a swift and just resolution of the conflict in accordance with the UN Charter." Tokayev used similar rhetoric in his address at the St Petersburg International Economic Forum in June. Kazakhstan's representatives mentioned, although grudgingly, the causes for the escalation of the conflict, which are failure to implement the Minsk

¹⁶ See: Tokayev K-J. *Turbulence Across Eurasia Will Not Slow Kazakhstan's Progress* // The National Interest. 4.04.2022. URL: <https://nationalinterest.org/feature/turbulence-across-eurasia-will-not-slow-kazakhstan%E2%80%99s-progress-201591>.

agreements and Kiev's nuclear ambitions. Tokayev has called on Ukraine to affirm its non-nuclear status and to refrain from joining any alliances as the best way out of the crisis. Foreign Minister of Kazakhstan Mukhtar Tileuberdi has called on the international community to map out a plan for the gradual elimination of all nuclear weapons.

However, statements made by external players show that they do not want Kazakhstan to speak evasively but forthrightly in light of its engagement with Russia and close trade, economic and political ties with it. Kazakhstan has officially sent over \$2.2 million worth of humanitarian aid to Ukraine and coordinates rallies in support of Ukraine. At the same time, car owners sporting Z or V stickers face traffic fines up to five times the subsistence wage "for violating motor vehicle operating rules."

Kyrgyzstan

On February 22, 2022, President of Kyrgyzstan Sadyr Japarov made a post about the unfurling crisis on Facebook.¹⁷ He emphasised the importance of settling the crisis peacefully, diplomatically and at the negotiating table so as to avoid loss of lives. He added that this was probably "a necessary measure to protect the peaceful population of the territories of Donbass, where a large number of Russian citizens live." He also pointed out that "it is the sovereign right of any country to recognise a state."

On February 26, the Russian President's press service reported that the President of Kyrgyzstan said that Kiev was responsible for derailing the Minsk agreements and expressed his support for Russia's decisive actions to protect civilians in Donbass.

However, on March 9, Sadyr Japarov said in his address in Jogorku Kenesh (parliament) that Bishkek should maintain neutrality in the conflict because it has no power to stop it. On March 5, the Foreign Ministry of Kyrgyzstan offered to provide a platform for Russia-Ukraine talks, if and when necessary.

¹⁷ Meta (including Facebook) has been designated an extremist organisation in Russia and its operations in the country have been banned.

In April, when the West condemned the countries that had taken a neutral stance, President Japarov said that neutrality was acceptable under the current circumstances. He added that both sides in the conflict had equal opportunities to prevent the war but received distorted information, which confused their presidents. Just like in Kazakhstan, drivers in Kyrgyzstan are fined for having Z or V stickers.

Tajikistan

The Tajik authorities refrain from making public statements on the current crisis. President Emomali Rahmon has not mentioned the Ukrainian issue in any of his public statements, focusing instead on the threat of terrorism and extremism.

In October 2022, Ukrainian blogger Dmitry Gordon provoked a scandal by saying that Tajikistan was producing Iranian drones on its territory which Russia uses against Ukraine. The Foreign Ministry of Tajikistan issued a denial, saying that Tajikistan does not export military equipment to third countries.

On November 21, 2022, President Rahmon said during a reception for 10 new ambassadors, including from Russia and Ukraine, that Tajikistan pursued an open-door policy towards countries around the world and called for developing and strengthening mutually beneficial multifaceted cooperation with the countries the new ambassadors represented.

Turkmenistan

On March 12, 2022, Russian Ambassador to Ashgabat Alexander Blokhin said that the authorities of Turkmenistan “maintained a neutral and open-minded position on this matter, have not taken sides and always urge diplomatic settlements to all conflicts.” The diplomat added that this concerned not only Ukraine but also “Karabakh and any other conflict around the world.”

In October, President of Turkmenistan Serdar Berdimuhamedov expressed interest in expanding bilateral relations with Ukraine, citing Turkmenistan’s advantages such as its official policy of neutrality recognised by the UN. This helps the country to take a balanced line amid Western pressure. So

far, it is only clear that Turkmenistan has been deftly working around the problems besetting its partners in the region and is committed to advancing its multifaceted ties with Russia.

Uzbekistan

On February 25, 2022, the leaders of Russia and Uzbekistan had a telephone conversation,¹⁸ during which Shavkat Mirziyoyev expressed understanding for Russia's actions. He noted that all disputes and differences should be settled exclusively on the basis of international law. On February 26, the president's press secretary pointed out Uzbekistan's balanced and neutral stance on the conflict.

Uzbekistan has sent two batches of humanitarian aid (over 50 tonnes altogether), in April and June 2022, to Ukraine, namely the Trans-Carpathian region. Abdulaziz Kamilov, then foreign minister of Uzbekistan, stated in March that the country would carry on its "mutually beneficial cooperation [with Russia and Ukraine] in accordance with its... national interests." On December 1, that position was reaffirmed by the presidential press service, which pointed out that "the foreign policy agenda of Uzbekistan is based on its interests" and does not depend on "any geopolitical events," including the Ukrainian crisis.

Overall, Central Asian states have a holistic approach to the recognition of new territories. During the summit of the Organisation of Turkic States held in Samarkand in November 2022, Turkey insisted that North Cyprus should be granted observer status in the organisation. However, the foreign ministries of Kazakhstan and Uzbekistan spoke out against that proposal, citing their long-held position.

All regional countries have been positioning themselves to most effectively address their own foreign and domestic policy challenges. Some are focused on keeping as far away from the European crisis as possible while maintaining balance at home and in relations with external players. Others are manoeuvring between the world's centres of power, waiting for the outcome of the ongoing confrontation between Russia and the West.

¹⁸See: Telephone conversation with President of Uzbekistan Shavkat Mirziyoyev // President of Russia. 25.02.2022. URL: <http://kremlin.ru/events/president/news/67857>.

Eurasian connectivity of Central Asia

The Ukraine-related military and political crisis brought to light a systemic issue. Relying on the capital intensity of individual transport and supply routes, Russia and the Central Asian countries found themselves with a limited number of export or import markets. European countries were also confronted with the need to look for alternative transport routes for goods and raw materials. In this regard, discussions about new transport and supply routes in Eurasia intensified in 2022.

One of the priorities for Central Asia is to improve transit potential and build the associated infrastructure. However, the logistics index rankings for 2020 showed the Republic of Kazakhstan ranking as low as 77th, the Republic of Uzbekistan 118th, Turkmenistan 140th, Kyrgyzstan 146th, and Tajikistan 153rd. This state of affairs is due to inadequate funding for infrastructure projects, including soft infrastructure, customs regulations and landscape-related problems. Building new routes is a problem in many ways because it involves financing by external investors due to insufficient own funds (with the exception of Turkmenistan). However, there is an urgent need for alternative routes.

According to forecasts, the sanctions imposed on Russia in 2022 and the difficulties involved in shipping by land across central Europe will result in an aggregate 25-percent drop in the volume of container traffic on existing routes. Compared to 2020, the volume of traffic on the Dostyk-Duisburg route fell by 100,000 TEU, the Zabaikalsk-Poland route by 50,000 TEU, Naushki-Poland route by 30,000 TEU, and Dostyk-Kaliningrad by 40,000 TEU.

The volume of traffic via the Primorye Territory to Poland was cut in half. This revived the usual discussion about building new transport and logistics corridors and partial redistribution of cargo flows. The trans-Caspian route is one of the most promising ones. And, indeed, in 2022, the volume of traffic on the Altynkol-Caspian Sea-Turkey route more than doubled.

However, against the backdrop of the entire Eurasian transport and logistics system, and even though the route showed an increase of 40,000 TEU on 2020, the cargo traffic has remained insignificant and is a poor competitor to the main routes. So, despite the fall, the volume of deliveries along the Dostyk-Duisburg route amounted to 250,000 TEU, but only 60,000 TEU along the Altynkol – Caspian Sea – Turkey route.

The cost of sea container transport has fallen sharply since early 2022, making it an attractive option for many destinations.¹⁹ For the landlocked Central Asian countries, the increase in maritime traffic poses serious competition to land transit routes, which, as we learned in 2022, have a number of advantages and limitations.

Let's take a closer look at the main routes.

East-Northwest (Middle Corridor or the Trans-Caspian International Transport Route)

In June 2022, Kazakhstan and Turkey signed a number of meaningful agreements regarding the revival of the Middle Corridor connecting China and Europe in circumvention of Russia across Azerbaijan, Turkey and Georgia (Baku-Tbilisi-Kars). The route was developed in 2014 and opened to traffic in 2017, but its full-fledged operation ran into obstacles and was economically unviable compared to other existing routes.

As reported by the Trans-Caspian International Transport Route (TCTR) international association, the traffic along the route will increase sixfold to 3.2 million tonnes in 2022 at a time when, according to Prime Minister of Kazakhstan Alikhan Smailov, the ports are operating at only 20 percent of capacity.

Notably, there are a significant number of factors that increase transport costs along the route. Five customs stations, changing from

¹⁹ Review of Maritime Transport 2022. URL: <https://unctad.org/webflyer/review-maritime-transport-2022>

MAP OF THE KEY RAILWAY CORRIDORS IN EURASIA



Route to Duisburg via Dostyk
(150 thousand TEU in 2022)*



Route to Poland via Zabaikalsk
(100 thousand TEU in 2022)*



Route to Poland via Naushki
(80 thousand TEU in 2022)*



Route to the Caspian region via Altyntkol and then to Turkey
(50–60 thousand TEU in 2022)*



Route to Poland via Primorsky Krai
(30 thousand TEU in 2022)*



Route to Kaliningrad via Dostyk
(22 thousand TEU in 2022)*



Route to Hamburg via Primorsky Krai
(0 thousand TEU in 2022)*



Route North – South
(3 thousand TEU in 2022)*

PARALLEL IMPORT:

Autoflow Mersin – Verkhniy Lars

Sea flow from Guangzhou to Istanbul
(15 thousand TEU in 2022)*

Sea currents

Automobile routes

Railway transportation routes

Planned routes

* Rounded data is indicated

a narrow-gauge railway track to a wide track and multiple changes of modality, including reloading containers from train to ferry, result in a less competitive transport price. In order to boost the volume of container traffic, the Caspian ports need to be significantly upgraded, more logistics centres need to be built and more container ships purchased, all of which will require significant investment.

China and Turkey are believed to be the most engaged stakeholders in the project. In recent years, China has significantly diversified its routes, giving preference to sea transport. Involving China in the project comes with a major increase in the throughput, which, however, is fraught with additional difficulties. The range of goods going from China to Europe is well-known, whereas what kind of goods will fill the containers going back to China has yet to be determined, since underloading is a factor that increases the cost and affects the route's competitiveness.

Earlier, Uzbekistan showed an interest in the Baku-Tbilisi-Kars route. The Uzbek portion of the Navoi-Turkmenbashi-Baku-Tbilisi-Kars railway was included in the 2018-2022 comprehensive programme to improve the transport of goods. However, developing routes to South Asia remains a priority for Tashkent.

As we learned in 2022, the main flow of Russia-bound parallel imports was not via the TCTR. The main assembly point was the Upper Lars vehicle checkpoint (Georgia), which was part of several routes, namely, the Guangzhou-Istanbul sea route, after which it divided into motor transport (through the Upper Lars checkpoint) and sea (ports of Sochi and Novorossiysk), as well as the Mersin – Russia road through the port of Novorossiysk.

International North-South transport corridor

Even though the intergovernmental agreement on the North-South transport corridor was signed back in 2000, the initiative has still not been fully implemented in 2022. The North-South corridor was about a breakthrough approach to exports shifting the focus to the markets of South Asia and the Persian Gulf. The corridor includes several routes, such as: Russia-Kazakhstan-Turkmenistan to Iranian

ports-ports in Pakistan-ports in India; Russia-Caspian Sea ports-Iranian ports-Pakistani ports-Indian ports; Russia-Azerbaijan-Iran to ports in Iran-ports in Pakistan-Indian ports.

The routes across Afghanistan aka trans-Afghan ones are the most significant routes for the Central Asian countries. For obvious reasons, the construction of transport routes in Afghanistan, where the Taliban came to power in 2021, involves a significant number of risks, which slows the implementation of projects. But for a number of countries in the region, in particular Uzbekistan, the route, for example, through the Kabul Corridor (Russia-Kazakhstan-Uzbekistan-Afghanistan-ports in Pakistan-ports in India) is one of the most important for growing their own economies based on the geographical location.

In addition to the Kabul Corridor, which is promoted by Uzbekistan, there are other routes²⁰ such as the Mazar-i-Sharif railway-Herat-Khaf-Chabahar (from Afghanistan to Iran); Atamurat-Akina-Andkhoy-Mazar-i-Sharif-Kunduz-Sher Khan-Bandar-Panji Poyon (Turkmenistan-Afghanistan-Tajikistan); Karachi-Quetta-Kandahar-Herat (from Pakistan to Afghanistan and Iran); Herat-Mazar-i-Sharif-Kunduz-Sher Khan-Bandar-Panji Poyon (from Afghanistan to Tajikistan). Each of these routes involves the construction of a railway track in Afghanistan, which remains an unfeasible task. The significant amount of investment and limited number of end beneficiaries is resulting in some routes “competing among themselves,” especially in terms of railway track technical standards, since the gauge is different in Iran, India and Uzbekistan.

But, despite risks and differences, the trans-Afghan Termez-Mazar-i-Sharif-Kabul-Peshawar corridor project has moved from theory to practice. A field exploration expedition began in Afghanistan in July 2022. According to preliminary data, 264 bridges, 7 tunnels, and 641 culverts will need to be built. The total cost of the project is estimated at \$4.6 billion. Uzbekistan is acting as the main driver behind the construction project and plans to borrow funds on top of its own financing.

Another route, Mazar-i-Sharif-Herat-Khaf-Chabahar, is critically important for Iran, which is also interested in diversifying routes. Back in 2002, Iran signed an agreement with India on the shared use of the deep-water port of Chabahar. The route is for the most part already

²⁰ Князев А. О судьбах трансфганских проектов // ИАЦ. 29.06.2021. URL: <https://ia-centr.ru/experts/aleksandr-knyazev/aleksandr-knyazev-o-sudbakh-transafganskikh-proektov/>.

built with the exception of the Mazar-i-Sharif-Herat section (about 730 km). Interestingly, in 2018, the United States lifted sanctions on the port of Chabahar in order to support the economy of Afghanistan and reduce the dependence of the countries of the region on Russian transport corridors.

In turn, Russia may also be interested in connecting the port to the Caspian transport system via the Chabahar-Zahedan railway, the construction of which should be completed within the next two years, and the eastern branch of the North-South corridor (Kazakhstan-Turkmenistan-Iran).

The Kazakhstan-Turkmenistan-Iran railway (eastern North-South route) was opened on December 3, 2014. Despite the fact that the capacity of the route stands at about 15 million tonnes per year, the 2020 data show that the volume of freight traffic is less than 300,000 tonnes.

The year 2022 brought up a range of serious issues associated with classical transport routes. The alternative routes are not quite ready to take the redistributed flows. Border checkpoints along the China-Europe route are plagued by congestion, especially at Dostyk-Alashankou and Altynkol-Khorgos. That is why the construction of new cross-border points matters. The Xinjiang Uygur Autonomous Region-Bakhty-Ayagoz railway with access to Turkestan-Siberia Railway and further to Novosibirsk looks like the most promising route. Kazakhstan has announced its plans to build 270 km of the Bakhty-Ayagoz section by 2025. Since the construction of this route is much cheaper than building the Russia-Mongolia-China transport corridor, the route will be able to serve as a canal for parallel imports.

Despite the promise of alternative routes (trans-Caspian and trans-Afghan), there's nothing that can replace traditional trade routes today. Building new corridors involves significant investment. The Central Asian countries are aware of this. In 2022, Kazakhstan continued to work on rebuilding and expanding railways at the Dostyk-Balkhash section, which is part of the Chongqing-Duisburg route. The route is 11,179 km long and it takes 16 days on average to cover it, which is 20 days shorter than by sea from the eastern ports of China.

Transporting oil and gas, which play a key role in the Central Asian economies, is a separate issue.

Kazakhstan is the fourth largest supplier of oil to the European Union. The main export route goes through Russia. The Caspian Pipeline Consortium connects the fields in Western Kazakhstan with the Black Sea coast. In Novorossiysk, tankers are filled with oil for further shipment to Europe. Kazakhstan supplies about 86 million tonnes of oil annually to the global market (production is regulated by OPEC+ agreements). The oil and gas reserves are significant, with Tengiz alone boasting reserves of over 3.1 billion tonnes of oil. The government of Kazakhstan has repeatedly made it clear that it is ready to increase oil production, but it was unable to do so under the OPEC+ provisions. Nevertheless, work is underway to get the infrastructure ready for that. In conjunction with Russia, Kazakhstan is implementing a programme to break up the bottlenecks and streamline the CPC capacities with account taken of the potential growth in oil production.

In 2022, Novorossiysk terminals broke down on four occasions, which hindered the transportation of oil at full capacity. The wear-and-tear of the infrastructure and repair-related inconveniences stemming from the sanctions on Russia have again given rise to the need to diversify Kazakh oil supply routes. Kazakhstan believes that the trans-Caspian international route – transporting oil by tanker across the Caspian Sea with subsequent export through the Baku-Tbilisi-Ceyhan oil pipeline – is the most promising route.

In November 2022, Kazakhstan, Georgia, Turkey, and Azerbaijan signed a roadmap for the simultaneous removal of bottlenecks and the development of the Middle Corridor for 2022-2027. The priorities include an increase in the throughput capacity of the port of Baku, the construction and opening to traffic of a number of railway sections, and more. According to the plans, these measures will increase the throughput to 15 million tonnes per year by 2025. Today, the maximum free capacity for Kazakhstan amounts to about 5 million tonnes, which is negligible in terms of Kazakhstan's overall exports. Increasing the capacity will help diversify Kazakh export flows, but there are no ongoing projects that could become an alternative to the Caspian

Pipeline Consortium. There are free capacities in the Uzen-Atyrau-Samara pipeline, which, with a capacity of 17 million tonnes per year, is loaded at about 70 percent, but this is also negligible given the existing volumes of Kazakhstan's oil.

Turkmenistan boasts the world's fourth largest gas reserves. In 2021, the People's Republic of China bought up to 80 percent of Turkmen gas. Turkmenistan has a vital interest in diversifying its supply routes and the 1,814 km-long Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline is one such route. The project started out in 2015, but the launch was repeatedly pushed back, primarily due to instability in Afghanistan. After the Taliban came to power, the idea of TAPI received a second wind, because the Taliban had repeatedly expressed interest in this project. But construction has not started yet and, most likely, will not begin any time soon. The cost of the project is upwards of \$7 billion. Turkmenistan plans to cover the construction costs involved in laying pipes in Afghanistan under the intergovernmental loan system and Kabul will later use proceeds from transit to repay the debt. Turkmenistan has completed the construction of its portion of the pipeline from the Galkynysh gas field to the border.

Just like other trans-Afghan routes, this project comes with multiple risks, but the promise of the markets of Pakistan and India with over 1.5 billion consumers and energy consumption that is increasing every year makes the initiative worthwhile. Attracting investment may be a challenge since the global economic recession, inflation, and sanctions-caused technological gaps have cut the volume of external financing for complex and risky projects.

Conclusion

The Ukraine crisis had a dual effect on the Central Asian countries' international and domestic situation. The restrained foreign policy approaches and the high degree of responsibility of the regional governments and leaders make their most important neighbours – Russia and China – feel quite optimistic about the future of Central Asia, seeing these countries as reliable partners who have their backs when push comes to shove in their relations with the West and while the international order is undergoing major changes.

As a result of dramatic changes in Europe and Russian-European relations, the Central Asian countries have obtained certain advantages in terms of attracting investment and participating in international trade. It is up to them now to act on these opportunities in the longer term.

Russia should not be oblivious to the fact that the internal development-related hardships and the pressure from the West could mean that the governments of the countries of the region need to answer rather tough questions already in the medium term. The most important questions include maintaining friendly relations and building up trade and economic ties with Russia, as well as the need to maintain relations with the West so that the United States and the United Kingdom are not tempted to foment political instability in the region. However, it cannot be ruled out that in the near future the Central Asian countries might again be confronted with manifestations of religious armed extremism, which are the “cues” that come from the United States and its closest allies. Moreover, the socioeconomic problems that have piled up over the years of independence, inequality and poverty may trigger anti-government protests.

The key near-term consequences of the Ukraine crisis for the Central Asian countries came in the form of consolidation of the political elites and the absence of any visible negative effect on the economy. Even in the case of Kazakhstan, which was most affected by the direct consequences of the crumbling economic relations between Russia and the West, the impact of the crisis was not dramatic, even though, without a doubt, a toll was inflicted on the Kazakh monetary and financial system. In all other countries, with the exception of Turkmenistan, the negative or positive corollaries of the unfolding events are directly dependent on the prospects of the Russian economy and China's ability, amid the unending worsening of its relations with the West and the need to consolidate resources, to participate more vigorously in the region's economic projects.

In general political terms, the Ukraine crisis has dual consequences for the Central Asian state systems. **First**, the mass-scale use of force to address foreign policy issues puts international and regional security in a new context, where countries need to take account of Russia's experience and correlate it with their own prospects. **Second**, the Central Asian countries are also experiencing the consolidating effect that the hostilities in Ukraine had on the political systems of those directly participating, represented by Russia and the countries of the West and more remotely located states.

We are not sure how long this effect will last and how it will affect the Central Asian countries' economic and political structure. Of course, this action will not completely "cancel" the experience of internal development that has been accumulated over several decades of independence.

To be sure, the experience of this development and the ability to counteract external influence vary across the countries of that region. For example, we saw how Kazakhstan's internal problems (such as the January events, involving the intervention of the CSTO forces), which, according to multiple observers, still exist, were reflected in the country's response to the Ukraine crisis that broke out in February 2022. This is all the more important in light of the fact that Kazakhstan's geopolitical position makes the country attractive to Russia and China's opponents in international politics.

Other countries in the region cause less worries in terms of their governments' ability to resist disruptive trends, and the effect of consolidation in the short term will be more significant for them. In some cases, though, concerns stemming from anticipation of the aftermath of the Russia-West conflict are playing a greater role in the domestic political discourse than one might have expected.

One should also be mindful of the fact that being dependent on the information flows that are controlled by the United States and its allies (which is particularly salient in Kazakhstan and Kyrgyzstan), the governments have to take into account the exaltation that is present amid a certain portion of society. This sentiment has become part of a broad national discussion about the future of Central Asia or ways to overcome the existing challenges. Some offshoots of this regional discussion are seen in Russia as an unfriendly narrative that ignores Russia's interests and destroys stable relations between the countries, or even as attempts to build policies that are based on opposition to Russia's influence.

Another fundamental challenge that Russia's friends in Central Asia will have to deal with relates to developing a common strategy for promoting foreign economic relations and state policy in this area, amid the gradual curtailment of globalisation as we know it and the economic war that the West is waging against Russia. Within the next three to five years, some observers are anticipating an increase in aggressive deterrence of China, cooperation with which has become a beacon for the Central Asian countries.

With the Central Asian countries being Russia's neighbours, the economic war of the West could indirectly benefit the development of the regional economies and contribute to the emergence of new industries or the development of existing ones in these countries, thereby creating a solid and diversified base for state economic policy in the future. This promotes further integration with Russia, creation of strong financial ties and reduction of the formal share of joint economic activities.

Uzbekistan, Kyrgyzstan and Tajikistan have every reason to be concerned about the fact that the "drawdown" in the Russian economy that is anticipated to take place within the next 18-24 months, the fall in GDP and higher unemployment in Russia will lead to a decrease in payments to the budget by the multi-million army of labour migrants and create economic and political difficulties. However, for now, these negative effects have been delayed, and we see the opposite situation in practice: the number of labour migrants in Russia is up and the amount of their remittances home has increased.

Two of the region's largest economies – Kazakhstan and Uzbekistan – are pursuing different economic policies. Kazakhstan remains focused on integration into international value chains, while Uzbekistan, relying on its advantages in demography and its industrial base, focuses on the production of end products and taking them to international markets. It is impossible to say whether either of these strategies is universal and is the best choice. However, each one has its own advantages and is affected in its own way by the indirect effects of the West's economic war against Russia. So far, the leading countries of the region are acting confidently in their economic policies, but it is most important that the perception of reality and global processes go hand in hand with the actual state of affairs. The fact that the countries of the region do not have objective competitive advantages in the global competition for investment should be borne in mind as well.


In a changing environment, all the Central Asian countries are striving to maintain the established scale of integration into the global economy and the existing political ties. This is the reason for the governments of the countries in the region showing overall restraint in their support for Russia in its conflict with the West, although, according to polls, most people in Kazakhstan are either sympathetic to Russia or outwardly supportive of it.

It goes without saying that the countries of the region have every reason to fear that they may be impacted by direct hostile actions on the part of the United States or its allies, but the West's main goal will be to harm Russia's interests and, in the longer term, those of China.

China is acting with restraint. The political dialogue and economic cooperation have remained at the levels achieved before the coronavirus pandemic, but more efforts to reinvigorate relations can be expected to come from China after the end of the pandemic in China is announced officially.

One should not overestimate the leverage Iran or Turkey may potentially enjoy in the region. Their capabilities will always be limited by their economic potential and tricky international position.

Overall, we believe that, in the near future, the Central Asian region will be able to demonstrate a fairly high degree of resilience to external challenges and an adaptability to problems and opportunities generated by the restructuring of the global economy and international politics. Internal stability and the ability to resolve at least some of their socioeconomic problems will remain the most important goal for the Central Asian countries and their neighbours as they go forward.

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