



**GEOECONOMICS IN CENTRAL ASIA:
GREAT POWERS AND
REGIONAL COUNTRIES**

**"GEOECONOMICS IN CENTRAL ASIA:
GREAT POWERS AND REGIONAL COUNTRIES"
(POLICY STUDY)**

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The purpose:

1. Study the geoeconomics of the great powers and regional countries in the Central Asian countries,
2. Identify the resources they compete for and strategies they use, and
3. Provide recommendations for decision makers of Mongolia.

Objectives:

1. Generate a database on the major sources of mineral wealth in the Central Asian region,
2. Observe behaviors of the state-owned and multinational corporations of the United States, China, Russia, the European Union, Turkey, Japan, and India in Central Asia,
3. Examine the projects and programs of those companies operating in Central Asia, as well as their financial and investment pattern, and
4. Examine the projects and programs of the same entities in Mongolia and whether they serve as instruments of the policy in the framework of geoeconomics.

Research Design:

1. Gather and systemize data on the economic situation in the Central Asian region,
2. Study the economic policies implemented in Central Asia by major powers and regional countries through the utilization of geoeconomics theories, and
3. Analyze mega-projects and programs implemented in Central Asia by major powers and regional countries and their financial flows from a geoeconomic perspective.

Significance and Innovative aspect:

This report is the very first study in Mongolia on Central Asia using frameworks and tools of geoeconomics theories. There are competing great powers' strategies in the region such as but not limited to China's "Belt and Road," Russia's "Eurasian Economic Union," the U.S.'s "New Silk Road", all of which intend to lay down political and economic infrastructure in the region with the aim of advancing their respective policy objectives. It is, therefore, of great significance to understand the realities of the region, to analyze the aims of the major actors as well as to identify Mongolia's role in these strategies and its possible policy options.

EXECUTIVE SUMMARY

GEOECONOMICS IN CENTRAL ASIA: GREAT POWERS AND REGIONAL COUNTRIES

Geoeconomy deals with using economic instruments to promote and defend national interests and produce beneficial geopolitical results and with the effects of other nations' economic actions on a country's geopolitical goals. It is important to understand geoeconomics to appreciate the full picture behind the foreign economic policies of a country, to grasp the goal and interests of the country in question, and to deal with the measure effectively: The initiation or cessation of trade solely for the sake of profit is a purely economic action. However, if the purpose behind the trade is national interests and the alliance is geopolitically important, the measure takes a geoeconomic meaning.

Central Asia: Five countries in the middle of the global market

The position of Central Asia on the world stage and market evolved considerably since the fall of the Soviet Union and the transition of the countries to a free market economy. The five states have established themselves economically and have significant growth potential. Foreign trade, investment, and aid rates have increased drastically, driven mainly by the export of natural resources and large-scale, cross-country energy and transportation projects. The five countries of Central Asia are rich in natural resources. Kazakhstan and Turkmenistan have abundant oil and natural gas reserves. Kyrgyzstan, Tajikistan, and Uzbekistan possess vast amounts of gold, and Kazakhstan has one of the largest uranium reserves in the world. While Tajikistan and Kyrgyzstan have rising capacities in renewable energy resources, including electricity from hydropower plants, Uzbekistan and Turkmenistan are major cotton exporters.

Although their development in the last years has been impressive, and efforts are being made to tap into the economic potential of natural resources, all five Central Asian countries differ significantly in economic transformation and must still face common challenges to establish themselves as strong players in the global market.

The structure of foreign trade in Central Asian countries has not changed significantly in the past, and the export of mineral resources still accounts for the largest share of Central Asian economies, thus exposing them to negative fluctuations and the influence of the demand and supply of raw materials in the world market. Similarly, the infrastructure, except for natural gas and oil pipeline, has not significantly developed since the end of the Soviet Union. In terms of the political system, Central Asian countries, except for Kyrgyzstan, have a strong presidential

system of government and an upper and lower house of parliament. Turkmenistan has instituted a hereditary presidency, and Tajikistan is also on the verge of implementing one. Kyrgyzstan's return from a parliamentary system to a presidential one is considered a step back for democracy. However, simultaneously, the current leaders of Kazakhstan and Uzbekistan are pursuing policies that reduce the influence of presidents on politics, implementing significant social and economic reforms. In addition to this topic, corruption, bribery, and human rights issues are not always addressed in Central Asia, sometimes driving investors away or making cooperation with foreign countries difficult.

These transitions of political regimes and economic reforms are essential to analyzing the dynamics at work in Central Asia. On the other hand, they are also significant for global or regional powers interested in strengthening ties with these countries.

A region upwind of foreign strategic interests

The purpose of this comprehensive study is to grasp the geoeconomics of great powers and regional countries in the Central Asian region and to identify the resources they compete for and the strategies that they employ. The economic behaviors of seven actors are under the radar: The United States, China, Russia, India, Turkey, Japan, and the European Union. Each uses geoeconomic tools, such as foreign trade, market access, financial and monetary policy, or assistance, to promote and protect their national interest and achieve geopolitical advantages in the Central Asian region.

The interests of external great or regional powers are numerous in Central Asia. Most interests are, however, driven by the need for natural resources and energy. Important powers such as China and India face a growing need for resources along with their economic and demographic growth. To meet this need, the states of Central Asia are considered to be potentially strong cooperation and trading partners. In addition, it has become clear to most actors, such as the EU, that depending on one single leading supplier implies vulnerability in the geopolitical and geoeconomic sphere: Central Asia has thus become a way to diversify sources of natural resources vis-à-vis other suppliers like Russia or Middle-Eastern countries.

Furthermore, Central Asia's geographic situation makes it a bridge between continents and markets: Large-scale railway and pipeline projects would allow and increase connectivity with the global market. The Belt and Road Initiative, an instrument of China's economic and political policy, aims to achieve this goal through significant investments to develop Central Asian infrastructures.

Security is also one of the main interests of great and regional powers in Central Asia: Some countries like China, Turkey, and India strive to maintain stability through economic growth and welfare. A destabilization of the region could directly impact these countries and their economic and political interest. Nevertheless, other countries like Russia consider the region's security a geostrategic tool: Russia may be seen as an economic competitor of Central Asia, as the two sides offer similar products to the global market. Limiting and controlling the exports of Central Asia's mineral and energy resources to the market is thus a fundamental geoeconomic interest of Russia. Russia's influence in the region is, however, shrinking. Suppose it cannot be the leading player in Central Asia. In that case, Russia will have the option to keep the regional security environment unstable: The beneficiary of instability and hot spots in Central Asia is Russia, which still presents itself as a guardian of the region's security and stability. Finally, the US and Japan consider Central Asia as an important region to fight terrorism: The relationship between these countries increased considerably after the attacks of 9/11 and evolved around the provision of technical assistance and security cooperation. On the other hand, as American troops withdrew from Afghanistan, a specific decrease in the ODA from the US has been observed.

Most great and regional powers studied in this research aim to strengthen their ties with Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan, and Tajikistan. The tools used by the different countries depend on their final goal: If it is oriented towards good governance and stability, the country will turn to aid, investment, and institutional mechanisms. However, if the goal is to strengthen economic ties to answer national needs, it will use trade relations with taxation and tariff agreements.

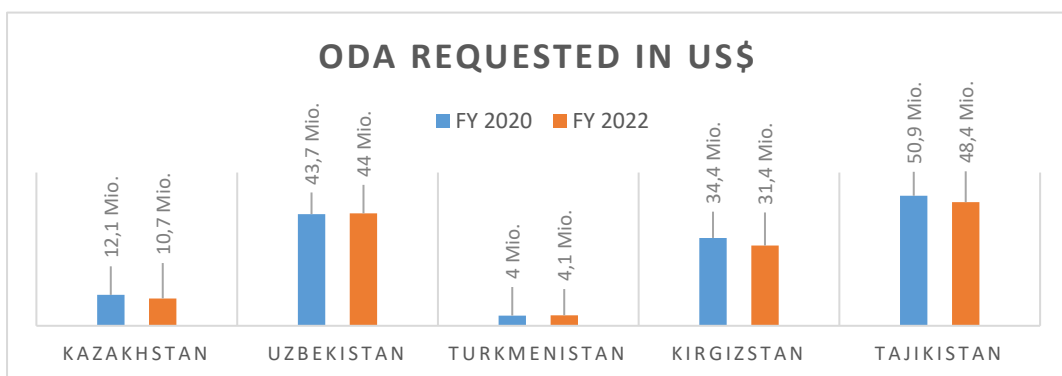
Although Central Asia is still facing critical internal challenges hampering its economic growth, the region is increasingly considered by great and regional powers as a new market with a high potential for cooperation and the promotion of national interests. This increasing global interest in Central Asia also leads to rising competition and geopolitical influences, which may slow the implementation of large-scale and high-impact projects.

REPORT SUMMARY

1. The geoeconomic policy of United States towards Central Asia

Aid as a geoeconomic instrument

The primary geoeconomic tool of the United States in Central Asia is providing aid. Overall, the US has invested US\$91 Billion in the Central Asian region: US\$50 Billion was invested by the Multilateral Development Bank, US\$31 Billion was foreign direct investment, and US\$ 9,2 Billion was aid, mostly allocated to strengthen peace and security in the region and provide humanitarian aid. However, since 2007, security aid has exceeded economic aid. The United States is one of the leading ODA providers for all Central Asian countries. However, the Department of State requested less appropriation for aid in FY2022 than in FY2020, except for Turkmenistan and Uzbekistan, with whom the economic relations have been improving markedly since 2016.



Security and Energy: The purpose of geoeconomic policies

The United States has a particular economic interest in the Central Asian region. The main reason for the U.S. to provide loans and aid, and projects in Central Asia was the need for logistical support from these countries after 9/11. From this point on, the perspective of the U.S. on Central Asia shifted due to its proximity to Afghanistan. In return for access to military facilities in Central Asian countries for operations in Afghanistan, the U.S. increased aid and support to the region to ensure its security. By providing economic aid, the United States has also gained market access to Central Asian countries and the right to develop their natural resources: Major oil companies were allowed to operate in Kazakhstan in return for aid.

The Future of U.S.-Central Asian relations

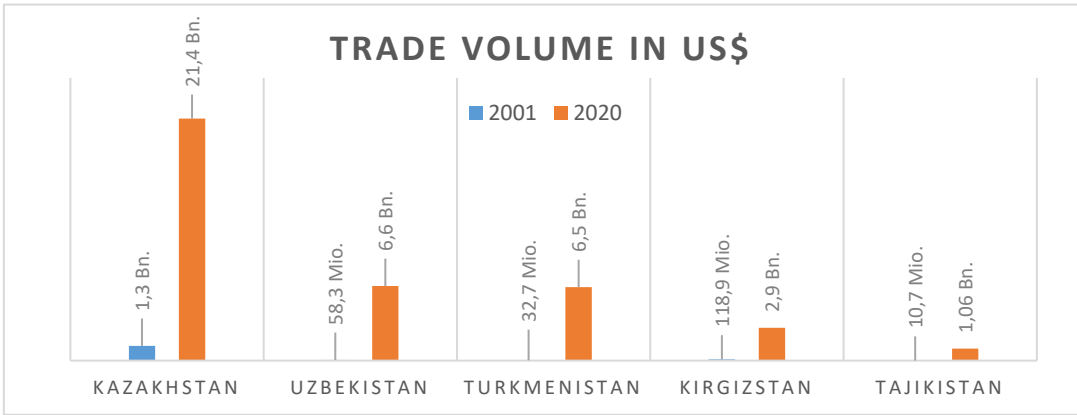
Although the economic aid provided by the U.S. is of great importance for Central Asia, the relations between Washington and Central Asian Countries largely depend on how these countries handle the issues of democracy and human rights. The willingness of the U.S. to

compromise entire relations over political issues may indicate that Central Asia may be of little economic importance to the United States. Still, as the war in Europe subsides, the policy of limiting the influence of Russia and China in Central Asia will likely be actively pursued.

2. The geoeconomic policy of China towards Central Asia

A spectacular growth in trade and investment

The primary geoeconomic tool of China in Central Asia is investments and trade. Between 2001 and 2021, the turnover of bilateral trade between China and Central Asian countries has increased dramatically, increasing more than 100 times in Uzbekistan, from US\$58,3 million to US\$6,6 billion. Exports from Central Asian countries to China have also increased by 42,8% since 2016. In addition, China and Central Asian countries agreed in 2022 to increase their bilateral trade to US\$70 billion by 2030. Simultaneously, China has also become the region's largest source of foreign investments, reaching about US\$40 billion overall by the end of 2020 and 7700 Chinese-invested enterprises operating in the region in 2021.



Energy and Infrastructure: Key sectors of investment

In addition to exploiting oil fields in Kazakhstan, China has also promised to build a 3000 km pipeline from Kazakhstan to Xinjiang. Major Chinese companies have been competing to build pipelines to the south and west of Central Asia: China's oil and gas technology is advanced and competitive in Central Asia, and the region is a massive market for engineering contracts and equipment exports. Besides investments in natural resources, China also focuses on the Belt and Road Initiative, implementing numerous large-scale infrastructure projects to improve transport connectivity. In 2021, more than 8000 China-Europe trains passed through Central Asia, transporting 9.1 million tons of goods.

The purpose of geoeconomics policies

Such geoeconomic tools serve several Chinese interests, which are numerous in the region. Central Asia connects Asia and Europe and can be seen as an economic bridge between the two continents. However, the region is also rich in strategic resources such as oil and natural gas, while China is an “energy-deficit” country. China wants to obtain the energy it needs from neighboring countries to meet its growing domestic needs. However, the internal environment of Central Asia is very complex and fragile, harboring various cultures, religions, and ethnic groups. Any chaos would have a direct negative impact on China. The stability and prosperity of Central Asia are thus of strategic interest to China.

3. Geoeconomic policy of Russia towards Central Asia

Geoeconomic ties from the Soviet past

Most current ties and relations between Russia and Central Asian countries stem from their shared Soviet history. Every year, 2 to 8 million seasonal labor migrants from Central Asia travel to Russia, an important export market for various products from Central Asia. Furthermore, the infrastructure connections have been made according to Soviet standards, and the Russian language is still commonly spoken. At the same time, similar ways of doing business and a network of acquaintances are spread through both areas. Most of these linkages are geoeconomic tools to promote Russian regional interests. However, not all tools stem from historic relations: Several cooperation institutions between Russia and Central Asia are nurturing economic ties: The EAEU grants customs and tariff preferences between member states. In addition, the legal framework for border entry has been established, and port procedures have been simplified from both sides.

Unbalanced economic relations

Russia is the third most important trade and export partner and the largest import partner in total trade for the five Central Asian countries. Nevertheless, trade with Central Asia accounts for less than 5% of Russia’s exports, imports, and foreign trade. Thus, the region is not considered of great economic importance for Russia. It is, however, highly relevant to Russian geostrategic interests.



Competing interests and a Fragile future

In the general economic context, economic relations between the two parties could expand. However, the two sides offer similar products for the global market, making them competitors for each other. Thus, limiting and controlling the exports of Central Asia's mineral and energy resources to the regional and global markets is a fundamental geoeconomic interest of Russia. On the other hand, for Central Asia, the search for new markets, partners, and sources of investments has become the main challenge for the region's prosperity. As Russia becomes increasingly isolated on the world stage, its influence in Central Asia may decline. One solution would be to carry out a cooperative policy with other players, such as China, India, Iran, or Turkey, which comes with challenges and uncertainties for Russia.

4. Geoeconomic policy of India towards Central Asia

India's efforts to strengthen ties

A turn towards Central Asia can be observed in India's economic policy. To promote its geoeconomic interests, India resorts to multiple tools and identifies numerous areas of cooperation. In June 2012, New Delhi adopted the "Connect Central Asia" Policy, signaling its intention to strengthen political, strategic, and economic ties with the region. In this framework, India invests in transport and energy networks, such as the INSTC, a 7200km corridor connecting the Indian Ocean and the Persian Gulf via Central Asia, or the Turkmenistan-Afghanistan-Pakistan-India gas pipeline project. India has also created institutional mechanisms to facilitate trade, such as small soft loans, double taxation and free trade agreements with the region and the EAEU. Parallel, it also funds projects and builds partnerships through the Export-Import Bank of India.

A growing but still limited relationship

As a result of these multiple activities, the trade turnover between India and Central Asia has multiplied in the last years, tripling from US\$610,2 million in 2011 to US\$1,9 billion in 2020. In the same year, Uzbekistan became India’s leading export partner, accounting for about 42.6% of India’s total exports to Central Asia. However, India’s trade with the five countries stays modest compared to other regions of the world, and its exports to the region in 2020 accounted for 0,2% of its total exports to the rest of the world, while its imports accounted for 0,4%.



Although the five Central Asian countries are not India's neighbors, India does have particular interests in the region. Suppose India aspires to stay a "rising power" in international relations. In that case, it should not ignore Central Asia: As its economy grows, so does its demand for energy and sources other than the Gulf countries. India also seeks to balance the influence of China, which is building ties in India's neighborhood. However, India is facing challenges to promoting its interests in Central Asia: The India-Pakistan border disputes, such as Afghanistan's fragility, have been a significant obstacle to economic cooperation with Central Asia.

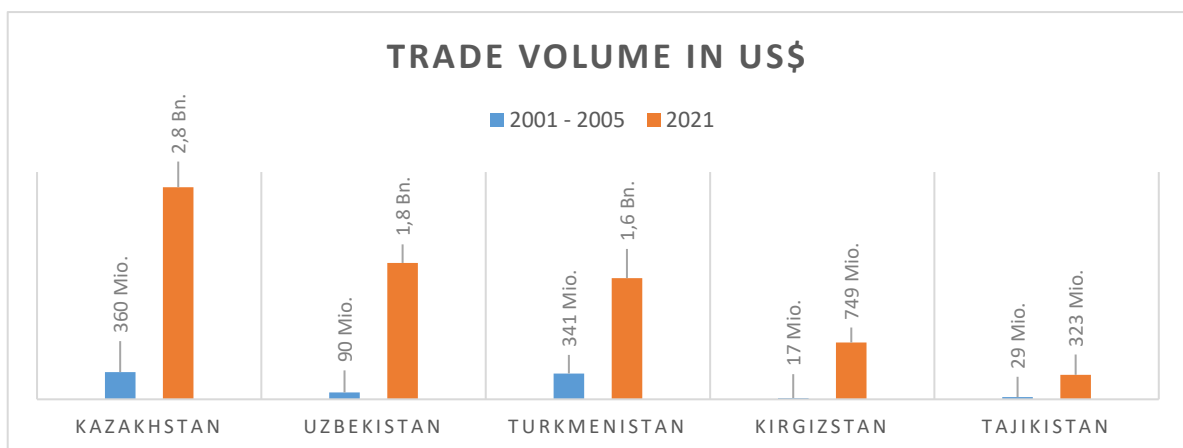
5. Geoeconomic policy of Turkey towards Central Asia

Growing trade volume to strengthen ties

As part of numerous agreements signed since 1992, the trade between Turkey and Central Asian countries equaled US\$1,5 billion by the end of 2000. Turkish businesses invested a total of US\$6,5 billion in the region. Turkey’s trade with regional countries amounted to US\$8,5 billion in 2019, and more than 4000 Turkish companies operate in Central Asia.

Multiple trade and investment targets

Turkey utilizes trade and investments as its main geoeconomic tools in Central Asia. By fostering economic relationships with all five Central Asian nations, Turkey has diversified its areas of cooperation. Turkish construction companies have been actively involved in development projects in Central Asia, with completed construction projects worth US\$4 billion. Additionally, railway routes are being built to improve Turkey's connections to the region, while investments in the agricultural sector have also been made. Turkey primarily exports ready-made clothing, medicine, and machinery to Central Asia while importing natural and mineral resources. Furthermore, the World Turkic Business Council was established in 2008 to safeguard the interests of companies from ethnic Turkic countries. This was followed by creating of an Internet portal called Turkic Business, which aims to help firms enter foreign markets and establish partnerships by creating a network of companies in Turkic-speaking nations.



Pan-Turkic Cooperation and bilateral interests

Turkey's geoeconomic policies in Central Asia prioritize the creation of strong cooperation networks between Turkic countries. This region holds significant importance for Turkey's foreign policy and represents the country's national spiritual unity. The focus is on restoring relations within the Turkic world through various cooperation projects and programs. Additionally, this economic cooperation benefits both parties. Turkey's economy requires access to the markets of Central Asia and China while Central Asian countries can rely on Turkey's transport and logistic capacities to enter the markets of the Mediterranean Sea, Europe, and the Middle East.

6. Geoeconomic policy of Japan towards Central Asia

Trade from afar: Challenges to cooperation

Japan's relationships with Central Asian countries are not yet fully established. While there have been discussions of cooperation proposals and initiatives in bilateral economic forums, the overall trade volume between Japan and Central Asian countries remains very low. In 2014, trade with Kazakhstan amounted to only 0.09% of Japan's foreign trade, while trade with Uzbekistan was only 0.01%. The low trade turnover can be attributed to various challenges that prevent the development of economic ties, with logistical issues being the most significant. These include temperature fluctuations and shocks during long-distance transportation, thefts in transit countries, and customs bureaucracy.

First stages of economic cooperation

Although the relationship between Japan and Central Asian countries is not very strong, some economic exchanges are taking place. Japan uses dialogue mechanisms to establish partnerships, and areas of cooperation were identified in the 2011 and 2015 economic forums. These areas include improving infrastructure, nuclear energy cooperation, and increasing Japanese investments. As a result, Japan is among Kazakhstan's top 10 foreign investors and provides grants, loans, and technical cooperation to Central Asian countries. Trade mainly consists of Japan exporting machinery and automobile products and importing green and ready-made products such as minerals from Uzbekistan.

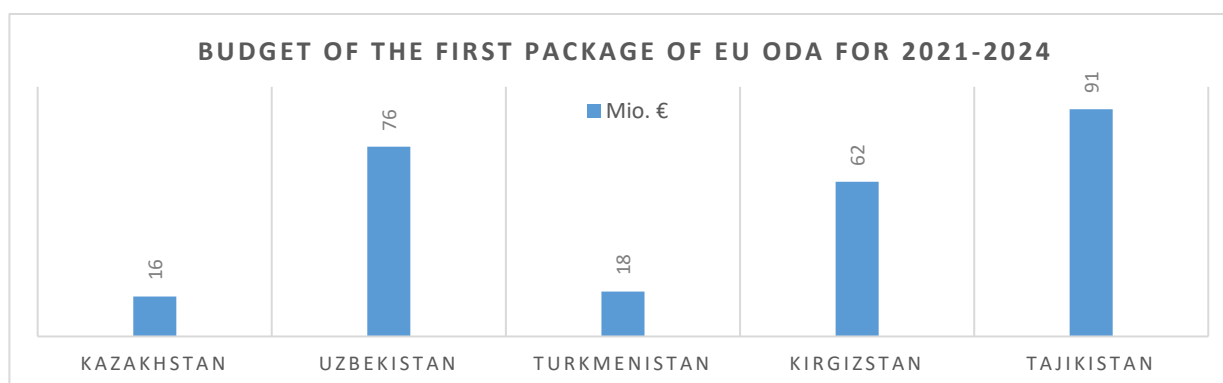
Security, democracy and free market economy

Japan's interests in Central Asia are primarily based on values and were significantly influenced by the 9/11 terrorist attacks. To advance trade and investment, stabilize the situation in Afghanistan, prevent disasters, and enhance women's capabilities, the Japanese government established the "Central Asia + Japan" dialogue mechanism in 2004. Japan attaches great importance to preventing developing nations in Central Asia from becoming hotbeds of terrorist organizations or illegal arms and drug trafficking. However, Japanese politicians and the public view the authoritarian governments in the region as a critical factor in the rise of Islamic extremism. Therefore, Japan aims to promote democracy and disseminate knowledge about the free market economy to ensure the stability of domestic Central Asian societies.

7. Geoeconomic relations between the EU and Central Asia

Aid as a primary geoeconomics tool

Since the fall of the Soviet Union, the European Union has been implementing policies and strategies to support Central Asian countries. These programs target various areas through technical and developmental assistance, including developing energy sources in Central Asia, connecting hydrocarbon resources in the region, and creating a favorable investment environment. The EU also considers the development of good governance, the rule of law, human rights, democracy, and education as essential issues. Over the years, the total amount of aid, projects, and programs has increased from 750 million to 1.1 billion euros between 2007-2013 and 2014-2020, making the EU the largest ODA donor in the region.



Holistic approach to cooperation

To strengthen its connections with Central Asia, the EU has concentrated on enhancing political, legal, and judicial cooperation and trade. At the request of Central Asian authorities, the EU has provided advice on draft laws and amendments through its "Rule of Law Program." Additionally, the EU has expanded its trade relations, primarily in mineral and metallurgical imports and exports of equipment and transport products. Currently, the EU is the foremost foreign trade partner for the Central Asian region, representing a share of 23.6%.

The purpose of building strong relationships

Although the Central Asian region only contributes to 0.6% of the EU's total trade turnover, it is vital as the primary trade bridge connecting the EU to Asia. The EU recognizes the need to reduce its dependency on Russia as its single leading supplier, which makes it vulnerable in the geopolitical and geoeconomic sphere. To achieve this, the EU is interested in improving connectivity within Central Asia and bringing the region closer to international customs and standards. Additionally, the EU's foreign strategy is rooted in values, and it provides support to

enhance governance and achieve the UNSDG, creating opportunities for a mutually beneficial partnership with Central Asia.

CHAPTER ONE. THE THEORY OF GEOECONOMICS

The theory of geoeconomics was first presented by Susan Strange in 1970. The theory includes three basic ideas:

1. Geoeconomics is a tool for understanding power, material interests, and partnerships among participants in international relations within the framework of political economy.
2. Conceptually, geoeconomics is a tool for defining visions or long-term strategies.
3. It is characterized by the fact that geoeconomics is used to determine international political economic interests rather than international relations.

It is clear that the theory has historically been used for own economic interests. Since the beginning of the 21st century, countries not only defend their national interests under political agreements and gain geopolitical advantages, but also use economic levers and sometimes use economic channels to achieve goals that do not only have "economic gain".

Countries like Russia and China use this economic leverage to achieve other goals. For Mongolia, it is necessary not only to study the foreign relations, cooperation, and mutually beneficial economic activities of the two countries, but also to study the geoeconomic tools as a separate concept and develop methods to take full effect and countermeasures.

Geoeconomics first came to the public attention during 1990 through an article by researcher Edward Luttwak. There are several definitions of geoeconomics, all of them describe the use of economic instruments for national interests and geopolitical reasoning and interrelations of them.

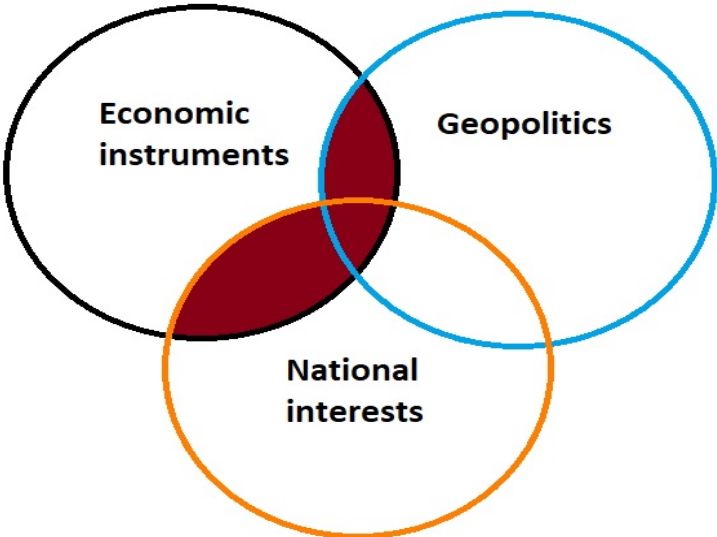
Among these definitions, the definition of Robert Blackwell and Jennifer Harris' is the clearest, most specific, and gave an understanding separately from geopolitical and national interests. They defined in their book "War by other Means" as "The use of economic instruments to promote and defend national interests, and to produce beneficial geopolitical results; and the effects of other nations' economic actions on a country's geopolitical goals"¹.

This definition makes a very clear distinction between geoeconomics and geopolitics and the use of economic instruments as national interests. Therefore, the initiation or cessation of trade solely for the sake of profit is a purely economic domain or activity. However, if the purpose

¹ The use of economic instruments to promote and defend national interests, and to produce beneficial geopolitical results; and the effects of other nations' economic actions on a country's geopolitical goals.

behind trade is national interests and the alliance is geopolitically important, then trade is geoeconomic. And the third important definitional framework is to classify the influence of economic activities in other countries on the country's geopolitical goals as dual "geoeconomics."

For example, it can be said that the increase in the interest rate of the U.S. Federal Reserve's anti-inflation policy has a significant negative impact on the refinancing of Mongolia's external debt (government and private sector external debt), increasing the risk of default. Although it is not the intent of the Federal Reserve or the Fed to determine a country's credit rating or market refinancing rate, this influence clearly affects international geopolitics and national interests.



The theory of geoeconomics is divided into 3 parts.

- Economic geography
- Industrial organization
- Financial economics

These three parts are the basic concepts of economic instruments and form the basis of research to strengthen economic interests. They can be understood in the context of using economic instruments in geopolitics in accordance with national interests.

The use of economic tools is the most important part of geoeconomic understanding. For this reason, a list of available tools is provided below (Table 1).

Economic instruments	
1	<u>Foreign trade</u> <ul style="list-style-type: none"> • the imposition of tariff and tariffs • non-tariff measures • Hygiene • Standard • Others (MFN status, GSP+ benefits, etc.) • Trade sanctions • Goods needed for sophisticated technology: rare earth elements, etc • Prohibition of technology transfer • Energy • Prohibition of other products
2	<u>Market access</u> <ul style="list-style-type: none"> • Company Incorporation Certificate • License • Tax credits and exemptions • Others
3	<u>Financial and monetary policy</u> <ul style="list-style-type: none"> • Payment • Policy rate • Investment <ul style="list-style-type: none"> ○ Loans, debt relief, etc. ○ Portfolio Investments/Capital Markets ○ Exim Bank transfer • SWOP
4	<u>Assistance</u> <ul style="list-style-type: none"> • Humanitarian • Military • Economic
5	<u>Electronic</u>
6	<u>Others</u>

Table 1: List of economic instruments

Based on Edward Luttwak's proposal Robert Blackwell and Jennifer Harris defined that "It is important to promote and protect national interests and to achieve geopolitical advantage. For this, economics is used as a tool. The economic tool is geoeconomics". Based on this definition, most countries follow 7 steps within their governments:

- Trade policy
- Investment policy
- Financial sanctions

- Credit and assistance /financial and material aid/
- Monetary and financial policy /central bank/
- National energy policy and products
- Economic development policy

Conclusion

The broader use of the term “geoeconomics” according to the definition can bring a positive result, including the following ones:

- It gives an availability to systematically analyze the results of unconventional policies implemented by other countries.
- It will be possible to systematically analyze the geoeconomic policies implemented by Mongolia that bring positive results domestically and the possibility of further increasing these positive results. For example, do Mongolia's actions in the international arena, including those related to the Russia-Ukraine war at the United Nations, or Mongolia's position in certain votes judging the outcome of the war, as a result of certain deals with Russia, really protect our country's interests at the highest level, or do Mongolian agents/decision-makers calculate their own dependence on Russia and "self-censor" by blocking their possible options based on some assumptions. For example, if Mongolia's proposal to the United Nations appears as a result of certain agreements with neighboring countries and the understanding of the expansion of national interests, then this is the geoeconomic policy of our country.

Finally, it is an old "understanding" for Mongolians that this concept of geoeconomy has penetrated into the problems of foreign relations and economic cooperation with neighboring countries. However, this concept of geoeconomics will remain new without a proper definition and conceptual framework. Since geoeconomics is not a policy that uses economic instruments only for economic purposes, these terms will be confused and further analysis will be unrealistic if the conditions that distinguish it from economics and geopolitics are not clearly defined.

CHAPTER TWO. POLICIES OF GREAT POWERS AND REGIONAL ACTORS IN CENTRAL ASIA

1. U.S. GEOECONOMIC POLICY AND ACTIONS IN CENTRAL ASIA

US policy towards Central Asia

U.S. economic interests in the Central Asian region intensified in the second half of the 1990s in connection with the Caspian Sea oil reserves belonging to Kazakhstan and Turkmenistan. Since 1995, the country's oil companies have been lobbying for the export of oil from Kazakhstan and Turkmenistan through the pipeline through Afghanistan and Pakistan. Some cabinet members of the Clinton administration participated in this project, including S. Berger, the President's National Security Assistant.

The event that brought about a turning point in the policy of the United States regarding Central Asia was the "9/11". At first, the administration of President G. Bush was not very interested in Central Asia, but after September 11 terrorist attacks in the United States, this region began to attract Washington's attention due to its geo-strategic proximity to Afghanistan. The Clinton administration focused on promoting democracy and providing economic aid, while the Bush administration focused more on military-defense cooperation to fight terrorism and conducted military operations in the region using military bases in Central Asian countries. However, the United States have not been able to strengthen its position in the region due to the fact that it did not contribute significantly to the stability and security of the region.

It should be mentioned here that in 2015, under President Obama, the beginning of the "C5+1" mechanism for political-diplomatic dialogue between the United States and Central Asian countries was established. This mechanism allows Washington and the Central Asian countries to address many of the common challenges related to security, economic ties, and environmental vulnerability. According to the United States Department of State, "this format has succeeded in facilitating dialogue between participating countries, improving cooperation and partnership, strengthening economic and energy linkages and trade, addressing environmental and health challenges, jointly resolving security problems, and in supporting the full participation of women in all spheres of political, economic and social life of the participating countries."² The last ministerial meeting of the "C5+1" was held in September 2021, with the participation of U.S. Secretary of State Anthony Blinken and the foreign ministers of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. Within the

² U.S. Department of State, "Joint Statement on the C5+1 Virtual Ministerial," May 4, 2021

framework of “C5+1”, projects with a cost of more than US\$34 million are being implemented in security, economic ties, and the environment, funded by the U.S. government.

Under the administration of President Trump, the American policy of limiting Russia’s influence in Central Asia continued, but there was a need to pay more attention to China. At the same time, the importance of Central Asia was limited to the fact that it is “needed” for the Afghan war, as security issues, including the war in Afghanistan, were more important to the Trump administration. On the other hand, President Trump, who promised to make America great again, reduced the U.S. loans and aid provided to the region, which had a heavy impact on the economies of Central Asian countries. Over the past 30 years, the United States have provided more than US\$9 billion in direct aid to Central Asian countries to promote security, democratic reforms, economic growth, and give humanitarian aid.³

In the final year of the Trump administration or on February 5, 2020, Washington adopted a policy document entitled the “U.S. Strategy for Central Asia 2019-2025”. The strategy identified the following six objectives for the U.S. policy in Central Asia:

1. Support and strengthen the sovereignty and independence of the Central Asian States, individually and as a region.
2. Reduce terrorist threats in Central Asia.
3. Expand and maintain support for stability in Afghanistan.
4. Encourage connectivity between Central Asia and Afghanistan.
5. Promote rule of law reform and respect for human rights.
6. Promote United States investment in and development of Central Asia.

In short, it is an important policy document, as it provides the objectives and framework for action that strengthen U.S. strategic interests in Central Asia.

As a result of the U.S. engagement in Central Asia over the past 30 years, American private businesses have invested more than US\$31 billion in the region. More than 40,000 people have been involved in student and professional exchange programs with direct funding from Washington to support people-people ties between the U.S. and Central Asian countries. Despite these successes, Central Asia has been considered as a *secondary region* in U.S. foreign policy, which has not changed until the Biden Administration.

³ U.S. Department of State, Bureau of South and Central Asian Affairs, “United States Strategy for Central Asia 2019-2025: Advancing Sovereignty and Economic Prosperity (Overview),” February 5, 2020

President Joe Biden took office and ended the 20-year war with Islamic extremists and terrorist groups, the longest war in American history, by withdrawing U.S. troops from Afghanistan. President Biden explained the reason for the withdrawal of American troops from Afghanistan, saying that “our true strategic competitors — China and Russia — would love nothing more than the United States to continue to funnel billions of dollars in resources and attention into stabilizing Afghanistan indefinitely”.⁴ It can be said that the Biden Administration has not made any additional changes in the U.S. policy towards Central Asia in accordance with the changes in the regional security environment due to the withdrawal of American troops from Afghanistan.

Currently, Russia’s so-called “special military operations in Ukraine” have put the United States in a position to engaged in European affairs. In other words, due to what is happening in Europe, Central Asia is likely to be left out of Washington’s policy attention again. However, knowing that Central Asia is a vital region for Russia’s interests, the United States will not pursue a policy of sharply reducing its involvement in this region. As the war in Europe subsides, it is likely that the policy of limiting the influence of Russia and China in Central Asia will be actively pursued. Some researchers conclude that the Biden Administration may rely on India, which has a number of shared values, in implementing its policy in Central Asia. As one of the largest members of the SCO, India can play an important role in advancing U.S. multilateral diplomacy towards Central Asia.⁵

India joined the SCO due to strategic considerations that the SCO membership would allow it to identify its interests beyond the region, play an active role in other regions, and limit China’s growing influence in the Eurasian region.⁶ Based on India’s efforts to pursue an active policy in the Central Asian region, there is an opportunity for the U.S. to engage more with Central Asian countries. However, it is doubtful that India, which does not have much in common with Central Asian countries in terms of religious values, will have a major influence on advancing U.S. policy in Central Asia.

It may be more effective for the United States to influence Central Asia through Turkey which is its fellow member of NATO instead of India. Although Turkey has much in common with

⁴ The White House “Remarks by President Biden on Afghanistan”, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2021/08/16/remarks-by-president-biden-on-afghanistan/>

⁵ Ajjaz Wani “Beyond “Grievance States”—Biden on Central Asia”, <https://www.orfonline.org/expert-speak/beyond-grievance-states-biden-on-central-asia/>

⁶ Mann Poonam. (2016). India's Membership in the SCO: Opportunities and Challenges. *Journal of Air Power and Space Studies*, 11(2), 125-44.

Central Asian countries in terms of religion, ethnicity, and language, it is unlikely to be interested in becoming an implementer of U.S. policy in the region. Indeed, Turkey itself is interested in exerting a strong influence on this region, as well as implementing an integration policy that is replaced by the SCO in case it fails to join the European Union. That is why, after becoming a dialogue partner of the SCO in 2012, Turkey has repeatedly expressed its willingness to join the organization. Also, in the 1990s, the United States tried unsuccessfully to establish a presence in Central Asia through Turkey.⁷ So, the United States have no choice but to directly partner with the Central Asian countries. In doing so, some researchers in the United States believe that it will partner with key countries in the region such as Kazakhstan and Uzbekistan.⁸ Partnering with Kazakhstan, which has the largest territory in the Central Asian region, is a strong economic and military player, and absorbs 75% of total FDI in the region, is in the interests of the United States. On the other hand, through its “multi-vector” foreign policy implemented since the 1990s, Kazakhstan aims to ensure strategic balance in its relations with Russia, China, the United States, and the European Union. This policy may become the basis for Kazakhstan to advance cooperation with the United States in Central Asia.

As for Uzbekistan, the United States have pursued an active partnership since the President Karimov was in power for many years. On the other hand, it is possible to use its ambitions to deepen relations with Uzbekistan and expand regional cooperation by relying on the country’s “good neighbor” policy.⁹ In other words, although the withdrawal of troops from Afghanistan will reduce the presence of the United States in Central Asia, the Biden Administration may have an opportunity to implement the policy of maintaining its presence in the region through countries with strong economies and large populations.

In conclusion, it can be said that the U.S. policy in Central Asia since 2001 has focused on security cooperation, including the stabilization of Afghanistan. The United States partnered with all Central Asian countries on security issues, training, improving peacekeeping and disaster response capabilities, and implementing programs to strengthen border security. Security cooperation has provided an opportunity to maintain bilateral relations and cooperation between the United States and countries in the region, given the limited opportunities for other forms of engagement in Central Asia.

⁷ Olcott, M. Central Asia’s New States: Independence, Foreign Policy, and Regional Security.

⁸ Barak M. Seener “After Afghanistan, Biden Needs to Re-Engage Central Asia”, <https://nationalinterest.org/feature/after-afghanistan-biden-needs-re-engage-central-asia-194238>

⁹ Catherine Putz “A New US Strategy for Central Asia: Continuity Under Better Conditions”, <https://thediplomat.com/2020/02/a-new-us-strategy-for-central-asia-continuity-under-better-conditions/>

Due to the end of American military operations in Afghanistan, no changes or adjustments have been made to the strategy for Central Asia developed by the Trump administration in 2020, which indicates that Central Asia is not important in the foreign policy of the current U.S. administration. However, from the researcher’s point of view, it can be concluded that having influence in Central Asia, which is the “heartland” or “pivot area” of Eurasia, and limiting the influence of Russia and China in the region will still be an important part of the “grand strategy” of the United States.

U.S. Government projects, programs, loans, and assistance implemented in Central Asia

The United States have invested US\$91 billion in the Central Asian region. Of this, US\$50 billion was invested by the Multilateral Development Bank, US\$31 billion was U.S. foreign direct investment, and US\$9.2 billion was U.S. aid. Most of the US\$9 billion in aid provided by the U.S. government has been allocated to strengthen peace and security in the region and provide humanitarian aid.

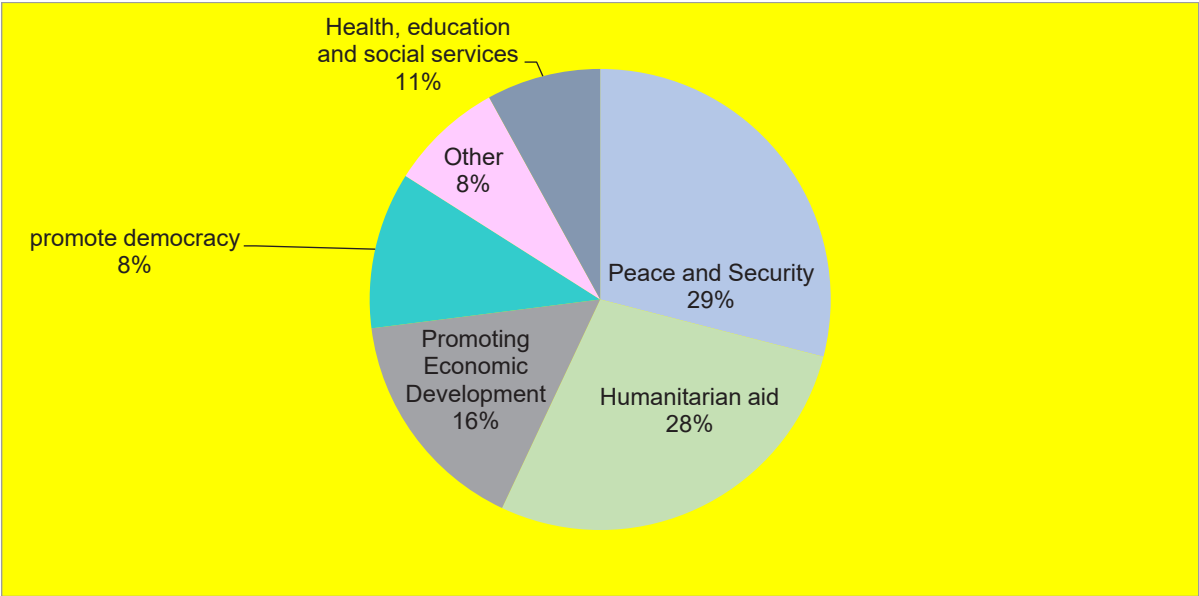


Figure 1. US Government Aid to Central Asia

Due to the increased geostrategic importance of Central Asia after the 9/11, the United States provided significant amounts of security assistance to the region. In particular, between 2001 and 2016, it provided US\$1.9 billion in aid to ensure security in Central Asia. Figure 2 shows that the amount of security and economic assistance provided by the United States varies from year to year, depending on a number of factors, including the nature of the bilateral relationship. Since 2007, aid to support regional security has exceeded economic aid. Between 2001 and 2006, security assistance accounted for 43.6% of total economic aid, while between 2007 and 2015, economic aid accounted for 65% of security aid, and declined.

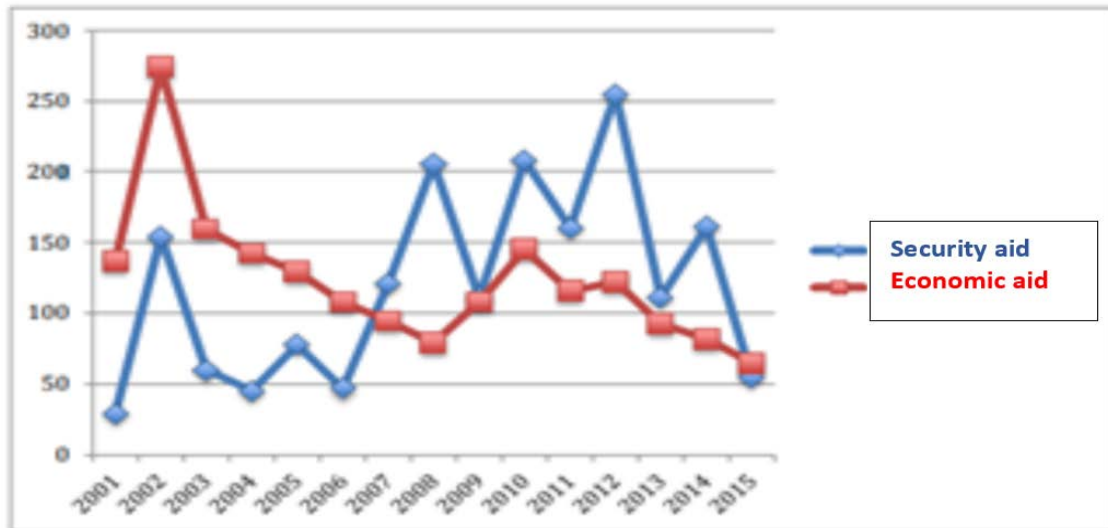


Figure 2. US security and economic assistance to Central Asia (US\$ thousand)

Kazakhstan was the largest recipient of U.S. security assistance. Kyrgyzstan and Tajikistan followed (see Figure 3). In recent years, the U.S. has increased its security assistance to Uzbekistan (restrictions on military aid by the United States to the country were lifted in 2011), but in 2014, U.S. forces stopped training Kyrgyz soldiers due to the closure of the Manas base.

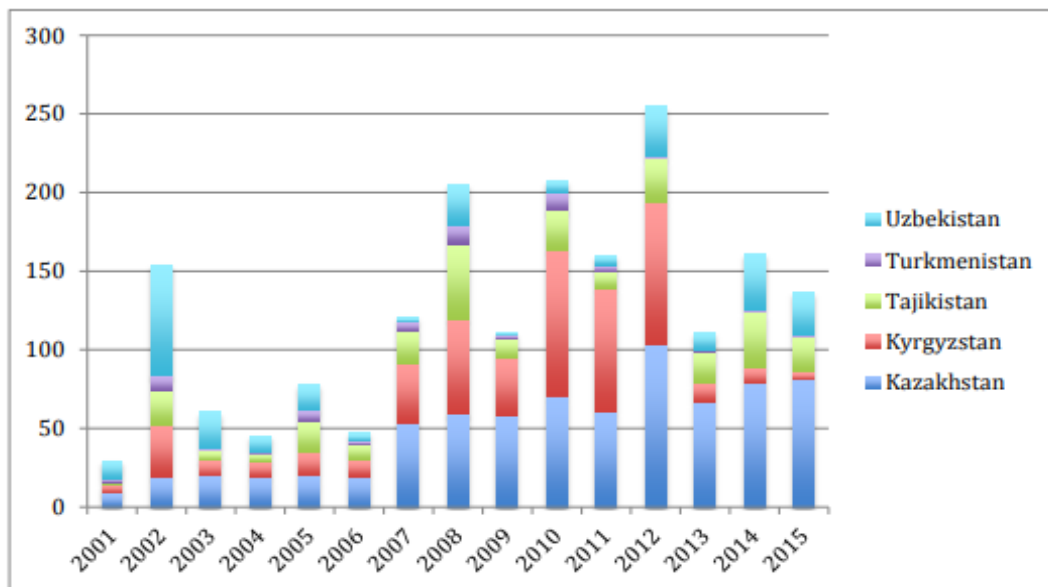


Figure 3. US Security Assistance to Central Asian Countries, 2001-2015 (US\$ thousand)

Through these aid programs, the U.S. military has supported the modernization of the region's security infrastructure and improved regional security force readiness in return for access to military facilities in Central Asian countries.

Washington's aid and support to Central Asia should not be seen as solely focused on Afghanistan-related security goals. The United States have a certain economic interest in this region, and it has implemented geoeconomic policies based on this interest. For example, by providing aid, the United States have gained market access to Central Asian countries and the right to develop their natural resources. In 1992-1995, major oil companies in the United States, Chevron and ExxonMobil, were allowed to operate in Kazakhstan after 1993, in return for providing US\$523.1 million in aid to Kazakhstan, US\$306.5 million to Kyrgyzstan, US\$152.4 million to Tajikistan, US\$139.8 million to Turkmenistan, and US\$99.5 million to Uzbekistan.

It became possible for them to own 50 and 25% of the Tengizchevroil consortium, which exploits Kazakhstan's largest oil and natural gas field located in the northwestern part of the country, along the Caspian Sea. Also, Chevron has become the largest private oil producer in Kazakhstan, owns 18% of the Karachaganak field, one of the world's largest gas condensate fields, and is the largest private shareholder of the Caspian Pipeline Consortium.¹⁰ ExxonMobil owns 16.81% of the international consortium that will exploit the Kashagan oil field¹¹.

In conclusion, the main reason for the United State to provide loans, aid, and projects and programs to Central Asian countries was the need for logistical support from Central Asian countries after the 9/11 to wage a war in Afghanistan. In return for the access to military facilities in Central Asian countries for operations in Afghanistan, the U.S. increased aid and support to the region and ensuring its security. It also focused on supporting democratization and economic development in the countries of the region. Although some of the projects and programs implemented by the United States have been successfully implemented and certain results have been achieved, the Central Asian countries have not denounced their "authoritarian" regimes, as the United States wanted as well as they have not been able to effectively solve the threat of drugs and narcotics.

Bilateral relations and cooperation between the U.S. and Central Asian countries

In this part of the study, the priorities of bilateral economic cooperation and development policies, bilateral and multilateral cooperation agreements in the economic sector (including medium and long-term programs of economic cooperation, free trade and economic partnership

¹⁰ Tengizchevroil, "Overview," at <http://www.tengizchevroil.com/en/about/overview>; Chevron, "Kazakhstan," <https://www.chevron.com/worldwide/kazakhstan>

¹¹ North Caspian Operating Company, "NCOC Governance and Management System," <https://www.ncoc.kz/en/ncoc/ncoc-governance>

agreements) will be analyzed in detail, as well as the objectives of the loan and assistance allocated by the United States to each of these countries will be discussed.

U.S.-Kazakhstan Bilateral Relations

The United States were the first country to recognize Kazakhstan’s independence following the dissolution of the Soviet Union in 1991. As General Joseph L. Votel, then-Commander of U.S. Central Command described, U.S. relations with Kazakhstan is “the most mature and forwardthinking in Central Asia.”¹²

The United States provided ODA in the amount of US\$1.2 billion, becoming the largest aid provider for Kazakhstan since independence (See Figure 4).¹³ U.S. government assistance to Kazakhstan focuses on improving the functioning of the judiciary, promoting an increased public role for civil society and mass media, maintaining Kazakhstan's open investment and trade environment, assisting the government in providing effective social services, and supporting Kazakhstan's efforts to increase its production of low-cost clean energy.¹⁴ Other priorities for U.S. assistance to Kazakhstan include strengthening security cooperation, particularly military partnerships, combating transnational crime, and preventing the proliferation of weapons of mass destruction.¹⁵

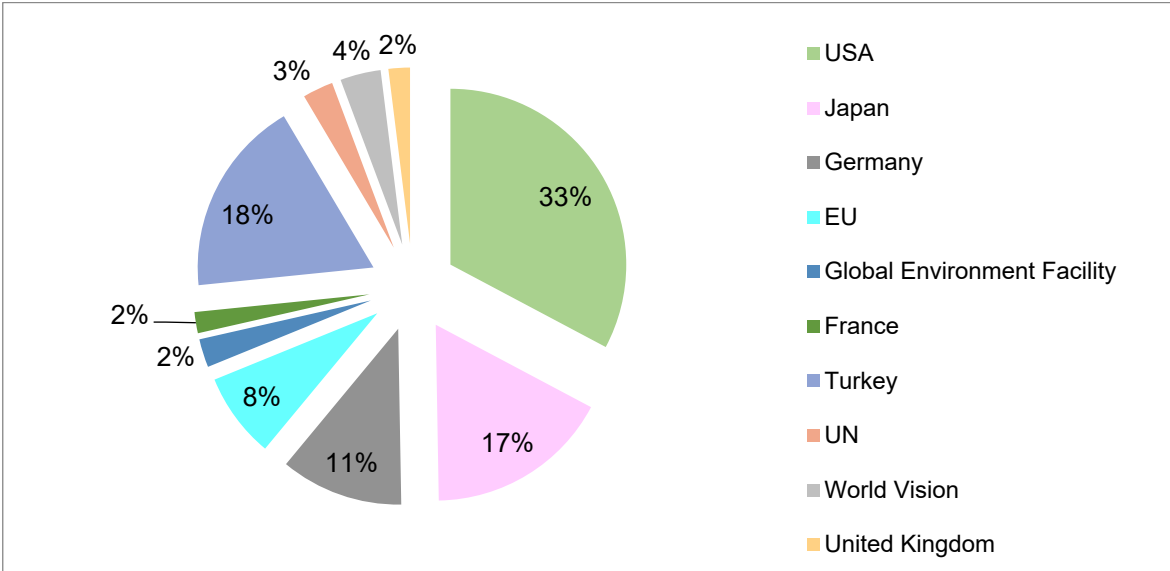


Figure 4. ODA providers for Kazakhstan

¹² Senate Armed Services Committee, Statement of General Joseph L. Votel, Commander, U.S. Central Command, Before the Senate Armed Services Committee on the Posture of U.S. Central Command, February 5, 2019.

¹³ Arsen Omuraliev “Donor Activity in Central Asian Countries since 1991” (April 30, 2020) <https://cabar.asia/en/donor-activity-in-central-asian-countries-since-1991>

¹⁴ U.S. Department of State, Congressional Budget Justification: Foreign Operations, Fiscal Year 2022, Appendix 2, p. 287

¹⁵ *ibid*

The State Department requested US\$10.7 million in appropriations for aid to Kazakhstan for FY2022, as compared to US\$12.1 million allocated for FY2020.¹⁶

U.S.-Kyrgyzstan Bilateral Relations

The United States were among the first countries to recognize Kyrgyzstan’s independence following the dissolution of the Soviet Union. The United States are Kyrgyzstan’s second largest ODA partner. From 1991 to 2018, the United States provided a total of US\$892.34 million of development assistance to Kyrgyzstan. U.S. development assistance aims to help the country consolidate progress towards accountable and inclusive governance, as can be seen from the fact that 40% of all aid is spent in this direction.

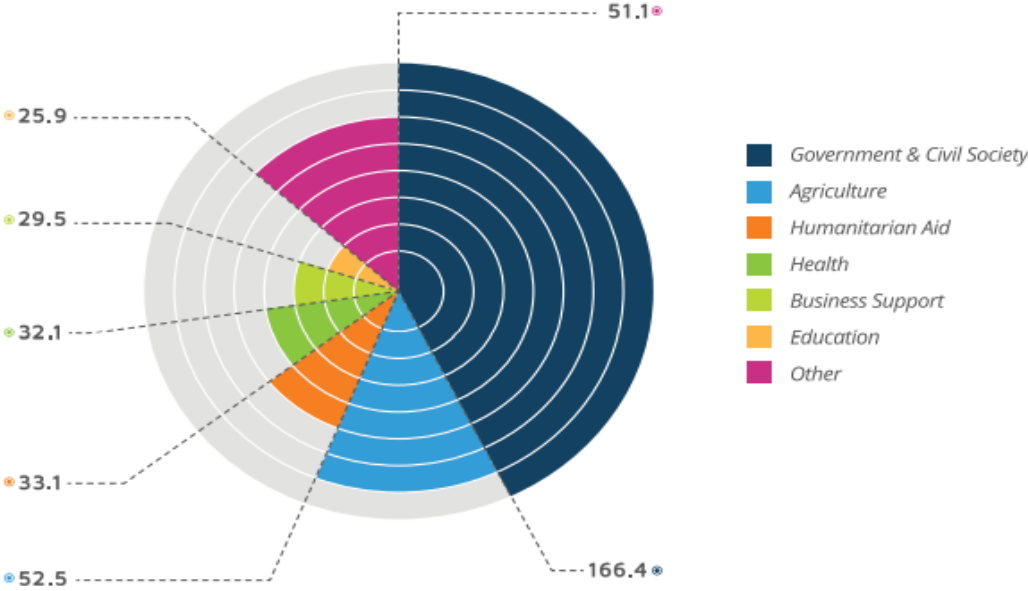


Figure 5. ODA provided by the U.S., by sector (US\$ million)

Moreover, improving the productivity of key sectors such as agriculture and improving the business environment has been made a priority. Another goal the United States sought to achieve in providing aid to Kyrgyzstan focused on cooperation in many areas, including education, trade, food security, health, human rights, and conflict management.¹⁷

For FY2020, US\$34.4 million was allocated to implement the objectives of supporting democracy, strengthening civil society and independent media, supporting the rule of law and good governance, protecting human rights, improving business competitiveness, and combating

¹⁶ ibid
¹⁷ Bidding for Development Aid, “Donor Activity in the Kyrgyz Republic”, BID with Development Aid, <https://events.developmentaid.org/attachment/ce1d8bd8-d82a-445a-a907-60db0b82f951/Kyrgyzstan%20Report%202018%20-%20Donor%20Assistance%20to%20the%20Kyrgyz%20Republic.pdf>

tuberculosis in Kyrgyzstan, while in fiscal year 2022 the amount of aid decreased to US\$31.4 million. The United States also seek to promote law enforcement reform, counter violent extremism, and assist Kyrgyzstan in professionalizing its military and safely managing its conventional ammunition stockpiles.

U.S.-Tajikistan Bilateral Relations

Tajikistan works with the United States to promote greater regional connectivity in Central Asia, and U.S. officials have seen it as an important partner for promoting stability in Afghanistan.¹⁸ According to QWIDS OECD database, in the period from 1991-2018, U.S. aid totaled US\$928 million, making the United States the largest ODA provider for Tajikistan. USAID's assistance focused on increasing food security and nutrition, improving health and education outcomes, and strengthening critical democratic institutions in a volatile region.¹⁹ To strengthen democratic governance and improve citizen well-being, USAID works to boost government accountability and oversight of basic service delivery. It helps improve access to clean drinking water and gives migrant workers critical information about their rights and the risks of human trafficking. USAID also improves access to information by providing learning and networking opportunities for civil society and independent media outlets.

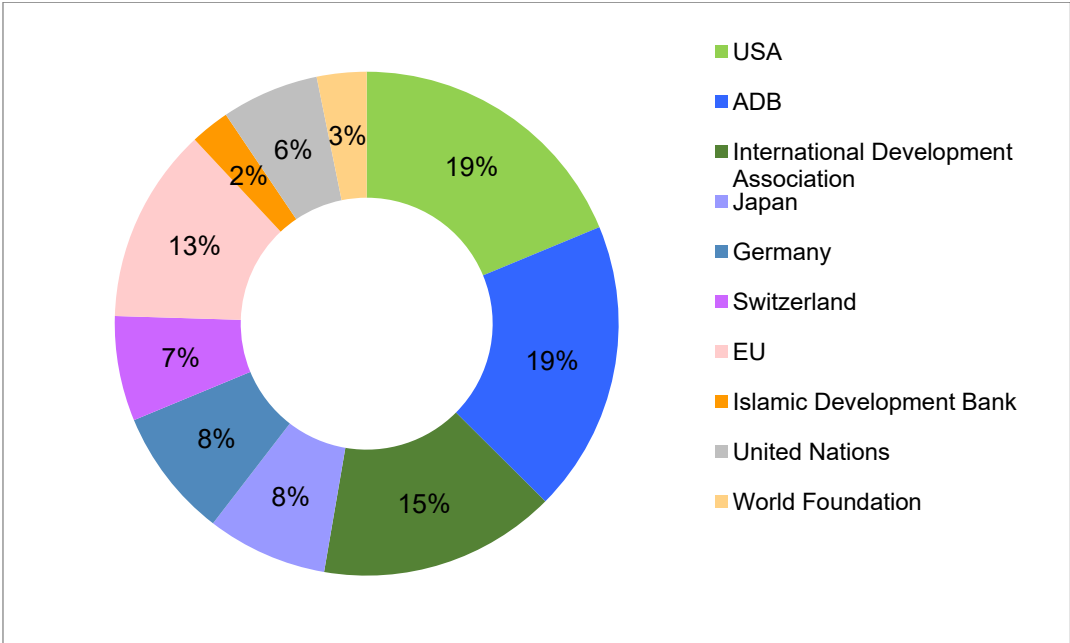


Figure 6. ODA providers for Tajikistan (1991-2018)

¹⁸ U.S. Department of State, “U.S. Relations With Tajikistan: Bilateral Relations Factsheet,” January 20, 2021
¹⁹ USAID, “Tajikistan: Country Profile”, USAID.gov, https://www.usaid.gov/sites/default/files/documents/1861/2019_02_04_Tajikistan_Country_Profile_-_Master_Copy_FINAL.pdf

The State Department requests US\$48.4 million for assistance to Tajikistan in FY2022, compared to US\$50.9 million allocated in FY2020. U.S. aid to Tajikistan includes public health programs targeting nutrition, tuberculosis, and maternal and child health, as well as programs intended to build democratic institutions, political pluralism and civil society; support the modernization of the country's education system; address climate change; support agricultural development; and improve private sector competitiveness.²⁰

U.S. engagement with Tajikistan also includes security cooperation, particularly in counternarcotics, counterterrorism, nonproliferation, and countering violent extremism.²¹

U.S.-Turkmenistan Bilateral Relations

Turkmenistan's constitution outlines the principle of "permanent neutrality" as the basis for the country's foreign policy. The United Nations officially recognized Turkmenistan's neutral status in 1995. In practice, Turkmenistan's neutrality translates to foreign policy isolationism, and the country is largely closed off from the outside world. While Turkmenistan's geography and energy resources make it a potential strategic partner for the United States, the development of U.S.-Turkmenistan ties is hampered by the country's uninviting investment climate, repressive government, and generally closed nature. Bilateral engagement to date has focused largely on regional security issues.

The United States are the largest ODA provider for Turkmenistan allocating around US\$210 million since 1991. USAID works to strengthen and diversify the Turkmen economy, build citizen-responsive institutions, increase good governance, empower youth, and expand access to health care services. Through increased private sector engagement, USAID helps local businesses and entrepreneurs improve their competitiveness, increase revenue and boost job creation. To boost citizens' trust in their government and bolster transparency, USAID promotes e-governance technologies that improve service delivery, advocates for increased access to information, and helps civil society navigate the government's complex legal and administrative systems.²²

²⁰ U.S. Department of State, Congressional Budget Justification: Foreign Operations, Fiscal Year 2022, Appendix 2, pp. 162, 288, 310, 340, 380-381

²¹ U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, "Tajikistan Summary"

²² USAID, "Turkmenistan: Country Profile", USAID.gov, https://www.usaid.gov/sites/default/files/documents/1861/Turkmenistan_Country_Profile_-_2019.pdf

The U.S. State Department has allocated US\$4 million in aid to Turkmenistan in FY2020 and US\$4.1 million in FY2022.²³ In helping become a partner whose contributions can help stabilize Afghanistan, U.S. programs include efforts aimed at improving the country's business climate, fostering a more diversified economy, combating human trafficking, and advancing good governance.

U.S.-Uzbekistan Bilateral Relations

U.S. relations with Uzbekistan have improved markedly since 2016, reflecting the country's broader development of international ties, and U.S. officials have expressed strong support for Uzbekistan's reform efforts. President Shavkat Mirziyoyev's visit to Washington in May 2018 was the first official visit of the Uzbek head of state to the United States since 2002, and marked the beginning of a new era of strategic partnership between the two countries.²⁴ According to officials of the Trump Administration, Uzbekistan's re-engagement with its neighbors invigorated the U.S.-led "C5+1", which is emerging as a high-level forum for discussing regional issues²⁵.

Bilateral trade between the United States and Uzbekistan continues to grow. The value of bilateral trade between the United States and Uzbekistan more than doubled from 2017 to 2018, from approximately US\$150 million to US\$315 million, and reached US\$540 million in 2019.²⁶ The first U.S. Department of Commerce Certified Trade Mission visited Uzbekistan in June 2019. The then-Secretary of Commerce assessed that "significant opportunities exist to strengthen commercial and economic ties."²⁷

However, in 2009, the U.S.-based Cotton Campaign, a coalition of more than 300 businesses and organizations based in the United States, initiated a boycott on Uzbekistan's cotton production. At that time, it said, the Uzbek authorities were "forcing over 1 million children and adults, including medical staff, public sector employees and students, to pick cotton every year during the harvest." The boycott ended after the Uzbek Forum for Human Right when a

²³ U.S. Department of State, Congressional Budget Justification: Foreign Operations, Fiscal Year 2022, Appendix 2, pp. 583-584

²⁴ The White House, "Remarks by President Trump and President Mirziyoyev of Uzbekistan Before Bilateral Meeting," May 16, 2018

²⁵ Navbahor Imamova, "Uzbekistan Faces Choice Between Closer Ties to US, Russia," Voice of America, December 1, 2019.

²⁶ Office of the United States Trade Representative, "Uzbekistan," October 2, 2020

²⁷ U.S. Embassy in Uzbekistan, "First Commerce Department Certified U.S. Trade Mission Visits Uzbekistan," June 18, 2019

Cotton Campaign partner reported that it found “no systemic or systematic, government-imposed forced labor during the cotton harvest” in 2021.²⁸

In June, 2022, the U.S. government has imposed punitive measures on Uzbekistan's Promcomplektlogistic Private Company for actively supporting Russian company Radioavtomatika in its “effort to evade U.S. sanctions”.²⁹ It is the first time a Central Asian company has fallen under secondary sanctions since the U.S. and other governments around the world started punishing Russia over its invasion of Ukraine in February.

The United States are the fourth largest ODA provider to Uzbekistan after Japan, the International Development Association and ADB. The country allocated around US\$563 million of development assistance to Uzbekistan.

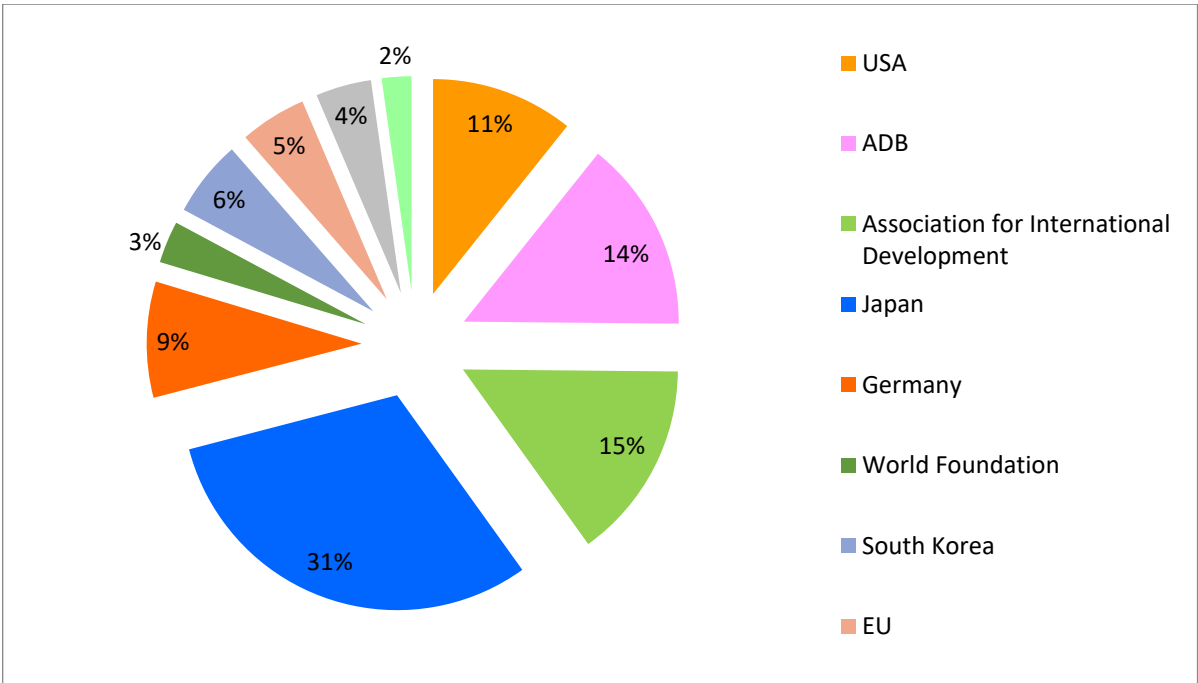


Figure 7. ODA providers for Uzbekistan

U.S. assistance to Uzbekistan focuses on supporting reforms in the country’s judiciary, education, economy, and finance to protect human rights, fight corruption, and improve national resilience. In addition, U.S. aid aims to promote security and regional stability by training the Uzbek military to create professional armed forces, ensuring border security, and strengthening

²⁸ VOA “Uzbek Cotton Industry Greet End of 13-Year Global Boycott” (May 11, 2022) <https://www.voanews.com/a/uzbek-cotton-industry-greet-end-of-13-year-global-boycott-/6568054.html>
²⁹ Joanna Lillis, eurasianet “U.S. slaps secondary sanctions on Uzbekistan firm” (June 29, 2022)

counterterrorism capabilities. In 2020, the State Department provided US\$43.7 million in aid, and in 2022, it requested Congress to provide US\$44 million in aid to Uzbekistan.³⁰

In conclusion, the United States are a major ODA partner in Central Asian countries. In other words, the economic aid and support provided by the United States is important for Central Asian countries. However, the relations between Washington and Central Asian countries largely depend on how these countries handle the issues of democracy and human rights. It indicates that the United States seek to establish relations based on “values” in maintaining and strengthening relations and cooperation in this region. Washington’s willingness to compromise entire relations over political issues may indicate that Central Asia may not be of much economic importance to the United States.

³⁰U.S. Department of State, Congressional Budget Justification: Foreign Operations, Fiscal Year 2022, Appendix 2, pp. 162, 289-290, 310, 350, 371, 584-585

2. CHINA'S GEOECONOMIC POLICY AND ACTIONS IN CENTRAL ASIA

China's policy towards Central Asia

After the dissolution of the Soviet Union, Central Asia has been a key region for China's foreign policy. China's eagerness to strengthen its relations with Central Asian countries is motivated by its efforts to realize the strategic interests of China and Central Asian countries and the stability and prosperity of the region.

China's policy and strategy towards Central Asia

Since the establishment of diplomatic relations in 1992, cooperation between China and Central Asian countries has basically gone through 3 stages, each lasting 10 years. In the first decade, the main focus was on establishing diplomatic relations (especially demarcating its borders with these newly independent countries and creating stability, etc.), resolving historical disputes, and creating various communication mechanisms. The second decade of relations was a period of consolidation of interests and development, and in this stage, bilateral and multilateral (especially the Shanghai Cooperation Organization) ties have been strengthened in many areas of cooperation. In the third decade, relations between China and Central Asian countries entered a new stage within the framework of the "Belt and Road Initiative", and reached a new level with rapid growth in both scale and depth. All five Central Asian countries have become China's strategic partners and partnered in many areas.

China's strategic and diplomatic efforts made in the past 30 years are often characterized as "great power diplomacy" and "neighborhood diplomacy". China strives to maintain good diplomatic relations with world powers such as the United States, Russia, Europe, and Japan. At the same time, China attaches importance to the development of relations with neighboring countries and implements a policy of "good neighborliness and friendship"³¹.

From the researcher's perspective, it can be said that the disintegration of the Soviet Union and the independence of Central Asian countries provide China with a historic opportunity for expanding its influence in the region. Central Asian countries such as Kyrgyzstan, Tajikistan, and Kazakhstan, which are adjacent to China, have not "recently" gained independence, so they do not pose a direct threat to China, and are beneficial to the strategic stability of Northwest China's external environment and national security.

Looking at China's strategic interests in Central Asia, the followings can be argued:

³¹ 王光厚. "从"睦邻"到"睦邻、安邻、富邻"——试析中国周边外交政策的转变." 外交评论 (2007).

First, the geographical location of Central Asia, which connects the two continents of Asia and Europe, is very important. Second, the various cultures, religions, and ethnic groups in Central Asia are very complex and present enormous problems. This region is a fragile and particularly complex region with the potential for major religious and ethnic conflicts. Third, the internal environment of the Central Asian countries is very complex, and any chaos would have a direct negative impact on China. Fourth, China has to compete with the United States, Europe, Russia, Iran, Turkey, India, Japan and other countries that have varying degrees of influence in Central Asia. Fifth, Central Asia is rich in strategic resources such as oil and natural gas, while China is somewhat of an “energy-deficit” country³², and it is clear that China wants to obtain the energy it needs from neighboring countries to meet its growing domestic needs.

Although the countries of Central Asia are at the crossroads of the Eurasian continent, they are deep inland and landlocked. If Central Asian countries want to export their rich strategic resources, they must go through other countries. This makes relations with neighboring countries extremely important for Central Asian countries. China is interested in working with Central Asian countries and jointly establishing a trade channel in the direction of East/East Asia. China can become a bridge connecting Kazakhstan with the Asia-Pacific region, and not an obstacle. In any case, the independence of Central Asian countries is taking place as a process of increasing China’s strategic position at the crossroads of the Eurasian continent.

Economic cooperation between China and the Central Asian states and developmental policy priorities

China is now making its biggest footprint in the Central Asian economy under its Belt and Road Initiative. For Central Asian countries, China is the largest source of foreign direct investment because it brings technological expertise and large investments.³³ Over the past 30 years, bilateral trade has increased 100 fold. Central Asian countries lack direct access to seas and major shipping routes, so China’s rail and road projects are infrastructure to improve trade relations with Asia and Europe. Among the countries of Central Asia, China has the largest cooperation with Kazakhstan.

Energy is an important issue in the development of relations between China and Central Asian countries, including and primarily with Kazakhstan. In the late 1990s, the Chinese government

³² Elahi, Muhammad. (2016). "Pipelinistan and Geopolitics of Energy Security: South Asia's Peripheral Options". https://www.researchgate.net/publication/311064409_Pipelinistan_and_Geopolitics_of_Energy_Security_South_Asia's_Peripheral_Options

³³ China-Central Asia trade grew by 100 times over 30 years, http://english.www.gov.cn/statecouncil/ministries/202201/18/content_WS61e60de2c6d09c94e48a3cf9.html

signed a US\$9.5 billion oil exploration agreement with Kazakhstan, which allowed China to use the Aktobinsk and Uzin oil fields in Kazakhstan. The oil investments are China's largest overseas investments.

China and Kazakhstan reached an agreement on the construction of the pipeline. In addition to exploiting oil fields in Kazakhstan, China has also promised to build a pipeline of about 3,000 kilometers from Kazakhstan to Alashankou city in Xinjiang Uyghur Autonomous Region. Major Chinese companies have been competing to build pipelines to the south and west of Central Asia. Building engineering facilities is an effective way for China to develop Kazakhstan's energy resources. China's oil and gas technology is advanced and competitive in Central Asia, and Central Asia is a huge market for oil and gas engineering contracts and oil and gas equipment exports.

From the researcher's point of view, it can be concluded that China is not in to compete fiercely with the oil companies of Western countries, led by the UK and U.S., because taking Western oil companies as an example, Kazakhstan can see the opportunities and advantages of cooperation with Chinese oil companies. Kazakhstan clearly feels that China is a balancing force between the two rivals, the United States and Russia³⁴.

Development policy priorities of relations between China and Central Asian countries

Trade: Over the past 30 years, China's trade with the rest of the world has increased 8 times on average, while its trade with Central Asian countries has increased 24 times. According to data from China's Customs Service, in 2001, the trade turnover between China and Central Asia reached US\$1.5 billion. Between 2001 and 2020, Turkmenistan's trade with China increased from US\$32.7 million to US\$6.5 billion.³⁵ In the same period, the trade turnover between Uzbekistan and China increased more than 100 times, from US\$58.3 million to US\$6.6 billion, the trade turnover between Tajikistan and China increased from US\$10.7 million to US\$1.06 billion, and the trade turnover between Kyrgyzstan and China increased to US\$2.9 billion. Kazakhstan's trade with China increased from US\$1.3 billion to US\$21.4 billion.³⁶

China has become the key export market of goods from Central Asian countries. Since 2016, exports from Central Asian countries to China have increased by 42.8%. Kazakhstan alone

³⁴ 【深度】中哈油气30年：不结盟的同盟者<https://www.jiemian.com/article/2564519.html>

³⁵ 国际观察：中国同中亚五国的关系进入新时代<http://world.people.com.cn/n1/2022/0126/c1002-32340676.html>

³⁶ 国际观察：中国同中亚五国的关系进入新时代<http://world.people.com.cn/n1/2022/0126/c1002-32340676.html>

exports more than 20 types of agricultural and livestock products to China. The types of green products from Central Asia are increasing, and these products are getting their places in the Chinese market.

Investment: By the end of 2020, China's direct investment in Central Asia reached about US\$40 billion, of which US\$21.4 billion was invested in Kazakhstan, US\$4.6 billion in Kyrgyzstan, US\$10 billion in Uzbekistan, and more than US\$3 billion in Tajikistan.³⁷ By the end of 2021, there were 7,700 Chinese-invested enterprises operating in Central Asia. There were 2,705 joint-stock companies with 100% Chinese investment and 798 companies with Chinese joint investment in Kazakhstan. Since 2017, the number of Chinese-invested enterprises in Uzbekistan has increased by 50% and is now close to 2,000.³⁸ Chinese investments are focused on agriculture, water resources, industrial production, and machinery manufacturing technologies.

The Belt and Road Initiative, launched in Central Asia in 2013, has been becoming leverage for pushing the implementation of large-scale infrastructure projects, especially in the area of improved transport connectivity. From January to August 2021, more than 8,000 China-Europe trains passed through Central Asia, transporting 9.1 million tons of goods, an increase of 49% compared to the same period previous year.³⁹ The Kazakhstan section of the “Western Europe-Western China” transnational infrastructure project and transport corridor is now fully operational.⁴⁰ By supporting and developing infrastructures made it possible for the first time in history to carry out “door-to-door” two-way cargo transportation by road.

In 2022, China and Central Asian countries agreed to increase their bilateral trade to US\$70 billion by 2030.⁴¹ China also announced that it will invest US\$500 million in Central Asian countries to help them implement “socially significant” projects over the next three years.⁴²

³⁷ 商务部：中国对中亚五国直接投资存量超140亿美元

<http://com.gd.gov.cn/go/article.php?typeid=31&contentId=20770>

³⁸ 国际观察：中国同中亚五国的关系进入新时代<http://world.people.com.cn/n1/2022/0126/c1002-32340676.html>

³⁹ 国际观察：中国同中亚五国的关系进入新时代<http://world.people.com.cn/n1/2022/0126/c1002-32340676.html>

⁴⁰ South-West Roads: Western Europe-Western China International Transit Corridor (CAREC 1b and 6b) | CAREC Program Project

⁴¹ China promises more investment at Central Asia summit | Eurasianet

⁴² [https://akipress.com/news:667397:China_pledges_US\\$500_million_in_aid_for_Central_Asian_states/](https://akipress.com/news:667397:China_pledges_US$500_million_in_aid_for_Central_Asian_states/)

Cooperation agreements between China and Central Asian countries

The increase in domestic energy demand and the expansion of the external market for its finished goods are important reasons for China to increase its presence in the region.⁴³ Oil consumption per day increased from 4.2 million barrels in 1998 to 13.5 million barrels in 2018. Natural gas consumption is expected to grow by almost 190% from 2020 to 2050.⁴⁴

After the global financial crisis in 2008, the economies of Central Asian countries generally experienced slow growth, especially Kazakhstan and Turkmenistan, as the regional economies suffered from the fall in international oil prices and their economies exposed to a sharp decline. For them, how to stabilize and get out of the crisis became an “urgent” problem.

For this purpose, Kazakhstan announced “Kazakhstan-2050” strategy⁴⁵, “Bright Path” economic stimulus policy, while Uzbekistan developed “Short and Long-term Development Outline in 2015-2019”. Similarly, Kyrgyzstan adopted “National Sustainable Development Strategy 2013-2017”⁴⁶, whereas Tajikistan identified its “three major development strategies of energy, transportation and food”⁴⁷. Turkmenistan also adopted its development strategy for building a “Strong and Happy Era”.⁴⁸ In this way, Central Asian countries have developed new strategies and plans for national development.

Since the implementation of the “Belt and Road” initiative in 2013, 11 international transport routes have passed through Kazakhstan, including 6 transnational highways, including the 2,700 km long “Western Europe-Western China” transnational highway and 5 cross-border railways to the Persian Gulf and Southeast Asia. These transnational transport connections make Kazakhstan a transit hub. After the launch of the China-Europe freight train, it has been shortened the time of shipping by 6-13 days.

The government of Uzbekistan is aligning its economic priorities to the “Belt and Road Initiative” implemented in cooperation with China. For example, the 100-megawatt power plant in the Navoi area (100 MW Nur Navoi Solar Project)⁴⁹, which is included in the new energy plan of Uzbekistan, was implemented by Shandong Electric Power Construction Corporation

⁴³ 坚持扩大内需这个战略基点http://www.gov.cn/zhengce/2021-03/08/content_5591332.html

⁴⁴ China's natural gas consumption to keep growing before 2050: report (www.gov.cn)

⁴⁵ Стратегия «Казakhstan-2050» https://www.akorda.kz/ru/official_documents/strategies_and_programs

⁴⁶ National Sustainable Development Strategy 2013-2017 <http://www.donors.kg/en/strategy/172-national-sustainable-development-strategy-2013-2017>

⁴⁷ “通”中之重——“丝绸之路经济带”建设在中亚<https://www.chinca.org/cica/info/19030614112211>

⁴⁸ “通”中之重——“丝绸之路经济带”建设在中亚<https://www.chinca.org/cica/info/19030614112211>

⁴⁹ Тус цахилгаан станц нь 267 га талбайг эзэлдэг бөгөөд жил бүр 278 сая кВт.цаг цахилгаан үйлдвэрлэх хүчин чадалтай 299 мянган нарны зай хураагуураар тоноглогдсон.

III⁵⁰, while a large number of photoelectric project equipment was transported by Qilu freight traffic service (齐鲁) to Uzbekistan. Uzbekistan Pengsheng Industrial Park (鹏盛工业) was built with the investment of Wenzhou Jinsheng Trading Co., Ltd. in Zhejiang Province (浙江省温州市金盛贸易有限公司).⁵¹

Myande Group (江苏迈安德集团) from Jiangsu Province is implementing a project for cottonseed and sunflower oil refinery in Tajikistan, which will provide jobs for more than 100 locals and develop Tajikistan's domestic consumer market.⁵² In 2021, China built the deformation monitoring system based on Beidou-3 Global Navigation Satellite System technology for Usoi dam in Sarez Lake, Tajikistan, advancing China-Tajikistan cooperation in disaster reduction and making a progress in the international application of Beidou system within the framework of the "Belt and Road Initiative".⁵³

⁵⁰中国电力建设集团国际项目山东三建乌兹别克斯坦纳沃伊光伏项目倒送电一次成功 (powerchina.cn)

⁵¹ npoект (pengsheng.uz)

⁵² 塔吉克斯坦总统拉赫蒙先生出席迈安德承建的棉籽&葵花籽油脂精炼项目剪彩仪式_环球粮机网主营粮食烘干机,粮食钢板仓,粮食烘干塔,粮食输送机 (worldlj.com)

⁵³ 中塔共建的萨雷兹湖大坝北斗变形监测系统升级运行
http://www.beidou.gov.cn/yw/xwzx/202209/t20220929_24633.html

3. RUSSIA'S GEOECONOMIC POLICY AND ACTIONS IN CENTRAL ASIA

General characteristics of relations between Russia and Central Asia

For 30 years since 1991, within the framework of political, economic, defense and regional alliances, five Central Asian countries have coordinated their policies in almost all aspects within the sphere of influence of the newly created Russian Federation.⁵⁴

- 1) *CIS (Commonwealth of Independent States)*⁵⁵: A political and economic entity formed after the dissolution of the Soviet Union in December 1991. As of 2022, Russia, Belarus, Armenia, Azerbaijan, Moldova, Central Asian Kazakhstan, Uzbekistan, Kyrgyzstan, and Tajikistan are full members of this inter-governmental organization, while Turkmenistan is an observer-participating country.
- 2) *EAEU (Eurasian Economic Union)*⁵⁶: This format was created in 1994 for economic integration between the newly independent states of the former Soviet Union. Russia, Belarus and Armenia joined, while Kazakhstan and Kyrgyzstan from Central Asia are also members of the economic union. It has active sub-formats such as the Eurasian Economic Commission, the Customs Union, and the Court.
- 3) *CSTO (Collective Security Treaty Organisation)*⁵⁷: A defense alliance established in 1992. Russia, Belarus, Armenia, Central Asian countries Kazakhstan, Kyrgyzstan and Tajikistan are members.
- 4) *SCO (Shanghai Cooperation Organization)*⁵⁸: It was first established in 2001 in the “Shanghai Five” format, consisting of Kazakhstan, Kyrgyzstan, Tajikistan, the Russian Federation, and the People’s Republic of China. The SCO is a multifaceted format of cooperation for security, political and economic. As of 2022, China, Russia, the Republic of Moldova, Pakistan, and the Central Asian countries of Kazakhstan, Uzbekistan, Kyrgyzstan, and Tajikistan are members, while Iran will become a full member, as it had been an observer since 2005.

Trade and economic relations between Russia and Central Asia

The basis of trade and economic relations between Russia and Central Asia

Trade and economic relations between Russia and Central Asia are characterized by the fact that they are not completely freed from the basic economic infrastructure and links of the Soviet

⁵⁴ <https://www.files.ethz.ch/isn/172941/russias-role-and-interests-in-central-asia.pdf>

⁵⁵ <https://cis.minsk.by/>

⁵⁶ <http://www.eaeunion.org/?lang=en#>

⁵⁷ <http://odkb-csto.org/>

⁵⁸ <http://eng.sectesco.org/>

Union that existed before 1991.⁵⁹ The economic ties are often characterized by labor migrants from Central Asia to Russia. Russia is also an important export market of Central Asia for a variety of products.⁶⁰ The following factors affect trade and economic relations between Russia and Central Asia:

- Customs and trade tariff exemptions and preferences⁶¹ granted within the Eurasian Economic Union (Kazakhstan and Kyrgyzstan are members of the EAEU).
- The legal framework for border entry has been established and port procedures have been clarified and relatively simplified from both sides.⁶²
- The infrastructure connection has been made according to one standard since the time of the Soviet Union. It is connected to the road network and has the same rail gauge (1520 mm)⁶³, so there is no difficulty in loading, unloading freight, or changing the gauge.
- The Russian language is commonly spoken, while the same culture and similar ways of doing business, and the network of acquaintances during the Soviet era is spread evenly throughout Russia and Central Asia.⁶⁴
- Since Central Asia is located in the middle of the path from Russia to East Asia, from Russia to South Asia, and from Russia to the Middle East, both sides can mutually benefit from cooperation in transport and logistics networks based on the advantages of geographical location.⁶⁵
- Every year, 2-8 million seasonal labor migrants from Central Asia come to Russia which needs to compensate its shrinking labor force and maintain economic growth. These migrant workers send money home, which is important for the economy of households in Central Asian countries.⁶⁶ According to the statistics of 2021, 7.8 million workers (4.5 million Uzbeks, 2.4 million Tajiks, 900 thousand Kyrgyz) from Central Asia worked in Russia.⁶⁷ Remittances from workers working in Russia accounted for 33% of Tajikistan's GDP, 34% of Kyrgyzstan's GDP, and 13% of Uzbekistan's GDP (US\$7.6 billion), respectively. Since 1994, the country of Turkmenistan has tightened its border control and strictly controls the movement of its citizens abroad, so the opportunity to go to work in Russia is limited.

⁵⁹ <https://cabar.asia/en/labor-migration-from-central-asia-constantly-relying-on-russia-is-a-wrong-strategy>

⁶⁰ https://rosstat.gov.ru/storage/mediabank/Torgov_2021.pdf

⁶¹ <https://www.ccis-expertise.com/en/blog/307-export-russia-certification>

⁶² <https://cis-legislation.com/document.fwx?rgn=8573>

⁶³ https://www.unescap.org/sites/default/files/pub_2681_ch2.pdf

⁶⁴ <https://thediplomat.com/2022/01/2021-another-year-of-the-russian-language-in-central-asia/>

⁶⁵ <https://www.adb.org/publications/enhancing-connectivity-trade-between-carec-world>

⁶⁶ <https://www.rferl.org/a/russia-sanctions-central-asian-migrants/31771858.html>

⁶⁷ <https://www.rferl.org/a/central-asia-migrants-ruble-impact/31730968.html>

Data of trade and economic relations between Russia and Central Asia

The economy of Russia is mainly based on the exports of raw materials, minerals and energy. In 2012, the foreign trade turnover amounted to US\$775 billion, and the trade balance had a surplus of US\$198 billion, setting a historical record. However, in 2014, the West imposed economic and trade sanctions on Russia due to its annexation of the Crimea. Due to the economic sanctions, in 2014, 2015, and 2016, Russia's foreign trade dropped by 35% to US\$500 billion.



Figure 8: Russia's foreign trade statistics in the last 10 years (\$) 2012-2021. Source: Eurostat, IMF

In 2021, Russia's foreign trade will return to its highest level in the last 10 years, surpassing the level of 2012 and equaling US\$787 billion. In 2022, due to the double international sanctions related to the military attack on Ukraine, Russia has been further affected economically, and the export markets have been closed, and according to the outlook for 2022-2025, it is expected to decline.

Import			Export			Total trade		
Partner countries	\$ (mil)	%	Partner countries	\$ (mil)	%	Partner countries	\$ (mil)	%
Total	294,227	100	Total	493,005	100	Total	787,232	100

1. European Union	93,994	31.9	1. European Union	188,527	38.2	1. European Union	282,521	35.9
2. China	72,826	24.8	2. China	68,555	13.9	2. China	141,382	18.0
3. United States	17,553	6.0	3. Turkey	26,567	5.4	3. Belarus	38,519	4.9
4. Belarus	15,650	5.3	4. Belarus	22,870	4.6	4. USA	35,413	4.5
5. South Korea	13,007	4.4	5. Great Britain	22,323	4.5	5. Turkey	33,091	4.2
6. Japan	9,143	3.1	6. Kazakhstan	18,509	3.8	6. South Korea	29,940	3.8
7. Kazakhstan	7,144	2.4	7. United States	17,860	3.6	7. Great Britain	26,796	3.4
8. Turkey	6,523	2.2	8. South Korea	16,932	3.4	8. Kazakhstan	25,654	3.3
9. Vietnam	4,902	1.7	9. Japan	10,779	2.2	9. Japan	19,924	2.5
10. Great Britain	4,473	1.5	10. India	9,147	1.9	10. India	13,582	1.7
Central Asian countries	8,809	2.9	Central Asian countries	24,457	4.9	Central Asian countries	33,266	4.2

Table 2: Indicators of foreign trade of the Russian Federation for 2021. Source: Eurostat, IMF⁶⁸

Trade with Central Asian countries accounts for 4.9% of Russia's exports and 2.9% of imports in 2021, and only 4.2% of total foreign trade.⁶⁹ According to comparative trade statistics, the Central Asian region is not considered a region of great economic importance for Russia. For five Central Asian countries, Russia is the third most important partner (21.3%), third largest export partner (10.6%) and the largest import partner (33.3%) in total trade and economic interdependence.⁷⁰

⁶⁸ https://webgate.ec.europa.eu/isdb_results/factsheets/

⁶⁹ https://webgate.ec.europa.eu/isdb_results/factsheets/

⁷⁰ https://webgate.ec.europa.eu/isdb_results/factsheets/region/details_central-asia-5_en.pdf

Import			Export			Total Trade		
Partner countries	\$ (mil)	%	Partner countries	\$ (mil)	%	Partner countries	\$ (mil)	%
Total	73,244	100	Total	82,545	100	Total	155,790	100
1. Russia	24,457	33.3	1. EU	25,433	30.8	1. European Union	36,806	23.6
2. China	14,678	20.1	2. China	20,110	24.4	2. China	34,789	22.4
3. EU	11,372	15.5	3. Russia	8,809	10.6	3. Russia	33,266	21.3
4. South Korea	7,008	9.6	4. Turkey	5,343	6.5	4. Turkey	9,564	6.2
5. Turkey	4,220	5.8	5. India	2,214	2.7	5. South Korea	8,405	5.4
6. USA	1,794	2.4	6. Switzerland	2,111	2.6	6. India	3,293	2.1
7. Belarus	1,163	1.6	7. Afghanistan	1,595	1.9	7. United States	2,622	1.7
8. Japan	1,084	1.5	8. South Korea	1,397	1.7	8. Switzerland	2,471	1.6
9. India	1,079	1.5	9. Great Britain	1,158	1.4	9. Japan	2,117	1.4
10. Ukraine	996	1.4	10. Japan	1,032	1.2	10. Ukraine	1,981	1.3

Table 3: Russia's position in trade and commerce with 5 Central Asian countries in 2021. (Excluding trade between 5 Central Asian countries). Source: Eurostat, IMF⁷¹

In the general economic context, trade and economic relations between Russia and Central Asia can expand and develop. However, the two sides offer the similar products for the global

⁷¹ https://webgate.ec.europa.eu/isdb_results/factsheets/region/details_central-asia-5_en.pdf

market, making them competitors for each other. In this sense, limiting and controlling the exports of Central Asia's mineral and energy resources to the regional and global markets is a fundamental geoeconomic interest of Russia. As Russia focuses the policy of bringing Central Asia into the Eurasian Economic Union, which has restored the space of influence of the former Soviet Union, it will seek to control the region's natural resources and infrastructure as an economic appendix. On the other hand, for Central Asia, the search for markets, new partners, and diverse sources of investment other than Russia has become the main challenge for the prosperity of the region.

Future development and scenario of Russia-Central Asia relations

Will Russia remain the main player in Central Asia?

Due to the war in Ukraine, Russia is increasingly isolated on the world stage and subjected to strong economic sanctions, which will lead to a significant decline in Russia's influence in the Central Asian region in the medium term. When major geopolitical players such as China, the European Union, and the United States compete for the sphere of influence in Central Asia, there is an emerging picture that Russia's political, security, and economic capabilities would shrink. Russia's ability to influence is expected to be further weakened when more medium-sized players such as India, Iran, Turkey, Japan, and South Korea enter into the competition for influence in Central Asia.

If data, statistical indicators of the last years, political climate, policies and strategies of other powers are compared, many scenarios and sub-scenarios in the development of relations between Central Asia and Russia can be offered. For example, there is a tendency for Russia to continue its traditional policy in Central Asia and remain the main security player in the region. Assuming that this policy direction will be maintained in the future, the following options are possible for Russia to define its relations with five Central Asian countries:

- *Russia will pay special attention to infrastructure and energy projects in Central Asia.* Due to the war in Ukraine and international sanctions⁷², Russia's financial and other resources to directly participate in economic projects in Central Asia have greatly decreased.⁷³ In this situation, Central Asian countries may turn to the methods of blocking large external

⁷² <https://www.consilium.europa.eu/en/policies/sanctions/restrictive-measures-against-russia-over-ukraine/sanctions-against-russia-explained/>

⁷³ <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information/ukraine-russia-related-sanctions>

projects by creating and activating groups with opposing views and their own supporters at the local or government level.

- *If Russia itself cannot be the main player in Central Asia, there will be an option for Russia to keep the regional security environment unstable.* There is a possibility of escalating the border dispute between Kyrgyzstan and Tajikistan, destabilizing operations in the Wakhan corridor and the border region of Tajikistan with Afghanistan, promoting the separatism of Karakalpak within Uzbekistan, and provoking the Russians within Kazakhstan. The beneficiary of every instability and hot spot in Central Asia is Russia. For example, in 2012, Tajikistan signed a 20-year agreement with Russia for the 7,000 soldiers of the 201st Motorized Rifle Division of Russia to be permanently stationed at three locations on the border between Tajikistan and Afghanistan. According to this agreement, at least until 2042, the Russian troops will be stationed in the most remote border areas of the Central Asian region to ensure its interests. It has always been Russia's goal to be a key player in the security architecture of Central Asia by creating a role for itself as a security provider.
- The traditional method employed by Russia for 400 years is to win over the chiefs of Central Asian tribes and provinces, to keep their families on the Russian side, and to use inter-tribal conflicts. Russia works closely with the rulers and influential leaders of the Central Asian countries, their families, and their inner circles.

Who can Russia cooperate with in Central Asia?

There is a real possibility that Russia is no longer to the main player in Central Asian power, as it does not have sufficient resources to sustain its influence in the region. China, the European Union, the United States, India, Iran, Turkey, Japan, South Korea, and many other powerful players are competing to fill the power vacuum left by Russia in Central Asia. In this case, Russia can move to the option of playing as a team and carrying out cooperative policy in cooperation with other players instead of alone. Given its traditional political and economic ties, Russia may cooperate with the following countries in Central Asia:

- *Russia-China partnership:* China will become the main export, trade and economic partner for Russia in the future.⁷⁴ In other regions, Moscow and Beijing can also benefit from their mutually supportive and complementary cooperation. But when it comes to Central Asia, China has its own position to protect and policy to implement. First of all, China itself has a direct border with Central Asia, the central line of the “Belt and Road” passes through it,

⁷⁴ https://carnegieendowment.org/files/CP_331_Stroński_Ng_Final1.pdf

as well as important energy and mineral resources and an important location of Eurasian infrastructure, so Beijing does not want to depend on Moscow here. Beijing has big ambitions to become a major player in Central Asia, and it does not need Moscow as a partner. In particular, during the unrest in Kazakhstan in January 2022, Beijing did not like Moscow's direct military intervention under the name of the Collective Security Treaty Organization. For China, it is important that Central Asia is very politically stable, that religious fundamentalism does not take hold, that the Islamic terrorism does not spill over to Xinjiang, that trade routes are safe, and that infrastructure and energy projects are under Chinese control. When President Xi Jinping visited Astana in September 2022, China guaranteed the territorial integrity and security of Kazakhstan, which a strategic warning given to Russia by implying that China does not want Russian military interventions. Moscow needs Beijing's support very much at this time, but the time is approaching when Beijing will not need Moscow as much.⁷⁵

- *Russia-India partnership*: India announced the “Connect Central Asia” policy in 2012, expressing its interest in the Central Asian region.⁷⁶ For India, Central Asia is a region that must be paid attention to because it is geographically almost directly adjacent to India, and the “International North-South Transport Corridor” passes through it, making it a region of trade and economic interest. Given the geopolitical challenges such as Afghanistan, the separatist movement of Kashmir, Pakistan, and the strategic competition with China, India cannot help but participate in the game of influence in Central Asia.⁷⁷ In its entry into Central Asia, India is likely to experiment with a strategy of partnering with Turkey along with partnering with Russia and Iran. For Russia, the best partnership format for Central Asia could be a trilateral format: Russia–India or Russia–India–Iran. New Delhi has expressed its concerns to Moscow regarding the war in Ukraine, and in the future, India may reduce its reliance on Russian weapons within the framework of the arms partnership. For Moscow, New Delhi is an indispensable partner in all aspects, and Moscow needs to take more initiatives in cooperation in Central Asia.
- *Russia-Iran partnership*: Iran is one of the major powers in Central Asia. As an important player in the Caspian Basin, bordering Turkmenistan, having the same language, culture, and ethnicity with Tajikistan (although they belong to different religious sects), a close

⁷⁵ https://www.hss.de/download/publications/AMEZ_26_Regionale_Maechte_05.pdf

⁷⁶ <https://www.mea.gov.in/Speeches-Statements.htm?dtl/19791/#:~:text=India's%20Connect%20Central%20Asia%20Policy,our%20traditional%20relationship%20with%20Russia.>

⁷⁷ <https://valdaiclub.com/a/highlights/eurasia-india-s-connect-central-asia/>

partner with Russia, good relations with China and India, implements a policy which is directly hostile to the West, and one of the major players in the Islamic world, Iran's strategic interests are directly linked to Central Asia. Russian-Iranian bilateral partnership became more active than ever before in face of the war in Ukraine, Iranian drones were used by the Russian army⁷⁸, and the two countries agreed to conclude unprecedentedly large amounts of contracts in economy, infrastructure, raw materials, and energy. The country is likely to start a large-scale nuclear energy project with the support of Russia. In the third quarter of 2022, a series of comprehensive partnership documents were signed between Russia and Iran in natural gas and oil worth up to US\$40 billion, including complex issues such as product swaps, pipeline construction, and LNG terminal construction.⁷⁹ Alexander Novak, Deputy Prime Minister of the Russian Federation, informed that within the framework of this partnership, it was discussed that the volume of trade will be increased to 5 million tons of crude oil and up to 10 billion cubic meters of natural gas per year between the two countries. Russia's need to create its presence in the Indian Ocean by developing a North-South vertical tunnel directly connected through the Caspian Sea coincided with Iran's interests. If the Russia-Iran Caspian vertical axis infrastructure link is opened, it will be a crossroad that will directly compete with the energy infrastructure projects connecting Azerbaijan to Europe through the horizontal axis of the Caspian Sea from Central Asia. In terms of limiting Turkey's growing influence in the region and containing Azerbaijan's growing influence, Russia-Iran interests overlap. Iran is also the main bridge in the India-Russia transport project. Moscow and Tehran have been helping each other to overcome sanctions against the West. In this sense, there is a scenario where the rapprochement and cooperation between the two countries can be successfully implemented in Central Asia as well.⁸⁰ Turkmenistan has been interested in building a gas pipeline under the Caspian Sea with Azerbaijan for many years, but Russia and Iran have repeatedly stopped this attempt, and Turkmenistan is forced to sell its natural gas through the Russian infrastructure at a low price for the world market. Russian and Iranian interests fully overlap over not losing control over the outflow of Turkmenistan's proven natural gas reserves⁸¹, which are the 4th largest in the world and 6th in the world in terms of estimated reserves. If Turkmenistan's natural gas and oil reserves start to be sold at world market

⁷⁸ <https://carnegieendowment.org/2022/10/26/larger-geopolitical-shift-behind-iran-s-drone-sales-to-russia-pub-88268>

⁷⁹ <https://caspiannews.com/news-detail/russia-iran-plan-joint-energy-projects-oil-gas-swap-deal-2022-10-8-0/>

⁸⁰ https://central.asia-news.com/en_GB/articles/cnmi_ca/features/2022/08/23/feature-02

⁸¹ <https://www.eia.gov/international/analysis/country/TKM>

freely, there is a danger that it will become a strong competitor for Russia and Iran. The Moscow-Tehran partnership may turn into a Moscow-Tehran-Beijing or Moscow-Tehran-New Delhi triad.⁸² How the war in Ukraine is resolved will have a major impact on the formation of future formats within this partnership.

- *Russia-Turkey partnership*: Russia-Turkey relations are very complex, spanning centuries, witnessing many wars, and Turkey sees itself as more of a victim. Along the southern borders of Russia, the Black Sea, Ukraine, the Caucasus, the Caspian Sea, and deep into Central Asia, the Turkish-Russian strategic competition is intense. Starting from 2015, when the Russian military started participating in the war in Syria, the parties were getting closer to the armed conflict, which further affected the interests of Turkey. Within the geostrategic situation related to the war in Ukraine, Moscow prefers partnership, dialogue, and friendly relations, such as agreement for wheat transportation through the Black Sea, rather than reducing its conflicts with Ankara in other areas. President Putin's announcement of the possible construction of a gas pipeline to replace Nord Stream-2 by Turkey signaled Moscow's recognition of Turkey's role in the Black Sea region.⁸³
- As far as Central Asia is concerned, Turkey is one of the most active players in the region, wielding power and spending money to declare it as its sphere of influence. In 1992, Turkey initiated "Cooperation Council of Turkic-speaking countries"⁸⁴ to implement ethno-geopolitical policies of Ankara using its religious, linguistic, cultural and ethnic influence in Central Asia. The activities of the council were expanded in 2009 and 2022 respectively to become the "Organization of Turkic States"⁸⁵. The first meeting was held in Samarkand, Uzbekistan in November 2022.⁸⁶ Moscow does not want to bring Turkey into Central Asia, and Ankara is trying in every way to force Moscow out. Turkey and Russia are strategic rivals in Central Asia. However, if the situation, the balance of power, and the intersection of the interests of the parties match, it cannot be ruled out that Russia-Turkey cooperation will take place in the Central Asian arena. For Turkey, Iran's rise and China's hegemony are a threat, so Turkey will try and discuss with the European Union, India, and Russia in order to maintain a balance of power.

⁸² <https://en.irna.ir/news/84944989/Iran-Russia-India-to-discuss-Afghanistan-situation>

⁸³ <https://www.reuters.com/world/europe/putin-discussed-idea-turkish-gas-hub-with-erdogan-kremlin-says-2022-11-18/>

⁸⁴ <https://www.mfa.gov.tr/turk-konseyi-en.en.mfa>

⁸⁵ <https://www.turkkon.org/en/turk-konseyi-hakkinda>

⁸⁶ <https://moderndiplomacy.eu/2022/11/13/2022-organization-of-turkic-states-summit/>

4. INDIA'S GEOECONOMIC POLICY AND ACTIONS IN CENTRAL ASIA

In the first 10 years after the independence of the Central Asian countries, India paid little attention to the region and was rather late to recognize the rapidly changing geopolitical and economic realities of Central Asia. But over the past decade, the Central Asian region has become a center of competition among global powers for energy resources. At the same time, India is growing economically and emerging as a regional power, as the world has been witnessing. If India aspires to stay as a “rising power” in international relations, it should not ignore the importance of Central Asia. In addition, China has almost encircled India in a strategic sense by attracting all of India’s neighbors through the development of strong political and economic ties, giving India another incentive to look at Central Asian countries from a new perspective.

In June 2012, New Delhi adopted the new policy called “Connect Central Asia”, signaling its intention to strengthen its political ties with Central Asian countries and deepen its strategic, security, and economic cooperation. It also proposed a new Comprehensive Economic Cooperation Agreement to intensify India’s involvement in the Shanghai Cooperation Organization (SCO) and connect the country with Central Asian markets. Practically speaking, this agreement aimed to develop cooperation in information technology, banking, and pharmaceutical sectors to build trans-regional energy infrastructure, open new flight routes with Central Asian countries, and strengthen economic ties.

India’s policy towards Central Asia

Shortly after the creation of the Central Asian Nations, former Indian Prime Minister P.V. Narasimha Rao visited four of the five former Soviet republics: Uzbekistan and Kazakhstan in 1993, Turkmenistan and Kyrgyzstan in 1995. In addition to agreements to expand India’s trade and investment and provide development assistance to the region, the visit focused on countering shared threats such as religious fundamentalism, ethnic chauvinism, terrorism, and violence and crime financed from drug-trafficking.

As India’s economy grew, so did the demand for energy, opening up and diversifying sources other than the Gulf countries. In this period, Central Asia also sought to reduce its dependence on pipelines through Russia by exporting its energy to fast-growing countries in Asia such as India and China.

However, the planned connectivity of road and gateway between India and the Central Asian region has faced severe financial and political and security challenges, making it difficult for

India to pursue oil and gas diplomacy. For example, construction of the long-delayed Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline was first proposed in the mid-1990s with the support of the Asian Development Bank, and in 2010 the four participating countries formally signed an intergovernmental agreement. Since then, progress in the construction of the pipeline has been slow due to instability in Afghanistan and lingering mistrust between India and Pakistan.

Geographical challenges and India-Pakistan border disputes have been a major obstacle for cooperation between the countries of the region and India, thus limiting economic cooperation. On the contrary, Russia and China, thanks to their many border crossings with Central Asia, are intensifying their cooperation, increasing their influence and benefiting from it. That is why, in addition to building gas pipelines through the region, India is also working on connecting to Central Asia through Iran.

India, Iran and Turkmenistan signed a memorandum of understanding in April 1995 to establish a transit corridor passing through these two countries to facilitate trade, but the plan has yet to materialize. Most importantly, India, Iran, and Russia signed the “International North-South Transport Corridor” agreement in 2000, which entered into force in 2002.

India aims to transport goods to Russia and Northern Europe through Iran and the Caspian Sea, and through Iran it can open a gateway between India and Central Asia. To realize this opportunity, the membership of the “International North-South Transport Corridor (INSTC)” was extended to the Central Asian countries including Kazakhstan, Kyrgyzstan, and Tajikistan. In addition, in 2012, Uzbekistan and Turkmenistan agreed to support member states in completing unfinished links along the corridor.

While the INSTC passes through Bandar Abbas port in Iran, India has also explored the possibility of connecting to Central Asia through Iran’s Chabahar port, thereby exploring land corridors through Afghanistan. However, progress has been slow. In addition to challenges related to security, human and financial resources, problems such as insecurity in Afghanistan, political disagreements in Central Asia, and confrontation between Iran and the United States also create challenges. Furthermore, in order to improve economic cooperation in the Central Asian region, India has been working on strategic and security cooperation, including close consultation and partnership on Afghanistan, energy and other natural resources.

Prime Minister Narendra Modi became the first Indian prime minister to visit all five Central Asian countries as he visited them from the 6th to the 13th of July 2015, strengthening India’s

policy of “Connect Central Asia”. Since then, significant progress has been made in cooperation, especially in defense, energy and other areas of cooperation.

India’s renewed interest in the region is fueled by geopolitical changes in the region, especially China’s “Belt and Road Initiative” projects that overlap with the economic interests of the India, encouraging it to be more active and open new avenues for economic cooperation. Based on its geographic proximity to the region, economic and human power, China is quick to make efforts to realize its dream of creating a new “Silk Road”, prompting India to also seek to expand its economic ties with the region.

Apart from bilateral cooperation, India is also focusing on building multilateral relations with the region at two levels. Since Prime Minister Modi’s 2016 visit to Iran, India’s gateway to Central Asia, some long-delayed projects have been restarted. During the visit, the two sides signed an agreement to develop the Chabahar port and make it available for commercial use.

To facilitate the movement of goods between India and Central Asia through Iran, India joined the Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TRI Convention) in 2017 and the Ashgabat Agreement in 2018 which includes Iran, Oman, Turkmenistan and Uzbekistan. While these steps have raised hopes of realizing India’s Eurasian vision, New Delhi needs to combine skillful diplomacy with practical actions to ensure these projects can continue amid strained U.S.-Iranian relations.

The second level is about working with Central Asian countries and other great powers through multilateral cooperation platforms. On the economic front, the Eurasian Economic Union, consisting of Central Asian countries such as India, Kazakhstan and Kyrgyzstan established a joint research group in 2015 to explore the possibility of a Free Trade Agreement. The group submitted its feasibility study in 2017, and formal negotiations have not yet begun.

At the regional level, India observes how mutual understanding, dialogue and cooperation among Central Asian countries have strengthened. India sees this development as a positive step and is exploring the possibility of working with the region rather than bilaterally with individual countries or as part of a mechanism that includes other major powers. The first Indo-Central Asia Foreign Ministerial Dialogue was held on January 13, 2019 in Samarkand, Uzbekistan. The second meeting of the dialogue was held in New Delhi, India, in 2020. It is often said that through regular institutionalized dialogue and exchange, this platform will facilitate closer relations between India and the region.

Bilateral economic cooperation, directions of development policy

a. Energy security

Ensuring reliability and stability of energy is critical to India's economic development. India exports nearly 3/4 percent of its oil from abroad, most of which comes from the volatile region of the Middle East, the Persian Gulf. In the context of reducing dependence on the Middle East and creating alternative sources of energy, India sees natural gas resources in Central Asia as an important alternative for its energy security.

The Caspian Sea region in Central contains some of largest hydrocarbon reserves. These reserves account for 4% of the world's natural gas reserves⁸⁷ and approximately 3% of the world's oil reserves.⁸⁸ Most of these reserves are concentrated in Kazakhstan, Turkmenistan, and Uzbekistan, but Tajikistan and Kyrgyzstan also have significant hydropower potential. In addition, Central Asia has uranium reserves and the potential to enrich them. That is why India has interests in the region as a source of uranium for its civilian nuclear power program, which will help diversify its energy sources in the long run.⁸⁹ In this sense, Central Asia plays an important role in India's energy security.

In order to access this rich energy resource of Central Asia, India's state-owned Oil and Natural Gas Corporation made efforts to invest in Kazakhstan, which has three of the richest oil fields in the world, and acquired a large amount of stock of the Alibekmola and Kurmangazy oil fields owned by Kazakhstan in the Caspian Sea. Recently, ONGC has made attempts to buy U.S. ConocoPhillip's stake in the Kashagan oil field. However, there is uncertainty about how oil and natural gas will be transported to the Indian market, and the policy of negotiating oil swaps remains problematic.

More specifically, India has the following strategic interests in each of the five Central Asian countries.

- In order to protect its energy interests, India began to expand its cooperation with other countries in the civilian use of nuclear energy. Since 2014, Kazakhstan has supplied almost 80% of India's uranium imports. With the support of the Kazakhstan-India Business Council established in 2016, the two countries have signed a number of agreements to

⁸⁷ International Crisis Group (2007), Central Asia's Energy Risks, Asia Report No.133, p.12

⁸⁸ Kiesow, I & Norling, N (2007) The Rise of India: Problems and Opportunities, (Central Asia-Caucasus Institute & Silk Road Studies Program) www.silkroadstudies.org/new/docs/Silkroadpapers/2007/0701India.pdf

⁸⁹ The Hindu (October 16, 2008) Nuclear Pact with Kazakhstan Likely during PM's Visit www.hindu.com/2008/10/16/stories/2008101659261200.htm

supply uranium to India. Most recently in 2019 for the supply of uranium for 2020-2024⁹⁰, the two sides agreed to increase cooperation in oil, natural gas and renewable energy.

- India signed a long-term supply agreement with **Uzbekistan**, the world's seventh largest uranium exporter, in 2019. As a result of the agreement, bilateral trade and investment are expected to increase. The two sides are working on the conclusion of a Free Trade Agreement, and Uzbekistan's state-owned railway company is constructing new rail lines to Afghanistan and Iran to provide Uzbekistan access to Arabian Sea ports via Chabahar.
- **Turkmenistan**, which ranks fourth in the world in terms of natural gas reserves, is important for India, primarily because of the natural gas pipeline connecting Turkmenistan-Afghanistan-Pakistan-India (TAPI)⁹¹. Ultimately, this pipeline will be able to supply energy-dependent India with 33 billion cubic meters of natural gas every year. Although the construction of the pipeline continues to be delayed, it has long-term implications for India's national energy security.
- **Kyrgyzstan** has the weakest economic ties with India, but is interested in increasing its exports to India by developing gold, coal, uranium, antimony and other metal deposits in the country, as well as to export electricity to India by relying on its hydropower potential. In recent years, India and Kyrgyzstan have signed a bilateral investment agreement, created an India-Kyrgyz business forum, and made logistics and transit to connect Kyrgyzstan with the Chabahar port optimal.⁹²
- **Tajikistan** is of little economic interest to India and has a small economy, but its geographical location⁹³ is of strategic importance to India. Its southeastern border lies north of the Wakhan Corridor Peninsula in eastern Afghanistan, a geostrategic region bordering China-administered Kashmir to the east and Pakistan-administered Kashmir to the south. But after the partition of the Indian continent into the independent nations of India and Pakistan in 1947, India lost direct land access to the region, so it established its only foreign military base in Tajikistan,⁹⁴ working with the Tajik Air Force.

⁹⁰ <https://www.theweek.in/news/world/2019/11/18/india-kazakhstan-to-renew-uranium-supply-contract-for-2020-24.html>

⁹¹ <https://www.orfonline.org/expert-speak/wait-watch-most-optimal-strategy-sustaining-indo-turkmen-energy-ties-54385/>

⁹² <https://financialtribune.com/articles/economy-domestic-economy/56531/iran-kyrgyzstan-expanding-economic-cooperation>

⁹³ <https://carnegieindia.org/2019/12/01/realizing-india-s-strategic-interests-in-central-asia-pub-80576>

⁹⁴ <https://www.eastasiaforum.org/2019/03/23/chinas-tajikistan-military-base-eclipses-indias-central-asian-ambitions/>

b. Connect Central Asia

In June 2012, India announced the Connect Central Asia (CCA) policy to revive stalled India-Central Asia relations aiming to intensify cooperation with Central Asian countries in many sectors such as information technology, energy, power, agriculture and mining.

After Narendra Modi became the Prime Minister of India in 2014, his administration continued the CCA policy and increased its engagement with this landlocked region. During his visit to Central Asia in July 2015, Prime Minister Modi announced to launch many projects to strengthen India-Central Asia cooperation and signed cooperation agreements. Since 2015, Delhi has opened several lines of credit in Central Asian countries, and most recently, in 2020, it opened a credit line of US\$1 billion for granting soft loan to implement priority projects in the transport, road, energy, information technology and health in the region.⁹⁵

In addition, the first meeting of the India-Central Asia Summit was held on January 27, 2022, with the participation of the presidents of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. The summit is planned to be held every two years, with the aim of increasing communication by discussing the issues related to trade, road transport connectivity, development cooperation, and infrastructure.⁹⁶ During the meeting, India also signed MoUs with Kazakhstan and Uzbekistan for procure uranium.

c. Reconnecting regions to grow together

Despite the vast untapped potential, the five landlocked Central Asian countries still face challenges in logistics and road transport due to their geographical location. Due to limited regional connectivity and low economic participation, India's trade with these five Central Asian countries is modest at US\$1.9 billion in 2020. India's investments in Central Asia are modest compared to other regions. In addition to the oil and gas sector which has traditionally attracted FDIs, India sees opportunities to develop cooperation in agriculture, pharmaceuticals, medical products, healthcare, information technology, solar energy and chemicals.

d. Development of maritime transport through port development

India sees that access to maritime transport and traffic in landlocked countries should be a priority area of cooperation. Iran's Chabahar Port is at a very strategic location connecting India with Afghanistan and Central Asian countries. With the 2016 agreement between India and Iran, India is playing a leading role in the development of the Chabahar port. India has invested

⁹⁵ Annual Report 2021-22, Ministry of External Affairs, Government of India

⁹⁶ India-Central Asia Virtual Summit, Ministry of External Affairs, Government of India, January 2022

approximately US\$85 million in the construction and operation of the phase 1 or 2 terminals over a decade.⁹⁷

The investment in Chabahar Port through the India Ports Global Limited (IPGL)⁹⁸ is India's first major strategic project abroad. The Chabahar project provides India with sea access to Afghanistan and Central Asia through Iran's eastern border. India, through IPGL, took over operations from two berths at Shahid Behesti Port, Chabahar, Iran, during the Chabahar Tripartite Project Agreement Meeting held in Chabahar on December 24, 2018. Bulk and general cargo at Chabahar Port's Shahid Beheshti Terminal has steadily increased, passing 152 vessels, 14,420 twenty-foot equivalent units (TEUs) and shipping more than 3.11 million tonnes of bulk and general cargo since December 2018. In addition to shipping cargo from India, the port handles several shipments and transfers from Russia, Brazil, Thailand, Germany, France, Ukraine, Bangladesh, and the UAE.

The first meeting of the India-Iran-Uzbekistan Trilateral Working Group on the Joint Use of Chabahar Port was held in December 2020 and highlighted the strategic importance of connecting India to Afghanistan, Central Asia and beyond to Russia and Europe via the International North-South Transport Corridor (INSTC). Cooperation in the area of regional transport connectivity continues, including the development of Shabahar Port, Shahid Behesti Terminal and INSTC. The Joint Working Group on Port and Maritime Cooperation met in July 2021.⁹⁹ Although the port of Chabahar has been exempted from U.S. sanctions, there are still obstacles such as difficulties in purchasing equipment, lack of credit facilities, and sanctions imposed on Iran, which hinder the natural growth of the port.

e. Enhancing connectivity within the framework of International North-South International Transport Corridor (INSTC).

INSTC, a 7,200 km multimodal transport network corridor connecting the Indian Ocean and the Persian Gulf to the Caspian Sea via Central Asian and Eurasian countries, offers the shortest route to member countries, including landlocked Central Asian countries. It can be said that INSTC may have a positive impact on the development of Central Asian countries, as it aims to develop transport cooperation, trade and investment, especially between member countries.

⁹⁷ Maritime India Vision 2030, Ministry of Ports, Shipping and Waterways Government of India, February 2021

⁹⁸ Annual Report 2020-21, Ministry of Ports, Shipping and Waterways Government of India

⁹⁹ Ministry of External Affairs, Annual Report 2021-22

The 7,200 km INSTC, which runs through Central Asia, the Caspian Sea, Iran and the Arabian Sea, is 30% cheaper and 40% shorter than conventional shipments from Suez Canal, according to a study by the Federation of Freight Forwarders’ Associations in India. Moreover, the transit times through the Suez Canal to Europe was reduced from 45-60 days to an average of 23 days. By increasing exports of agricultural products, machinery, electrical equipment, iron and steel products, optics, photography, medical equipment, and vehicles, it will help India meet its energy needs by supporting imports from Central Asia.



Figure 9: Connectivity of the International North-South Transport Corridor and Iran’s Chabahar Port¹⁰⁰

Moreover, in 2018, India officially signed the Ashgabat Agreement, a multimodal transport agreement aimed at creating an international transport corridor between Central Asian and the Persian Gulf countries, and some progress has been made in transport and road connectivity.¹⁰¹ The agreement will make a major contribution to the New Delhi-led International North-South Transport Corridor, including Chabahar Port, to increase connectivity between Central Asian countries.

f. TAPI – Resuming trade

The January 2022 summit discussed the resumption of the 1,814 km long and US\$7.6 billion Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project. The TAPI project aims

¹⁰⁰ <https://www.alamy.com/instc-international-northsouth-transport-corridor-political-map-network-for-moving-freight-with-moscow-as-north-end-and-mumbai-as-south-end-image476108171.html>
¹⁰¹ Currently, Kazakhstan, Uzbekistan, Turkmenistan, Iran, India, Pakistan and Oman are signatories to the agreement.

to transport up 33 billion cubic meters of gas from natural gas fields in Turkmenistan to Afghanistan, Pakistan and India.¹⁰² In the mid-1990s, Washington first viewed TAPI as a means to curb Russia's natural gas monopoly. Later, in 2005, the Asian Development Bank decided to develop a feasibility study for TAPI and to finance it. The project was stalled by security concerns until Prime Minister Modi's visit to Central Asia in July 2015, but the impact of that visit pushed TAPI to officially move forward in December 2015.¹⁰³ In February 2018, the first phase of the construction of the Afghanistan-Pakistan section began.



Figure 10: Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project¹⁰⁴

As the Taliban control Afghanistan's natural resources, this group's support is needed for maintaining economic connectivity between South-Central Asia. Given the potential economic dividends for Afghanistan of US\$500 million annually, the Taliban have publicly pledged to take control over the implementation of TAPI.¹⁰⁵ While the Taliban can guarantee the security of the pipeline within its territory, security concerns in other regions such as separatist movements and the resurgence of militancy in Balochistan, have impeded the project's progress.¹⁰⁶ Hostile India-Pakistan relations, competition for resources, and diverging security

¹⁰² BBC News South Asia (December 11, 2010) Turkmen natural gas pipeline Tapi to cross Afghanistan www.bbc.co.uk/news/world-south-asia-11977744

¹⁰³ "TAPI Shareholders Agreement Signed at Groundbreaking Ceremony", Asian Development Bank, 15 December 2015, <https://www.adb.org/news/tapi-shareholders-agreement-signed-groundbreaking-ceremony>.

¹⁰⁴ <https://blacksea-caspia.eu/en/construction-tapi-gas-pipeline-schedule>

¹⁰⁵ "Taliban vow to protect TAPI gas pipeline project in Afghanistan", The Express Tribune, 31 October 2021, <https://tribune.com.pk/story/2327211/taliban-vow-to-protect-tapi-gas-pipeline-project-in-afghanistan>.

¹⁰⁶ Shakoor Ahmad Wani, "The New Baloch Militancy: Drivers and Dynamics", *India Quarterly* 77, no. 3 (September 2021): pp. 479–500.

interests have complicated cross-border pipeline cooperation and made project implementation even more difficult.

g. Trends in India’s Trade with Central Asian Countries

Indian produced consumer goods can be a relatively affordable for Central Asian countries, especially as consumers in the region have little choice between high-priced Western imports and relatively low-quality Chinese-made goods.¹⁰⁷ Indian tea and pharmaceutical industries have already found their places in the Central Asian market. However, India’s exports to Central Asia in 2020 accounted for 0.2% of India’s total exports to the rest of the world while its imports with the regional accounted for 0.4% of its total imports. India’s total trade with Central Asian countries has tripled from US\$610.2 million¹⁰⁸ in 2011 to US\$1.9 billion in 2020, and India’s exports to the region in 2020 have amounted to US\$612.3 million and imports have amounted to US\$1,305.2 million. India’s total trade fell from US\$2.2 billion in 2019 to US\$1.9 billion in 2020 due to its declined imports of crude oil and silver from Central Asia.



Figure 11: India’s Trade with Central Asian Countries, 2011-2020. Source: ITC Trademap and data from Export-Import Bank of India

India’s trade surplus was US\$218 million in 2011, and US\$380.7 million in 2014 and US\$1.2 billion in 2019, but in 2020, India had a trade deficit of US\$692.8 million. India’s exports to

¹⁰⁷ Gulshan, S (2010), ‘Regional Economic Linkages’, in Nirmala, J (Ed) Reconnecting India and Central Asia Emerging Security and Economic Dimensions, (Central Asia-Caucasus Institute & Silk Road Studies Program); www.silkroadstudies.org/new/docs/publications/1004Joshi-VII-Linkages.pdf
¹⁰⁸ Re-Connecting India and Central Asia: Prospects for Enhancing Trade and Investment, Working Paper No. 108, Export-Import Bank Of India, March 2022

the region grew at a compound annual growth rate (CAGR) of 4% between 2011 and 2020, while imports grew by 20.9% in the same period.

In 2020, Uzbekistan became India's leading export partner, accounting for about 42.6% of India's total exports to Central Asian countries in 2020. Kazakhstan accounted for 36.9% of India's total exports to Central Asian countries in 2020, making it the second largest export partner in the region in 2020. Looking at the exports of other Central Asian countries in 2020, Tajikistan accounted for 7.3%, Turkmenistan 7.2%, and Kyrgyzstan 6%.¹⁰⁹

For imports, Kazakhstan is the largest importing partner for India in Central Asia, accounting for more than 98.3% of the total imports of India from the region in 2020. Kazakhstan's share in the India's imports increased from 62.5 %, while Uzbekistan's share declined from 26.6% in 2011. Uzbekistan, Kyrgyzstan (0.4%), and Turkmenistan (0.1%) accounted for 1.2% of India's total imports from the region in 2020.

Structure of bilateral commodity trade¹¹⁰

Medicines and pharmaceuticals are India's main exports to the region, accounting for 51.3% of India's total exports to the country in 2020. Other major exports include machinery and mechanical tools (11.6% of India's total exports), electrical machinery and equipment (9.8%), coffee, tea, spices (5.4%), iron and steel products (2.5%), textiles and clothing and accessories (2.1%).

For imports, in 2020, more than 96% of the total imports of India are mineral fuels, oil, and distillate products. Other major imports include pearls, precious and semi-precious stones, metals (1.4% of total imports), inorganic compounds (0.5%), and ships, boats, and floating structures (0.4%).

h. Trends in India-Central Asian Investment Flows

Looking at India's investment in the region from 2011 to 2020, it can be said that 9 Indian companies invested US\$1.5 billion in 10 FDI projects, making India the 13th largest investor in Central Asia. This represents 1.2% of the total investment in Central Asia in the aforementioned period. Kazakhstan received the largest amount of Indian investment in Central Asia in 2011-2020, accounting for 81.7% of the total investment, followed by Tajikistan (14.5%) and Uzbekistan (3.9%). According to the FDI Markets database, no Indian investment has been

¹⁰⁹ Re-Connecting India and Central Asia: Prospects for Enhancing Trade and Investment, Working Paper No. 108, Export-Import Bank Of India, March 2022

¹¹⁰ Re-Connecting India and Central Asia: Prospects for Enhancing Trade and Investment, Working Paper No. 108, Export-Import Bank Of India, March 2022

registered in Kyrgyzstan and Turkmenistan. In 2013, 2014, 2017 and 2020, no investment was made in any Central Asian country. Coal, oil and natural gas sector attracted the most investments with US\$1,017 million, followed by renewable energy (US\$259 million), textiles (US\$107 million), and pharmaceuticals (US\$79.5 million), financial services (US\$69.6 million), and hotels and tourism (US\$1.7 million).

India has identified the following areas as important for investment in Central Asian countries:

- In Kazakhstan, oil refinery, oil and gas infrastructure development, mining and metallurgical industries, chemical products, pharmaceuticals, healthcare, renewable energy, agriculture and food processing.
- In Uzbekistan, oil, natural gas, mineral resources, chemical industry, solar energy, production and processing of fruits and vegetables;
- In Tajikistan, energy, hydropower, agriculture, food and tourism;
- In Kyrgyzstan, hydropower, mining, food production, information technology;
- In Turkmenistan, oil and gas production, processing and chemical products.

Kazakhstan

From 2011 to 2020, Kazakhstan received investments equal to US\$1.2 billion in 6 FDI projects such as tourism of 5 Indian companies including Punjab National Bank, Bharat Heavy Electrical Engineering Company. The main sectors that received Indian investment in Kazakhstan from 2011 to 2020 were coal, oil and gas with an investment of US\$1,017 million, textiles (US\$107 million), financial services (US\$69.6 million), pharmaceuticals (US\$21.9 million) and hotels and tourism (US\$1.7 million).

Tajikistan

In total, Tajikistan has attracted investment of US\$215.9 million from Bharat Heavy Electricals (BHEL) of India for renewable energy projects (hydroelectric power plants) in 2011-2020.

Uzbekistan

Uzbekistan has attracted US\$57.6 million investment from India in four projects in 2011-2020, creating 1,511 jobs in the country. Investments were made by Indian companies: Bravo Pharma, Cadila Pharmaceuticals and Kusum Health Care in the pharmaceutical sector.

Bilateral and multilateral cooperation agreements

Over the past two decades, New Delhi has created institutional mechanisms to facilitate trade and investment in the region. In this period, the Government of India established intergovernmental commissions for trade, economic and technical cooperation. The India's

relations with Central Asia became more institutionalized with joint working group meetings, particularly in information technology, science and technology, hydrocarbons, military-technical cooperation, and others. The Indian government provides small soft loans in the region by allowing companies to export without the risk of repayment.¹¹¹ New Delhi has also signed double taxation agreements with these countries, and Indian banks have interactions with banks in the region.

The first India-Central Asia Summit to mark 30 years of diplomatic relations was held on January 27, 2022. The summit was the first leaders' meeting between the heads of governments of India and Central Asian countries. This meeting was held as an expansion of the third India-Central Asia Foreign Ministers' Meeting held in December 2021.

The Federation of Indian Chambers of Commerce and Industry (FICCI) established a joint business council with Kazakhstan, Uzbekistan and Kyrgyzstan. In addition, FICCI has signed cooperation agreements with a number of organizations in the region.

The India-CIS Chamber of Commerce and Industry, the Confederation of Indian Industry (CII), and the Associated Chambers of Commerce and Industry of India (ASSOCHAM) are also active in the region. CII focuses more on Kazakhstan while ASSOCHAM has recently signed a cooperation agreement with East Kazakhstan Region.

Agreements on bilateral free trade and economic partnership

*On entering into a Free Trade Agreement with the Eurasian Economic Union (EAEU)*¹¹²

New Delhi is negotiating a free trade agreement (FTA) with the Eurasian Economic Union (EAEU). Kazakhstan and Kyrgyzstan are members of the Union. As of today, the trade turnover between India and the EAEU is amounted to US\$9 billion US, and reached US\$11 billion between 2012 and 2014. With the conclusion of the FTA, trade with Kazakhstan is expected to increase by 12%. In addition, with the establishment of the Free Trade Agreement, the exports of the EAEU and India are expected to increase by 18% on both sides.

A joint feasibility study published earlier this year indicated that the growth of bilateral trade between India and the EAEU will range from US\$37 billion to US\$62 billion. Exports from EAEU to India have the potential to increase from US\$23 to 38 billion dollars, while exports from India to the EAEU will be able to increase by US\$14-24 billion. However, due to the war

¹¹¹ Under this scheme, around 15 to 20 percent of the contract's value is paid in advance by the importers, and the balance of the contract value is disbursed by the Indian EXIM Bank to the exporters on shipment of goods. The recovery of credit extended to the overseas buyer is taken care of by the EXIM Bank, without recourse to the Indian exporter.

¹¹² <https://ficci.in/spdocument/20978/India-EAEU-FTA-Survey-Report-revised.pdf>

between the Russia and Ukraine, the signing of the agreement may be delayed according to the Government of India.¹¹³

Kazakhstan

During Prime Minister Modi's visit to Kazakhstan in July 2015, a joint research group was formed on India's proposal for a free trade agreement for the Eurasian Economic Union. On the 12th of July 2018, the 6th meeting of the bilateral joint working group on trade and economy was held in Astana.

The Federation of Indian Chambers of Commerce and Industry (FICCI) and The Chamber of International Commerce of Kazakhstan have established a Joint Business Council (JBC) to develop trade, economic and investment cooperation between the two countries.

Uzbekistan

Ahead of the India-Central Asia Summit, India and Uzbekistan held talks on bilateral Preferential Trade Agreement. If the agreement is concluded, it will be India's first trade agreement with a Central Asian country. Furthermore, in September 2019, the two countries agreed to conduct a joint feasibility study that would lay the foundation for negotiations to establish a preferential trade agreement (PTA). The India-Uzbekistan cooperation agreement will speed up India's connectivity with the landlocked region of Central Asia, as well as provide India with market access to Tajikistan and Kyrgyzstan. In addition, negotiations are underway to conclude an Investment Agreement between the two countries.

The Export-Import Bank of India in Central Asia

As India's leading financial institution that finances and supports India's international trade and investment, the Export-Import Bank of India (EXIM Bank of India) has evolved from an institution to finance, facilitate and promote trade and investment to one that makes a conscious and systematic effort to build export capacity.

Financing projects

In the Central Asia region, Indian exporters have won export project contracts including infrastructure development, power generation and transmission projects in Kazakhstan and Turkmenistan.

Financing of joint ventures: The Export-Import Bank of India provided support to Indian companies such as Ajanta Pharma Limited, Core Healthcare Limited, Punj Lloyd Ltd, and CJSC

¹¹³ <https://www.livemint.com/economy/ukraine-conflict-may-delay-india-eurasia-trade-talks-11646681832437.html>

CHL International for setting up joint ventures in pharmaceutical, healthcare, construction, hotel business, and services in Central Asian countries such as Uzbekistan, Kazakhstan, and Tajikistan by granting loans of US\$28.3 million.

Institutional cooperation: The Export-Import Bank of India maintains partnerships with regional organizations such as UZBEKINVEST – National Export and Import Insurance Company, National Bank for Foreign Economic Activity of Uzbekistan, Investment Promotion and Protection Agency of the Kyrgyz Republic. In order to finance the imports of Indian goods and services, an export credit line of US\$30 million was opened at the Industrial and Construction Bank of Uzbekistan.

Historical data on development loans. Most recently, in 2020, India opened a credit line of us\$1 billion soft loan to Central Asian countries for cooperation in the areas of transport, energy, information technology, medicine, education, and agriculture. In addition to grant for social development projects, the export-import Bank of India has opened a credit line of US\$448 million to the government of Uzbekistan to finance infrastructure projects as of March 31, 2022. Moreover, the India-Central Asia business council was established in new Delhi in February 2020 as part of the foreign ministers' meeting. Within this framework, four working groups were established in oil and natural gas, agricultural processing and agricultural technology, transport logistics, pharmaceuticals and biotechnology.

5. TURKEY'S GEOECONOMIC POLICY AND ACTIONS IN CENTRAL ASIA

Central Asia is not only important for Turkey's foreign policy, but also a symbol of Turkey's national spiritual unity. Within the framework of its new foreign policy towards the region, Turkey sought to develop cooperation in a comprehensive manner in Central Asia without neglecting any sector, and all cooperation projects and programs was exclusively aimed at restoring relations with the Turkic world and laying the foundation for continued cooperation.¹¹⁴ Since 1992, various Turkish governments have actively sought to increase their influence in Central Asia, and have developed their foreign policy towards the region to achieve the following 5 main objectives:¹¹⁵

- To develop bilateral and multilateral cooperation in energy, economy, trade, culture, society and politics;
- To support in the peaceful resolution of any misunderstandings and conflicts in the region;
- To establish an energy transit terminal;
- To provide assistance to the governments of the regional countries in their nation building;
- To support them for maintaining close ties with other countries;

In its policy towards the region, Turkey upholds international norms and uses multilateral mechanisms of international talks and dialogues. In doing so, it aims to increase and diversify the partnership with the region by relying on mechanisms such as joint economic commissions, business councils, and high-level councils for strategic cooperation.

Strengthening Turkey's standing in the region exclusively depends on whether it is able to deepen economic cooperation with Central Asian countries. In this sense, in 2008, the World Turkic Business Council (DTİK) was established to protect the interests of businesses of ethnic Turkic countries, to stimulate cooperation, to create a one-stop shop service to resolving issues faced by Turkish entrepreneurs abroad, and to support the promotion of Turkey abroad. The council was established in Ankara in October 2011 by the initiative of Turkey, and now has Azerbaijan, Kazakhstan and Kyrgyzstan as members. The main activities of the Council are

¹¹⁴ Kavak, Y., Baskan, G. A. (2001). Türkiye'nin Türk Cumhuriyetleri, Türk ve Akraba Topluluklarına Yönelik Eğitim Politika ve Uygulamaları. Hacettepe Üniversitesi Eğitim Fakültesi Dergisi 20. Ss. 92-103. <http://dergipark.ulakbim.gov.tr/hunefd/article/viewFile/5000048886/5000046206> adresinden 08.01.2018 tarihinde indirildi., s. 93.

¹¹⁵ Turkish AK Party's Central Asia and Caucasus Policies: Critiques and Suggestions, Ertan Efeğil, *Caucasian Review of International Affairs* Vol. 2 (3) – Summer 2008, Cria 2008, Page: 169

carried out by the Union of Chambers and Commodity Exchanges of Turkey (TOBB). Another example of Ankara's intention to use Turkic Council as a mechanism for developing economic cooperation, not only in the historical and cultural sphere, is the opening of an Internet portal called Turkic Business, which aims to help companies enter into foreign markets and establish partnerships by creating a network between companies in Turkic-speaking countries.

Economic relations between Turkey and Central Asian countries

As part of numerous agreements signed since 1992, the trade volume between Turkey and Central Asian countries equaled US\$1.5 billion by the end of 2000, and Turkish businesses invested a total of US\$6.5 billion in the region. Among them, Turkish construction companies have actively participated in the development projects in Central Asia and completed construction works worth US\$4 billion.¹¹⁶ Turkey's trade with regional countries amounted to US\$8.5 billion in 2019, and there are more than 4,000 Turkish companies operating in the region.¹¹⁷

Economic relations between Turkey and Kazakhstan

Trade: The total trade volume of the two countries increased from US\$360 million in 2002 to over US\$2.8 billion in 2021 indicating that how rapidly the economic relations between the two countries are improving.¹¹⁸ Exports from Turkey to Kazakhstan in 2021 were approximately US\$1.3 billion, accounting for 0.6% of Turkey's total exports. The main Turkish exports to Kazakhstan in 2021 were medicine, ready-made clothing, and machinery. Turkey's imports from Kazakhstan amounted to US\$1.6 billion in 2021, accounting for 0.6 % of Turkey's total imports. In 2021, the main products imported from Kazakhstan were processed copper concentrate, copper alloys, unprocessed aluminum, oil, natural gas, coal, coal briquettes, and cotton.

The main importing partners for Kazakhstan are Russia, China, Germany, Turkey and Uzbekistan. Turkey is the 4th largest importing partner with 2.8% import. Kazakhstan exports the most goods to China, Russia, Germany, England, and Uzbekistan. Turkey is 13th largest exporting partner, as its trade with Kazakhstan accounts for 2.8% of total exports.

Investment: Kazakhstan is a leader of attracting Turkey's investment in the Central Asian region. From 1992 to 2019, Turkey invested US\$4.2 billion in the country, including the FDI

¹¹⁶ Türkiye'nin Dış Ekonomik İlişkileri, https://www.mfa.gov.tr/turkiye_nin-dis-ekonomik-iliskileri.tr.mfa

¹¹⁷ Orta Asya Ülkeleri İle İlişkiler, The official website of the Ministry of Foreign Affairs of Turkey, <https://www.mfa.gov.tr/turkiye-orta-asya-ulkeleri-iliskileri.tr.mfa>

¹¹⁸ Turkish Ministry of Trade, Kazakhstan Country Report, 2022, page 9, https://ticaret.gov.tr/data/5ee21c4a13b876e308cc15c5/Kazakistan_2022.pdf

from Turkey to Kazakhstan’s economy from 2005 to 2019 equaled US\$ 3.1 billion. Out of 1,939 Turkish companies actively operating in Kazakhstan, 1,884 are small, 33 are medium, and 22 are large enterprises. There are 467 Turkish construction, 650 retail and wholesale trade, 124 housing, catering services, 190 manufacturing companies, while 508 companies operate in agriculture, mining, road transport, education, health, information and communication, insurance, real estate and other sectors.¹¹⁹ Currently, there are 27 projects with a worth of about US\$2.5 billion in the implementation phase, and 55 projects with a worth of more than US\$1 billion US are in the development phase.¹²⁰

Since the independence of Kazakhstan, the private sector investment from Turkey has been increasing every year, and it constantly hits historical records.¹²¹

Major Turkish companies operating in Kazakhstan

№	Name	Operations in Kazakhstan
1	Sembol İnşaat	The owner of the company is Fettah Tamince, the owner of the Rixos Hotels in Turkey, and his business partner Aytekin Gültekin built a cultural and service center called the “Palace of Peace and Reconciliation” in Astana. Among the buildings that the company built in Astana, there is Rixos President Hotel. The company is now building a collapsible stadium in Astana. Among the plans of the company, there is to build an indoor city with a capacity of 10 thousand people. Contracted works of Sembol Construction in Kazakhstan are worth almost US\$500 million.
2	Okan Holding	Leaving its 15th year in Kazakhstan, Okan Holding owns 25 companies in Kazakhstan today. The amount of investments has reached US\$350 million. The group has Sultan Flour and Pasta Factory in Petropavlovk city. The company has also built the Presidency Residence in Astana, 5-Star Okan Intercontinental Hotel Astana, The National Museum and Cultural Center, High Twin Towers, Diplomatic City, Avrasyabank, Okan Merei Interconti, Astana Shopping and Residence Complex. Among the ongoing projects of the company, there are Okan Jeruyik Astana Entertainment, Shopping, Trade and Residence Complex, Okan Bayterek Alma-

¹¹⁹ Kazakistan'daki Türk firmalarının sayısı 2 bine dayandı, Kabar, 2020.01.13, <http://tr.kabar.kg/news/kazakistandaki-turk-firmalar-n-n-say-s-2-bine-dayand/>

¹²⁰ Website of the Office of the Prime Minister of Kazakhstan, 2022.03.04, <https://primeminister.kz/ru/news/kazahstansko-tureckiy-biznes-forum-pod-predsdatelstvom-premer-ministra-rk-proshel-v-g-nur-sultane-421933>

¹²¹ <https://www.ekovitrin.com/araklik-2021/2022-2023-kazakistan-turkiye-ekonomik-isbirliginde-tarihi-h388094.html>

		Ata 5-Star Hotel, Entertainment, Trade, Shopping and Residence Complex, Okan Sultan Grand Petropavlovsk Entertainment, Shopping and Residence Complex.
3	Ahşel İnşaat	The company realized the construction of the housing complex with 718 residences, where bureaucrats will reside in and of which investment is worth US\$90 million. Next to the housing complex, it started the construction of 20-floor business center and shopping mall. Among their plans, there is to build a super luxury hotel.
4	Alarko Holding	Alarko has constructed the Astana International TRAIrport.
5	Üçgen İnşaat	The company delivered the building that the Ministry of Finance and Kazakoil share. A small hotel was put into service.
6	Ceylan İnşaat:	It undertook the construction of Eurasia University that is being built in the Capital and that will cost US\$20 million.
7	Anadolu Grubu	Anadolu Group has three large investments in the field of beverage production and bottling.
8	Koç Grubu	Koç Group has three shopping malls, 2 of which are in Almaty and 1 is in Astana, within the body of Rambutya shopping malls that they partnered with Kazakh company Butya.
9	Turkuaz Şirketler Grubu:	Turkuaz Group has Turkuaz Vegetable Oil Industry company that they partnered with Arabian Savola Group. In addition, they are the biggest distribution chain with 1200 employees and their offices, warehouses and distribution network throughout 10 regions of Kazakhstan. They work with large companies such as Nestle and Unilever.
10	TPAO	Turkish Oil Exploration Association (TPAO) is the biggest Turkish investor in Kazakhstan. Having the majority of shares of the “Kazakturkmunay” company, which was established as a joint venture with Kazakoil, TPAO has invested US\$272 million in this project.
11	K’Cell	Established by Turkcell with Kazakh Telecom in 1998 and of which majority of shares belong to Turkcell, K.Cell company is one of the two GSM operators in Kazakhstan. The other GSM operator, K-Mobile, is the partnership that was established by Rumeli Holding with Investel company of Kazakhstan.

Table 4. Major Turkish companies operating in Kazakhstan. Source: Turkey’s Okan Holding LLC¹²²

The two countries are focusing on transport and logistics sectors in developing their economic relations. In the transportation sector, the creation and development of the trans-Caspian Sea

¹²² <https://www.okan.com.tr/kazakistanda-faaliyet-gosteren-turk-insaat-sirketleri/>

gateway is of particular importance for Kazakhstan and Turkey. It is important for Turkey to enter into the markets of Central Asia and China through Kazakhstan, while Kazakhstan is interested in entering into the markets of the Mediterranean Sea, Europe and the Middle East relying on Turkey's transport and logistics capacity. In line with these aligned interests, Turkish State Railways (TCDD) Transport Inc pays close attention to the joint development of the Baku-Tbilisi-Kars (BTK) railway corridor. The transport route with a total length of 826 km connects Azerbaijan, Georgia and Turkey. During the "International Transport and Logistics Forum 2013" under the theme "New Silk Way" held in the capital of Kazakhstan, Nur-Sultan (now Astana) in which presidents of the state-owned railway companies of Kazakhstan, Azerbaijan and Georgia participated, with the entry into force of the agreement on the establishment of a committee to coordinate the development of the Caspian Trans-Caspian international transport route, this railway route was officially launched. It became operational in 2017. After the completion of the railway, in 2017, Kazakhstan, Azerbaijan and Georgia established the International Association of "Trans Caspian International Transport Route", and Turkey became a permanent member of the association in 2018 through engaging in active talks.¹²³

Today the transport route considered by Turkey as the Middle Corridor consists of 1-China, 2-Kazakhstan, 3-Caspian Sea, 4-Azerbaijan, 5-Georgia, 6-Turkey, 7-Europe. With the initiative of the parties, Kazakhstan's goods were shipped to Turkey by rail for the first time. Since the BTK railway was commissioned in October 2017, 7,233 containers have been sold and 318,000 tons of cargo has been shipped via this route. Compared to 2018, in 2019, the volume of goods shipped by the BTK railway tripled, and the parties have a common interest in fully utilizing the potential of this railway. The Kazakhstan-Turkey Joint Transport Commission has been established between the governments of the two countries to develop cooperation in transport and logistics.

¹²³ "Yeni İpek Yolu" nun Avrupa'ya açılan kapısı Türkiye, Anadolu Ajansı, 2018.02.23
<https://www.aa.com.tr/tr/ekonomi/yeni-ipek-yolunun-avrupaya-acilan-kapisi-turkiye/1071568>

Railway route from Kazakhstan to Turkey



Figure 12. Railway route from Kazakhstan to Turkey.

Source: <https://www.aa.com.tr/en/asia-pacific/turkey-to-be-new-silk-roads-gateway-to-europe/1071931>

Among the works related to the development of the railway, an event described as a historic event by the Ministry of Foreign Affairs of Kazakhstan, in November 2019, 42 freight trains loaded with electronic goods passed from China through Kazakhstan, the Caspian Sea, the Baku-Tbilisi-Kars corridor and the Marmaray tunnel in Turkey to Europe for the first time from. According to the Turkey's official news agency, Kazakhstan's grain will account for the majority of cargo shipped through the corridor, and coal and metals are planned to be shipped

in the years to come, while it is planned to transport products such as clothes, textiles, and construction materials from Turkey.

Economic relations between Turkey and Uzbekistan

Trade: Turkey's exports increased from only US\$90 million in 2001 to approximately US\$ 1.8 billion in 2021, which is a major achievement. Since 2019, Turkey's exports have exceeded imports and Turkey runs annual surpluses in terms of balance of payments. For Turkey, Uzbekistan has become a market for finished products of light industry.¹²⁴

Most of the goods exported by Uzbekistan to Turkey are raw materials and unprocessed materials used in production. Uzbekistan's exports, which equaled US\$36 million in 2001, increased sharply along with the increase in the industrialization of Turkey's economic potential, and in 2005-2019 exceeded the imports from Turkey. In 2021, Uzbekistan managed to double its exports to Turkey.¹²⁵

Investment: The number of Turkish-invested enterprises amounted to 1830, and in 2021, Turks established 321 companies in the country, becoming the foreign country with the largest number of companies.¹²⁶ In 2019-2021, investments made by Turkish companies in Uzbekistan equaled US\$1.2 billion.¹²⁷ In 2021, the two sides agreed on specific measures to be taken to increase the trade volume of Uzbekistan-Turkey to US\$5 billion in the years to come. For example, as a result of the Turkish President's visit to Uzbekistan in 2021, it was agreed to implement more than 50 new investment projects worth US\$ 3 billion. Among these projects, there are development projects of metallurgical "Uzmetkombinat" JSC (Turkey's contribution is US\$630 million) and Almalıy Mining and Metallurgical Combine JSC (Turkey's contribution is US\$4 billion) to invest about US\$3 billion for improvement of infrastructures in Uzbekistan such as hospitals, public housing, and shopping centers.

On the other hand, the agricultural sector has been a special sector of Turkish investment in Uzbekistan. Since 2019, US\$401 million have been invested in the 66 agricultural projects in Uzbekistan. The parties hold regular talks on strengthening transport and logistics relations, creating new mutually beneficial logistics routes, and are intensifying the development of the

¹²⁴ Turkish Ministry of Trade, Uzbekistan Country Report, 2022, page 17, https://ticaret.gov.tr/data/5ef20f4213b876b1f88518d8/Özbekistan_2022.pdf

¹²⁵ Turkish Ministry of Trade, Uzbekistan Country Report, 2022, page 18, https://ticaret.gov.tr/data/5ef20f4213b876b1f88518d8/Özbekistan_2022.pdf

¹²⁶ Türkiye, Özbekistan'da en çok şirket kuran ülke oldu, Anadolu Ajansı, 2021.11.11, <https://www.aa.com.tr/tr/dunya/turkiye-ozbekistan-da-en-cok-sirket-kuran-ulke-oldu/2417715>

¹²⁷ В 2021 году Турция инвестировала в экономику Узбекистана \$1,2 млрд, 2022.03.24, <https://fergana.media/news/125541/>

concept for the development of transport and infrastructure of Turkic countries until 2026. Currently, Turkey is actively studying the realization of Navoi-Turkmenbashi-Baku-Tbilisi-Kars railway corridor to connect the railways of Uzbekistan, Turkmenistan, Azerbaijan and Georgia with the transport network of Turkey, similar to the successful railway corridor project in Kazakhstan. The railway corridor will give Uzbekistan access to the Mediterranean Sea through the Mersin port in Turkey.¹²⁸

Major Turkish companies operating in Uzbekistan

No	Name	Operations in Uzbekistan
1	Çalık Holding	The company is carrying out the construction work of the Tashkent thermal power plant project costing US\$110 million. US\$81 million of financing for the project is provided by Japan's JICA, US\$12.7 million by the Government of Uzbekistan, and the remaining US\$15.5 million by Çalık Holding. Çalık Enerji will complete the construction of the 32 MW natural gas plant in 2024. Also, the company has obtained a special license for gold exploration in Uzbekistan and started its exploration activities. ¹²⁹
2	Cengiz Energy	The Turkish company Cengiz Enerji has built a thermal power plant located in the Kibrai district of Tashkent province of Uzbekistan with a budget of US\$150 million and put it into operation in March 2022. Cengiz Enerji also started construction of a 220 MW natural gas power plant in Havas district of Syrdarya province of Uzbekistan. The plant will generate 1.76 billion kWh of electricity per year and the project cost is US\$140 million. ¹³⁰
3	Aksa Energy Kanancı Holding	Aksa Energy, operating in 7 countries with its power plants, has started building power plants in Tashkent, the capital of Uzbekistan and Bukhara. Turkey's Aksa Enerji has planned to build two power plants of 470 MW costing US\$300 million in the Tashkent region of Uzbekistan. These stations can generate 3.9 billion kWh of electricity per year. ¹³¹ Aksa is a Turkish company known for its power and heat generator technology.

¹²⁸ Узбекистан и Турцию свяжет транспортный коридор, Виктория Панфилова, 2022.03.22, https://www.ng.ru/cis/2022-03-29/5_8403_uzbekistan.html

¹²⁹ Turkish companies are building six electricity and heat plants in Uzbekistan, four of which are in operation, one is newly commissioned, and the remaining one is under construction.

¹³⁰ Çalık Grubu, Özbekistan'da termik santral yapacak, Dünya Ajansı, 2021.11.10, <https://www.dunya.com/kose-yazisi/calik-grubu-ozbekistanda-termik-santral-yapacak/639236>

¹³¹ Turkish Aksa Enerji to build \$300mn power plant in Uzbekistan, Uzreport, 2021.04.02 <https://uzreport.news/economy/turkish-aksa-enerji-to-build-300mn-power-plant-in-uzbekistan>

4	Akay İnşaat	Akay, one of the largest construction companies in Turkey, has contracted several large construction projects in Uzbekistan. The company's current project is the construction of an 18,000.0 m ² residential town in Tashkent, Uzbekistan. ¹³²
5	Varnet	In 2018, this company which is a Turkish glass greenhouse company built and put into operation a greenhouse worth 200 million Euros and capable of producing 109,000 tomatoes per year in the Bukhara Economic Free Zone of Uzbekistan. ¹³³
6	Anadolu Group	Anadolu Group, a major Turkish conglomerate, has established Coca-Cola Bottlers Uzbekistan in partnership with Uzbekistan's State Assets Management Agency (UzSAMA). The Turkish side took a 57.11% share and established its dominance in the country's beverage industry.
7	Ekzachibashi	Eczaciasi Holding designs and manufactures all types of plumbing products under the Vitra brand name. ¹³⁴
8	Medicana	Medicana Health Group is one of Turkey's top 500 companies and opened a branch in Uzbekistan. ¹³⁵

Table 5. Major Turkish companies operating in Uzbekistan

Economic relations between Turkey and Tajikistan

Trade: The economic and trade relations between the two countries are not large compared to other Central Asian countries with high economic potential, but the trade volume increased tenfold from US\$29 million in 2001 to US\$323 million in 2021, which is an indicator of success.¹³⁶ In 2020, Turkey's exports to Tajikistan were approximately US\$174 million, which accounted 0.1% of Turkey's total exports, making the country 97th largest export partner for Turkey. As for Tajikistan, its imports from Turkey accounted for 4% of the total imports, making Turkey 6th largest important partner for the country.¹³⁷ In 2020, Turkey imported around US\$149 million of goods from Tajikistan. With this number, Tajikistan is placed at 87th for Turkey, accounting for 0.1% of total imports, and for Tajikistan, Turkey is the 2nd largest exporting partners because it accounts for 15% of total export goods.¹³⁸

Investment: Looking at the investment relations between the two countries between 1994 and 2020, Turkey invested more than US\$600 million in Tajikistan. For economic relations between

¹³² <https://www.ffgroup.az/en/projects/international-projects/akay-city-residential-area/>

¹³³ <https://www.varnetgroup.com/en/project/bukhara-free-economic-zone>

¹³⁴ <https://vitra.uz>

¹³⁵ <https://www.medicana.uz/o-kompanii.html>

¹³⁶ Turkish Ministry of Trade, Tajikistan Country Report, 2022, page 11, https://ticaret.gov.tr/data/5efc74f913b876f898f3c309/Tacikistan_2022.pdf

¹³⁷ Turkish Ministry of Trade, Tajikistan Country Report, 2022, page 16, https://ticaret.gov.tr/data/5efc74f913b876f898f3c309/Tacikistan_2022.pdf

¹³⁸ Turkish Ministry of Trade, Tajikistan Country Report, 2022, page 17, https://ticaret.gov.tr/data/5efc74f913b876f898f3c309/Tacikistan_2022.pdf

Turkey and Tajikistan, agriculture and construction are the most important. About 90 Turkish-invested companies are operating in Tajikistan, mostly in the food and construction industry. Turkish construction companies have been awarded tenders for various projects worth US\$500 million in the country. In addition, the two countries are developing projects in other sectors such as mineral resources, cotton, and aluminum processing in order to focus their economic cooperation on heavy industry.¹³⁹ Turkish companies are also increasingly investing in the retail and industry. The Board of Directors of Istanbul Chamber of Industry (ICI) Erdal Bahçivan noted that Turkey’s investment in healthcare infrastructure and pharmaceutical industry is accelerating the relationship between the two countries. Turkish companies have also have potential to operate in various sectors such as electricity generation, pharmaceuticals, medical devices, food production, packaging, mining, digital economy, and tourism.¹⁴⁰

Major Turkish companies operating in Tajikistan

No	Name	Operations in Tajikistan
1	Oyak İnşaat	The company built and handed over the Kulyab-Kalaikhum highway in Tajikistan in 2005. ¹⁴¹
2	Astek İnşaat	The company built a 5-star hotel in Dushanbe in 2004. ¹⁴²
3	Emek İnşaat	In 2004, the company was awarded the tender for the construction of a water park in Dushanbe with a budget of US\$2.5 million.

Table 6. Major Turkish companies operating in Tajikistan

Economic relations between Turkey and Turkmenistan

Trade: Trade between the two countries grown sharply since 2005, from US\$341 million to US\$1.6 billion in 2021.¹⁴³ In 2021, Turkey spent US\$274 million in trade with Turkmenistan. dollar foreign trade profit. The amount of goods exported by Turkey to Turkmenistan was US\$118 million in 2002, and reached its peak in 2010 at US\$1.8 billion. In 2021, Turkey’s exports to Turkmenistan amounted to US\$985 million, and most of the goods were construction materials and electrical appliances. Turkey is already a major player in the Turkmenistan market. In 2021, Turkmenistan was 148th largest importing partner for Turkey in the world with

¹³⁹ Tacikistan Ankara Büyükelçisi Ashrafjon Gulov: Altın ve sanayide ortak üretim yapabiliriz, Dünya Ajans, 2022.07.13, <https://www.dunya.com/ekonomi/tacikistan-ankara-buyukelcisi-ashrafjon-gulov-altin-ve-sanayide-ortak-uretim-yapabiliriz-haberi-663476>

¹⁴⁰ ISO’dan ‘Tacikistan Ülke Günü, Ticaret Ve Yatırım Fırsatları’ Semineri, 2021.05.22, DB Gümrük Müşavirliği Ltd. Şti. , <https://dbgumrukleme.com/index.php/haberler/298>

¹⁴¹ <https://vecherka.tj/archives/7667>

¹⁴² <https://docplayer.biz.tr/52897707-Tacikistan-ulke-bulteni.html>

¹⁴³ Turkish Ministry of Trade, Turkmenistan Country Report, 2022, page 12, https://ticaret.gov.tr/data/5f05d4d213b8761868766d8d/Turkmenistan_2022.pdf

total imports of US\$4 billion, and the main countries that Turkmenistan purchases goods are Turkey, Russia, Italy, China, and Germany. As for Turkey, it accounts of 26% of the total import of Turkmenistan, making it the largest importing partner for the country.¹⁴⁴ The volume of goods supplied by Turkmenistan to Turkey increased from US\$99 million in 2002 to US\$771 million in 2021. Natural resources and raw materials are mainly exported to the Turkish market from Turkmenistan. In 2021, Turkmenistan was 96th largest importing partner for Turkey with exports worth US\$9 billion. The country's main product destinations are China, Turkey, Uzbekistan, Romania, and Georgia. Turkey is the 2nd largest importing partner for Turkmenistan accounting for 8% of the country's exports.¹⁴⁵

Around 600 Turkish companies are registered in Turkmenistan, and most of them operate as construction contractors and finished construction contracts worth more than US\$50 billion.¹⁴⁶ However, some large Turkish companies have invested in Turkmenistan in particularly strategically important sectors such as energy, banking and chemical production.

Major Turkish companies operating in Turkmenistan

№	Name	Operations in Turkmenistan
1	Polimeks	In 2013, Polimeks, Turkey's largest construction company, was awarded the tender to build the Ashgabat airport in Turkmenistan at a cost of US\$2.253 billion. The project became the largest project contracted by Turkish construction companies abroad. The size of the airport is approximately 350,000 square meters, including administrative and technical support facilities.
2	Çalık Group's subsidiary, Gap Insaat	Gap Insaat, a subsidiary of ÇalıkGroup, one of Turkey's largest group companies, was selected as the prime contractor for the reconstruction and modernization of the Turkmenbashi port on the Caspian Sea coast, and successfully completed the project in 2017. The project is a Caspian port development project, so it is of high strategic importance. The project has allowed Turkmenistan to increase its energy and textile exports to Europe via Azerbaijan and Turkey, as well as help Turkey become an economic hub between the Asian and European markets. In addition, Gap Insaat formed a consortium with Japan's Mitsubishi Corporation to undertake the implementation of the CH ₄ N ₂ O Carbamide Mineral Plant project in 2014.

¹⁴⁴ Turkish Ministry of Trade, Turkmenistan Country Report, 2022, page 17, https://ticaret.gov.tr/data/5f05d4d213b8761868766d8d/Turkmenistan_2022.pdf

¹⁴⁵ Turkish Ministry of Trade, Turkmenistan Country Report, 2022, page 18, https://ticaret.gov.tr/data/5f05d4d213b8761868766d8d/Turkmenistan_2022.pdf

¹⁴⁶ <https://www.mfa.gov.tr/economic-relations-between-turkey-and-turkmenistan.en.mfa>

3	Ziraat Bankası	In accordance to the memorandum signed between the governments of the two countries on May 2, 1992, the Turkmen-Turkish Joint Stock commercial bank is a closed joint stock company with an equal stake of 50% of “Agrosenagatbank” from the Turkmen part (at present State Commercial bank “Daykhanbank”) and T.R. Ziraat Banky A.S from the Turkish part, was established with the same amount of shares. As of 2020, the total amount of loans issued by the bank exceeded US\$1 billion. The bank has introduced some good practices of foreign digital banking to the relatively closed economy of Turkmenistan. ¹⁴⁷
4	Rönesans Holding	The company is actively involved in the development of Turkmenistan’s chemical industry and natural gas processing in cooperation with Japanese companies. Currently, the Turkish-Japanese consortium is implementing a project to build a new facility with a capacity to produce 500,000 tons of sulfuric acid per year and a gasoline production plant in the chemical plant of Turkmenabad, Lebap region.
5	Calik Holding	The company implemented the project to modernize Ashgabat’s energy supply system and build a large power plant in Lebap and Mary on the border with Afghanistan. Turkmenistan’s electricity supply to Afghanistan has increased fivefold following the implementation of new natural gas turbine power plant projects in Lebap and Mary regions under the project.
6	Cotam Enterprises	Turkey Cotam Enterprises Ltd. In 2018, the company signed an agreement with the Ministry of Textile Industry of Turkmenistan to establish a new textile complex in the country. The annual capacity of the factory is 3,650 tons of cotton yarn, 12 million square meters of high-quality sewing fabric, including 10 million square meters of dyed fabric, and 1.2 million pieces of ready-made clothing. ¹⁴⁸

Table 7. Major Turkish companies operating in Turkmenistan

Among the aforementioned projects, the modernization of Turkmenbashi port was strategically important for Turkey, and thanks to the project, Turkmenistan was connected to Turkey by a railway line connecting the cities of Baku, Tbilisi and Kars, as well as Kazakhstan, connecting the two shores of the Caspian Sea. Turkey seeks to increase their energy imports from Turkmenistan via this route. In general, for Turkey, which depends on the foreign market for energy, the energy sector of Turkmenistan has always been the center of attention. In this sense,

¹⁴⁷ Туркмено-Турецкий Коммерческий Банк – Ваш Надежный Партнер, News Central Asia, 2021.03.15, <http://www.newscentralasia.net/2021/03/15/turkmen-turkish-commercial-bank-your-reliable-partner-ru/>

¹⁴⁸ Cotam Enterprises to build new textile complex in Turkmenistan, YarnsandFibers News Bureau, 2018.02.23, <https://www.yarnsandfibers.com/news/textile-news/cotam-enterprises-to-build-new-textile-complex-in-turkmenistan/>

it is needed to strengthen cooperation in the energy sector based on infrastructure that meets the interests of both sides. In this strategy, the Trans-Anatolian Natural Gas Pipeline Project (TANAP) is the most important project which is being discussed between the two governments. It is in Ankara's interest to include Turkmenistan in the Trans-Anatolian Natural Gas Pipeline (TANAP)¹⁴⁹ project, which was launched in 2014 to transport 16 billion cubic meters of Azerbaijan's natural gas to Europe via Turkey.

As a result of Turkish diplomatic efforts and tripartite talks with Turkmenistan and Azerbaijan, in November 2014, Turkmenistan signed a general contract with Turkey for the supply of natural gas through TANAP. On May 1, 2015, during the meeting of energy ministers of Azerbaijan, Turkey, Turkmenistan and the EU in Ashgabat, the parties signed the "Ashgabat Declaration" aimed at developing cooperation in the energy sector. Unfortunately, despite all these efforts, Turkmenistan's gas has not yet transported to Turkey through the TANAP pipeline. In order to advance the project, the Ministry of Energy and Natural Resources of Turkey, the Turkish Energy Company BOTAŞ, and the state-owned natural gas producer Turkmengaz are holding negotiations.¹⁵⁰



Figure 13: The route for the export of Turkmenistan's energy to Turkey, which is under negotiation

Source: <http://avim.org.tr/en/bulten/is-the-trans-caspian-gas-pipeline-really-important-for-europe>

Turkey is interested in involving its state-owned companies in the joint Turkmen-Azerbaijani Dostlyuk field gas and oil project in the Caspian Sea. If Turkmenistan's natural gas goes

¹⁴⁹ TANAP-ыг Азербайжаны төрийн өмчит SOCAR компани ажиллуулдаг. Туркийн дамжуулах хоолойн оператор BOTAŞ 30%-ийг эзэмшдэг бол ВР 2015 оны 3-р сарын 13-нд төслийн 12%-ийг худалдаж авсан.

¹⁵⁰ Turkey Proposes to Transport Turkmen Gas to Anatolia Via TANAP, Business, 2022.07.01, <https://business.com.tm/post/8831/turkey-proposes-to-transport-turkmen-gas-to-anatolia-via-tanap>

through TANAP, it is estimated that 31 billion cubic meters of natural gas will be delivered through the pipeline in 2026 and 60 billion cubic meters in 2030.¹⁵¹

Economic relations between Turkey and Kyrgyzstan

Trade: For economic and trade relations between the two countries, the export volume of Turkey has increased dramatically over the years, resulting in favorable trade balance for Kyrgyzstan. Total exports of Turkey increased from US\$17 million in 2001 to US\$749 million in 2021, and the Turkey's trade deficit with the country amounted US\$663 million.¹⁵² The majority of goods provided by Turkey are finished products of light industry, with jewelry accounting for the largest share. In 2021, Kyrgyzstan was 127th importing partner for Turkey importing goods worth US\$6 billion. The country's main import markets are Russia, China, Kazakhstan, Turkey, and Uzbekistan. Turkey is 5th largest importing partner for Kyrgyzstan, accounting for 5.8% of the country's total exports.¹⁵³

Due to the lack of natural resources, Kyrgyzstan is at a disadvantage in trade with Turkey compared to other Central Asian countries. In 2001, Kyrgyzstan's exports equaled US\$6 million, while it amounted US\$86 million in 2021, which is an indication of success. However, it is the leader in the region in terms of trade deficit which is unfavorable for Turkey. The majority of Kyrgyzstan's goods exported to Turkey are raw materials, of which cotton accounts for 38.7%. In 2021, Kyrgyzstan was 141st largest exporting partner for Turkey by exporting goods worth approximately US\$2 billion. The main markets for exports of Kyrgyzstan are the UK, Kazakhstan, Russia, Uzbekistan and Turkey. Turkey is 5th largest exporting partner for Kyrgyzstan, accounting for 5.5% of the country's total exports.¹⁵⁴

There are around 300 Turkish companies operating in Kyrgyzstan, mostly in construction, transportation, and trade, while many Turkish companies are interested in textile, agriculture, logistics, and energy. Turkey is currently the second largest investor in Kyrgyzstan after China. Turkish investment in Kyrgyzstan has tripled in recent years and reached US\$80 million.

¹⁵¹ Aliyev, Erdogan Sign Inter-Governmental Agreement on Trans-Anatolia Gas Pipeline to Europe Socor, Vladimir, Eurasia Daily Monitor, 2012.06.27

¹⁵² Ministry of Trade of Turkey, Kyrgyzstan Country Report, 2022, page 12, https://ticaret.gov.tr/data/5ed8e6c613b876d8ec73d58f/Kirgizistan_2022.pdf

¹⁵³ https://www.trademap.org/Bilateral_TS.aspx?nvpm=1%7c792%7c%7c417%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c2%7c2%7c1%7c1%7c1%7c1%7c1

¹⁵⁴ https://www.trademap.org/Bilateral_TS.aspx?nvpm=1%7c792%7c%7c417%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c1%7c2%7c1%7c1%7c1%7c1%7c1

Major Turkish companies operating in Kyrgyzstan

No	Name	Operations in Kyrgyzstan
1	Anadolu Group	Anadolu Group opened Coca Cola Bishkek Bottler beverage and water factory in Kyrgyzstan and is now one of the top 100 tax payers in Kyrgyzstan. ¹⁵⁵
2	PınaraHotel	This Turkish-invested hotel is the most luxurious in Kyrgyzstan in a 15 storey building with 140 rooms, located close to the city center and 38 km from the airport. The station was financed by the Export-Import Bank. ¹⁵⁶
3	Turkuaz Group Kardar Trade	The company opened a number of warehouses, trade centers and representative offices in Kyrgyzstan and created a network of sales of various household and construction materials from Turkey. ¹⁵⁷
4	Ata Mobilya	The Turkish luxury and consumer furniture company opened a branch in Kyrgyzstan and became the largest distributor in the market. ¹⁵⁸
5	Beta İnşaat	The company built and operates a large shopping center “Beta” in Bishkek. It is also involved in various construction contracts. ¹⁵⁹
6	Entes İnşaat	It built a 128 km of the highway connecting the capital Bishkek and the country’s second largest city, Osh. Funding was provided by the Japan Bank for International Cooperation (JBIC). ¹⁶⁰
7	Demir-Kırgız International Bank	In 1997, Turkey’s DemirBank opened Demir-Kırgız International Bank, the first international bank in Kyrgyzstan, in cooperation with the International Finance Corporation and the EDB. Demirbank of Turkey owns 51% of its shares while a legal entity of Kyrgyzstan holds 9%. ¹⁶¹

Table 8. Major Turkish companies operating in Kyrgyzstan

¹⁵⁵ Kırgızistan'da 8 Türk şirketi vergi listesinde, Hürriyet, 2004.01.29, <https://www.hurriyet.com.tr/ekonomi/bodruma-dev-krvaziyer-gemileri-yanasti-42132905>

¹⁵⁶ <http://www.good-hotels-guide.com/asia/kyrgyzstan/pinare-bishkek.htm>

¹⁵⁷ <https://www.cmdteknoloji.com/turkuaz/>

¹⁵⁸ <http://www.imparatormobilya.com.tr/sube-7-kirgizistan-biskek/>

¹⁵⁹ Altın Köprü Dergisiyle Yeni Bir Dönemin Yepyeni Haberlerini Okuyacaksınız, Kabar, 2018.07.05, <http://tr.kabar.kg/news/alt-n-kopru-dergisiyle-yeni-bir-donemin-yepyeni-haberlerini-okuyacaks-n-z/>

¹⁶⁰ <http://entes.com/tr/biskek-osh-yolu-rehabilitasyonu---kontrat-2-128-km-p109.html>

¹⁶¹ Kırgızistan'a Türk sermayeli uluslararası banka, Milliyet, 1997.05.31, <https://www.milliyet.com.tr/ekonomi/kirgizistana-turk-sermayeli-uluslararasi-banka-5382340>

6. JAPAN'S GEOECONOMIC POLICY, ACTIVITIES AND MEASURES IN THE CENTRAL ASIAN REGION

Although the Central Asian region seems geographically "far away" from Japan, it is an important base for foreign policy and economic cooperation.

Overview of Japan's geoeconomic policy toward Central Asia

In the 1990s, Japan implemented the "Silk Road Foreign Policy" in Central Asia, and Japan's "official development assistance" (ODA) took a greater position in Central Asian cooperation. However, after the terrorist attack of September 11, 2001, Japan's foreign policy changed fundamentally, shifting from the "Silk Road Foreign Policy" to the "Central Asia + Japan" policy. In 2004, the Japanese government created the "Central Asia + Japan" dialog mechanism and set goals such as promoting trade and investment, stabilizing the situation in Afghanistan, preventing disasters, and strengthening women's capabilities. In general, Japan is interested in developing relations with Central Asian countries for the following reasons such as:

- **Do not neglect developing countries.** A 2003 report by the Japan Institute of International Relations noted the need to prevent countries in the Central Asian region from becoming hotbeds of terrorist organizations.¹⁶² It also warned that countries in the region should not become bases for the illegal arms trade and should not cause chaos and conflict in society, while the government should strictly control the cultivation and trafficking of drugs.
- **Strengthening democracy.** Central Asian countries are viewed as authoritarian or dictatorial regimes by Japanese politicians and the public, who condemn them as a major factor in the rise of Islamic extremists. There is also a suspicion that these countries are "giving a name to Islamic extremists" in order to avoid repression at home. Therefore, to ensure social stability, it is important for Japan to participate in the process of strengthening democracy.
- **To spread knowledge about the free market economy.** Economic development is believed to play an extremely important role in ensuring the stability of domestic society in Central Asian countries. Japan is eager to share the knowledge of free market economy with these countries. In other words, it is necessary to make the leaders of Central Asian countries understand that the economic policies implemented during the existence of a dictatorial political regime, however, successful in the short term will not bring positive results in the long term. It is also said that this will help solve problems such as transportation and energy

¹⁶² https://www2.jiia.or.jp/pdf/russia_centre/h14_c-asia/03_kasai.pdf

networks, infrastructure, distribution of water resources and environmental protection throughout the Central Asian region.

In July 2011, the "Japan-Central Asia Economic Conference" was organized under the auspices of the Japanese Ministry of Foreign Affairs to develop economic relations between Japan and Central Asian countries. At the conference, the parties discussed ways to develop the economy in the Central Asian region, as well as wide-ranging discussions on how to make the region a common market attractive to foreign investors and the activities of Japanese companies. Specifically, the parties discussed issues such as improving infrastructure, which is the foundation of economic activities in the Central Asian region, nuclear energy cooperation, and support for oil and gas production. They also discussed the Japan Bank for International Cooperation (JBIC), the Japan International Cooperation Agency (JICA), Nippon Export and Investment Insurance (NEXI), and the Japan External Trade Organization (JETRO). The Japanese side also emphasized the possibility of using official development assistance (ODA) to contribute to the economic development of the Central Asian region by developing energy transportation corridors with the Central Asian Regional Economic Cooperation (CAREC). As a result, Central Asian countries expressed a desire to increase Japanese investment, promote people-to-people exchanges, and attract Japanese tourists because the region has rich tourism resources.

Four years later after the conference, in October 2015, former Japanese Prime Minister Shinzo Abe paid an official visit to the Central Asian countries, which made the country's policy toward this region even clearer. In his speech, he emphasized that he would stick to the following 3 main directions regarding Central Asia. These include:¹⁶³

1. Relations with the countries of Central Asia are to be fundamentally strengthened. Within this policy, the main focus will be on industrial reform and human resources. In particular, it is important to diversify the production of high value-added products and create the appropriate infrastructure. For example, in 2014, a Toyota factory was put into operation in Kazakhstan, where young Kazakh engineers produce cars with the high technology of Japanese automobiles. The use of natural gas as vehicle fuel is also being introduced in Turkmenistan with the help of Japanese GTL (gas to liquid) technology. As for the promotion of human resources, the Japanese government has received a total of 8,723

¹⁶³ https://www.mofa.go.jp/mofaj/erp/ca_c/kz/page1_000148.html

interns from Central Asian countries over the past 24 years, and a total of 2,299 experts from Japan have worked in and advised each country.

2. Japan will work harder to solve common problems in the Central Asian region. Since 2004, Japan has been conducting the "Central Asia + Japan" dialog, the main objective is to solve common problems in the region. Within the framework of this dialog the issue of cooperation in the agricultural sector is addressed. In this context, for example, locust migration in Tajikistan has a negative impact on crops and causes significant damage, and in this relation, Japan has announced to support in combating it. Moreover, the term "Made in Japan" should not be limited to cars and TV and electronics, but also to provide safe agricultural products. In addition, Japan will focus on transportation and logistics issues necessary for the development of the Central Asian region. In particular, Japan's modern technical and technological experience and know-how can be applied in the railroad sector of Kazakhstan and other Central Asian countries. In addition, Kazakhstan is interested in building an international aid organization, so cooperation in this regard is possible and Japan's JICA organization has extensive experience.
3. Relations between Japan and Central Asian countries will deepen on the international stage. In particular, Kazakhstan, like Japan, faces the challenges of nuclear disarmament and nonproliferation in human history. In this context, the two countries will cooperate in the implementation of the Comprehensive Nuclear-Test-Ban Treaty (CTBT). Japan will also support the International Science and Technology Center at Nazarbayev College, which promotes nuclear nonproliferation.

As part of Shinzo Abe's visit, the Japan External Trade Organization (JETRO) held business meetings between Japan and Turkmenistan, Uzbekistan and Kazakhstan.¹⁶⁴ These include:

- **The Japan-Turkmenistan Business Forum** was held on October 23, 2015. Turkmenistan is interested in an export of natural resources, the production of value-added products and aims to build a high-quality infrastructure. Therefore, Japan is interested to play some role in this process.
- **The Japan-Uzbekistan Economic Forum** was held on October 25, 2015. At a time when Uzbekistan is implementing policies to support industrial diversification, it concluded that there is an opportunity to cooperate with Japanese companies in the bus and truck production, fertilizer industry, information and communications sectors.

¹⁶⁴ https://www.jetro.go.jp/jetro/topics/2015/1510_topics5.html

- **The Japan-Kazakhstan Business Forum** was held on October 27, 2015. The Japan External Trade Organization (JETRO) signed a cooperation agreement with Kaznexinvest to support trade and investment in Kazakhstan.

Although certain cooperation proposals and initiatives have been discussed in the above bilateral economic forums, the overall trade volume between Japan and Central Asian countries is extremely low. According to 2014 statistics, trade with Kazakhstan amounted to 150 billion-yen, 0.09% of Japan's foreign trade, and trade with Uzbekistan amounted to 20.7 billion-yen, 0.01%.¹⁶⁵ As of October 2014, 43 Japanese companies had representative offices in Kazakhstan, most of which are involved in consumer goods, finance, and logistics. Kazakhstan is geographically 7 times larger than Japan, so there are logistical difficulties (high transportation costs, etc.).

In sum, logistical issues are most urgent in the development of trade and economic relations with the Central Asian countries, which lie in the depths of the Eurasian continent. Therefore, on the other hand, this issue is considered an important business area. Uzbekistan, for example, is a landlocked country. Therefore, the goods delivered by Japan are mostly transported by Trans-Siberian Railway through the ports in the Far East of Russia. They are also transported by rail through the port of Lianyungang in China. In addition, Japanese businessmen face difficulties such as the fact that the currency of Central Asian countries is not widely used in transactions, the demand for containers is one-sided due to the lack of goods, and thus transportation costs increase. These problems can be managed, but the temperature fluctuations and shocks caused by long-distance transportation, thefts in transit countries, customs bureaucracy, etc. are still waiting for a solution.

Economic cooperation between Japan and Central Asia

If we look at bilateral trade between Japan and Central Asian countries individually, the following picture emerges. Compared to the Central Asian countries, most of the major Japanese companies are engaged in more diverse sectors than Kazakhstan. The sectors invested for the participation in consortiums are the oil and chemical industries, the manufacture of construction machinery, household appliances, etc.

a. Trade and economic relations between Japan and Kazakhstan

¹⁶⁵ <https://www.jetro.go.jp/biznews/2016/01/3cff8a4cf0644923.html>

In 2002, the parties issued a "Joint Declaration on Friendship, Partnership and Cooperation between the Two Countries". Based on the document "Kazakhstan's Development Strategy to 2010," the parties identified the following three main areas of economic cooperation to be supported by Japan in Kazakhstan's economic and social development. These include: 1) development of the market economy system and development of human resources, 2) development of economic and social infrastructure, 3) reduction of social problems caused by system change and environmental problems.¹⁶⁶

In August 2006, former Japanese Prime Minister Koizumi Junichiro paid an official visit to the country. During the visit, both sides expressed their willingness to expand cooperation in the fields of energy, road transport, science, technology, information and communication, and finance. In addition, bilateral negotiations on Kazakhstan's accession to the WTO were concluded in November 2005. Subsequently, the parties signed agreements with Japanese private companies, including Japan National Oil, Gas and Metals Corporation (JOGMEC), Japan Bank for International Cooperation (JBIC), and cooperation with organizations such as "Nippon Export and Investment Insurance" (NEXI) in the field of oil and uranium exploration and processing. In addition, progress has been made on the Kashagan oil field development project involving Japanese companies, and they announced plans to cooperate in the exploration and development of oil, uranium and other natural resources in the country. As part of this cooperation, the Japanese government has expressed its support for the training and professional development of Kazakh oil industry experts in Japan. The Japanese company "Inpex" owns 7.56% of the "Kashagan" share and this company ranked in the "Forbes Global 2000" 2022 list of the world's largest companies as the company rank 1102nd in revenue, 564th in net profit, 810th in capital and 810th in market capitalization.¹⁶⁷

In addition, the two sides agreed to work on strategic prospects for cooperation in the nuclear energy sector, including the further processing of uranium and the production of nuclear fuel that will eventually be placed on the Japanese market. At the same time, a memorandum on the use of nuclear energy for peaceful purposes was signed.

In connection with the implementation of the "Strategy for the Development of Industry and Innovation," the Kazakh side is interested in attracting direct investment in modern advanced

¹⁶⁶ https://www.mofa.go.jp/mofaj/area/kazakhstan/k_kyodo.html

¹⁶⁷ Forbes, 2022

technologies in the oil, chemical and machine-building, electronics, metallurgy, and agricultural sectors.

In the frame of cooperation, there were certain changes in trade and economic relations among the two sides. For example, bilateral trade in 2018 increased by 17% compared to the previous year, and in the same year Kazakhstan's trade with Asian countries increased by 34.9% in one year. However, Japan's share of sales decreased from 1.8 to 1.7%. Yet, the increase in exports has ensured growth of trade, and the volume of exports to Japan has increased by 58.6% within a year. It accounts for 1.8% of Kazakhstan's total exports.¹⁶⁸ In November 2018, the total volume of bilateral trade with Japan amounted to US\$1.7 billion, exports from Kazakhstan amounted to US\$1.3 billion, and imports from Japan amounted to US\$447 million.

The total amount of foreign direct investment from Japan into the Kazakh economy over the last 10 years has reached US\$6.3 billion, and Japan is included in the TOP-10 list of foreign investors in Kazakhstan. The main investment sectors are energy, rare metals, manufacturing, etc. In 2019, there are about 75 Japanese companies operating in Kazakhstan. In recent years, companies such as Toyota Motors, Marubeni Corporation, Suzuki Motors, NEC Corporation, JGC Corporation, Tokyo Rope and NYK Line have successfully worked in Kazakhstan.¹⁶⁹

In sum, Kazakhstan's exports to Japan are three times larger in bilateral trade, especially in terms of export volume, while Japan is on the TOP-10 list of foreign investments.

b. Trade and economic relations between Japan and Uzbekistan

The main event that boosted trade and economic relations between Japan and Uzbekistan was the official visit of former Japanese Prime Minister Shinzo Abe to the country in 2015. Earlier, in February 2011, Uzbek President Islam Karimov visited Japan and expressed his readiness for comprehensive cooperation in the political, economic, cultural and humanitarian fields between the two countries. In addition, the two sides signed the "Joint Declaration on Friendship, Strategic Partnership and Cooperation" in July 2002.¹⁷⁰

The percentage of Japanese grants to Uzbekistan amounted to US\$61 million in 2014, US\$154 million in 2015, US\$272 million in 2017, and US\$217 million in 2018.¹⁷¹ Specific projects were also implemented, such as the Tarimarjan Thermal Power Plant Modernization Project in 2010, the Navoi Thermal Power Plant Expansion Project in 2013, the Tulakurgan Thermal

¹⁶⁸ <https://kapital.kz/business/67333/kazakhstan-usilil-eksportnuyu-ekspansiyu-v-yaponiyu.html>

¹⁶⁹ https://forbes.kz/news/2019/01/26/newsid_191571?

¹⁷⁰ https://www.uz.emb-japan.go.jp/www/downloads/seimei_jp.pdf

¹⁷¹ <https://www.mofa.go.jp/mofaj/area/uzbekistan/data.html>

Power Plant Construction Project in 2014, and the Energy Sector Improvement Project in 2015 due to improve Uzbekistan's energy sector. The yen loan was allocated for the capacity building project and for the project on construction of integrated infrastructure of the Tashkent city thermal power plant. In addition, managers of the Uzbek energy sector were invited to Japan and participated in the "Electricity Company Management Level Training".¹⁷²

Considering bilateral trade, in 2021, Japan's exports amounted to 20.28 billion yen and consisted mainly of automobiles, tires, and rubber products. Imports amounted to 1.69 billion yen and consisted mainly of products such as fertilizers, fruits, vegetables, aluminum, and alloys. The volume of exports from Japan to Uzbekistan is much higher than imports.

Uzbekistan is richer in natural gas than in oil. The country's oil production is also declining, and most of it is for domestic consumption. However, this exacerbation influences domestic supply. According to some researchers, the country may become an importer rather than an exporter of oil in the near future.

Therefore, an important source of foreign exchange earnings is the export of natural gas, which in recent years has been supplied mainly to China. On the other hand, due to the decline in oil and coal production, the supply of domestic energy (heating) is largely dependent on natural gas.

As for Japanese investments in Uzbekistan, for example, Isuzu Motors Limited's medium-sized bus and truck assembly plant in Samarkand is operating successfully. Most Japanese companies not only invest their own capital, but also raise funds from the Asian Development Bank and the World Bank. However, compared to other Central Asian countries, Uzbek-Japanese relations are dominated by government grants and investments in infrastructure are weak compared to Japanese investments to Kazakhstan, which also has the highest GDP per capita.

c. Trade and economic relations between Japan and Turkmenistan

Loans and aid provided by Japan make up a large part of the relations between the two countries. According to the website of the Ministry of Foreign Affairs of Japan, cumulative credit assistance through fiscal year 2019 amounts to 4.5 trillion yen, grants to 643 million yen, and technical cooperation to 1.297 billion yen.

According to the Japanese Ministry of Finance's 2020 trade statistics, the volume of trade between the two countries, including exports from Japan, amounted to 12.351 billion yen,

¹⁷² <https://www2.deloitte.com/jp/ja/pages/public-sector/articles/gv/business-environment-uzbekistan02.html>

mainly involving machinery and machinery products such as cars and generators. However, imports were lower, 83 million yen, and the main product is ready-made garments.

In terms of Turkmenistan's foreign trade, the country has maintained closer relations with Turkey since the declaration of independence and has established trade and economic ties with China since the natural gas pipeline became operational in 2009. Specifically, China accounts for 69.7% of the country's total exports and Turkey for 4.6%, while conversely Turkey leads in import volume with 25.1%, followed by Russia with 13% and China with 10.7%.¹⁷³

However, in recent years, Turkmenistan, as a neutral country, has tried to diversify its trade partners. It is particularly interested in developing trade and investment cooperation with Asian countries such as South Korea and Japan. However, the country's foreign trade and logistics situation has become difficult due to the COVID-19 pandemic. From June 1, 2022, the country will allow foreign cargo to pass through its territory. Indeed, since April 2020, the transportation of foreign cargo was completely banned.

d. Trade and economic relations between Japan and Tajikistan

The Japanese Foreign Ministry website describes the country as "economically dependent on Russia due to the number of citizens migrating to Russia and the presence of Russian forces in the country." In addition, the country has deepened its relations with China, received large loans, and joined the China-initiated Asian Infrastructure Investment Bank (AIIB). The country is also believed to be in a position to influence stability in the region due to its border with Afghanistan.

As for economic relations between the two countries, Japan does not currently provide credit assistance to Tajikistan. The cumulative amount of grants through fiscal year 2019 is 39,563 billion yen, while technical cooperation is 9,016 billion yen. During visit of Japanese Deputy Foreign Minister Takemi to Tajikistan in August 1998, he announced that he would host interns who would contribute to the country's peace and democracy.

Looking at the trade balance between the two countries, Japan's exports to Tajikistan in 2021 amounted to 275 billion yen, mainly automobiles and machinery and goods worth 220 million yen were imported from Tajikistan.

¹⁷³ <https://www.jftc.jp/monthly/overseas/entry-16.html>

In December 2006, the Japanese government sent a representative to Tajikistan with the aim of expanding public-private cooperation. In April 2017, the first meeting of the intergovernmental working group on economic, technical and scientific cooperation was held.

e. Trade and economic relations between Japan and Kyrgyzstan

Shortly after the establishment of diplomatic relations in January 1992, the Japan Development Center was founded in Bishkek in May 1995. In 2018, the assistance provided by Japan amounts to 37.6 billion yen in loans, 30,076 billion yen in grants, and 17,899 billion yen in technical cooperation.

Kyrgyzstan is not only rich in tourist resources, but also has a very suitable climate for agriculture and animal husbandry. Therefore, Japanese companies are interested in investing in the country. The bilateral trade balance shows that exports from Japan reached 2,230 billion yen in 2019, while imports amounted to only 58 million yen, which is a favorable indicator for Japan. In terms of products, machinery and mechanisms account for the majority of exports from Japan, while imported products include saccharides, honey, vegetable, raw materials, etc.

7. EUROPEAN UNION'S GEOECONOMIC POLICY, ACTIVITIES AND MEASURES IN CENTRAL ASIA

The European Union's Policy Towards Central Asia

a. TACIS Program /1991-2006/

The TACIS (Technical Assistance for the Central Independent States) program¹⁷⁴ was implemented for 12 countries in Eastern Europe and Central Asia that were newly formed when the Soviet Union was established, as well as Mongolia, which was part of the communist bloc, for a total of 13 countries. The European Commission published the first policy document, *"Towards a European Union Strategy for Relations with the Independent States of Central Asia,"*¹⁷⁵ to provide the legal basis for implementing the TACIS program. The TACIS program includes numerous technical assistance packages and components. It was designed to support the transition of the target countries to market economies through the creation of a new political system and to help them solve many of the problems that remain after the collapse of the Soviet Union.

The TACIS program developed strategies tailored to the specifics of each target country and targeted assistance to the most needed sectors of the economy and society. For example, looking at the projects categories by sector: Safety in the nuclear industry (reducing the consequences of the Chernobyl nuclear accident), 20% for environmental protection, 14% for preparation for privatization of state-owned enterprises, 15% for administrative reform, social security, reform of the education system, 8% in the food and agriculture sector, 9% in the energy sector, 7% in the transport sector, 1% in the telecommunications sector, 6% for consulting services and small projects, 6% for support for social democracy, and 14% for the service costs of the TACIS program. The total amount of assistance provided under the TACIS program from 1991 to 2006 was 7.3 billion euros, and the countries to which the assistance was allocated were: Russia 53%, Ukraine 19.2%, Kazakhstan 4.7%, Uzbekistan 4.3%, Azerbaijan 3.6%, Georgia 2.7%, Moldova 2.6%, Armenia 2.5%, Belarus 2.3%, Kyrgyzstan 2.1%, Turkmenistan 1.7%, Mongolia 1.2% and Tajikistan 0.3%. During the 16 years of implementation of the TACIS program, the European Union has succeeded in establishing itself as a reliable partner and trusted neighbor in Central Asia. Moreover, the European Union has been able to get to know the countries of

¹⁷⁴[https://ideas.repec.org/a/eko/ekoeko/12_146.html#:~:text=The%20TACIS%20\(Technical%20Assistance%20for,%2C%20Russia%2C%20Tadjikistan%2C%20Turkmenistan%2C](https://ideas.repec.org/a/eko/ekoeko/12_146.html#:~:text=The%20TACIS%20(Technical%20Assistance%20for,%2C%20Russia%2C%20Tadjikistan%2C%20Turkmenistan%2C)

¹⁷⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:51995DC0206&from=RO>

Central Asia, study political systems, tribal characteristics and cultural differences, understand the subtle issues of ethnicity, and create useful information and databases for future policy.

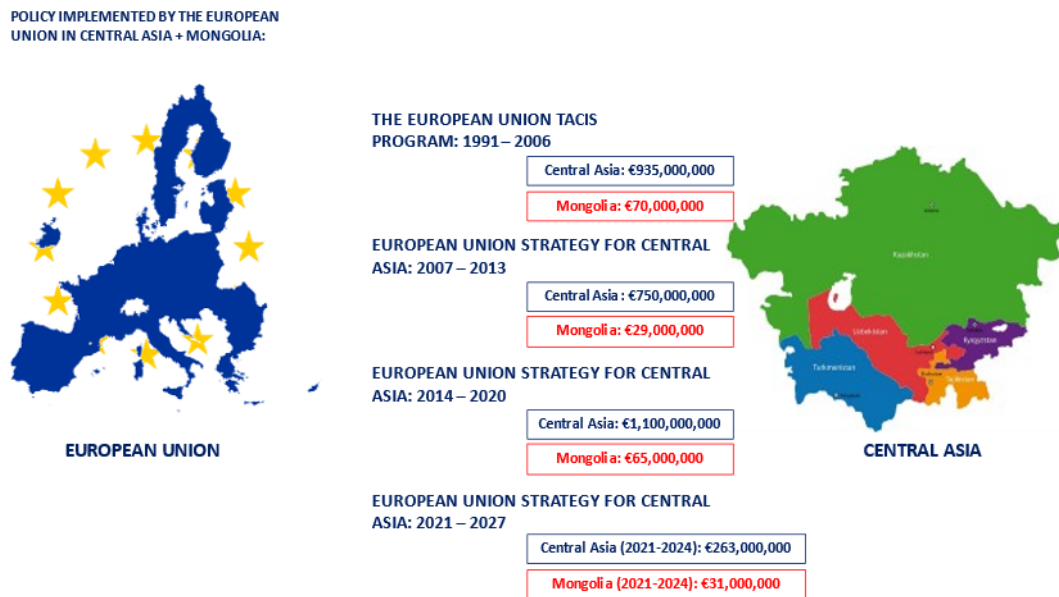


Figure 14: The total budget of official development assistance, projects and programs implemented by the European Union in the Central Asian countries and Mongolia in the period 1991-2022. Source: European Commission.¹⁷⁶

b. European Union Strategy for Central Asia /2007-2013/

In 2007, the European Union published its first strategic document for partnership with the countries of Central Asia.¹⁷⁷ In the first strategic orientation, the basis of the European Union's policy in the Central Asian countries is the development of cooperation in the areas of good governance, rule of law, human rights, democracy and education. In the Strategic Guidelines of 2007, the importance of developing Central Asian energy sources and resources to their fullest extent, as well as the importance of connecting the region's hydrocarbon resources to the European market was formulated by European decision-makers as an important orientation within the framework of the policy of "diversification of energy import sources". In this context, the European Union has decided to support policy preparations such as improving governance in Central Asian countries, creating a favorable investment environment and training their

¹⁷⁶ https://ec.europa.eu/info/strategy/eu-budget/long-term-eu-budget/2021-2027/documents_en

¹⁷⁷

<https://data.consilium.europa.eu/doc/document/ST%2010113%202007%20INIT/EN/pdf#:~:text=This%20EU%20Strategy%20for%20Central,among%20them%20on%20regional%20issues.>

human resources. The European Union will allocate 70% of its support to Central Asia in bilateral relations and 30% to regional projects.

In the strategic document, the European Union announced its policy to support the development of trade and economic partnerships with the Central Asian region and the development of its energy and transport sectors as follows;

Trade and economic partnership and cooperation;

- *Provide technical assistance and policy support to Central Asian countries to qualify for World Trade Organization membership and promote economic diversification and competitiveness. The European Union will support the development of microfinance, tourism, science, innovation, small and medium-sized industry, and infrastructure projects.*
- *Support financial system reform in the Central Asian region, banking reform and revision of laws and regulations, and help international banks open doors to Central Asian countries.*
- *Support the introduction of goods from Central Asian countries into the European Union market (GSP, GSP+) and provide technical advice and assistance in creating a customs trade system that meets World Customs Organization standards.*
- *Development and full use of energy and infrastructure potential of Central Asian countries, implementation of Baku's initiative¹⁷⁸ to connect to the European market (INOGATE - Interstate Oil and Gas Transportation to Europe program 1996 - 2016¹⁷⁹) and TRACECA program (Transport Corridor Europe-Caucasus-Asia¹⁸⁰). In the future, this passage in the Central Asian region will become a land bridge from Europe to East Asia and South Asia.*
- *The European Union will contribute to the development of a market economy in the region by supporting European companies and enterprises to participate in public-private projects in the Central Asian region.*

Cooperation in energy, infrastructure and transport;

- *The European Union will support and participate in the exploration of oil and gas, the discovery of new resources, and the development of new hydropower resources in the Central Asian region.*

¹⁷⁸ <https://web.archive.org/web/20070927081028/http://www.inogate.org/en/news/16-july-2006-results-of-the-2nd-meeting-of-the-working-groups-in-2006-on-the-2018baku-initiative2019/?searchterm=Baku%20Initiative>

¹⁷⁹ <http://www.inogate.org/>

¹⁸⁰ <http://www.traceca-org.org/en/home/>

- *The European Union will provide political and other support for the development of energy transport corridors in the direction of Central Asia - Caspian Sea - Black Sea - European Union.*
- *In accordance with the principles of the European Union's internal energy market system and taking into account the specifics of individual Central Asian countries, accompany and support the development of the energy sector at the regional level and invest in projects*
- *Develop a mutually beneficial partnership between the European Union and Central Asian countries in the field of energy security and intensify and expand technological cooperation by helping them solve their problems in the areas of energy import, export, transit and diversification of supply and demand. The European Union will support the implementation of a sustainable energy policy by increasing the efficiency of the energy sector, increasing the share of renewable energy and improving the management of the sector.*
- *Attracting investments in the energy sector, taking into account the interests of the countries of the Central Asian region and the common interests of the stakeholders (the European Union). The European Union will support the repair, improvement and expansion of the old energy infrastructure from Central Asia, as well as the construction of new hydrocarbon pipelines.*
- *The European Union will support the localization and implementation of the "Extractive Industry Transparency Initiative" in the Central Asian countries.*

In the 2007 strategy document, the European Union will take various measures related to the many changes in the security environment in the Central Asian region since 2003, when the countries of NATO, under the leadership of the United States began military operations against the Al Qaeda group and the Taliban regime that harbored it in Afghanistan. It includes:

- *Program to help countries in the Central Asian region build complex border control management supported by modern technology (BOMCA).¹⁸¹*
- *Improving and supporting the capabilities of Central Asian countries in the fight against terrorism. Jointly combating cross-border drug trafficking and transportation (CADAP - EU Central Asian Drug Action Program: 2003-2024).¹⁸² Involving China and the Shanghai Cooperation Organization in the above activities in the Central Asian region.*

¹⁸¹ https://www.eeas.europa.eu/eeas/border-management-programme-central-asia-and-afghanistan-launches-its-10th-phase_en

¹⁸² https://www.emcdda.europa.eu/news/2022/new-phase-eu-central-asian-drug-action-programme-cadap-celebrated-today_en

- *The European Union will help ensure security in the Fergana Valley and strengthen understanding among the nations and ethnic groups of Central Asia.*

Prior to 2007, the European Union provided an average of 57 million euros per year for the implementation of activities in the Central Asian region. During the period for the implementation of activities defined in the Strategy Document 2007-2013, this amount increased to 139 million euros and the total five-year budget reached 750 million euros. After the previously implemented TACIS program, a new program called the Development Cooperation Instrument (EU- Central Asia DCI: Development Cooperation Instrument¹⁸³) was introduced under the new 2007 Strategy. While the TACIS program from 1991 to 2006 was primarily aimed at promoting stability in the Central Asian region, the 2007 strategy document shows that it has begun to focus on mutually beneficial partnerships, cooperation and energy security. In addition, since 2005, the European Union has appointed a Special Representative for Central Asia¹⁸⁴ and has begun to activate its political relations, which indicating that the region has become a special area of interest for the European Union in all respects.

c. Continuation of the European Union Central Asia Strategy /2015/

Since the 5-year document of the European Union Central Asia Strategy of 2007 expired in 2013, a new strategy had to be prepared. However, before the previous strategy was finalized and the next strategy was prepared. The European Union budget for the period 2014-2020¹⁸⁵ was adopted, so there were some gaps in the direction of the policy pursued in the Central Asian region. During the Latvian Presidency of the European Union in 2015, discussions took place between the institutions of the European Union on the strategic direction of Central Asia, and it was concluded that the strategic direction of 2007 could be continued.¹⁸⁶ However, the European Commission and the European Diplomatic Service, within their competences, decided to continue their funding by selecting the most important areas for each Central Asian countries from the 2007-2013 strategic orientations and continuing their priority actions at the regional level in Central Asia.

When the decision was made in 2015 to continue the Central Asia Strategy, many discussions and strategic assessment, many proposals and recommendations were made by the

¹⁸³ https://www.files.ethz.ch/isn/167547/EUCA_FS1.pdf

¹⁸⁴ https://www.eas.europa.eu/eas/eu-special-representative-central-asia_en

¹⁸⁵ https://ec.europa.eu/info/strategy/eu-budget/long-term-eu-budget/2014-2020_en

¹⁸⁶ <https://www.cairn.info/revue-l-europe-en-formation-2015-1-page-10.htm>

organizations providing policy recommendations to the European Union on how to respond to the new changing geostrategic environment.¹⁸⁷ For example:

- China's Belt and Road program, which began in 2013, is a factor that will change the geoeconomic and security environment in the Central Asian region.
- Russia's activation of policy in Central Asia to protect its geoeconomic interests
- In the context of the U.S.-led coalition's military operations in Afghanistan, the authoritarian leaders of Central Asian countries have been recognized on the international stage as transit bases and will influence the political process in Central Asia in the future.
- Central Asian energy players will play a key role in reducing Europe's dependence on hydrocarbons and energy from Russia
- The discussion of north-south transport corridor between India-Iran-Russia and competition between the major powers in the region will intensify if it passes through Central Asia.

The total amount of aid, projects and programs implemented by the European Union in the Central Asian region during the 2014-2020 budget period: 1.1 billion euros¹⁸⁸, making it the largest donor of development assistance in the region.

d. European Union Strategy for Central Asia /2019/

On June 19, 2017, on the 10th anniversary of the European Union's first strategic orientation for Central Asia, the European Consul drew a conclusion on the implementation of the strategy and made basic recommendations for the development of a new strategy.¹⁸⁹ In the 10th anniversary conclusion, the Euroconsul's recommendations emphasized the need to strengthen and build on past achievements, develop a response strategy compatible with new challenges and conditions around Central Asia, and intensify and expand cooperation in the energy sector.¹⁹⁰ As a result, the European Commission, the European Diplomatic Service and other functional institutions have jointly developed a new strategy for Central Asia in 2019.¹⁹¹ On May 15, 2019, the European Commission published the "Strategy for Central Asia" the new strategic paper "EU and Central Asia: new opportunities for a stronger partnership"¹⁹² was

¹⁸⁷ <https://www.cairn.info/revue-l-europe-en-formation-2018-1-page-45.htm#no2>

¹⁸⁸ https://www.eeas.europa.eu/sites/default/files/eeas-ca_ministerial_factsheets-2020-regional-v5.pdf

¹⁸⁹ <https://www.consilium.europa.eu/en/press/press-releases/2017/06/19/conclusions-central-asia/>

¹⁹⁰ <https://www.consilium.europa.eu/media/23991/st10387en17-conclusions-on-the-eu-strategy-for-central-asia.pdf>

¹⁹¹ https://www.eeas.europa.eu/sites/default/files/factsheet_centralasia_2019.pdf

¹⁹² https://www.eeas.europa.eu/eeas/joint-communication-eu-and-central-asia-new-opportunities-stronger-partnership_en

presented to the European Parliament and the European Council on June 17, 2019, and endorsed by the European Council.¹⁹³

The new strategic policy for Central Asia has been elaborated in detail in accordance with other political directions, interests and security needs of the European Union, including the 2020-2030 development cycle of the European Union and the benefits of the Central Asia policy for the future interests of the European Union in 2030 and beyond. The importance and the position are clearly expressed in formulas;

- **Support the general process of political and social development of Central Asian countries;** strengthen democracy, human rights, and the rule of law. Ensure freedom of the press, women's rights, rights of national minorities, and children's rights. Improve civil society participation and ensure gender equality. Adhering to the norms and standards of the International Labor Organization (ILO). Develop partnerships and cooperation within the United Nations (UN), OSCE (OSCE), OECD (OECD).
- **Strengthen security cooperation with the countries of Central Asia;** organize regular high-level political and security dialogs between the European Union and the countries of Central Asia. Cooperation in reducing the consequences and negative impacts of climate change and environmental degradation. Cooperation in the fight against terrorism, extremism and religious extremism. Improving border controls and security, reducing refugee flows, cooperating in the fight against organized crime, cybercrime and drug trafficking. Work closely with Central Asian countries in supporting nonproliferation of nuclear weapons and weapons of mass destruction and preventing hybrid threats. Actively monitor and supervise the activities of international alliances and organizations active in the Central Asian region, such as the Shanghai Cooperation Organization (SCO) and the Collective Security Treaty Organization (CSTO).
- **Cooperation, technical assistance, and support with Central Asian countries in the areas of environment, climate change, and water management;** support compliance with and implementation of the Paris Agreement on climate change. Implement sustainable natural resource management, tourism development, biodiversity protection, support the incorporation of environmentally friendly and renewable methods and practices into the economic structure. Support implementation of the International Convention for the

¹⁹³ <https://www.consilium.europa.eu/en/press/press-releases/2019/06/17/central-asia-council-adopts-a-new-eu-strategy-for-the-region/>

Protection of the Caspian Sea and the Aral Sea, European water diplomacy¹⁹⁴ and implementation of the United Nations Water Convention. Comprehensive support for disaster management and disaster risk reduction. Support for chemical and radioactive waste risk reduction and mitigation. Financial support from the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

- **Partnership and support for the implementation of economic reforms and development cooperation projects in the countries of Central Asia;** support for rural development, regional policy, and the elimination of the urban-rural divide. Cooperation in improving the business environment, increasing competitiveness and supporting small and medium-sized enterprises. Assist international financial institutions, European investors, and businesses in creating a non-discriminatory, clear, and transparent business environment for operations in the Central Asian region. Advising and supporting reforms in the macroeconomy, financial and banking systems, and monetary policy. Encouraging European chambers of commerce to expand their activities in Central Asian countries.
- **The European Union will help Central Asian countries develop and facilitate trade among themselves and within the region;** it will help Central Asian countries join the World Trade Organization and move closer to its norms and standards. International Organization for Standardization to support the transition to electronic measurement standards. Access to the European Union's network of trade preferences (GSP, GSP+) to expand trade on a mutually beneficial basis and support the adoption and use of European trademark standards with geographical indications.
- **Support the process of connecting Central Asian countries as a bridge between Europe and Asia;** make full use of policy instruments for the development of transport, infrastructure, energy, access to ports, electronic connectivity and people-to-people relations with Central Asian countries, as outlined in the "Europe-Asia Strategy of the European Union"¹⁹⁵. Improve the European "Trans-European Transport Network"¹⁹⁶ and connect it with Central Asia's infrastructure, and continue to work with China's "Belt and Road" program to support the development of Central Asian countries' transit economies. Strengthen the energy corridor between Central Asia and the European Union through the

¹⁹⁴ <https://www.consilium.europa.eu/en/press/press-releases/2021/11/19/water-in-diplomacy-council-confirms-eu-s-commitment-to-enhanced-eu-engagement/#:~:text=The%20conclusions%20reaffirm%20the%20EU's,water%2C%20climate%20and%20energy%20diplomacy>

¹⁹⁵ https://www.eeas.europa.eu/eeas/connecting-europe-asia-eu-strategy_en

¹⁹⁶ https://transport.ec.europa.eu/transport-themes/infrastructure-and-investment/trans-european-transport-network-ten-t_en

full use of the Trans-Caspian Pipeline. The European Union will participate in projects to connect to the South-North and West-East trade and transport routes through Central Asia. Providing services and monitoring the transport and energy sectors of Central Asian countries through the European satellite network Galileo.

- **Supporting the development and preparation of human resources in Central Asian countries through the European Erasmus program, scientific innovation projects and the education sector;** developing relationships between universities, student exchanges, expanding technical education, introducing the European Bologna system and Torino principles in Central Asian universities through the Erasmus+ program. Expansion of cooperation between researchers and think tanks in the field of research.
- **The European Union will strengthen its political and diplomatic relations with the countries of Central Asia;** organization of an annual meeting of foreign ministers of the countries of Central Asia and the European Union, organization of an annual meeting at the high political and security level (at the level of vice ministers). The leading foreign policy diplomats of both sides will meet regularly within the framework of the General Assembly UN and OSCE meetings. Strengthen bilateral parliamentary cooperation and increase the frequency of high-level visits. The European Union will participate in providing technical assistance to the Central Asian countries to achieve the "UN Sustainable Development Goals - 2030" and establish a stable mechanism for financial support for development. The parties should be proactive in developing their bilateral strategic relations and move to a more effective communication format.
 - The European Union's new strategic policy for Central Asia 2019 is implementing at the global level:
 - Security and Foreign Policy Strategy (Global Strategy for the European Union's Foreign and Security Policy)¹⁹⁷
 - New European Consensus on Development¹⁹⁸
 - EU strategy for Connecting Europe and Asia
 - EU strategy for Afghanistan¹⁹⁹
 - The United Nations 2030 Agenda for Sustainable Development (SDGs) is linked to other policies and programs, and its content and goals are synergistically aligned.

¹⁹⁷ https://www.eeas.europa.eu/eeas/global-strategy-european-unions-foreign-and-security-policy_en

¹⁹⁸ https://international-partnerships.ec.europa.eu/policies/european-development-policy/european-consensus-development_en#:~:text=Together%20with%20its%20member%20countries,action%20framework%20for%20development%20cooperation

¹⁹⁹ https://ec.europa.eu/commission/presscorner/detail/bg/IP_17_2122

Political relations and cooperation between the European Union and the countries of Central Asia

The general format of the European Union's foreign policy is to conduct political relations, technical assistance and economic relations in the right order through the method of soft power. Initially, it brings up European standards by providing technical assistance, and training human resources, introducing European values into political and governmental systems, improving political relations, and creating a favorable investment environment by reforming the legal framework, then pursuing a strategy to expand economic and business relations. Moreover, Central Asian countries are also implementing policies according to this method.

Uzbekistan: Negotiations between the European Union and Uzbekistan on an "Enhanced Partnership and Cooperation Agreement" began in 2018 and were successfully concluded on July 6, 2022.²⁰⁰ This agreement enters into force after ratification by the parliaments of both sides. Starting in 2021, Uzbekistan included in the GSP+ system of trade tariff concessions. In the period 2021-2027, the budget of the first package of EU development assistance to Uzbekistan (2021-2024) will be 76 million euros.²⁰¹

Kazakhstan: The "Enhanced Partnership and Cooperation Agreement"²⁰² between the European Union and Kazakhstan were concluded in 2015 and entered into force on March 1, 2020. The Cooperation Council of the EU and Kazakhstan meets annually to discuss the main issues of bilateral relations. Since June 2019, the "European Union-Kazakhstan Business Platform" has been opened to facilitate business relations between the two sides. Since 1991, the European Union has implemented 350 projects and programs in Kazakhstan and provided 185 million euros in aid.²⁰³ The European Union's development assistance budget for Kazakhstan in 2021-2027 is 16 million euros.²⁰⁴ The European Union is Kazakhstan's No. 1 trading partner with bilateral trade reaching 18.6 billion euros in 2020, which is 41% of Kazakhstan's total exports.²⁰⁵ Direct investment from the European Union reached 63.9 billion euros (2019).

²⁰⁰ https://www.eeas.europa.eu/delegations/uzbekistan/uzbekistan-european-union-and-uzbekistan-complete-negotiations-new-enhanced_en?s=233

²⁰¹ https://www.eeas.europa.eu/sites/default/files/eud_mip_brochure_eng_compressed1_0.pdf

²⁰² https://www.eeas.europa.eu/sites/default/files/enhanced_partnership_and_cooperation_agreement.pdf

²⁰³ https://www.eeas.europa.eu/sites/default/files/eeas-ca_ministerial_factsheets-2021-kazak_18nov_003.pdf

²⁰⁴ https://international-partnerships.ec.europa.eu/system/files/2022-01/mip-2021-c2021-9095-kazakhstan-annex_en.pdf

²⁰⁵ <https://www.consilium.europa.eu/en/meetings/international-ministerial-meetings/2021/05/10/>

Kyrgyzstan: Negotiations on the conclusion of the "Enhanced Partnership and Cooperation Agreement" between the European Union and Kyrgyzstan began in 2017 and were successfully concluded in 2019.²⁰⁶ The agreement entered into force after ratification by the parliaments of both sides. Although Kyrgyzstan participates in the GSP+ system of trade tariff concessions, the volume of trade with the European Union has decreased to 310 million euros due to the impact of the pandemic.²⁰⁷ Between 2021-2027, the budget of the first package of EU development assistance to Kyrgyzstan (2021-2024) will be 62 million euros.²⁰⁸ The European Union also stated the border conflict between Kyrgyzstan and Tajikistan, which may lead to instability in the Central Asian region which concerned the parties to resolve the problem by peaceful means.²⁰⁹

Tajikistan: The "Partnership and Cooperation Agreement" between the European Union and Tajikistan was concluded in 2004 and entered into force in 2010.²¹⁰ In 2019, Tajikistan asked the European Union to start negotiations on an "Enhanced Partnership and Cooperation Agreement" to improve cooperation. Tajikistan participates in the GSP system for trade tariff concessions and is preparing to join the GSP+ system. Although Tajikistan has been a member of the World Trade Organization since 2013²¹¹, it is not doing enough to expand trade with the European Union by taking advantage of the concessions available under this framework. Before the pandemic, Tajikistan's trade with the European Union reached 213 million euros²¹² in 2019. In 2021-2027, the budget of the first package of EU development assistance to Tajikistan (2021-2024) is 91 million euros²¹³.

Turkmenistan: Relations between the European Union and Turkmenistan are currently governed by the "Interim Trade Agreement" concluded in 2010.²¹⁴ Since 1998, the two sides have sought a "Partnership and Cooperation Agreement," but this has been delayed due to the human rights situation in Turkmenistan. In 2019, the European Parliament adopted a resolution clearly setting out the conditions for ratification of the agreement.²¹⁵ Both sides have been

²⁰⁶ https://www.eeas.europa.eu/sites/default/files/epca_factsheet.pdf

²⁰⁷ https://www.eeas.europa.eu/kyrgyz-republic/european-union-and-kyrgyz-republic_en

²⁰⁸ https://international-partnerships.ec.europa.eu/system/files/2022-01/mip-2021-c2021-8987-kyrgyz-republic-annex_en.pdf

²⁰⁹ <https://www.europarl.europa.eu/delegations/en/dcas/documents/communiques>

²¹⁰ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2009:350:FULL&from=EN>

²¹¹ https://www.wto.org/english/thewto_e/acc_e/a1_tajikistan_e.htm

²¹² https://www.eeas.europa.eu/tajikistan/european-union-and-tajikistan_en

²¹³ https://international-partnerships.ec.europa.eu/system/files/2022-01/mip-2021-c2021-9315-tajikistan-annex_en.pdf

²¹⁴ https://www.eeas.europa.eu/turkmenistan/european-union-and-turkmenistan_en

²¹⁵ https://www.europarl.europa.eu/doceo/document/TA-8-2019-0146_EN.html?redirect

seeking a "Partnership and Cooperation Agreement" since 1998, but this has been delayed due to the human rights situation in Turkmenistan. Under the current "Interim Trade Agreement," a joint committee meets annually on both sides to regulate bilateral relations. In 2008, a Memorandum of Understanding was signed between the European Union and Turkmenistan on energy cooperation²¹⁶ and a joint meeting was held to coordinate cooperation in this area. The European Union's development assistance to Turkmenistan is 18 million²¹⁷ euros for the period 2021-2027.

Legal and Judicial Cooperation between the European Union and the Countries of Central Asia

The European Union and the Council of Europe jointly fund the Rule of Law Program²¹⁸ in Central Asia for 4 years (2020-2023) and implement it in five Central Asian countries. The program includes 3 main areas of activity:

- i. Creation of mutually recognized legal and judicial environment between European and Central Asian countries, Strengthening human rights protection system (HELP - Human Rights Education for Legal Professionals²¹⁹)*
- ii. Fight against economic crime, corruption and money laundering. Freezing and confiscation of illegal assets. Supporting the creation of a glass registration control system*
- iii. Helping to improve the efficiency of government organizations and institutions*

The Rule of Law Support Program in Central Asia (budget: 8.9 million euros) is an action aimed at sharing best practices in the field of rule of law and human rights protection in the five Central Asian countries and creating common legal framework standards in the region based on the standards of the Council of Europe's fundamental conventions. It aims to provide political and technical support for the development and formation of mechanisms.²²⁰ The main objectives of this program include: protecting the interests of entrepreneurs and individuals in the Central Asian region, eliminating administrative bureaucracy, providing technical advice and assistance in the implementation of laws, and improving coordination between economic sectors.

²¹⁶ https://ec.europa.eu/commission/presscorner/detail/en/IP_08_799

²¹⁷ https://international-partnerships.ec.europa.eu/system/files/2022-01/mip-2021-c2021-8986-turkmenistan-annex_en.pdf

²¹⁸ <https://pjp-eu.coe.int/en/web/central-asia>

²¹⁹ <https://www.coe.int/en/web/help/courses>

²²⁰ <https://rm.coe.int/prems-066422-gbr-1506-de-web/1680a6650f>

The legal and other technical assistance provided to Central Asian countries under the program is essentially the same as that provided to members of the "Venice Commission" and the European Commission for Strengthening Democracy through the Rule of Law²²¹ (which has 61 member states, 46 of which are members of the Council of Europe²²²). Since 2007, the Venice Commission has gained rich experience in working with countries in the Central Asian region to strengthen their legal systems and provide technical cooperation. For example, legal assistance cooperation has been carried out with Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, and consultative cooperation at a certain level with Turkmenistan.

Projects and programs implemented jointly by the Venice Commission, the Council of Europe, and the European Union in the countries of Central Asia:

- 2017-2018 - "Project to support the strengthening of democracy in the Kyrgyz Republic through the reform of the electoral system" (funded by the European Union)
- 2013 - 2015 - "Project to support the Kyrgyz authorities in improving the efficiency and expediency of the Kyrgyz constitutional legal system" (funded by the European Union)
- 2012 - 2014 - "Equality before the law: project to facilitate access to justice for disadvantaged groups" (funded by Finland)
- 2012 - 2014 - "Project to support constitutional, judicial and electoral reforms in Central Asian countries" (funded by the European Union)
- 2011 - 2012 - "Project to improve the electoral process in Kazakhstan" (funded by the European Union)
- 2010 - 2011- "Project to assist Kyrgyzstan in amending the legal framework following the 2010 referendum on the revision of the Constitution" (funded by the European Union)
- 2009 - 2011- "Rule of Law Project" (co-funded by the European Union and Germany)

At the request of the authorities of the Central Asian countries, the Venice Commission recommended the following legal reform projects between 2010 and 2018:

- *Draft Law on the Constitutional Court of Tajikistan (2014)*
- *Draft amendment to the Constitution of Kyrgyzstan (2016)*
- *Draft Amendments to the Constitution of Kazakhstan (2017)*
- *Draft reform of the Supreme Judicial Council of Kazakhstan (2018)*
- *Draft Law on Administrative Procedures for the Judicial System of Kazakhstan (2018)*

²²¹ https://www.venice.coe.int/WebForms/pages/?p=03_Central_asia

²²² https://www.venice.coe.int/WebForms/pages/?p=01_Presentation&lang=EN

- *Draft Law on Electoral Procedures in Uzbekistan (2018)*

Trade, Economic and Energy Policy and Interests of the European Union in the Countries of Central Asia

a) Regional Trade and Economic Partnership European Union - Central Asia

In order to deepen economic relations with Central Asian countries, the European Union organized the first "European Union-Central Asia Economic Forum"²²³ in November 2021 in Bishkek, the capital of Kyrgyzstan. During the forum, the heads of state of the Central Asian countries, the President of the European Commission, representatives of the 15-member states of the European Union and representatives of other sectors issued a joint statement.²²⁴ It was the first major step for both sides to consolidate their regional economic relations and partnership policies. At the same time, a 4-year project (2020-2023, project budget: 15 million euros) was implemented in the five Central Asian countries to improve trade and economic relations and investment environment between the European Union and Central Asia.²²⁵

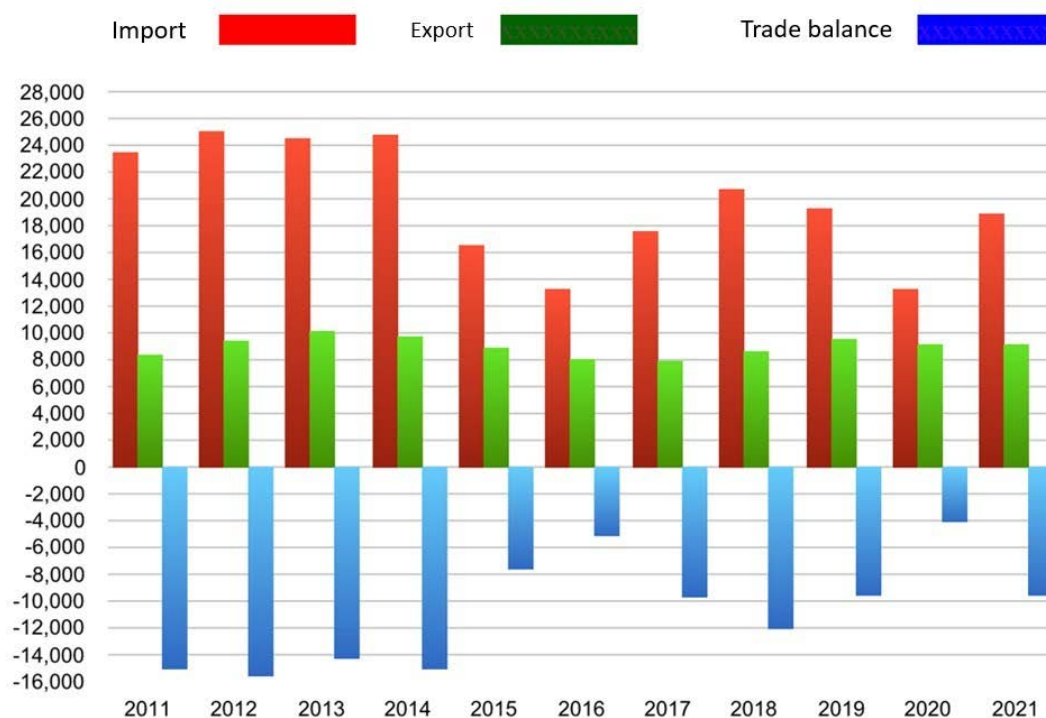


Figure 15: Trade with the European Union – Central Asia (EU CA5) 2011–2021.²²⁶

²²³ https://ec.europa.eu/commission/presscorner/detail/en/ip_21_5841

²²⁴ https://www.eeas.europa.eu/eeas/eu-central-asia-economic-forum-joint-press-statement_en

²²⁵ https://www.eeas.europa.eu/eeas/ready4trade-central-asia_en

²²⁶ https://www.eeas.europa.eu/eeas/eu-central-asia-economic-forum-joint-press-statement_en

After the pandemic, EU trade with the five Central Asian countries (EU CA5) recovered and reached 27.846 billion euros in 2021 (imports: 18.740 billion euros, exports: 9.106 billion euros, trade deficit: -9.633 billion euros). The trade turnover over the last 11 years decreased sharply during the process of the United Kingdom's departure from the European Union, but since 2018 it has been growing again. The average statistics of the last 5 years (2017-2021) shows that the imports of the European Union countries from the Central Asia region increased by 1.8% and exports by 4%.

Main (Top-3) product types, international (HS) classification	Import: € (mil)				Export: € (mil)			
	2018	2019	2020	2021	2018	2019	2020	2021
Total Amount: (Year)	20,672	19,118	13,210	18,740	8,629	9,463	9,061	9,106
1. Mineral products (HS 5)	18,592	17,315	11,668	16,314				
2. Metallurgical products (HS 15)	747	692	585	899				
3. Agricultural products (HS 2)	264	292	245	287				
1. Equipment and machinery (HS 16)					3,510	3,752	2,953	2,896
2. Chemical and technological products (HS 6)					1,497	1,619	2,192	2,078
3. Transport products (HS 17)					1,014	1,313	1,240	1,292

Table 9. The 3 main export and import directions of trade with the European Union - Central Asia (EU CA5) in the last 4 years.

The bilateral trade results of 2021 show decrement in trade during the pandemic, however, it recovered by approaching the results of 2019. The exports of mineral resources and

metallurgical products that European Union countries regularly receive from Central Asia are expected to increase significantly in the coming years of the direct impact of the Russian-Ukrainian war. This situation emphasizes a high percentage increment of trade in the period 2022-2027. Moreover, bilateral transport infrastructure, oil and gas pipeline infrastructure capacity, investment in new projects, development of interconnecting ports, and the level of political communication will play an important role.

EU imports from Central Asia			EU exports to Central Asia		
<i>Product Category: (Top-5)</i>	€ (million)	%	<i>Product Category: (Top-5)</i>	€ (million)	%
Mineral products	16,314	87.1	Equipment and machinery	2,896	31.8
Metallurgical products	899	4.8	Chemical and technological products	2,078	22.8
Chemical and technological products	554	3	Transport products	1,292	14.2

Table 10. The 5 main trade routes for the European Union - Central Asia (EU CA5) in 2021.

The European Union is the largest foreign trade partner with a share of 23.6% for the Central Asian region. On the other hand, the Central Asian region accounts for only 0.6% of the total trade turnover, which is a very small percentage for the European Union. Thus, Central Asia is not attractive to the European Union in the terms of the trade balance. However, Central Asia is considered the main trade bridge that connects the European Union to Northeast Asia, East Asia, South Asia, China, India, Indochinese Peninsula, and ASEAN countries and the global market.²²⁷ Therefore, the European Union's policy focuses on bilateral trade with Central Asia by improving port accessibility, establishing a comprehensive international customs system, providing technical assistance for infrastructure projects, investing in capital, and opening lines of credit on concessional terms (the European Union's Central Asia Strategies for 2007, 2015, and 2019 are clear in this regard). Moreover, the EU concentrating not only support Central Asian countries with tariff concessions by including them in the European Union's GSP and GSP+ rebate systems but also advises them to join the World Trade Organization. In addition, the EU continues to provide technical assistance on trade policy issues to bring closer to international customs and trade standards to become a reliable partner region.

²²⁷ https://www.ceas.europa.eu/ceas/connecting-europe-asia-eu-strategy_en

Import			Export			Total trade			
Partner countries	€ (mil)	%	Partner countries	€ (mil)	%	Partner countries	€ (mil)	%	*
Total	2,118,818	10	Total	2,180,623	10	Total	4,299,442	10	
1. China	472,715	22.3	1. United States	399,391	18.3	1. China	696,127	16.2	1
2. United States	232,454	11.0	2. Great Britain	283,603	13.0	2. United States	631,845	14.7	1
3. Russia	162,342	7.7	3. China	223,413	10.2	3. Great Britain	430,530	10.0	1
4. Great Britain	146,927	6.9	4. Switzerland	156,480	7.2	4. Switzerland	280,152	6.5	1
5. Switzerland	123,672	5.8	5. Russia	89,275	4.1	5. Russia	251,617	5.9	1
6. Turkey	77,983	3.7	6. Turkey	79,255	3.6	6. Turkey	157,238	3.7	1
7. Norway	74,666	3.5	7. Japan	62,351	2.9	7. Norway	131,198	3.1	1
8. Japan	62,269	2.9	8. Norway	56,532	2.6	8. Japan	124,621	2.9	3
9. South Korea	55,440	2.6	9. South Korea	51,857	2.4	9. South Korea	107,297	2.5	3
10. India	46,155	2.2	10. India	41,844	1.9	10. India	87,999	2.0	3
Central Asia**	18,740	0.9	Central Asia	9,106	0.4	Central Asia	27,846	0.6	1

141. Mongolia* **	71	...	115. Mongolia* **	539	...	125. Mongolia* **	610	...	4
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Table 11. European Union external trade in 2021 (excluding European Union internal trade), the share of Central Asian countries (CA5) and Mongolia. Source: Eurostat

*The position of the European Union in the external trade of its partner countries

**Trade and share of 5 Central Asian countries with the European Union

***Trade and occupation of Mongolia with the European Union

b) Trade and Economic Competition and Major Players in the Central Asian Region

The European Union (23.6%), China (22.4%), and the Russian Federation (21.3%) are the three largest foreign trade partners for the Central Asian region (67.3% of total trade). Since 2013, the PRC has financed key infrastructure projects in Central Asia under the Belt and Road Initiative, such as contributing to trade development and providing high-quality credit, but fear of the "Chinese debt trap"²²⁸ has hindered the healthy and mutually beneficial development of bilateral economic relations. Russia is an important trade and security partner for the Central Asian region, but Russia is expected to become a competitor in trade and economic relations between Central Asian countries and China. The main Eurasian land route of the "Belt Road" (China's Xinjiang - Kazakhstan - Russia - Belarus - European Union)²²⁹ is doubtful whether it will be able to continue without traffic delays due to the Russia-Ukraine war, so the alternative route through the Caspian Sea (Water transport from Kazakhstan's Aktau and Turkmenistan's Turmenbashi ports to Baku, Georgia, then connects to the Baku-Tbilisi-Kars railway)²³⁰ is likely to become more crowded. If the 523 km China-Kyrgyzstan-Uzbekistan railroad project²³¹ is actually launched, it would open another new Central Asian gateway from China to the European Union.

²²⁸ <https://thediplomat.com/2022/05/public-opinion-on-china-waning-in-central-asia/>

²²⁹ <https://www.oboreurope.com/en/beltandroad/one-belt/>

²³⁰ <https://www.unescap.org/kp/2022/strengthening-capacity-operationalizing-sustainable-transport-connectivity-along-china>

²³¹ <https://www.railfreight.com/beltandroad/2022/06/06/is-the-china-kyrgyzstan-uzbekistan-railway-route-finally-happening/?gdpr=accept>



Figure 16: Access and trade routes in Central Asia under China's Belt and Road Initiative.

Source: *One Belt One Road Europe*²³²

Either way, China's commercial and economic interests in Central Asia will collide with Russia's strategic interests, and both sides have yet to fully define how they will interact in the region. Since China is one of the main driving forces of economic development in the Central Asian region, the task of how to plan the trade and economic policies and cooperate with China has arisen before the Central Asian countries.

Trade and economic relations between Central Asia and the Russian Federation have been under one roof since the Soviet Union. The connection of major infrastructure, the common rail network, and everyone who speaks and understands Russian was a greatly simplifies relations. Seasonal workers from Central Asia went to Russia to work and they sent money back home. Among members of the Eurasian Economic Union²³³, two Central Asian countries Kazakhstan and Kyrgyzstan, have tariff and other benefits from trade with the Russian Federation.

²³² <https://www.oboreurope.com/en/beltandroad/one-belt/>

²³³ <http://www.eaeunion.org/?lang=en#about-countries>

Import			Export			Total trade		
Partner countries	€ (mil)	%	Partner countries	€ (mil)	%	Partner countries	€ (mil)	%
Total	61,662	10.0	Total	69,287	10.0	Total	130,949	100
1. Russia	20,536	33.3	1. European Union	21,318	30.8	1. European Union	30,900	23.6
2. China	12,368	20.1	2. China	16,903	24.4	2. China	29,272	22.4
3. European Union	9,581	15.5	3. Russia	7,374	10.6	3. Russia	27,910	21.3
4. South Korea	5,904	9.6	4. Turkey	4,493	6.5	4. Turkey	8,053	6.2
5. Turkey	3,560	5.8	5. India	1,860	2.7	5. South Korea	7,075	5.4
6. United States	1,510	2.4	6. Switzerland	1,769	2.6	6. India	2,770	2.1
7. Belarus	976	1.6	7. Afghanistan	1,341	1.9	7. United States	2,203	1.7
8. Japan	914	1.5	8. South Korea	1,171	1.7	8. Switzerland	2,073	1.6
9. India	910	1.5	9. Great Britain	973	1.4	9. Japan	1,780	1.4
10. Ukraine	841	1.4	10. Japan	865	1.2	10. Ukraine	1,667	1.3

Table 12. Foreign trade of Central Asian countries in 2021 (trade between 5 Central Asian countries is not included). Source: Eurostat, IMF

Russia was seeking to create an economic union with a common market and a common trade policy in the space of the former Soviet Union. This organization was established and developed in 2010 and officially started in 2015. However, Russia contributes 87%²³⁴ of the economy of this union, raising doubts as to whether it is a suitable model for the economic development of the other small members. Because of Russia's aggressive war in Ukraine, the future policy of Central Asian countries for partnership with Russia needs to be reviewed. The Central Asian countries must respond strategically and politically to the pressure from whatever side and adjust their policies to the influence of the strict economic sanctions imposed on Russia by the Western alliance.

When Central Asian countries plan their economic development model, it is obvious to focus on complicated political and economic relations that are necessary to work with the three main

²³⁴ <https://www.chathamhouse.org/2022/07/what-eurasian-economic-union>

trading partners (European Union, Russia, and China). In 2007, 2015, and 2019, the European Union redefined its strategy of relations with Central Asia three times and proposed a policy that is understandable for all parties.

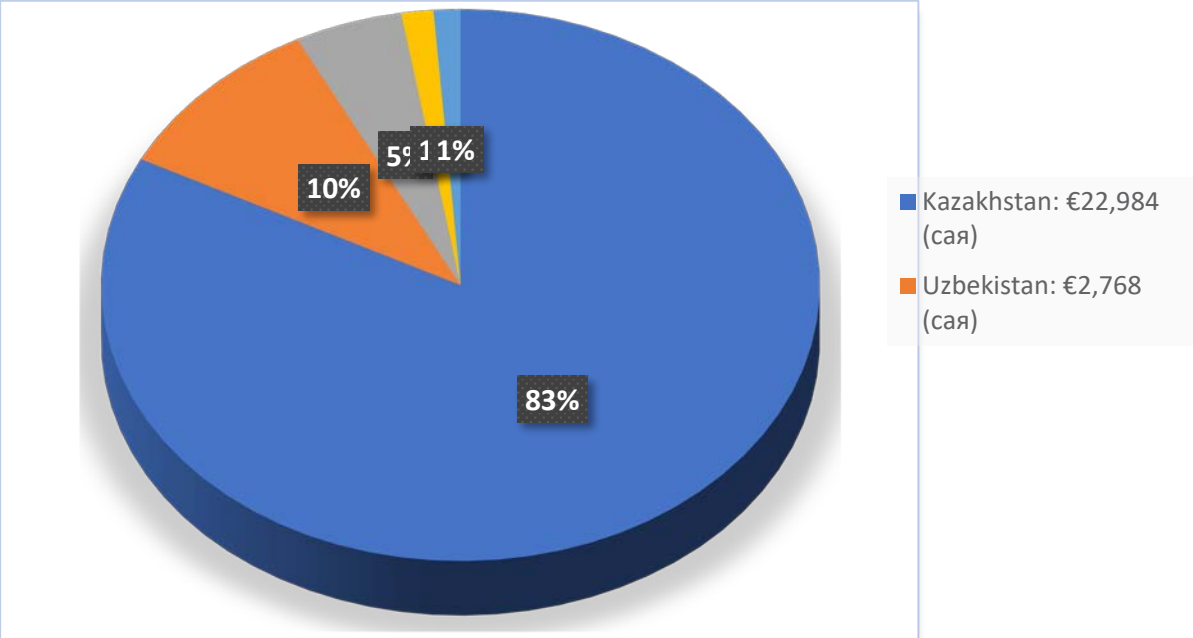


Figure 17: Trade volume of Central Asian countries with the European Union (€ million), %: 2021 (Kazakhstan²³⁵, Uzbekistan²³⁶, Turkmenistan²³⁷, Tajikistan²³⁸, Kyrgyzstan²³⁹) Source: Eurostat

Unlike Russia and China, the European Union's strategy is primarily based on following concepts: institutional change, sustainable and equal access, ensuring human rights, promoting the equal participation of women, completely banning child labor, fighting corruption, meeting the standard requirements of social development, meeting norms and standards of International Labor Organization, incorporating the concept of green development, being environmentally friendly and maintaining a balance of biological diversity, being mutually beneficial.

The European Union provides policy support and technical assistance to Central Asia to improve its governance, meet the United Nations Sustainable Development Goals, fight corruption, fight organized crime, improve economic competitiveness, and create inclusive economic growth. It gives the opportunity for a wide-ranging mutually beneficial partnership.

²³⁵ https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_kazakhstan_en.pdf
²³⁶ https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_uzbekistan_en.pdf
²³⁷ https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_turkmenistan_en.pdf
²³⁸ https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_tadjikistan_en.pdf
²³⁹ https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_kyrgyz-republic_en.pdf

Teri Hakala, the European Union representative in charge for the Central Asian region, informed the authorities of the Central Asian countries that the way in which they can use this favorable opportunity to their advantage depends²⁴⁰ on the efforts of the countries in the region.

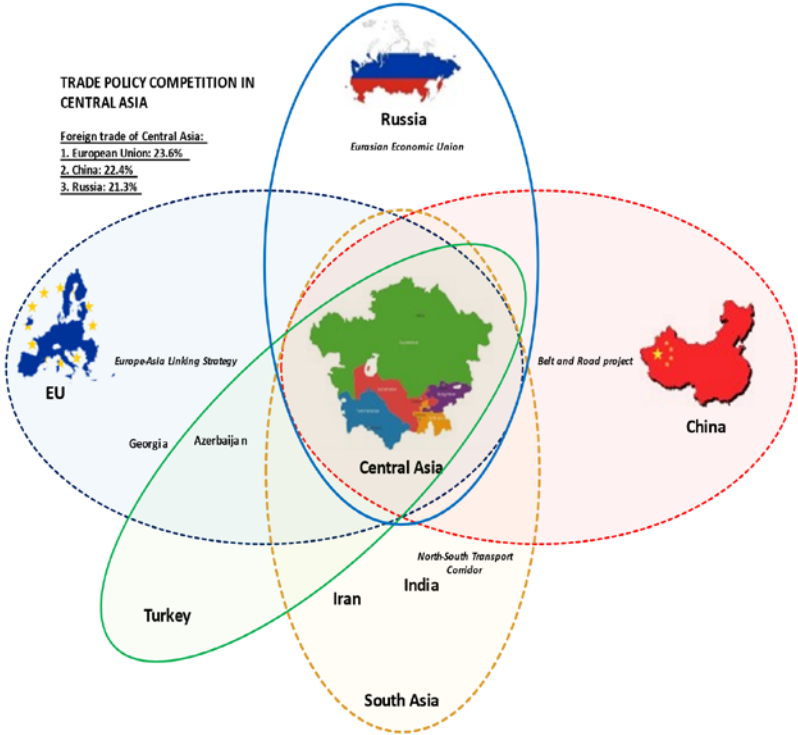


Figure 18: Key players in the Central Asian region. Trade and economic competition in the region and share of key players.

The case of the Central Asian countries, the unifying factors are geographic location, Turkish language, culture, and the influence of Islamic religion. These factors create the basic conditions for internal trade and economic integration. Due to factors such as the political system, the position of tribes and tribes in society, and the main areas of interest of the great powers, the 5 Central Asian countries have had little opportunity to have a unified trade zone, tariff rules, and a single customs standard. Also, to be a member of the World Trade Organization (Kazakhstan, Tajikistan and Kyrgyzstan are members²⁴¹), trade between them can approach the same norms, procedures and standards, but it will take time until they all become members (Uzbekistan and Turkmenistan have observer status).

²⁴⁰ https://www.eas.europa.eu/eas/opening-remarks-conference-%E2%80%99Central-Asia-face-crises-cooperation-opportunities-and_en
²⁴¹ https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm

The connection point of projects, initiatives, and programs such as Russia's "Eurasian Economic Union," China's "Belt and Road," India's "North-South Transport Corridor"²⁴² and the European Union's "West-East Connectivity Strategy"²⁴³ is the Central Asian region. It is time for the five Central Asian countries to decide for themselves which strategy is most appropriate and beneficial for the regional development.

The European Union's Infrastructure Policy in Central Asia

The dispute over natural gas transit prices²⁴⁴ between Russia and Ukraine began in January 2006 and continued through 2007, 2008, and 2009, causing disruptions in gas supplies from Russia to European countries via Ukraine. In recent years, oil, mineral resources and other necessary raw materials have become the main signal of the need for diversification. Policy makers of European countries have realized that dependence on a single main supplier, Russia, is the most vulnerable and weak point in the geopolitical and geoeconomic sphere. For example, the problem of the Nordstream-1 gas pipeline under the Baltic Sea, which was put into operation in cooperation with Russia, has worried European countries from the point of view of energy security. Therefore, in 2007, the European Union comprehensively defined its strategic policy to diversify its energy sources and access to the Central Asian region, which is very rich in hydrocarbons. Central Asia is a very important region from a geoeconomic point of view to secure supply routes for energy, infrastructure and mineral resources and to diversify supply sources.

a. TRACECA - Transport Network Strategy

The 2007 strategy for Central Asia identifies all options for connecting to mainland Europe without crossing Russia: Energy, infrastructure, connectivity, port access, port development, and freight infrastructure development. The Baku Initiative to develop the energy and infrastructure potential of Central Asian countries and connect them to the European market implements the policy of TRACECA (Transport Corridor Europe-Caucasus-Asia Intergovernmental Commission)²⁴⁵ and will create this gateway in the Central Asian region from Europe to East Asia in the future. The first initiative and studies of the TRACECA program were launched in 1993-1995 (1993 conference in Brussels) and the diverse discussions

²⁴² <https://www.insightsonindia.com/international-relations/bilateral-regional-and-global-groupings-and-agreements-involving-india-and-or-affecting-indias-interests/india-central-asia/international-north-south-transport-corridor/>

²⁴³ https://www.eas.europa.eu/sites/default/files/joint_communication_-_connecting_europe_and_asia_-_building_blocks_for_an_eu_strategy_2018-09-19.pdf

²⁴⁴ https://web.archive.org/web/20090114195332/http://www.twq.com/09winter/docs/09jan_ChowElkind.pdf

²⁴⁵ <http://www.traceca-org.org/en/home/>

on transportation and logistics to connect the Black Sea with the Caspian Sea and to connect Europe with the Caucasus, Central Asia, and the entire Asian continent. In 1998, the "Baku Initiative"²⁴⁶ was launched. The member countries that joined the TRACECA agreement are Armenia, Azerbaijan, Bulgaria, Georgia, Iran (accession in 2009), Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Ukraine, and Uzbekistan. However, Turkmenistan and Mongolia have not joined, but they may participate in the program.



Figure 19: Mapping the regional transport network in Central Asia as part of TRACECA (2017)

Between 1995 and 1999, the first working groups were formed under the European Union's TACIS program to provide financial support to countries participating in the initiative, and basic research was conducted in the areas of trade facilitation, road, rail, and maritime transport.

In 1997, a conference organized by the European Union in Tbilisi, Georgia, established the format of TRACECA, BSEC (Black Sea Economic Cooperation Organization), which was to be linked with the former Pan-European Transport Area to form the Trans-European Transport Network or (TEN-T)²⁴⁷ (originally, it was decided by the stakeholders that BSEC would fully link the TRACECA countries with the European Transport Network).

²⁴⁶ <http://www.traceca-org.org/en/home/baku-initiative-and-summit-1998/>

²⁴⁷ https://transport.ec.europa.eu/transport-themes/infrastructure-and-investment/trans-european-transport-network-ten-t_en

The strategic plan for 2016-2026²⁴⁸ was approved at TRACECA's regular meeting in Odesa in 2016. TRACECA is a multifaceted and comprehensive initiative to develop a transport network connecting the European Union with Central Asia and further with East and South Asia.

China's Belt and Road aims at direct trade gains, the method is less procedural as infrastructure is invested in and loans are given on concessional terms, the negotiation process is fast and the promoter is China's own companies, while TRACECA requires technical preparatory work. The difference is that the projects are implemented later, after the norms and standards are localized, they take a long time, and they aim to achieve several development goals by expanding the transportation network.

Due to the Russian invasion of Georgia in 2008 and Ukraine in 2014 and 2022, geopolitical changes have disrupted previously established access routes and some planned projects. Depending on geopolitical changes in Eastern Europe, Ukraine, the South Caucasus, and Central Asia, TRACECA's plans may change in the future.

(b) "Eastern Partnership" and the Gateway to Central Asia

After setting its strategic direction in the Central Asian region in 2007, the European Union established bridges on land and water with Azerbaijan, Georgia, Armenia, Ukraine, Moldova, and Belarus (Belarus' participation is suspended due to the 2020 elections). In 2009, a new format called the Eastern Partnership²⁴⁹ was launched. The revised goals for 2019 show²⁵⁰ that the Eastern Partnership program is a gradual process of European integration of the above mentioned six countries that were part of the Soviet Union before 1991. As a result, the application of Ukraine, Moldova, and Georgia to join the European Union in March 2022 was discussed at the meeting of the European Council on June 23, 2022 and the application of Ukraine and Moldova was supported and Georgia was granted candidate status, respectively.

If Georgia is granted the status of a candidate country for accession to the European Union in the coming years, the European Union will have a direct border with the Central Asian region through Azerbaijan (Azerbaijan is also an active member of the Eastern Partnership and maintains close relations with the European Union, with bilateral relations expanding in all areas)²⁵¹. Between 2022 and 2030 and beyond until about 2035 (the accession process of a

²⁴⁸ http://www.traceca-org.org/fileadmin/fm-dam/pdfs/Appendix_3_Strategy_Master_plan_TRACECA_eng.pdf

²⁴⁹ https://www.eeas.europa.eu/eeas/eastern-partnership_en

²⁵⁰ https://www.eeas.europa.eu/sites/default/files/eap_post-2020_framework_factsheet.pdf

²⁵¹ <https://euneighbourseast.eu/news/publications/eu-azerbaijan-relations-factsheet/>

candidate country to the European Union takes on average 4-12 years), there is a high probability that the borders of the European Union will collide with Central Asia. If the European Union extends its borders south of the Caucasus (direct border with Georgia and Armenia), it will change the traditional balance of power in Central Asia, West Asia, South Asia, and the Middle East and become a new geopolitical and geoeconomic actor.

CHAPTER THREE. INVESTMENTS, MULTINATIONAL CORPORATIONS, AND STATE-OWNED ENTERPRISES IN CENTRAL ASIA

1. Investments in Central Asia by Multinational Corporations /MNCs/ centered in the USA and Canada

This chapter describes multinational corporations' activities centered in the U.S. and Canada (MNCs) to Central Asia, especially the size of investments and legal regulations. Moreover, it analyzes whether these MNCs have had economic or other disputes within the country in which they operate and the resolution of disputes.

According to the "World Investment Report-2022" issued by the United Nations Conference on Trade and Development, investment flows to Central Asia increased by 12% and reached US\$7 billion. However, the capital flows to Kazakhstan, which is considered the largest recipient of foreign investment in the region, decreased by 14% to US\$3.2 billion. The decrement factors of investment were in the sectors of mining and transportation. Investment flows to Uzbekistan increased by 18% to US\$2 billion, while investment flows to Turkmenistan rose by 24% to US\$1.5 billion.²⁵²

a. U.S. Investments and Activities of MNCs in Kazakhstan

The U.S.-Kazakhstan bilateral investment treaty entered into force in 1994, and the U.S.-Kazakhstan double taxation treaty entered into force in 1996.²⁵³ The Kazakh government has urged members of the U.S. Congress to approve the bill granting permanent normalized trade relations in 2021.²⁵⁴ If Kazakhstan receives this status, it will be advantageous for U.S. companies to invest. However, some scholars in the United States are opposed to granting such status to Kazakhstan, which is considered a close ally of Moscow: the United States recently imposed economic sanctions on Russia and decided to lift its status as a country with permanent normal trade relations because of Russia's activities in Ukraine.²⁵⁵

²⁵² UNCTAD "World Investment Report 2022" https://unctad.org/system/files/official-document/wir2022_en.pdf

²⁵³ U.S. State Department "2020 Investment Climate Statements: Kazakhstan" <https://www.state.gov/reports/2020-investment-climate-statements/kazakhstan/>

²⁵⁴ Inside Sources "Congress Should Pause PNTR for Putin Ally" (March 31, 2022) <https://insidesources.com/congress-should-pause-pntr-for-putin-ally/>

²⁵⁵ Inside Sources "Congress Should Pause PNTR for Putin Ally" (March 31, 2022) <https://insidesources.com/congress-should-pause-pntr-for-putin-ally/>

Among Central Asian countries, Kazakhstan has always been the most important partner for foreign investors. As of September 20, 2022, U.S. companies have invested US\$48.8 billion directly in Kazakhstan, which is 13.5% of the country's foreign investment.²⁵⁶

Accordingly, the United States is the third largest investor in Kazakhstan. The United States has invested heavily in Kazakhstan's mining sector, accounting for up to 30% of the country's foreign direct investment. Moreover, the finance and insurance sector accounts for 9.8% of U.S. FDI, and the exploration sector accounts for 6.6%.²⁵⁷

According to Kazakhstan's report, there are 3,600 companies active from the European Union, the United States, and the United Kingdom, which account for 14.1% of all companies invested in Kazakhstan. Besides, the Strategic Planning and Reform Agency of the National Statistics Office of Kazakhstan reported that 2,800 companies from Europe, 418 from the United States, and 369 from the United Kingdom have invested in the country which 3,200 are small, 180 are medium and 173 are large companies. Companies from the European Union, the United States, and the United Kingdom are primarily engaged in trade (949), professional, science, and technological services (481), finance and insurance (317), industry (220), transportation and warehousing (193), and construction (165). The line of investment companies includes Philip Morris, British American Tobacco, Chevron, Exxon Mobil, Royal Dutch Shell, and Glencore International which are registered international brokerage.²⁵⁸

When the U.S. Department of Commerce established the U.S.-Kazakhstan Business Council in Kazakhstan in 2020, Chevron, the largest U.S. investor was selected to be the head of the council and got the responsibility for protecting the investments of more than 700 U.S. companies.²⁵⁹ This means Chevron accepted as the largest U.S. multinational company among others.

During the 77th session of the United Nations General Assembly, the President of Kazakhstan, Kassim Jomart Tokayev participated in the Kazakh-U.S. investment roundtable and noted that

²⁵⁶ Georgi Kantchev and Christopher M. Matthews, The Wall Street Journal "Huge U.S. Investments at Risk in Kazakhstan Unrest" (Jan. 13, 2022) https://www.wsj.com/articles/huge-u-s-investments-at-risk-in-kazakhstan-unrest-11642070688?mod=hp_lista_pos1

²⁵⁷ Astana Times "US Ranks Among Top Three Investors in Kazakhstan's Economy" (Sep 20, 2022) <https://astanatimes.com/2022/09/us-ranks-among-top-three-investors-in-kazakhstans-economy/#:~:text=According%20to%20a%20Sept.%2019,FDI%20drawn%20to%20the%20country.>

²⁵⁸ Astana Times "Most EU, US and UK Companies Registered in Kazakhstan Operate in Trade, Science and Technical Activities" (4 April 2022) <https://astanatimes.com/2022/04/most-eu-us-and-uk-companies-registered-in-kazakhstan-operate-in-trade-science-and-technical-activities/>

²⁵⁹ U.S. Chamber of Commerce "U.S. Chamber of Commerce Launches U.S.-Kazakhstan Business Council" (September 01, 2020) <https://www.uschamber.com/international/us-chamber-of-commerce-launches-us-kazakhstan-business-council>

(January 1, 2022) there were 695 companies with U.S. investment operating in Kazakhstan, including 15 medium and 22 large companies and corporations.²⁶⁰ The list of major U.S. investors that have invested in Kazakhstan includes ExxonMobil, S&P Global, Boeing, GE International Markets, Honeywell UOP, Philip Morris, Procter & Gamble, Baker Hughes, Halliburton, PepsiCo, MasterCard, Citi, Coursera, multinationals such as StartX, DoorDash, Amazon, Pfizer, Medtronic, and Netflix.

Kazakhstan is active in attracting foreign investment and the country's investment regulatory authorities regularly hold meetings with investors. Recently, on September 15 and 16, 2022, representatives of the Kazakhstan Investment Committee held a meeting with U.S. investors in New York, where four major U.S. companies expressed interest in investing in Kazakhstan. DoorDash, the largest delivery service company in the United States, recently acquired Finnish company Volt, the country's most popular meal delivery service, after entering the Kazakh market in 2019. Other companies interested in investing in Kazakhstan include Cyphr Venture Capital, which is looking to connect with potential investors through its platform; investment firm Auerbach Grayson; and trading company MK Industries with an interest in investing in the agro-processing industry.²⁶¹

The consequences of the Russian military operation in Ukraine, Western countries have imposed an economic embargo on Moscow, and large companies from Western countries are leaving Russia. Accordingly, the Government of Kazakhstan is implementing a policy to attract investment to Kazakhstan from companies leaving the Russian Federation. Deputy Foreign Minister of Kazakhstan Almas Aidarov noted that the Foreign Ministry jointly with the state-owned company "Kazakh Invest" is negotiating with 43 foreign companies that want to move their business to Kazakhstan. In addition, Kazakhstan plans to negotiate with 265 companies that have publicly stated their intention to leave the Russian market or close their representative offices.²⁶²

Due to the ongoing war in Ukraine, Kazakhstan has become a suitable country for companies that want to do business in the Eurasian region. For instance, on one of the Fortune 100 lists of

²⁶⁰ Astana Times "US Ranks Among Top Three Investors in Kazakhstan's Economy" (Sep 20, 2022) <https://astanatimes.com/2022/09/us-ranks-among-top-three-investors-in-kazakhstans-economy/#:~:text=According%20to%20a%20Sept.%2019,FDI%20drawn%20to%20the%20country.>

²⁶¹ Astana Times "US Companies Set to Invest in New Sectors of Kazakhstan's Economy" (Sep 19, 2022) <https://astanatimes.com/2022/09/us-companies-set-to-invest-in-new-sectors-of-kazakhstans-economy/>

²⁶² Vusala Abbasova, Caspian News "Kazakhstan in Talks with Foreign Companies Planning to Relocate from Russia" (July 22, 2022) <https://caspiannews.com/news-detail/kazakhstan-in-talks-with-foreign-companies-planning-to-relocate-from-russia-2022-7-21-0/>

world leading companies the U.S. company Honeywell manufacturer of electronic systems has opened its first assembly of advanced automation and safety equipment factory in Almaty. The company has branches in 70 countries worldwide and has more than 110,000 employees.²⁶³

In 2021, the economy of Kazakhstan absorbed US\$24 billion in foreign investment, which increased by 38% in the same period last year. More than 60% of foreign investment in Kazakhstan was in sectors outside of mining.²⁶⁴ As for the United States, investment in Kazakhstan reached US\$36 billion in 2020, out of it US\$33.9 billion contributed to the mining exploration sector. The second largest sector for investment was finance and insurance and the U.S. companies invested US\$974.1 million. Also, US\$509.1 million investment was in the fields of professional services and technology.²⁶⁵

Goldman Sachs and Nasdaq invested in the Astana International Financial Center (AIFC) in Nur-Sultan. In January 2021, the International Development Finance Corporation announced that it would invest US\$1 billion in various economic projects in cooperation with the AIFC.²⁶⁶

Western investors are skeptical about Kazakhstan's interest in real reforms to attract investment. For example, Chief economist Manfred Stamer, and Trade credit insurance company Euler Hermes, noticed that security issues pose a serious risk to foreign companies operating in Kazakhstan. He noted, "Such an event reminds investors of the risk of business in Kazakhstan. It should be kept in mind that this is not a one-time event".²⁶⁷ Similarly, Former CEO Chevron Ed Chou said, "If you are a Western oil company, your risk profile may have just changed."

Foreign investors are concerned about corruption in the state and judiciary organs. Specifically, the U.S. State Department warned that "despite institutional and legal reforms done, persisting corruption, bureaucracy, and arbitrariness in law enforcement."²⁶⁸ In addition, a financial

²⁶³ DKN News "Relocation of Foreign Companies to Kazakhstan" (July 21, 2022) <https://dknews.kz/en/articles-in-english/245534-relocation-of-foreign-companies-to-kazakhstan>

²⁶⁴ Vusala Abbasova, Caspian News "Kazakhstan in Talks with Foreign Companies Planning to Relocate from Russia" (July 22, 2022) <https://caspiannews.com/news-detail/kazakhstan-in-talks-with-foreign-companies-planning-to-relocate-from-russia-2022-7-21-0/>

²⁶⁵ Ranking.kz "Казахстан всё более привлекателен для инвесторов из США: сумма американских инвестиций в РК возросла на 17% за год" (07 Ноябрь 2019) <http://ranking.kz/ru/a/infopovody/kazakhstan-vsyo-bolee-privlekatelen-dlya-investorov-iz-ssha-summa-amerikanskih-investicij-v-rk-vozroslo-na-17-za-god>

²⁶⁶ Official Information Source of the Prime Minister of Kazakhstan "Kazakhstan is developing investment cooperation with the United States through AIFC platform" (08 January 2021) <https://primeminister.kz/en/news/kazakhstan-narashchivaet-investicionnoe-sotrudnichestvo-s-ssha-cherez-ploshchadku-mfca-805939>

²⁶⁷ Georgi Kantchev and Christopher M. Matthews, The Wall Street Journal "Huge U.S. Investments at Risk in Kazakhstan Unrest" (Jan. 13, 2022) https://www.wsj.com/articles/huge-u-s-investments-at-risk-in-kazakhstan-unrest-11642070688?mod=hp_lista_pos1

²⁶⁸ U.S. State Department "2020 Investment Climate Statements: Kazakhstan" <https://www.state.gov/reports/2020-investment-climate-statements/kazakhstan/>

advisory and monitoring organization IntegrityRisk reported that the weak legal system and corrupted government officials irritate doing business in Kazakhstan.²⁶⁹

b. U.S. Investments and Activities of MNCs in Kyrgyzstan

Kyrgyzstan remains a market for high-risk investors, and the government of President Sadyr Japarov has expressed interest in diversifying foreign direct investment and developing a green economy to contribute to sustainable economic growth.

The bilateral investment treaty between the United States and Kyrgyzstan entered into force in 1994. Since 1993, the Kyrgyz Republic has participated in the United States' Generalized System of Preferences (GSP), which allows the country to export approximately 3,500 products to the United States duty-free. In June 2004, the Kyrgyz Republic signed the Basic Agreement on Trade and Investment with the United States, Kazakhstan, Tajikistan, Turkmenistan, and Uzbekistan. The main purpose of this agreement is to clarify trade issues and increase trade and investment between the United States and Central Asia. The 1973 Double Taxation Treaty between the U.S. and USSR is still in effect for the Kyrgyz Republic.

c. U.S. Investments and Activities of MNCs in Tajikistan

The United States considers Tajikistan a difficult country to do business in. However, foreign investors who have experience in the region can make long-term investments, and have significant research capabilities and resources have the potential to be risky but rewarding. In general, the country's competitiveness is weak when it comes to attracting investment. Tajikistan is the poorest country in Central Asia; however, a few U.S. investors operate in.²⁷⁰

In addition, Tajikistan has no bilateral free trade agreement with the United States and does not participate in the United States Trade Representative's Generalized System of Preferences.

d. U.S. Investments and Activities of MNCs in Turkmenistan

Turkmenistan is considered a high-risk country for investment. The corruption, weak legal system, bureaucracy, and strict legislation regarding foreign investment make it difficult for foreign investment to flow in.²⁷¹ Turkmenistan has neither a bilateral investment treaty nor a

²⁶⁹ IntegrityRisk “Regional Spotlight: Business and Corruption Risks in Kazakhstan” <https://integrityriskintl.com/business-corruption-risk-kazakhstan/>

²⁷⁰ U.S. State Department “2022 Investment Climate Statements: Tajikistan” <https://www.state.gov/reports/2020-investment-climate-statements/kazakhstan/>

²⁷¹ U.S. State Department “2022 Investment Climate Statements: Turkmenistan” <https://www.state.gov/reports/2020-investment-climate-statements/kazakhstan/>

free trade agreement with the United States. There is no significant U.S. investment in this country.

e. U.S. Investments and Activities of MNCs in Uzbekistan

Although Uzbekistan has signed bilateral investment agreements with 49 countries, the bilateral investment treaty signed with the United States in 1994 has not been ratified, and agreements signed with several countries, including Turkey, Bahrain, Belarus, and the Republic of Korea have not entered into force. Uzbekistan has bilateral relations with 53 countries. As a successor to the Double Taxation Agreement between the United States and the Soviet Union (signed in 1973 and entered into force in 1976), the U.S. Internal Revenue Service concluded a tax treaty between Uzbekistan and the Commonwealth of Independent States (CIS).

However, the Government of Uzbekistan stated that this agreement could not be considered valid and proposed to conclude a new agreement to avoid double taxation. Uzbekistan officially submitted the draft of the new agreement on the avoidance of double taxation to the U.S. government in December 2017. In 2015, Uzbekistan and the United States signed an intergovernmental agreement to improve international tax compliance with U.S. information reporting requirements, known as the Foreign Account Tax Compliance Act (FATCA). The agreement entered into force in July 2017.²⁷²

In 2018, more than 200 companies with the participation of U.S. successfully operated in Uzbekistan.²⁷³ U.S. companies operating on the territory of Uzbekistan use the following directions. These include:

- Direct distribution or sale of products;
- Working through a salesman or sales representative;
- Working through more than one local distributor or agent;
- Distributing and selling products directly from the warehouse.²⁷⁴

Coca-Cola Ichimligi Uzbekiston LTD, a manufacturer of non-alcoholic beverages and a joint venture, has been actively operating in the country's market since 1993 when it was registered in the State Register of Uzbekistan. The company officially started in March 1994. The beverage was bottled in 0.25-liter bottles at a factory in the Besh-Agach area of Tashkent and

²⁷² U.S. State Department “2022 Investment Climate Statements: Uzbekistan”
<https://www.state.gov/reports/2020-investment-climate-statements/kazakhstan/>

²⁷³ Abdul Kerimkhanov, “U.S. corporation to finance agricultural projects in Uzbekistan”
<https://www.thefreelibrary.com/U.S.+corporation+to+finance+agricultural+project+in+Uzbekistan-a0571513008>

²⁷⁴ U.S. Department of Commerce “Uzbekistan - Country Commercial Guide” (July 22, 2022)
<https://www.trade.gov/country-commercial-guides/uzbekistan-distribution-sales-channels>

delivered to the market. As part of the company's long-term development strategy, a new modern "mega" factory was opened in August 1998 in the Bektemir district of Tashkent in place of the 2 existing factories in Besh-Agach and Kibrai. The mega factory is the largest Coca-Cola factory in Central Asia.²⁷⁵

General Motors, one of the world's largest companies has formed a joint venture with UzAvtosanoat for the manufacture and distribution services of Chevrolet cars in Uzbekistan. The joint venture was named GM Uzbekistan by General Motors, starting to own 25% of stocks of the joint venture with the condition of further increment. The GM Uzbekistan is located 350 km from the capital city Tashkent in Asaka city of Andijan province and the production capacity is 250,000 units.²⁷⁶ Later, General Motors left the country in 2019 by selling 25% of its stock to UzAvtosanoat, which is owned by the Uzbek government.²⁷⁷ In 2018, GM Uzbekistan produced and exported cars and their parts worth a total of US\$25.5 million. As reported by Podrono.uz the GM Uzbekistan produced 82,000 cars in 2017 and 220,667 cars in 2018.

f. Disputes with MNCs

Kazakhstan's bilateral investment treaties with other countries state the settlement of investment disputes through international arbitration. Kazakhstan should accept the arbitration decision, but it does not always accept to them. According to the report of Kazakhstan's Ministry of Justice, published in February 2021, there are 25 pending arbitration cases and 14 of them are before the international arbitration court. Besides, the Government of Kazakhstan is the defendant in two cases pending in the International Center for Settlement of Investment Disputes. Moreover, several investment disputes have arisen with foreign companies over alleged violations of environmental, tax, transfer pricing, and investment laws in the recent years.²⁷⁸

In 2013, a Swedish Arbitration Court decided that the Government of Kazakhstan had illegally seized the assets of Tristan Oil, a company backed by Argentum Creek Partners, an American investment fund. As a result, the decision was to pay US\$500 million to the owner of "Tristan Oil", but Kazakhstan is still trying to disobey. This decision was confirmed in February 2022

²⁷⁵ Ministry of Investments and Foreign Trade of the Republic of Uzbekistan "Success stories: Coca Cola"
<https://mift.uz/en/investi/kompanija-coca-sola>

²⁷⁶ UNDP, UNCTAD and ICC "Investment Guide to Uzbekistan 2009"
<https://www.theiguides.org/guides/uzbekistan.pdf>

²⁷⁷ BNE Intellinews "General Motors completes pull out of GM Uzbekistan, company renamed UZAUTO" (July 5, 2019) <https://www.intellinews.com/general-motors-completes-pull-out-of-gm-uzbekistan-company-renamed-uzauto-163950/?source=uzbekistan>

²⁷⁸ U.S. State Department "2022 Investment Climate Statements: Kazakhstan"
<https://www.state.gov/reports/2020-investment-climate-statements/kazakhstan/>

by the Supreme Court of Italy in favor of the investor. However, the dispute will continue until Kazakhstan accepts the decision. The Kazakh side has not commented on the decision.

In 2013, Canada's World Wide Minerals Ltd. claimed that the Government of Kazakhstan illegally seized and sold the company's property and called the arbitration court to settle the dispute. The Government of Kazakhstan resisted for about 7 years to pay and later in 2020 paid World Wide Minerals Ltd. \$US40 million for the damage.²⁷⁹

Devincci Sarah Hourani, an American investor and founder of Caratube International Oil Company, experienced a similar hardship in 2017. As a result of a long battle with state authorities of Kazakhstan Hourani settled the case of "illegal usurpation of oil contract rights by Kazakhstan" and received compensation of more than US\$39 million. The International Center for Settlement of Investment Disputes Washington made a decision in which is Kazakhstan's Ministry of Energy and Mineral Resources and Mineral Resources and Consolidated Contractors (CCC) illegally terminated the Hourani family's contract for the oil business.²⁸⁰

According to the report of UNCTAD's Investment Dispute Settlement Coordinator, 14 investment disputes were filed against Kyrgyzstan between 2011 and 2021, 6 cases are in process, 4 cases were decided in favor of the investor, 2 cases were settled, and 2 cases were dismissed. Two cases involving U.S. investors were dismissed.²⁸¹

Mining has been Kyrgyzstan's most attractive sector for FDI, but Western investors say the dispute with the country's largest foreign investor may have dampened foreign investment. In May 2021, the Kyrgyz government raided the office of Kumtor Gold, a subsidiary of Canadian mining company Centerra Gold, and fined Centerra Gold US\$3 billion for environmental damage caused by Kumtor's gold mining operations. The Kyrgyz government then took over the mine and sued Centerra Gold in Kyrgyz and international courts for corruption, violations, and environmental damage. In September 2021, the London Bullion Market Association removed Kyrgyzalt the gold refiner of Kyrgyzstan from its "Good Supplier List" due to supply

²⁷⁹ Nick Taylor-Vaisey , Macleans "This Canadian won millions in a legal fight with Kazakhstan. Was it worth it?" (January 14, 2020) <https://www.macleans.ca/news/canada/this-canadian-won-millions-in-a-legal-fight-with-kazakhstan-was-it-worth-it/>

²⁸⁰ Investment Treaty News "Kazakhstan held liable for expropriation of Hourani family's investment on second round of ICSID arbitration" (December 21, 2017) <https://www.iisd.org/itn/en/2017/12/21/kazakhstan-liable-expropriation-hourani-familys-investment-second-round-icsid-arbitration-caratube-international-oil-company-llp-devincci-salah-hourani-icsid-case-arb-13-13/>

²⁸¹ U.S. State Department "2022 Investment Climate Statements: Kyrgyzstan" <https://www.state.gov/reports/2020-investment-climate-statements/kyrgyzstan/>

problems and fraud. Today, there are still problems with transparency in Kyrgyzstan's gold sales.

The government has expressed that it will increase its role in the development of mining and precious metals production by establishing a national enterprise to take care of the "Heritage of the great nomads." In April 2022, the Kyrgyz government and Senterra agreed to an interim agreement under which the Kyrgyz government would take full ownership of the mine and Senterra Gold refused its 26% of the stock.²⁸²

In the case of Tajikistan, disputes with foreign investors relate mainly to the implementation of tax incentives. Foreign investors report difficulties in claiming VAT rebates on imported goods. According to Tajikistan's Law on Economic Procedure, the decision to settle the dispute must be made 30-60 days after the start of court proceedings, however, this process usually takes longer.²⁸³

In the case of Turkmenistan, there were several examples in 2017 alone of Western companies failing to honor contracts or losing investment disputes against the government. There are cases where the government has simply refused to compensate foreign companies despite court decisions. Also, the Turkmen government disputes the amount of compensation in disputes with foreign investors, it causes foreign investors to waste the time.²⁸⁴

There are many disputes in Uzbekistan related to foreign investors, especially in the mining, textile, telecommunications, food processing, and trade sectors. Most disputes arise when Uzbekistan's state-owned enterprises fail to meet their obligations or default on payments. Joint ventures with foreign investors often involve internal disputes, and local partners increase their chances of winning the disputes through pressure from government agencies and bribery. Before the court decision, tax authorities take measures such as seizing the assets of disputed foreign investors and banning transactions from the company's accounts, which has serious consequences for foreign investors.

In Uzbekistan, the risk of confiscation of assets of large companies is high. Small and medium-sized enterprises are also affected by such problems. Most of the companies at risk of foreclosure are in the food processing, mining, retail, and telecommunications sectors.

²⁸² U.S. State Department "2022 Investment Climate Statements: Kyrgyzstan" <https://www.state.gov/reports/2020-investment-climate-statements/kazakhstan/>

²⁸³ U.S. State Department "2022 Investment Climate Statements: Tajikistan" <https://www.state.gov/reports/2020-investment-climate-statements/tajikistan/>

²⁸⁴ U.S. State Department "2022 Investment Climate Statements: Turkmenistan" <https://www.state.gov/reports/2020-investment-climate-statements/turkmenistan/>

According to Uzbek government statistics, 14,200 companies ceased operations in 2014 and the government seized the assets of 70% of all companies.

Some examples of disputes involving foreign investors include the following: In November 2011, the Uzbek government suspended the production and distribution of a multinational Danish Carlsberg brewery for alleged tax violations, and the company was shut down for 18 months until it resumed operations were interrupted.²⁸⁵ In early 2011, the Uzbek government began talking about terminating Amantaytau Goldfields a joint venture between British company Oxus Gold and the State Mining Company of Uzbekistan.²⁸⁶ As a result, the British company Oxus Gold decided to sell 50% of its shares to its partners on the Uzbek side, the State Committee of Geology and Mineral Resources of Uzbekistan (40% share) and Navoi Mining and Metallurgical Combine (10% share), and the dispute was ended.²⁸⁷

Since President Mirziyoyev has been in power, investment disputes have decreased in scope, but have not stopped. Regarding disputes with U.S. companies, a chemical company working with SPC has alleged that SPC violated contractual obligations and Uzbek laws by withholding dividends from SPC to buy out an American investor at a low price. The U.S. company has indicated its willingness to leave the country if it can charge a reasonable return.

The local government illegally transferred agricultural land from a U.S. agribusiness company to agricultural producers under a 99-year lease. The company has appealed to the Office of the President of Uzbekistan and the Supreme Court, but the dispute has not been resolved, so the company's management is discussing selling the business.²⁸⁸ In addition, an invoice for a refinery remains unpaid after the project was suspended, although a U.S. company said it had exceeded the contractual payment threshold.²⁸⁹

2. Activities of Chinese SOEs in Central Asia

Central Asia is rich in mineral resources and is considered a strategic energy and resource base in the 21st century, greatly supporting China's energy needs. Kazakhstan is the largest oil-producing country in Central Asia, while Turkmenistan is "a country standing on a whole bag

²⁸⁵ Uzbekistan Business Intelligence Report - Strategic Information, Opportunities, Contacts (World Strategic and Business Information Library), IBP USA; 6th edition (March 29, 2018), pp. 134

²⁸⁶ Stated earlier

²⁸⁷ UZ Daily "Shareholders of Amantaytau Goldfields to consider JV liquidation" (February 6, 2011) <https://www.uzdaily.com/en/post/13088>

²⁸⁸ U.S. State Department "2022 Investment Climate Statements: Uzbekistan" <https://www.state.gov/reports/2022-investment-climate-statements/uzbekistan/>

²⁸⁹ Stated earlier

of natural gas." Additionally, 63% of Uzbekistan's land area is in oil and gas condensing areas, and the country is among the world's 15 largest producers of natural gas.

With more than 40 billion barrels of proven oil reserves and more than 500 trillion cubic feet of natural gas (350 trillion cubic feet in Turkmenistan),²⁹⁰ the Central Asian republics are helping China reduce its energy dependence on West Asia. Central Asia is also rich in uranium deposits. Kazakhstan is second after Australia in the world in terms of this valuable resource. In recent years, the country has become the largest producer of uranium ore. Uzbekistan also has large uranium deposits. Therefore, Central Asia is of crucial importance for China's energy security.

a. Petrochina in Central Asia

China-Central Asia oil and gas cooperation officially began in 1997 when Petrochina acquired the asset management rights for the Aktobe project in Kazakhstan.

In June 1997, Petrochina has started involvement with the Kazakh oil and gas company Aktobe.²⁹¹ In October 2003, Petrochina participated in a joint venture project in North Buzaki, Kazakhstan. In December 2004, Petrochina participated in the KAM and ADM projects in Kazakhstan. Subsequently, Kazakhstan PK invested in the project in October of 2005.

In December 2005, the first phase of the China-Kazakhstan crude oil pipeline (Atasu-Alashankou) was completed and put into operation. In April 2006, the "Agreement on the Basic Principles of the Construction of a Natural Gas Pipeline between the People's Republic of China and Turkmenistan" was signed with the Turkmen Ministry of Petroleum, Natural Gas Industry and Mineral Resources.²⁹²

In July 2007, the Agreement on Joint Exploitation of Natural Gas Production on the West Bank of the Amu Darya River and the Agreement on Purchase and Sale of Sino-Turkish Natural Gas were signed with the Turkmen Ministry of Petroleum and Natural Gas Resources and the Turkmen Gas State Concern. A groundbreaking ceremony was held for the natural gas project on the west coast of the Amu Darya in Turkmenistan. The President of Turkmenistan issued an

²⁹⁰ 中俄美在中亚油气领域的合作与竞争

<http://47.94.233.156/RMBase/SysJP/Multimedia/Pdf.ashx?ID=333101&contentid=1066640&form=browse>

²⁹¹ 中国石油中亚—俄罗斯合作区高质量发展纪实

<http://news.cnpc.com.cn/system/2022/09/27/030081047.shtml>

²⁹² 中国石油中亚—俄罗斯合作区高质量发展纪实

<http://news.cnpc.com.cn/system/2022/09/27/030081047.shtml>

exploration, exploitation, and contractor license to Petrochina, and the construction of the Amu Darya natural gas project was officially started in August 2007.²⁹³

In October 2008, signed the "Basic Agreement on Expanding Cooperation in the Field of Natural Gas and Natural Gas Pipelines" with the National Oil and Gas Company of Kazakhstan, through the second phase of the China-Kazakhstan gas pipeline, and the second phase of the China-Kazakhstan natural gas pipeline. It is planned to jointly invest in construction and supply five billion cubic meters of gas to China. The first phase of the second phase of the China-Kazakhstan crude oil pipeline officially started commercial oil shipments in October 2009.²⁹⁴ The first phase of the second stage of the China-Kazakhstan crude oil pipeline officially started commercial oil deliveries in October 2009.

Petrochina began investing in Kazakhstan's Mangshtau in November 2009. In December 2009, the first phase of the natural gas project on the west bank of the Amu Darya River in Turkmenistan and the A Line of the Central Asian Natural Gas Pipeline was officially completed and put into operation. A key handing contract was signed with the National Gas Corporation of Turkmenistan for the construction of 10 billion cubic meters of gas production capacity per year at the South Yolotan. In October 2010, work on Line B of the Central Asia Natural Gas Pipeline was completed and ventilation was carried out. In April 2011, Uzbekistan State Oil and Gas Holding Company and China National Oil Corporation signed an agreement on the main terms of the contract for the sale and purchase of natural gas with Uzbekistan Petroleum.

In June 2013, a cooperation and supply agreement for oil and gas was signed with the Ministry of Energy and Industry of Tajikistan as part of the Bogda Block Project in Tajikistan.²⁹⁵ The first phase of the "Fusing 复兴" gas field in Turkmenistan was completed and production began in September 2013. "Memorandum of understanding on the development of feasibility studies for geological exploration and production of oil and natural gas in the Baisong and Surkhan blocks of Uzbekistan" and "Agreement in principle to establish a joint venture in addition to oil exploration and production. "Gas Fields in the Karakuri Investment Block" were signed with the Government of Uzbekistan. The two parties established a joint venture company to jointly

²⁹³ 中石油在中亚：深化能源合作助力丝路建设 <http://energy.people.com.cn/GB/71899/390658/>

²⁹⁴ 中石油在中亚：深化能源合作助力丝路建设 <http://energy.people.com.cn/GB/71899/390658/>

²⁹⁵ Chinese investments in the natural gas and oil sector of Central Asia
https://issuu.com/zoienvironment/docs/methane-china-eurasia_en

exploit three natural gas fields and potential oil and gas deposits in the Karakuri block. Also, invested in the Kashagan oil and gas project in Kazakhstan.

In October 2013, Uzbekistan New Silk Road Oil and Natural Gas LLC were established in cooperation with Uzbekistan Petroleum Company. In May 2014, Line C of the Central Asian Natural Gas Pipeline with a capacity of 25 billion cubic meters of gas per year was put into operation. The second plant of the natural gas processing project on the west bank of the Amu Darya River in Turkmenistan was put into operation. In March 2016, Turkmenistan officially started a contract implementation to supply 10 billion cubic meters of gas to China.²⁹⁶

In June 2017, the construction of the South Kazakhstan natural gas pipeline was completed. Annual gas transportation capacity of 6 billion cubic meters. The modernization project of the oil refinery in Shymkent, Kazakhstan, was completed and the construction of the first modernized refinery in Kazakhstan with the highest international standards and environmental protection norms was completed in September 2018. In October 2018, Petrochina signed a 5-year gas supply contract with Kazakhstan Natural Gas Transmission Company and plans to increase the volume of natural gas exports to China from 5 billion to 10 billion cubic meters per year from 2019.²⁹⁷ The joint venture "Asia Steel Pipe" with China's Petrochina Kazakhstan was established in December 2021 and it has a production capacity of 100,000 tons of large-diameter steel pipes per year.²⁹⁸

3. Activities of Indian SOEs in Central Asia

a. Information and activities of SOEs in India Kazakhstan

The energy sector in Central Asia is vital for India and competitive as China's main interest in the region is energy. India and China cooperate in other areas, but competition in the Eurasian energy sector is vital. In late 2005, China outbid more than India to acquire PetroKazakhstan which is Kazakhstan's third-largest oil producer. This shows high competitiveness because China National Petroleum Corporation (CNPC) raised its bid to US\$4.18 billion.

After many years of effort, India is slowly making inroads into the regional energy sector. Since 1995, ONGC has been trying to invest in Kazakhstan one of the richest oil fields among the

²⁹⁶ Chinese investments in the natural gas and oil sector of Central Asia
https://issuu.com/zoienvironment/docs/methane-china-eurasia_en

²⁹⁷ Chinese investments in the natural gas and oil sector of Central Asia
https://issuu.com/zoienvironment/docs/methane-china-eurasia_en

²⁹⁸ Chinese investments in the natural gas and oil sector of Central Asia
https://issuu.com/zoienvironment/docs/methane-china-eurasia_en

three. ONGC strengthened its position in February 2005 by signing a memorandum of understanding with Kazakhstan's State energy company KazMunaiGaz (KMG) in the hydrocarbon sector. In April 2011, during then-Prime Minister Manmohan Singh's visit to Kazakhstan, OVL (ONGC) signed a definitive agreement to acquire 25% of the Satpayev block in the Kazakh part of the Caspian Sea, which has reserves of 1.8 billion barrels. OVL (ONGC) had planned to invest US\$165 million in the exploration of the project, with an additional US\$235 million earmarked for about US\$400 million.²⁹⁹ Drilling was initiated by Indian Prime Minister Modi during his visit to Kazakhstan in July 2015.³⁰⁰ However, OVL decided to withdraw from the Satpaev contract in 2018 as no commercial hydrocarbon reserves were found during exploration.

In 2013, another Indian attempt in Kazakhstan failed too. OVL (ONGC) was very close to finalizing a US\$5 billion deal to buy 8.4% of the Production Sharing Agreement in the North Caspian Sea, which includes the Kashagan field from ConocoPhillips. OVL (ONGC) received approval from its partners to buy shares in ConocoPhillips, but the Kazakh government used its legal rights to sell the stake to China's CNPC for US\$5.2-5.4 billion. According to some research reports, India lost at least US\$12.5 billion because of the Chinese deal.³⁰¹ In 2015, the Government of Kazakhstan offered ONGC another mid-sized “Abay” oil block in the Caspian Sea, but ONGC has not received the offer due to the fall of oil prices in the market.³⁰²

Some social media reported that after the loss of the Kashagan deal, Indian leaders were disappointed to strengthen strategic and economic ties with Kazakhstan.³⁰³

Uzbekistan

India's Leading Natural Gas (GAIL) has signed a memorandum of understanding with Uzbekneftgaz (UNG) for oil and gas exploration and production in Uzbekistan. GAIL has agreed to build several liquefied petroleum gas (LPG) plants at UNG in western Uzbekistan. The investment for each fuel plant is US\$50-60 million. These plants will mainly produce LPG for the domestic market of Uzbekistan.³⁰⁴ In 2011, ONGC signed a memorandum of

²⁹⁹ Ministry of Foreign Affairs of India, “Bilateral Agreements Concluded during PM's Visit to Kazakhstan,” April 16, 2011, <http://mea.gov.in/bilateral-documents.htm?dtl/4845/Bilateral+agreements+concluded+during+PMs+visit+to+Kazakhstan>.

³⁰⁰ “PM Narendra Modi Launches OVL Oil Block Project in Kazakhstan,” *Economic Times*, July 7, 2015, <http://goo.gl/iJEyWs>

³⁰¹ “India Loses \$5 bn Bid for Kashagan Oil Field to China,” *Economic Times*, July 2, 2013, <http://goo.gl/ADZXcr>.

³⁰² “India Rejects Kazakhstan's Offer for Abai Oilfield,” *Economic Times*, June 17, 2015, <http://goo.gl/7JtZqz>.

³⁰³ India-Kazakhstan energy relations: Looking back and looking ahead, Ramakrushna Pradhan, *Journal of Eurasian Studies*, Volume 13, Issue 2, May 16, 2022

³⁰⁴ “GAIL to Set up LPG Plants in Uzbekistan,” *Hindu Business Line*, May 2, 2006, <http://goo.gl/OfIJDw>.

understanding with UNG for exploration and production (E&P) cooperation in Uzbekistan and third countries.³⁰⁵ India and Uzbekistan are also working together to supply Afghanistan through an Indian-built transmission line.

Moreover, the purchase of uranium from the region has become an important area of cooperation. In 2014, for example, Uzbekistan's state-owned mining company NMMC (Navoy Mining and Metallurgical Combine) agreed to supply 2,000 tons of uranium ore concentrate to India for the period 2014-2018.³⁰⁶

b. Projects and programs implemented by SOE

Kazakhstan

Kazakhstan is India's leading trading partner among the Central Asian republics. Between 2020 and 2021, India and Kazakhstan had a trading volume of US\$1.9 billion. The main areas of their trade relations are petroleum, petroleum products, uranium, titanium, pharmaceuticals, and commercial goods such as agriculture. Energy trade is also an important part of economic cooperation between the two countries. The Indian Prime Minister's visit to the country and the region in 2015 further raised the possibility of expanding energy trade between the two countries.

During the visit of Indian Prime Minister Manmohan Singh to Kazakhstan in 2011, Indian ONGC Videsh Ltd.³⁰⁷ signed three contracts between ONGC Videsh Ltd and "Kazmunaigaz" in the Satpaev exploration field.³⁰⁸

- Contract on the transfer of stocks
- Contract on transportation
- Joint operating agreement

Scope of the document

³⁰⁵ "ONGC Videsh Inks Pact with Uzbek Firm," Business Standard, May 18, 2011, <http://goo.gl/6ku3co>.

³⁰⁶ "India Widens N-fuel Base, Signs up Uzbek Firm for Uranium Supplies," Indian Express, August 27, 2014, <http://goo.gl/lpr9ql>.

³⁰⁷ ONGC Videsh Limited is a state-owned company of the Government of India (CPSE), operating under the direction and supervision of the Ministry of Petroleum and Natural Gas. It is India's leading national oil company (NOC) Oil and Natural Gas Corporation Limited (ONGC) - a wholly owned foreign subsidiary.

³⁰⁸ https://mea.gov.in/bilateral-documents.htm?dtl/31598/Bilateral_agreements_concluded_during_PMs_visit_to_Kazakhstan

These three contracts supported to implementation of the agreement of stock transfer of Satpaev exploration field from Kazmunaigas (KMG) to ONGC Videsh Ltd (OVL).

- The agreement specifies the transfer of 25% of KMG's stocks to OVL and the terms of the transfer.
- The Transportation Agreement defines the main features of the "transportation" of OVL and the repayment of funds contributed by KMG if discovered and exploited.
- The Joint operating agreement defines the cooperation between parties and how they will operate.

The Satpaev exploration field locates in the Caspian Sea part of Kazakhstan, it covers an area of 1,482 square kilometers with 1.8 billion barrels of reserves and 6-8 m in depth underwater. Moreover, it locates in a highly prospective area in the northern Caspian Sea and next to large fields that have already been discovered. The block contains two prospective fields, Satpaev and Satpaev Vostochny (East) with estimated hydrocarbon reserves of 256 million tons. This agreement marks OVL's entry into the Kazakh hydrocarbon sector. Although OVL has been trying to gain a foothold in Kazakhstan since 1995. In February 2005 OVL signed a memorandum of understanding with KMG in the hydrocarbon sector to further strengthen these efforts. An exploration agreement was signed between OVL and KMG in 2009 and 2010 between the Ministry of Petroleum and Natural Gas of Kazakhstan and KMG.

Under the contract, ONGC agreed to bear the entire exploration costs in Satpaev.³⁰⁹ This was to reduce the risk of the investment in "Kazmunaigaz" which requires an investment of US\$9 billion. It is a worldwide common experience that foreign companies share exploration costs with state-owned companies. The case of Kazakhstan is a bit different because they not only seek investment for the exploration of energy resources but also need the development of infrastructure. This could be one of the reasons why India has had little success in securing Kazakhstan's oil business compared to other candidates.

India and Kazakhstan established a "Strategic Partnership" in 2009. This means that the two countries agreed to develop a bilateral partnership of security and strategic importance in all aspects. "Cooperation in the use of nuclear energy for civilian purposes creates favorable prospects for further diversification of economic and trade relations between two sides, both sides have negotiated an agreement on the supply of uranium."³¹⁰

³⁰⁹ <https://journals.sagepub.com/doi/full/10.1177/18793665221093798>

³¹⁰ Cutler, M. R. (2011). India raises energy profile in central Asia. Asia Times. www.asiatimes.com

India and Kazakhstan have agreed to uninterrupted trade in uranium, and New Delhi is likely to become more dependent on Astana for its uranium purchases.

For its part, Kazakhstan has strongly supported India at both the International Atomic Energy Agency (IAEA) and the Nuclear Suppliers Group (NSG) to facilitate the supply of nuclear materials to New Delhi. Kazakhstan is the largest producer of uranium, producing about 20,000 tons³¹¹ per year.³¹² Cooperation between India and Kazakhstan in the nuclear sector is beneficial to both countries.

According to India's 12th Five-Year Plan, "Nuclear energy will play an important role in meeting the country's energy needs and an additional 100,000 MW will be required during the plan period (2012-17)".³¹³

After ratification of the agreement between India and the United States on cooperation in the field of civil nuclear energy, India has access to a wide range of accessible sources. In this direction, Kazakhstan became a reliable partner in 2009 by expanding its support to India in the IAEA and NSG frameworks in the field of civil nuclear energy. In 2009, a memorandum of understanding was signed between the Nuclear Power Corporation of India (NPCIL), the National Atomic Company, and Kazatomprom, during the visit of the President of Kazakhstan Nazarbayev.³¹⁴ The initial diplomatic negotiation was reinforced in 2011 by Prime Minister Manmohan Singh's visit to Kazakhstan. During that visit, the two countries signed a "nuclear energy agreement" for peaceful use. The agreement establishes a legal framework for cooperation in fuel supply, reactor safety mechanisms, scientific and research information exchange, uranium exploration and joint mining, and nuclear power plant design, construction and operation. Under the agreement, Kazakhstan supplied 2,000 tons of uranium to India in 2014.³¹⁵ India and Kazakhstan agreed on July 7 and 8, 2015, to extend the agreement on uranium supplies. "The National Atomic Energy Corporation (NAC) and the Nuclear Power Corporation of India (NPCIL) have agreed to supply 5,000 tons of nuclear fuel to India in 2015-

³¹¹ Sajjanhar, A. (2013). India-Kazakhstan relations: Challenges and opportunities. Gateway House, Indian Council on Global Relations. November, 20.

³¹² India-Kazakhstan energy relations: Looking back and looking ahead, Ramakrushna Pradhan, Journal of Eurasian Studies, Volume 13, Issue 2, May 16, 2022

³¹³ Planning Commission (2012). Twelfth five year plan 2012-2017. New Delhi: Planning Commission, Government of India. available at: <https://niti.gov.in/planningcommission.gov.in/docs/plans/planrel/fiveyr/welcome.html>

³¹⁴ Pradhan, R. (2019). Petropolitics and Pipeline Diplomacy in Central Asia: Can India afford to wait in the Wings? *India Quarterly*, 75(4), 472-489. <https://doi.org/10.1177/0974928419874549>

³¹⁵ <https://www.wise-uranium.org/upin.html>

19".³¹⁶ This is more than double of what India received in the previous phase of the agreement (2009-2014).³¹⁷ Kazakhstan, which currently supplies 80% of India's uranium needs, has renewed the nuclear agreement and will supply 9,000 tons of uranium to India by 2020-24.³¹⁸

c. TAPI and Kazakhstan

Talks began in 1995, but the long-delayed and controversial TAPI (Turkmenistan-Afghanistan-Pakistan-India) gas pipeline has shown positive signs of resolution after 25 years. A groundbreaking ceremony was held in Ashgabat in December 2016, and it was decided that the next steering committee meeting will be held in New Delhi, India, in 2018. The pipeline will further expand India's energy cooperation with Kazakhstan and help India transport gas from Kazakhstan's natural gas fields in the Caspian Sea region.

d. International North-South Transport Corridor and Kazakhstan

The INSTC project (International North-South Transport Corridor) is supported by 13 countries. In this frame, Kazakhstan is planning to settle a sea route from Mumbai to Bandar-e-Anzali on the Caspian Sea via Iran's Bandar Abbas through Central Asia to Russia. The link to Iran's Chabahar port will give India seamless access to Central Asia's energy resources bypassing Pakistan and Afghanistan. "The first land link in both directions was completed in 2014. According to India's Ministry of External Affairs report, this result is impressive with transportation costs dropping by US\$2,500 per 15 tons of cargo".³¹⁹ During Prime Minister Modi's visit to Astana in July 2015, India and Kazakhstan agreed to work closely under INSTC to improve the connection. In 2017, more countries were included the Ashgabat Agreement Working Group. Once the road is fully in operation, India will have a base to transport hydrocarbon resources delivery not only to Russia, Iran, and Kazakhstan but also to the wider region.

Although India and Kazakhstan have made relative progress in energy cooperation, India's progress appears relatively modest compared to other Kazakhstan energy users.

More importantly, India is not directly connected to Central Asia. Besides, Central Asian countries are landlocked, so the transit pipeline is very important. Therefore, India depends on third countries to build its pipeline through China, Pakistan, Afghanistan, or Iran to the Arabian

³¹⁶ MEA (2015), PM Modi's Central Asia tour brings region back into focus. Ministry of External Affairs, Government of India, New Delhi, July 15

³¹⁷ Stobdan, P. (2020). India and central Asia—the strategic dimension. New Delhi: KW Publishers Pvt Ltd.

³¹⁸ <https://www.gktoday.in/topic/india-kazakhstan-sign-memorandum-of-understanding/>

³¹⁹ 319 MEA (2017). India-Turkmenistan relations. Embassy of India, Ashgabat, Turkmenistan.

Sea. Despite the difficult geopolitical situation in Afghanistan, poor relations with Pakistan, and constant opposition from China, the Iranian route is considered the best option.

Hydrocarbons can be transported to India via pipeline through the Caspian Sea over Iran. Another possible option is to transport oil via Iran-Turkmenistan-Kazakhstan railroad line, which was opened in December 2014 as part of the INSTC. In addition, an agreement between Kazakhstan and India was signed on July 9, 2015, which allowed cost-effective and easy transportation between India and Kazakhstan. The pilot transport was tested in 2018 along the Mumbai-St. Petersburg North-South Transport Corridor proved a cost-efficient and time-saving way. If transmission between India and Iran via Chabahar port becomes a reality, this route will be considered the next energy corridor in world politics.

This situation aids in the development of relations with Kazakhstan and shows their importance for India. Modi's visit might bring a change in history and leads to India's policy change toward Kazakhstan. The agreements and memorandum of understanding signed between the two countries have strengthened India's position and enabled the marketing of Indian goods in Kazakhstan. Also, it raised optimistic expectations that Kazakhstan's energy will supply the Indian industry.

Turkmenistan

India believes that it can play an important role in energy sectors in Turkmenistan. In addition, the two countries have not only a close relationship, but also India's energy consumption is growing and Turkmenistan's export capacity is increasing.

Recently, New Delhi has expressed it is interested in Turkmenistan's natural gas sector. The energy project that has the greatest impact on bilateral relations between countries via the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline. The TAPI project consists of an 1,800 km pipeline which is delivering Turkmenistan's gas to the Indian market through Afghanistan and Pakistan. This project is very important and investments have grown to US\$10 billion. It has an export capacity of 33 billion cubic meters per year. Through this pipeline, Turkmenistan was able to transport gas to Afghanistan (5 billion cubic meters), Pakistan, and India (14 billion cubic meters each) for about 30 years.³²⁰

The pipeline will export gas from the Galkynysh gas field in Turkmenistan. The project has gained attention in recent years due to the increased production and export of Turkmen natural gas. In addition, security issues are particularly important for the continued success of the

³²⁰ [http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/593554/EPRS_BRI\(2016\)593554_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/593554/EPRS_BRI(2016)593554_EN.pdf)

project. One of the main problems of the project is the pipeline is passing through some of the most insecure and unstable regions of Afghanistan under the Taliban strongholds of Helmand and Kandahar provinces.

In December 2010, officials of four-member countries signed the Intergovernmental Gas Pipeline Basic Agreement, and the bilateral gas sales agreement was signed in May 2012.

During the 23rd meeting, 2015 of TAPI in Turkmenistan the shareholder and investment agreement was signed.³²¹ A special-purpose consortium called TAPI Pipeline Company (TPCL) was formed in November 2014 by Turkmengaz (85% stake), Afghanistan Gas Enterprise (5%), Inter State Gas Systems (5%), and India's GAIL³²² (5%) and is working to implement a \$10 billion project through the creation of companies such as Turkmengaz.³²³

State-owned enterprises in Pakistan and India are expected to buy 42% of total produced natural gas which is about 14 billion cubic meters, while Afghanistan is expected to buy 16%³²⁴ about 5.11 billion cubic meters. Afghanistan will also receive US\$500 million per year as a transit fee for the gas pipeline.

In addition, Indian Prime Minister N. Modi noted the opening of a Representative Office of India's ONGC Videsh Ltd (OVL) in Turkmenistan during his official visit to Turkmenistan on July 11, 2015. The state-owned company "Turkmenkhimiya" signed a Memorandum of Understanding with the Indian PSU Rashtriya Chemicals and Fertilizers to supply fertilizer raw materials for a long period.

4. Investments in Central Asia by India-based MNCs

During 2008-2013, Indian private sector investment in Central Asian countries totaled US\$29 million.³²⁵ Currently, Indian investments in the region include rehabilitation services, automotive manufacturing, pharmaceuticals, and energy projects.³²⁶ For example, the Indian company "Minda Industries" Ltd. has established a joint venture with an Uzbek automobile

³²¹ <https://www.hydrocarbons-technology.com/projects/turkmenistan-afghanistan-pakistan-india-tapi-gas-pipeline-project/>

³²² GAIL (India) Limited is India's largest natural gas company with a strong presence in natural gas transmission, distribution, processing, liquefied natural gas transmission, petrochemicals, city gas and E&P.

³²³ <https://www.adb.org/news/tapi-shareholders-agreement-signed-groundbreaking-ceremony>

³²⁴ <https://neftegazru.com/tech-library/transportation-and-storage/632050-turkmenistan-afghanistan-pakistan-india-tapi-gas-pipeline/>

³²⁵ Data collated and calculated by Indian Development Cooperation Research (IDCR), at the Centre for Policy Research, based on data on Overseas Direct Investment 2008-2013, Reserve Bank of India, Government of India.

³²⁶ Data collated and calculated by Indian Development Cooperation Research (IDCR), at the Centre for Policy Research, based on Database on Overseas Direct Investment 2008-2013, Reserve Bank of India, Government of India

manufacturer.³²⁷ In 2011, the Indian Polo Group built the Leisure and Food Village-Public amusement park in Tashkent. Iron and steel company JPM built a ferrosilicon manufacturer in Kyrgyzstan. IoT Infrastructure and Services³²⁸ bought stocks from Caspi Shelf of Kazakhstan.³²⁹

Indian private sector investment and trade in the region remain limited compared to China. Geographical location and Pakistan's refusal of strict Indian trade in the Central Asian region. Nowadays, Indian goods pass through Iran and Afghanistan. India's annual trade with Central Asian countries is growing steadily to about US\$2 billion, however, it's still low than other competing countries.

Activities of India-based MNCs

Export-Import Bank of India investments in Central Asian countries

EXIM Bank of India launched a regional trade promotion program in 2003 namely the "Commonwealth of Independent States (CIS) Concentration Program". Under this program, "complex financing, advisory and assistance programs were implemented to support and facilitate India's the trade and investment with countries of CIS."

It opened lines of credit to these countries, helped many Indian companies sign contracts in the mining, energy, and transportation sectors, and assisted them with projects funded by multilateral organizations. EXIM Bank also assisted Indian companies in establishing joint ventures in the pharmaceutical sectors of Kazakhstan and Uzbekistan. It signed cooperation agreements with UZBEKINVEST, the National Export-Import Insurance Company of Uzbekistan, the National Bank for Foreign Economic Activities of Uzbekistan, and other organizations.

Global Procurement Consultants Limited a consulting company initiated by EXIM Bank has implemented several projects in Kyrgyzstan and Uzbekistan. The joint venture promoted by EXIM namely Bank Global Trade Finance Limited provides foreign trade finance in several Eurasian countries and Tajikistan.

Central Asian countries	Operating Indian companies	Potential areas of investment identified by the Indian side	Citizens and the public of India

³²⁷ See "Overview of UZMinda Group" available at [http:// www.minda.co.in/UzMinda/forms/overview.aspx](http://www.minda.co.in/UzMinda/forms/overview.aspx).

³²⁸ The Company was incorporated as Indian Oil tanking Limited on August 28, 1996

³²⁹ See "Seismic Services," at IOT website available here: http://www.iotinfraenergy.com/business/seismic_services.htm.

Kazakhstan	ONGC Videsh, Punjab National Bank, Bharat Heavy Electricals Limited, Claris Lifesciences, Dr. Reddy's Lab., Mega Lifesciences, KEC International, Sun-pharma, Ranbaxy, Alkem Lab, Lupin, Ajanta Pharma	Chemicals, drugs, pharmaceuticals, oil, natural gas, agriculture, food production, construction, telecommunications, minerals, metals	4,200 (700 are medical students)
Kyrgyzstan		Tourism, agriculture and food production, mining, metallurgy, hydropower plant	4,500 (mostly medical students)
Tajikistan	CHL, Ajanta Pharma, Kalpataru, BHEL	Hydropower plant and light industry sector	900 (mostly medical students)
Turkmenistan	ONGC Videsh (OVL) is working to open its office	Oil, gas, and tourism	534 (mostly in the energy and construction sectors)
Uzbekistan	Global Impex, Nova Pharm, Global Transportation Systems, Lupin, Shreta Lifesciences, Ajanta Pharma, Himalai Company, Dr. Reddy's Lab., Claris Life- sciences, Minda Automotive Solutions	Oil, gas, and textile industry	Few Indian citizens live there.

*Table 13: Summary of Indian business, human resource policies, investments, and potential areas of cooperation in Central Asia.*³³⁰ Source: FICCI, Ministry of Foreign Affairs of India

Kazakhstan

About 560 legal entities and branches with equity participation of private and state-owned Indian companies operate in Kazakhstan. Air Astana operates 14 flights per week between Delhi and Almaty. Indian and Kazakh airlines have opened additional flights on the Mumbai-Almaty route.³³¹

³³⁰

https://www.academia.edu/27828321/India_in_a_Reconnecting_Eurasia_Foreign_Economic_and_Security_Interests

³³¹ <https://diplomatist.com/2019/12/26/kazakhstan-has-tailored-new-approaches-to-the-investment-policy/>

London-centered Indian steel magnate Lakshmi Mittal and his subsidiary ArcelorMittal Temirtau are the largest steel and mining companies in Kazakhstan. The company's integrated steel plant in Temirtau has a processing capacity of 4 million tons of crude steel per year. The company also operates eight coal mines in the Karaganda region³³² and four iron ore mines in the Karaganda, Akmola, and Kostanay regions. Also, Punj Lloyd India has been involved in oil pipeline projects in Kazakhstan.

Uzbekistan

Nowadays, 145 Indian companies are operating in Uzbekistan. 58 of them were established with full investment. In the first quarter of 2018, 9 companies were established with Indian investments which indicate the increment of Indian entrepreneurs.³³³

Indian companies investing in Uzbekistan³³⁴

Indian companies' investments mainly contributed to pharmaceuticals, amusement parks, vehicle parts, and general services. Large Indian companies such as GMR have expressed interest in airport and air corridor development and are investing in the Navoi cargo transportation complex in Uzbekistan. KDAH (Ambani Hospital) Mumbai city has also expressed a desire to build its hospital. During the visit of the Governor General of Gujarat, a ground-breaking ceremony was held for the construction of a pharmaceutical factory with an investment of US\$50 million by M/S Cadila. In the education sector, Amity College of India opened its campus in Tashkent and Sharda College in Andijan in October 2019.

India is also working with Indian institutions such as iCreate to support a startup system development in Uzbekistan. Another key player in research, technology, startups, and innovation fields is DevIT, which recently signed an agreement with partners in Uzbekistan. In the energy sector, India's NTPC (National Thermal Power Corporation Limited) participated in the tender for consulting services for solar PV power plants and gas projects in Uzbekistan.

Another form of interest by Indian companies to operate in the country is to participate in the privatization process that has been under process in the region since its independence. In 2006, Indian company Spentex Industries bought Uzbekistan's state-owned spinning company

³³² See ArcelorMittal, "ArcelorMittal in Kazakhstan," n.d., http://aktau.arcelormittal.com/who-we-are/arcelormittal-kazakhstan.aspx?sc_lang=en.

³³³ Mustapova Khilola, The Indian Strategy for Central Asia: Goals, Challenges and Prospects, Bulletin Social-Economic and Humanitarian Research , July 30, 2019

³³⁴ <https://www.india-briefing.com/news/india-central-asia-summit-key-outcomes-security-trade-investment-24155.html/>

Tashkent-Toyetpa Tekstil for US\$81 million.³³⁵ In 2007, Uzbekistan also announced numerous incentives to attract Indian textile companies. However, Spentex, which operated in Uzbekistan, went bankrupt in 2012 with a loss of about US\$100 million, which disappointed other companies. Indian companies, however, believe there is a great opportunity for investment in the agricultural sector if some Central Asian countries can reform their land policies.

Tajikistan

Tajikistan's restricted market condition has had a somewhat negative impact on Indian companies' investments in the country.

Some of the Indian private sector investments/projects in Tajikistan include:

- 1) M/s CHL Limited of India has built a 5-star hotel.
- 2) KEC/RPG of India completed the construction of a 116 km power transmission line from the Sangtuda-1 power plant to the Afghan border in October 2010 with ADB funds.
- 3) in 2011, BHEL supplied a 7 MW generator to Pamir Energy of Tajikistan under a commercial contract.
- 4) India's M/s Kalpataru signed a US\$22 million contract to build an ADB-financed transmission line and completed the project in early 2017. In 2017, the company again won the tender to build the US\$35 million CASA -1000 power transmission project.
- 5) In addition, there are small projects/companies/hospitals providing health and other services in Tajikistan.
- 6) Tajikistan can cooperate in the development of hydropower plants, electric transportation, mining, cotton processing, and medical tourism.

5. Turkish Cooperation Agency and Investments of SOEs and MNCs in Central Asia

The Turkish Cooperation and Development Agency (TIKA) began its work in Central Asia shortly after the collapse of the Soviet Union in 1992, at the same time that international development organizations and Western industrialized countries began to implement various activities to support the transition to free markets economy and democracy. Basically, TIKA was established with the aim of supporting the development of the newly independent ethnic Turkic states, providing technical assistance, strengthening the capacities of economic and state institutions, and promoting historical, linguistic, cultural, and religious values. In addition, TIKA is seen as a vehicle through which Turkey increases its influence in the post-Soviet Turkic

³³⁵ "Central Asian Countries Woo Indian Textile Cos," Hindu Business Line, January 22, 2007, <http://www.thehindubusinessline.com/todays-paper/central-asian-countries-woo-indian-textile-cos/article1647160.ece>.

space. One could even argue that the organization was established with the aim of pushing Russian influence in the region back 2 centuries.

TIKA was originally under the Ministry of Foreign Affairs, but became a Department of the Prime Minister by Presidential decree in 1999. In 2011, the organizational structure of TIKA changed. It was renamed the Turkish Cooperation and Coordination Agency reflecting the orientation of Turkish foreign policy toward global development cooperation. Turkey held a referendum on April 16, 2017 and since July 9, 2018. TIKA went under the Turkish Ministry of Tourism and Culture. The fact that Hakan Fidan, the current Head of the General Directorate of Intelligence was appointed as the first president of TIKA, shows that Turkey is using TIKA as an important political tool to increase its influence and take a leading role in the Turkic people.

Simultaneously with the rapid development of Turkey's economy in the last 20 years, TIKA actively pursues its foreign policy in Turkey's international relations. Currently, TIKA has established 62 program coordination offices in 60 countries and through them running activities in 150 countries.

TIKA's 2022 performance program³³⁶ outlines its goals as follows:

- Cooperation based on projects and actions that contribute to the development of economic, commercial, technical, social, cultural, and educational sectors. Establish relations with countries around the world, develop cooperation programs, draw up the necessary agreements for projects consistent with development objectives and needs, and ensure their implementation.
- Elaborate projects and programs to support the development of economic infrastructure necessary for cooperating countries and societies to develop economies, improve economic growth and the investment environment, reduce unemployment and poverty, improve education levels, ensure good governance, promote the social development of women and families, share technological experiences, contribute to the development of sectors such as environmental protection, natural resource management, energy, infrastructure, and sustainable development, and support the strengthening of administrative capacity.
- Provide humanitarian aid and technical assistance to foreign countries as needed.

³³⁶ TÜRK İŞBİRLİĞİ VE KOORDİNASYON AJANSI BAŞKANLIĞI 2022 YILI PERFORMANS PROGRAMI, <https://www.tika.gov.tr/upload/sayfa/TİKA%202022%20Yılı%20Performans%20Programı.pdf>

-
- Implement programs, projects and activities in the field of development in cooperation with governmental, academic, non-governmental and private institutions and provide the necessary professional support.
 - Formulation and elaboration of projects and programs carried out in the administrative, legal, educational, cultural, social and other fields with the respective country and community to strengthen cooperation. Providing scholarships, internships, and other support.
 - Implementing cultural cooperation projects and programs abroad and cooperating with Turkish cultural centers when necessary.
 - Ensuring the implementation of Turkey's development assistance and foreign aid programs, coordinating, monitoring, calculating and reporting in technical terms.

The first objective of TIKKA is to implement Turkey's international development cooperation as effectively as possible. The activities as follows.

Objective 1.1: Expanding development of cooperation in Central Asia and the Caucasus

Objective 1.2: Expanding development of cooperation with the countries of the Balkans and Eastern Europe

Objective 1.3: Expanding development of cooperation in the Middle East and Africa

Objective 1.4: Expanding development of cooperation with the countries of East and South Asia, the Pacific and Latin America

Objective 1.5: Expanding development of cooperation through external relations and partnerships

Except TIKKA, several humanitarian organizations such as the Turkish Red Crescent and AFAD are active in the region. Thus, the Republic of Turkey continues to provide development assistance to the countries of the region and plays an active role in the region through various projects, programs and technical assistance.

TIKKA has been active in Kazakhstan since 1992 and has implemented a total of 452 projects and programs in various sectors such as education, health, agriculture, livestock, cultural cooperation and infrastructure until 2022. The following figure shows the projects implemented in Kazakhstan by sector.

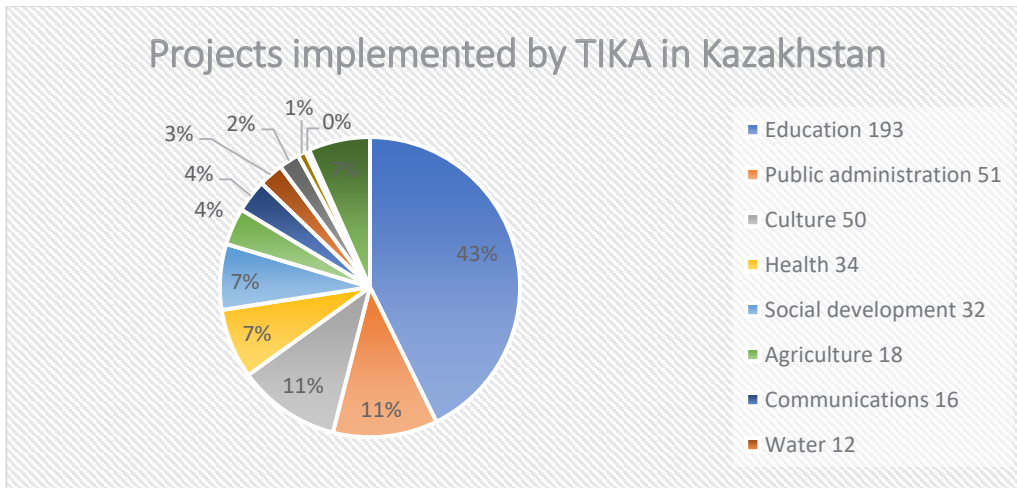


Figure 20. Source: TIKA Kazakhstan Program Coordination Office³³⁷

TIKA has implemented 761 projects and programs from 1992 to 2018 in the fields of health, education, agriculture, culture, and communications and granted US\$80.9 million³³⁸. Looking at the projects in Kyrgyzstan, there are several school and hospital projects with large budgets and other projects with small budgets such as construction workshops, training, and food aid.

Projects by sector:

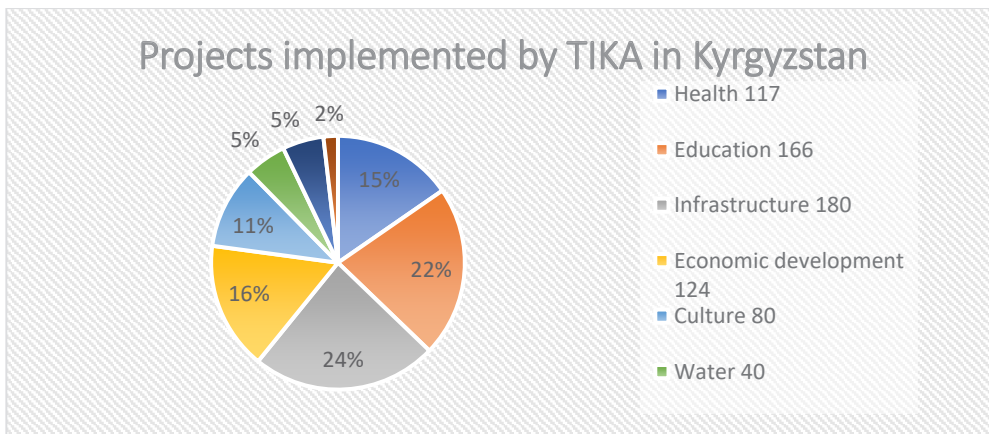


Figure 21. Source: Anadolu Agency, Turkey³³⁹

TIKA has been working in Uzbekistan since 1992, and since 2002 the budget and number of projects have increased dramatically. From 1992 to 2018, a total of 718 projects and programs were implemented with TIKА grants, and projects with large budgets were implemented in the areas of health, education, administration, and civil infrastructure development. In 2018, 2019,

³³⁷ Official Twitter account, 2022.05.11, https://twitter.com/Tika_Turkiye/status/1524057703752024064/photo/1

³³⁸ General information about international aid organizations working in Kyrgyzstan, <http://donors.kg/ru/agentstva/90-tica>

³³⁹ Турция реализовала в Кыргызстане свыше 700 проектов, Anadolu агентлаг, 2018.09.01, <https://www.aa.com.tr/ru/заголовки-дня/турция-реализовала-в-кыргызстане-свыше-700-проектов/1243953>

and 2020 total of 147 projects worth US\$26 million were implemented with the agency's assistance. Since 1992, the cost of development financing projects provided by TİKA to Uzbekistan amounted to US\$52.4 million.³⁴⁰

Projects by sector:

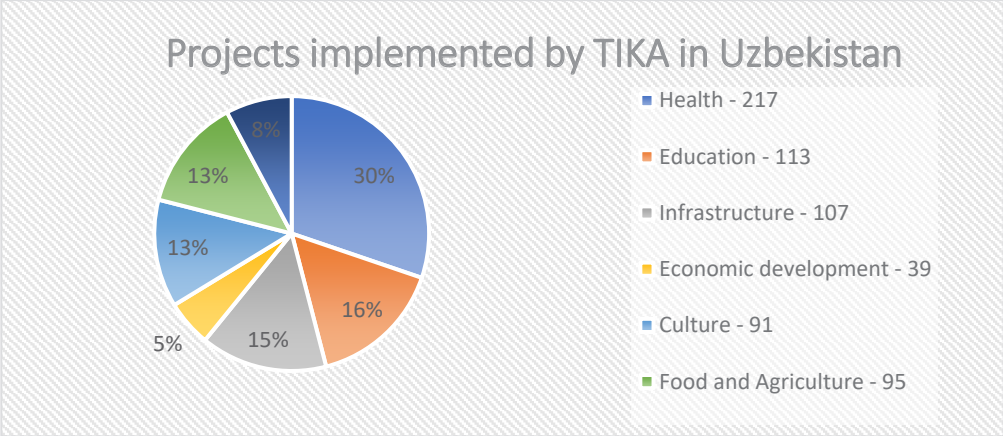


Figure 22. Source: Turkish Cooperation and Coordination Agency³⁴¹

The total number of projects implemented by TİKA in Tajikistan from 1992 to 2018 was 235, and more than US\$50 million was granted.³⁴² Most of the projects were implemented in the field of education. The projects usually involved the renovation of school buildings, the construction of additional classrooms, and special vocational training such as welding and cooking.

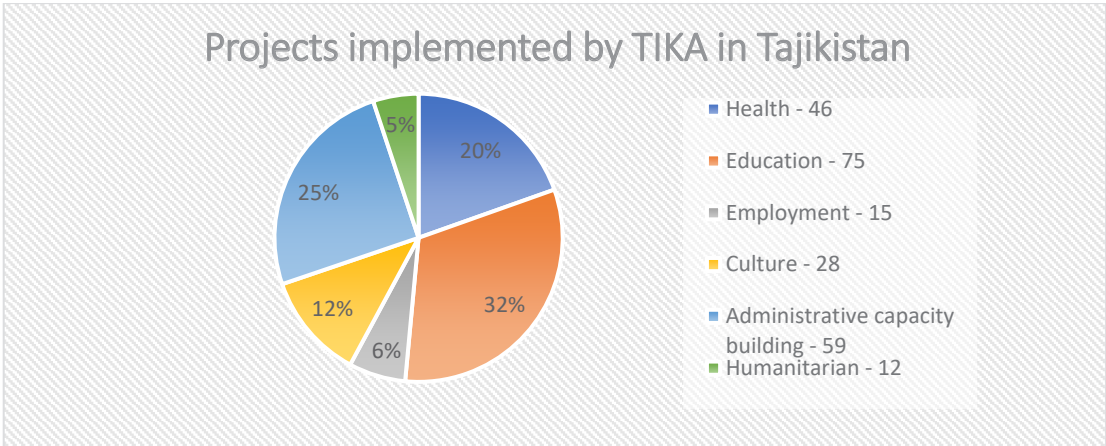


Figure 23. Source: Ambassador of Turkey to Tajikistan Ali Rifat Koksal³⁴³

³⁴⁰ Uzbekistan и TİKA разработают 3-летнюю программу сотрудничества, KUZ.UZ, 2020.07.29, <https://kun.uz/ru/news/2020/07/29/uzbekistan-i-tika-razrobotayut-3-letnyuyu-programmu-sotrudnichestva>

³⁴¹ Özbekistan, TİKA, Projeleri Tanıtım Kitapçığı, <https://www.tika.gov.tr/upload/2018/Özbekistan%20Broşür/Ozbekistan.pdf>

³⁴² Tacikistan'da altın ve pamukta işbirliği imkanlarımız çok, Dünya, 2022.06.27, <https://www.dunya.com/ekonomi/tacikistanda-altin-ve-pamukta-isbirligi-imkanlarimiz-cok-haberi-348774>

³⁴³ TİKA осуществила 250 проектов в Таджикистане, Asiaplustj, -2018.11.07, <https://asiaplustj.info/news/tajikistan/society/20181107/tika-osutshestvila-250-proektov-v-tadzhikistane>

Because of Turkmenistan's restricted domestic policy, there is no open information about the activities of TIKA. TIKA's program coordination office in Ashkabat is one of the agency's first permanent missions abroad. According to the open information, TIKA implemented a project called Agricultural Research Center Project in Turkmenistan in 1993. The aim is to determine the technical equipment for agriculture. Since then, TIKA has implemented several projects in the field of agriculture. In addition to agriculture, projects in the field of culture have also been carried out to repair Turkmen historical monuments and promote employment.³⁴⁴ Since 2016, the social media accounts of TIKA's program coordination department in Ashkabat city have been inactive³⁴⁵ and social media information has been deleted. On the other hand, the fact that the authoritarian government of Turkmenistan does not want to publish information about the receipt of aid from abroad under any circumstances could be an explanation for the secrecy of the most important information.

a. Exim Bank of Turkey

Türk Eximbank has been operating since 1987 and is the only government organization charged with supporting Turkish exports. It provides export credit and insurance programs, export development, diversification of export goods and services, opening exporters to new and existing markets, increasing the share, and supporting the competitiveness of exporters, entrepreneurs, and investors operating abroad. This bank alone provides 52.3% of export credits for Turkey. In 2021, Turkish Eximbank has a 3.5% share of Turkey's total banking assets with assets worth 322 billion Turkish Lira and has provided financing worth US\$46.1 billion to 10,935 domestic export companies.

The Bank offers an international loan program for foreign countries. The financial product is used to finance projects for Turkish contractors to carry out projects abroad and to supply Turkish goods abroad. The product is guaranteed by the host government for the repayment of the loan. The aim is to open up new markets for export goods and facilitate Turkish companies' access to the international market. In 2021, a total of US\$36.4 million was granted for projects and commercial financing under the international loan program.³⁴⁶ However, the foundation for the Bank's operations in Central Asia was laid as early as 1992. Turkish construction companies that wanted to participate in the transition to the free market of the newly independent countries

³⁴⁴ <https://documents.pub/document/tika-in-turkmen-istan.html?page=1>

³⁴⁵ Although TIKA's program coordination offices regularly present their projects through their Twitter accounts, no project information has been published since 2016. In years prior to 2016, projects were presented publicly. <https://twitter.com/TikaAskabat>

³⁴⁶ Türk Eximbank Sürdürülebilirlik Raporu 2021, 20-22 хуудас, <https://www.eximbank.gov.tr/content/files/d632f0ec-b145-410a-b3c9-9e4f5b25dd5c/2021-yili-surdurulebilirlik-raporu>

in the region were intensively financed as loans, trade credits, and export credit insurance. In 1999, the total amount of loans extended by Turkish Eximbank to the Central Asian countries was US\$780 million.³⁴⁷

Turkey Eximbank successfully supporting the region's exporting companies by providing export credits and guarantees. This assumption is confirmed by the growth of Turkish trade in Central Asian countries.

	International loan	Short term loans	Export credit insurance	Total Funding
Kazakhstan	0.207	0.368	0.208	0.798
Kyrgyzstan	0.045	0.092	0.026	0.114
Uzbekistan	0.351	0.092	0.078	0.57
Tajikistan	0.027	0.092	0.013	0.114
Turkmenistan	0.126	0.644	0.195	1.026
Central Asia Total	0.756	1.288	0.52	2.622

Table 14: Turkey Eximbank's financing in Central Asia 1992 and 2014³⁴⁸

As stated above Turkey's Exim Bank has provided Central Asia with international loans for food, pharmaceuticals, furniture, construction materials, motor vehicles, telecommunications, medical equipment, and textiles. Turkish companies are involved in projects implemented under the intergovernmental agreement. The line of financing started for machinery, agricultural pesticides, and pharmaceutical products. In addition, the construction of airports, hotels, factories, business centers, steel mills, hospitals, and trolley lines has financed total of US\$520 million loan allocated for the implementation of joint intergovernmental projects in the Central Asia-Caucasus region.

³⁴⁷ Erhan Büyükakıncı, *Sovyet Sonrası Orta Asya'da Türkiye'nin Dış Politika Açılımları: Özbekistan ve Türkmenistan İle İlişkiler, Türk Dış Politikasının Analizi*, Ed. Faruk Sönmezoğlu, DER Yayınları, 2004, page 798

³⁴⁸ TÜRK EXİMBANK İHRACAT DESTEK PROGRAMLARININ KAFKASYA-ORTA ASYA BÖLGESİNE KATKISI, Burcu Gökçe Yılmaz Akın, Özlem Aydın, *Uluslararası Kafkasya-Orta Asya Dış Ticaret ve Lojistik Kongresi*, Serka Development Agency, 2015, page 229

From 1992 to 2014, Uzbekistan was the country that received the most international credit products at US\$369 million and Kazakhstan at \$213 million, Turkmenistan at US\$129 million, Kyrgyzstan at US\$46 million, and Tajikistan at US\$27 million. Examples of the largest projects in Uzbekistan include the construction of the International Trade and Exhibition Complex (ITEC), the construction of a sugar factory³⁴⁹, the construction of the Urgench-Chiva trolley bus line, major renovation projects in Tashkent, and the Dustlik Hotel. Kazakhstan used projects for the construction of the "Ankara" hotel, the reconstruction of the "Alatau" and "Medeo" hotels, the construction of noodle, leather, and soap factories, and the construction of the Rehabilitation Center for Children in Almaty. Among the countries of the region, Tajikistan is the only country that received financing for the supply of raw materials.

Turkey will continue to pursue the policy of opening the Central Asian market to its national companies with the help of Exim Bank financing. Turkey's Exim Bank will provide loans for companies supplying consumer goods for 2 years, companies investing in the construction sector for 7 years, and 10 years for companies investing in the energy and mining sectors, depending on the type of business.³⁵⁰

b. Turkish airlines and the transport industry

Turkey's geographical location is a crossroads between Europe and Asia, connecting Eurasia to the Middle East and Africa via the Black Sea and the Mediterranean. It can be called the center of Eurasia and is a hub for international trade and energy transportation due to its strategic advantages. Its geographical location is a good linkage and its developed infrastructure allows major international companies to conduct business through Turkey. According to the International Investors Association report, 33% of its member companies use Turkey as a base for doing business in other regions. This includes dozens of multinational companies such as Coca-Cola, Visa, GE, BP, Procter & Gamble (P&G), and The Walt Disney Company. The main reason is starting activities in Istanbul opens up free access to emerging markets such as the Middle East, North Africa, Eastern Europe, and Central Asia. Coca-Cola, for example, manages its operations in the Caucasus and Central Asia through its Istanbul office.³⁵¹

³⁴⁹ The Ministry of Foreign Affairs of Uzbekistan has taken over the loan for the construction of the International Trade and Exhibition Complex (ITEC) and the sugar factory

³⁵⁰ Kazakistan'da yatırım yapana Eximbank kredisi, Dünya, 2012.05.12
<https://www.dunya.com/ekonomi/kazakistan039da-yatirim-yapana-eximbank-kredisi-haberi-174917>

³⁵¹ Merkezi Türkiye'de olan şirket sayısı arttı, Dünya Ajansı, 2016.08.17,
<https://www.dunya.com/ekonomi/merkezi-turkiye039de-olan-sirket-sayisi-artti-haberi-326164>

The Turkish Airlines Company is the best example of how Turkish politicians use their geographical advantages wisely to tap many economic opportunities. Former president Turgut Oezal (8th president from 1989 to 1993) adhere to the development policy of Turkish Airlines. He estimated that it would play a particularly important role in the growth of trade. In particular, the development of the tourism sector through air transport and the purchase of new aircraft created the opportunity to bring businessmen into contact with Turkey's important political and trade partners, especially America, Japan, and East Asian countries.

One of the goals of the Oezal government at the time was to start direct flights to Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan, and Kyrgyzstan to establish bilateral relations with the newly independent Central Asian Turkic states. When Turkish Airlines began flying to Central Asia, it was predicted that relations between the Turkic states would develop in all areas, especially as new markets would be opened. Moreover, Turkish investment would increase, and many trade opportunities would be created. In response to officials' warnings that flights to the Central Asian republics might not be profitable at that time, Oezal said that the main purpose of opening flights to Central Asia was not to make a profit, but to open markets in East Asia, South Asia, and the Far East through Central Asia and to improve relations with ethnic Turkic states. In 1992, Turkish Airlines became the country's first foreign carrier with its first flight to Almaty,³⁵² Kazakhstan, and soon began flying to other Central Asian countries.

Besides, 49.12% of Turkish Airlines is owned by the Turkish Treasury, 0.01% by the Turkish Ministry of Finance, and 50.88% by the public in the form of shares. This organization is expanding and looking for new markets in Central Asia. The main goals are to make Istanbul one of the most important air transportation hubs in the world and create opportunities for large logistics companies to open their branches, relocate their production centers, and sell Turkish goods to all corners of the world. According to the research, the number of Turkish Airlines flights, passenger and cargo volumes, and Turkey's foreign trade increased positively. The company's CEO Ilker Ayçı noted that the Turkish Airlines offers Turkish exporters many opportunities to enter new markets and expand their business in the existing market.³⁵³ Moreover, İlker Ayçı said that Turkish Cargo Company enables Turkish exporters to expand into new markets, grow their business in existing markets, and ensure the fastest possible transportation of exported products. In line with this goal, the company has become the most

³⁵² Как Turkish Airlines обеспечивает безопасность полетов, Владимир Прокопенко, 2018.04.04, https://tengrinews.kz/tv/rubriki/kak_eto_sdelano/7793/

³⁵³ Türk Hava Yolları'nın Türk Dış Politikasında Marka Diplomasisi Perspektifinden Değerlendirilmesi, T.C. Marmara Üniversitesi, Çağdaş Atabay, 2018, İstanbul

international air cargo and transportation company with direct flights to 325 destinations in 126 countries by adding new air points in recent years.³⁵⁴

c. The Turkish State-owned Oil Pipeline Company (botaş) and Energy Interests in Central Asia

After the Industrial Revolution in the 19th century, reserves of combustible materials that released energy became an important lever in international relations. With the discovery of the steam engine and the use of machinery in production, coal became an important strategic resource in intensively industrialized countries. Later, industrialization, oil, natural gas, and uranium, as more efficient energy resources, raised the importance of natural resources in international relations and went to a new stage. Consequently, the availability of energy resources has become the most important basis for a region's geopolitical importance. In other words, since the industrial revolution, energy has become an important factor which determines the foreign policy of any developed or developing country or region.³⁵⁵

Although Turkey is geographically of great strategic importance, it is a country with limited natural resources. According to 2020 data, Turkey imports more than 99% of its natural gas consumption from abroad. One-third of natural gas comes from Russia, one-third from Azerbaijan and Iran, and the rest comes from other countries. More than 90% of the total oil demand is imported.³⁵⁶ Due to political problems, Iran and Iraq are not very reliable partners for Turkey's energy sector. Moreover, Russia sent its troops to Ukraine in 2022, Turkey's natural gas flow will be throttled and an energy crisis might occur. Thus, Turkey urgently needs to diversify its energy sources. In particular, Turkey has a great interest to connect the Caspian Sea oil and gas reserves through pipelines. The main public entity responsible for implementing this policy is the Turkish Oil Pipeline Company (BOTAŞ). The company was established on August 27, 1973, between the Governments of the Republic of Turkey and the Republic of Iraq, by the Agreement on the Operation and Investment of Petroleum Pipelines to transport Iraqi crude oil to Europe. BOTAS currently carries out the following activities³⁵⁷

- Crude oil and natural gas pipeline operations
- LNG/FSRU terminal operations

³⁵⁴ İhracata direkt uçuş katkısı, Arife Yıldız Ünal, Erhan Cihan Ünal, 2019.09.08, <https://www.aa.com.tr/tr/ekonomi/ihracata-direkt-ucus-katkisi/1576034>

³⁵⁵ Geopolitics of Central Asia, P.Nyambayar, page 15, 2022

³⁵⁶ Türkiye ticari olarak Rusya'ya ne kadar bağımlı?, Doğrula, 2022.03.02, <https://www.dogrula.org/ekipten/turkiye-ticari-olarak-rusyaya-ne-kadar-bagimli/>

³⁵⁷ <https://www.botas.gov.tr/pages/corporate-profile/258>

-
- port services
 - design, engineering, land surveying, ownership and construction of crude oil and natural gas pipelines and compressor stations
 - natural gas and LNG trading
 - natural gas and LNG storage
 - international natural gas and oil transportation projects

BOTAŞ has the interest to develop, plan, consult, and transport the natural resources of Central Asia through its pipeline system and bring them to the large market with added value. The previous groups of this research aim to cooperate with Central Asian countries on the above-stated 3 projects. Two of these projects have already been realized. Through the Baku-Tbilisi-Ceyhan oil pipeline and the Baku-Tbilisi-Erzurum natural gas pipeline. A small amount of energy from the Central Asian region has been obtained from the oil and natural gas resources in the Caspian Sea since the 1990s. In recent years, the Turkish authorities have tried to increase the amount of energy they obtain from the Central Asian region, but there is still no significant progress on this issue. Moreover, the Turkish side has become the main topic at every state summit and consultation meeting when it comes to the implementation of the Trans-Caspian gas pipeline project, which has been discussed for many years.

d. BAKU-TBILISI-CEYHAN oil pipeline

The pipeline begins in Baku and runs to Ceyhan with a total length of 1,768 km, including 443 km through Azerbaijan, 249 km through Georgia, and 1,076 km through Turkey.³⁵⁸ The Azerbaijani part of the pipeline was built by Consolidated Contractors International of Greece, the Georgian part by Spie Capag of France and Petrofac International of the UK, and the Turkish part by BOTAŞ Oil Pipeline Corporation. Total cost was US\$3.9 billion, 70% was financed by third parties such as the World Bank's International Finance Corporation, the European Bank for Reconstruction and Development, export credit agencies of seven countries, and a consortium of 15 commercial banks.

³⁵⁸ At a length of 1,768km, the Baku Tbilisi Ceyhan (BTC) Pipeline is one of the great engineering endeavours of the new millennium, BP, <https://web.archive.org/web/20080125051855/http://www.bp.com/genericarticle.do?categoryId=9006669&contentId=7014358>



Figure 24: BTC oil pipeline

The pipeline project with a capacity of 50 million tons of oil per year, it was originally intended to transport Azerbaijani oil to Ceyhan and from there by ship to the world market. A small amount of oil from Kazakhstan and Turkmenistan is transported through the pipeline.

Experts explain that the main reason is that Russia does not give permission to deliver large quantities of natural resources from the Caspian Sea to Central Asian countries.³⁵⁹ Since the Iran issue and the Ukraine crisis, the volume of Kazakh oil passing through the pipeline has tripled from 2018 to 2021. Although the cost of transporting oil by ship across the Caspian Sea is high, due to emerging geopolitical conditions, negotiations are underway to increase the capacity of the route and deliver 1.5 million tons of oil annually.³⁶⁰

With BOTAŞ, Turkey is cleverly taking advantage of the energy crisis created by the war in Ukraine and the need of the Kazakh authorities to redirect oil exports.

e. BAKU-TBILISI-ERZURUM natural gas pipeline

The project delivers natural gas from the Shah field in the Caspian Sea to Turkey and the world market. This pipeline, with a total length of 970 km, was built in parallel with the BTC pipeline.

³⁵⁹ Can Europe receive Kazakh oil through the Baku-Tbilisi-Ceyhan pipeline?, MURAT SOFUOGLU, TRT World, 2022.08.16, <https://www.trtworld.com/magazine/can-europe-receive-kazakh-oil-through-the-baku-tbilisi-ceyhan-pipeline-59779>

³⁶⁰ Kazakhstan to start oil sales via Azeri pipeline to bypass Russia, Euractiv, 2022.08.12, <https://www.euractiv.com/section/central-asia/news/kazakhstan-to-start-oil-sales-via-azeri-pipeline-to-bypass-russia/>

The pipeline which has a capacity of 30 billion cubic meters of gas per year was built in 2004 and completed at the end of 2006. Gas is delivered through the pipeline first from Azerbaijan to the western part of Turkey and from there to the countries of Central and Southern Europe. Kazakhstan and Turkmenistan supply a small amount of natural gas to the European market through the pipeline.³⁶¹



Figure 25: BTE natural gas pipeline

f. TRANS-ANATOLIA natural gas pipeline project³⁶²

The project Southern Gas Corridor has been discussed for decades. According to the project, it is planned to connect natural gas underwater from Turkmenistan to Shah Deniz in Azerbaijan with the BTE pipeline. In this way, a total of 16 billion cubic meters of natural gas per year can be brought to the European market. There is a lot of talk about the project, but there is no work on the ground. In 2014, it was discussed that US\$10 billion would be invested in the initial step.³⁶³ The economic relations between Turkey and Turkmenistan already expected that the Turkish company BOTAŞ is negotiating the joint implementation of the project.

For Turkey, the three above-mentioned energy megaprojects are important for the diversification of energy supply in the domestic market and the creation of the Eurasian energy corridor for the transportation of natural resources from the Caspian Sea to Europe.

6. European Union companies operating in Central Asia

³⁶¹ Мелиха Энер, Орхан Ахмедов, "Importance of the Turkey-Azerbaijan natural gas pipeline project to the country's economy and the European Union", National Economic Congress, 2008, page 25.

³⁶² It is detailed in the economic relations between Turkey and Turkmenistan.

³⁶³ Caspian Strategy Institute, Caspian World Magazine (2014), HSE Publication, 2014, page 15.

Trade and economic relations between Central Asian countries and the European Union are based mainly on imports of oil and uranium from Kazakhstan. In 2021, the European Union imported 67 million tons of oil from Kazakhstan through the Caspian Consortium pipeline and 2,753 tons of uranium.³⁶⁴ Trade in mineral resources accounts for 90.5%³⁶⁵ of Kazakhstan's exports to the European Union and 87%³⁶⁶ of exports to Central Asian countries.

Information on the top 10 companies investing in strategic sectors in the Central Asian region from European Union countries:

1. Kashagan deposit in Kazakhstan. (NCOC-North Caspian Operating Company³⁶⁷ international joint consortium). The "North Caspian Project" or Kashagan Basin, NCOC is 75 km long, 40 km wide, has a total area of 2,678 km², and is located in-depth of 4.2 km below the seabed. The Kashagan Basin, is located 80 km from Atyrau on the coast of the Caspian Sea in Kazakhstan. It has 35 billion barrels of oil reserves and 13 billion barrels are technically recoverable. In addition, oil, natural gas, and sulfur are also produced in this basin and are being developed in a complex project to supply the market. A total of US\$55 billion was invested in the first phase of the development of the Kashagan field. It was opened in 2016 officially and is the largest investment in Kazakhstan's history. In 2019, production reached 360,000 barrels per day during the 1st phase of field development. It is expected to produce 420,000 barrels per day in 2022, 500,000 barrels in 2027, and 1.5 million barrels of oil per day when the complex reaches full capacity. Hydrocarbons from the basin will be processed at the Bolashak refinery, 40 km from Atyrau, and then connected to the Caspian Pipeline Consortium (CPC) pipeline and shipped to the world market via the Black Sea port of Novorossiysk, Russia. The shareholders of the NCOC consortium are Kazakhstan's state-owned KazMunaiGas (KMG) 16.9%, Britain's Shell Corporation 16.8%, France's Total Energies Corporation 16.8%, Italy's Eni Corporation 16.8%, U.S. ExxonMobil 16.8%, China's state-owned CNPC 8.3%, and Japan's INPEX Corporation 7.6%. Among the owners, the French Total Energies³⁶⁸ and the Italian Eni Corporation³⁶⁹ is the parent company registered in the European Union.
2. The Karachaganak field in Kazakhstan has a deposit of 1.7 billion tons of liquid hydrocarbons and 1.7 trillion cubic meters of natural gas in the northern part of the Caspian

³⁶⁴ https://euratom-supply.ec.europa.eu/activities/market-observatory_en

³⁶⁵ https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_kazakhstan_en.pdf

³⁶⁶ https://webgate.ec.europa.eu/isdb_results/factsheets/

³⁶⁷ <https://www.ncoc.kz/en/ncoc/ncoc-governance>

³⁶⁸ <https://totalenergies.com/investors/shares-and-dividends/ownership-structure>

³⁶⁹ <https://www.eni.com/en-IT/eni-worldwide/eurasia/kazakhstan.html>

Sea basin. Britain's Shell Corporation (29.25%), Italy's ENI Corporation (29.25%)³⁷⁰, America's Chevron (18%), Russia's Lukoil (13.5%), and Kazakhstan's state-owned KazMunayGas (JSC) (10%) have shares in the Karachaganak project. Since 1998, a total of \$28.5 billion³⁷¹ has been invested in the project. According to production statistics for 2021, hydrocarbons equivalent to 134.05 million barrels were produced from the deposit, based on calculations transferred to oil.

3. The Dunga field in Kazakhstan: a field with 106 million tons of oil and 6 billion cubic meters³⁷² of natural gas on the coast of the Caspian Sea. In 2019, annual production was 640,000 tons of oil and 61.3 million cubic meters of natural gas. The Kazakh government negotiated with France's Total Energies Corporation, which owns 60% of the field, and extended the production-sharing agreement by 15 years to 2024-2039 for the third phase of the field's development. An agreement was signed to invest US\$300 million in additional capital to increase the proven reserves of the reservoir by 70 million barrels, increase daily oil production to 20,000 barrels in 2022, and create 400 new jobs on site.³⁷³ The Dunga field is 60% owned by France's Total E&P Dunga GmbH, 20% by Oman's state-owned Oman Oil Company, and 20% by Thailand's state-owned Partex Kazakhstan Corporation (previously owned by Portugal's Calouste Gulbenkian Foundation and sold to Thailand's state-owned PTT Exploration and Production Company in 2019).
4. Burun field in Turkmenistan: Italian state-owned Eni owns and operates 90% of the Burun field³⁷⁴, located in the Nebit Dag hydrocarbon basin in the Balkan region on the coast of the Caspian Sea. Azerbaijani sources reported³⁷⁵ that Italy's Eni Corporation has invested a total of US\$2 billion since buying Burren Energy, which owns 90% of the project since 2008. Burun field covers 180 square kilometers and it will be used by Eni under a production-sharing agreement until 2034. After 2021, the production volume of hydrocarbon products has reached 3 million barrels per unit transferred to the oil.
5. Renewable energy projects in Kazakhstan Badamsha-1 and Badamsha-2: In the Aktobe region of Kazakhstan, the Kazakh Ministry of Energy in cooperation with international energy companies has implemented two large-scale projects to build wind power plants. The Badamsha-1 project with a capacity of 48 MW (US\$85 million). It was built by ArmWind a subsidiary of U.S. General Electric and Italian state-owned Eni and was

³⁷⁰ <https://www.eni.com/en-IT/operations/kazakhstan-karashaganak.html>

³⁷¹ <https://kpo.kz/en/about-kpo>

³⁷² https://psa.kz/en/proekty/?ELEMENT_ID=909

³⁷³ <https://totalenergies.com/media/news/press-releases/kazakhstan-total-launches-phase-3-dunga-field>

³⁷⁴ <https://www.eni.com/en-IT/eni-worldwide/eurasia/turkmenistan.html>

³⁷⁵ <https://en.trend.az/business/energy/3202603.html>

commissioned in 2017-2020. The second project, Badamsha-2 was commissioned in March 2022. The total installed capacity reaches 96 MW.³⁷⁶

6. Renewable energy project in Kazakhstan: Italian state-owned Eni Corporation has been selected as the 2019 promoter for the construction of a solar power plant (50 MW) to be built jointly by UNDP (United Nations Development Program) and the Government of Kazakhstan in the Turkestan region of Kazakhstan.³⁷⁷
7. Renewable energy projects in Kazakhstan: Two solar power plants with a total capacity of 128 MW (M- KAT: 100 MW. Nomad: 28 MW) were built in 2019 in the Zhambyl and Kyzylorda regions of Kazakhstan. The project promoter is the French Total Eren Group.³⁷⁸
8. Renewable energy project in Uzbekistan: The French group Total Eren is invested (150 million euros) in the construction of a solar power plant with a total capacity of 130 MW in the Samarkand region of Uzbekistan. During the visit of Uzbek President Shavkat Mirziyoyev to France in 2018, the French Group Total Eren agreed with the Government of Uzbekistan. It was the first renewable energy project. The Government of Uzbekistan has set a goal of increasing installed renewable energy capacity to 8 gigawatts by 2030.³⁷⁹
9. Kazakh uranium projects: Kazakhstan's Muyunkum and Tortkuduk uranium deposits are operated by KATCO, a joint venture established in 1996. KATCO owned 51% of the French state-owned company Orano and 49% owned by the Kazakh state-owned company Kazatoprom. KATCO is the world's leading producer of 4,000 tons of uranium per year using ISR technology. This represents 15% of Kazakhstan's total uranium production and 7% of the world's uranium production. Since 2006, KATCO has produced and delivered to the market a total of 46,000 tons of uranium.³⁸⁰
10. Uzbekistan Uranium Project: in 2019, the State Council for Mineral Resources of Uzbekistan GosComGeology (49%) and the French state-owned Orano Groupe (51%) formed a joint venture namely "Nurlikum Mining"³⁸¹ to jointly develop the Yangikuduk, South and North Yengeldi uranium deposits in the Navoi region of Uzbekistan. Preparations have begun.

³⁷⁶ <https://www.eni.com/en-IT/operations/kazakhstan-badamsha.html>

³⁷⁷ <https://www.eni.com/en-IT/media/press-release/2019/12/eni-is-awarded-a-50-mw-p-photovoltaic-project-in-kazakhstan.html>

³⁷⁸ <https://www.total-eren.com/en/pays/kazakhstan/>

³⁷⁹ <https://www.total-eren.com/en/pays/kazakhstan/>

³⁸⁰ <https://www.orano.group/fr/l-expertise-nucleaire/tour-des-implantations/mines-d-uranium/kazakhstan/producteur-d-isr>

³⁸¹ <https://www.orano.group/fr/orano-dans-le-monde/ouzbekistan>

According to researchers in the field of energy policy³⁸², the activities of multinational and state-owned companies registered in the European Union in the Central Asian region are not aligned with the European Union's foreign policy, energy strategy, and policy principles aimed at the region, and work by the interests and goals of the companies. A clear example of this is the entry of the Italian state-owned company Eni into Kazakhstan. It is no secret that Central Asian countries share a common feature of authoritarian political regimes, where business and investment deals and negotiations are conducted behind the scenes through official networks, acquaintances, corruption, and shareholdings.

³⁸² <https://www.tandfonline.com/doi/full/10.1080/02634937.2022.2049590>

CONCLUSION

1. Trends of the Central Asian countries

Five Central Asian countries have a presidential system of government and an upper and a lower house of parliament except Kyrgyzstan's. Kyrgyzstan's return from a parliamentary system to a presidential is considered to be a step back from democracy in connection with the history of the previous presidents and the path of the current president to the highest position. The transition between political regimes is critical in Kazakhstan and Uzbekistan, however, the processing is stable. The current leaders of these countries are pursuing policies that reduce the influence of presidents on politics, implementing significant social and economic reforms which are positively considered by experts.

Turkmenistan has instituted a hereditary presidency, while Tajikistan is preparing to implement it as well. Both countries don't have signs of positive change in politics and hereditary presidency form.

Central Asia is rich in natural resources, and these 5 countries in the region differ greatly in terms of economic transformation. Kazakhstan leads the region in natural resources and manufacturing. Tajikistan and Kyrgyzstan lead the region in renewable energy resources, including electricity from hydropower plants and resources. However, it is doubtful whether they can fully exploit and use their resources regarding strong opposition from downstream countries such as Kazakhstan and Uzbekistan.

In terms of infrastructure, except natural gas and oil pipelines, it is safe to assume that there has been no significant development in the region compared to the infrastructure inherited from the Soviet Union. Soon, under the Belt and Road Initiative, which is an instrument of China's economic and political policy, large investments will be made in the region, and infrastructure development may intensify.

The structure of foreign trade has not changed significantly in the past and the export of mineral resources still accounts for the largest share shows that the economies of Central Asian countries are at high risk affected by the demand and supply of raw materials in the world market, as well as the growth decline and crisis of the world economy. The export of mineral resources will continue to dominate the foreign trade of these countries and is expected to increase due to China's international relations and infrastructure investments in the region.

2. Summary of the United States policies in Central Asia

Central Asia is a region of secondary importance for the United States. Because of China's growing influence, Washington has made the Indo-Pacific region a priority foreign policy, therefore, this region is not considered primary. This can be observed through President Biden's withdrawal of American forces from Afghanistan. The longest war in the history of the U.S. ended in 2021. Central Asia, which used to be logistical support for the war in Afghanistan, has thus become less important in the foreign policy of the United States.

In response to Al-Qaeda's terrorist attack on the United States on September 11, 2001, the Bush administration decided to send U.S.-led coalition forces to Afghanistan. Washington increased its loans and aid to Central Asia and played a balancing role in regional security. It opened the possibility of using military facilities in Central Asia for U.S. military operations. However, when the "authoritarian" regimes of Central Asia sometimes act countermeasures to the values of democracy and human rights, Washington continued to condemn them. As a result, bilateral relations between the United States and Central Asian countries have deteriorated.

U.S. investments particularly in the mining sector show that large U.S. companies and corporations have begun to invest and operate to exploit the natural resources in Central Asia. The example of Kazakhstan shows how the United States have skillfully used official development assistance to achieve its goals to access Central Asian markets and exploitation of natural resources.

On the other hand, U.S. assistance to some fragile and underdeveloped countries in Central Asia has become an important factor in their economies, as the examples of Tajikistan and Turkmenistan. Both countries are the largest partners of U.S. official development assistance. According to this indicator, the United States are also the second-largest partner for Kyrgyzstan and the fourth-largest partner for Uzbekistan. In addition, the United States are the country that has provided the most aid to Kazakhstan, the strongest economic power in the region.

When the United States invest in and cooperate economically with Central Asian countries, it is common to enter into bilateral investment treaties and agreements to avoid double taxation. Bilateral investment treaties under the U.S. Generalized System of Preferences (GSP), allow the duty-free export of certain products to the United States.

Central Asian countries are considered less open to investment by the United States. As noted earlier, Kazakhstan has been successful in attracting foreign direct investment from countries in this region, while Uzbekistan has a fairly ambitious policy in this direction. However,

Turkmenistan has a "neutral" status which could lead to an isolated and closed foreign policy, thus limiting its attractiveness to foreign investment. On the other hand, it should not be forgotten that the country's "authoritarian" regime prevents this.

Although Kazakhstan is considered a successful example of foreign investment compared to other countries in the region. Its failure to address issues such as corruption and bribery is an excuse to drive investors away. Corruption in law enforcement and the judiciary has led to disputes with foreign investors. On the other hand, foreign companies operating in Kazakhstan often violate the country's laws and seize state property as a result. For this reason, large foreign investors do not consider Kazakhstan as a reliable country for investment. In general, the standard of socialization and nationalization of foreign investors' assets is common in other Central Asian countries, but not in Kazakhstan. Because of this type of dispute, the governments of the countries in the region are often called to the international arbitration court.

3. Summary of China's policies in Central Asia

China pays particular attention to three important issues: political relations, economic relations, and security. China's political relations with Central Asia focuses on two things: First, to reaffirm the position and attitude of Central Asian countries which support China's territorial integrity, especially concerning Taiwan. Second, it focuses on reaffirming the position and attitude of friendly relations of Central Asian countries toward ethnic separatists of China. As for economic and trade relations, China and Central Asian countries are gradually developing a strategic approach to strengthen their energy resource strategy, expand trade, and enhance energy cooperation with Central Asian countries, especially Kazakhstan. China continuously focuses mainly on the traditional security situation and fighting against the three forces of evil³⁸³ (terrorism, separatism, and extremism). Moreover, China will adjust its foreign policy as the international situation changes, but the diplomatic strategy of the Central Asian countries will not change so easily.

4. Summary of Turkey's policies in Central Asia

Central Asian region is the homeland of Turkish ancestors who migrated to Anatolia, and it is an important region that cannot be compared to any other region in the world, in terms of the fundamental ideals of the republic established after the Ottoman Empire and the principle of social unity. At the governmental level, Turkey is interested in becoming a leading power in

³⁸³ Three Evils (三股势力) : The Three Evils is a political slogan of the People's Republic of China defined as terrorism, separatism and religious extremism. The phrase refers to declared counter-terrorism operations undertaken by China, Central Asian republics, and Russia, primarily as related to Xinjiang.

Central Asia based on the common values of Turkic through the "Turkic Council" organization. It is worth mentioning that the development of the Turkic Council in cooperation with the countries of Central Asia is not only a foreign policy measure but also a step to increase the domestic prestige of the ruling political party. Although the ruling Turkish Justice and Development Party support traditional Islam, it likes to spread the message that it is pursuing a national-Turkish, pan-Turkish, pan-Turanian, and pan-Islamist policy in Central Asia by forming a joint government with the Turkish nationalist People's Party. This is not a secret. The fact that the Turkish Cooperation and Coordination Agency (TIKA) only began to provide technical assistance to the Central Asian Turkic states during their transition to democracy and free markets in the 1990s explains the motivation of Ankara's policymakers to balance Russian influence in Central Asia.

Since 1992 till today, Turkey's relations with Central Asia have been developed successfully in many fields such as culture, education, economy, humanitarian, aid and defense. Turkey has the ambition to become a leading regional power in Central Asia like Russia and China, but there are several influencing factors in its implementation. These is Russia's influence in energy, infrastructure, and security measures, as well as, significant investment flows to Central Asia through China's New Silk Road project. Moreover, there are other factors such as the lack of land borders, the lack of a mechanism for direct participation in regional security, the lack of capital and investment opportunities for large projects, and the fear of newly independent countries joining under the leadership of Turkey in the name of Turkish unity.

Turkey's interests in Central Asia are not limited to its national history, language, and heritage. Also, high strategic importance in terms of Eurasian security, rich energy resources to diversify energy dependence, opportunities to build natural gas and oil pipelines, large markets for Turkish companies, and road transport via the Silk Road, a hub of trade corridors are a geopolitically important in the region.

Modern Turkey's economic interests in Central Asia can be determined by the following areas.

- Rich energy resources;
- Transit location for goods;
- A large market where all kinds of goods can be sold.

After the independence of the Central Asian countries, Turkey's economic policy in the region was implemented in the form of "expanding its economic influence based on a policy of soft power and subjugating the region to its influence." Initially, Ankara forced its Turkish Airlines

to fly to Central Asia, even if it was unprofitable, by providing high scholarships for the new generation of students. Thus, the early days of higher education in Turkey prepared the human resources that Turkish companies needed to enter the Central Asian market. Under this soft power policy, Turkey successfully implemented strategies such as opening numerous Turkish language learning centers in Central Asian countries, producing academic works showing the unity of language, culture, history, and ethnicity through joint historical and cultural research, and introducing Turkish culture to the region through the Turkish series TV. The Turkish Cooperation and Coordination Agency (TIKA) has implemented soft power measures in Central Asian public services through low-budget grant projects, such as capacity building in public institutions, construction, and maintenance of social institutions, hospitals and schools, and supply of equipment and created favorable conditions for development.

Turkey's trade with Central Asian countries has thus grown rapidly, and conditions are favorable for Turkish businessmen. A detailed study of the export and import of goods between the parties shows that Turkey supplies light industrial products and equipment from Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan, and Kyrgyzstan, mainly through the acquisition of raw materials used for the production of goods and their value-added processing. In general, Turkish products such as medicines, all types of clothing, construction materials, agricultural equipment and household goods have already found their place in the Central Asian market. Since 2010, Turkey has been running a trade deficit with countries that source many products such as natural resources (copper, oil, gas, gold) from Central Asia. Turkey has a trade deficit with Kazakhstan.

Most of Turkey's major projects in Central Asia are in the construction sector. Turkey's extraordinary success in the construction sector is the result of the successful implementation of the comprehensive soft power policy mentioned above. After policymakers in Ankara created favorable conditions for Turkish entrepreneurs to operate in Central Asia, starting with language, culture, and then politics, loans for large construction projects were made through Exim Bank on the condition that only Turkish companies would be selected. Thus, Turkish companies were selected for the largest construction projects undertaken by five Central Asian countries after independence. In particular, Turkish private companies have completed several mega-projects such as the airport and energy complex in Nur-Sultan, Kazakhstan, the construction of an international port in Ashgabat in Turkmenistan, the reconstruction of the international seaport in Turkmenbashi, the construction of power plants in Uzbekistan, and the construction of roads in Tajikistan and Kyrgyzstan.

These megaprojects show that Ankara sees Central Asia as a promising area for investment in the energy and transportation sectors. Because Central Asia is connected to Turkey by land only through 2 routes: Russia and Iran. Nowadays, these routes have unfavorable conditions for Turkey. However, if the capacity of the Trans-Caspian corridor is increased by developing the Caspian Sea route, Turkey will become a real Euro-Asian transport hub. As part of this policy, the Turkish State Oil Pipeline Company (BOTAS) and the State Railway Company (TCDD) are actively supporting the proposal to deliver goods and energy via the Caspian Sea and are negotiating with Central Asian countries. Currently, the Central Asia-Caspian Sea-Azerbaijan-Georgia-Turkey-Europe route has been successfully opened, but the construction of the gas and oil pipeline through the Caspian Sea has not progressed.

Turkey's full use of the undiscovered potential of the Caspian route plays an important role in eliminating the post-Soviet Central Asian republics' dependence on Russia for infrastructure, diversifying the production of resources needed for their country's energy and other production, and further transforming the country into a logistics hub. Due to the crisis in Ukraine, the European Union's need to diversify its sources of raw materials will increase, which will lead to the intensification of Turkey's geoeconomic policy in Central Asia.

5. European Union policies in Central Asia

Areas and categories of European Union policies and actions in Central Asia

It is possible to identify four main directions for the development of relations between the Central Asian countries and the European Union since 1991.

a. Relations between the European Union and Central Asian Institution³⁸⁴

Direction and form: Political relations. Areas of foreign policy: global policy, Asia-Pacific region, Central Asian region. The multilateral strategy of the European Union to Central Asia.³⁸⁵ The European Union's official development assistance. Other aid programs to Central Asia.

Goals and objectives: General orientation of "normative policy" based on the values,³⁸⁶ principles and norms of the European Union. From the point of view of geostrategic interests, the need to be present in Central Asia and to maintain a strategic balance with other major powers (Russia, China, the United States, India, and Turkey). Geopolitical interests (political-

³⁸⁴ https://www.eeas.europa.eu/eeas/central-asia_en

³⁸⁵ [https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/628265/EPRS_BRI\(2018\)628265_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/628265/EPRS_BRI(2018)628265_EN.pdf)

³⁸⁶ <https://www.consilium.europa.eu/en/documents-publications/library/library-blog/posts/democracy-promotion-and-the-normative-power-europe-framework/>

diplomatic vision of the European Union). Geoeconomic interests (trade and economic relations, energy security,³⁸⁷ infrastructure links between regions).

b. Bilateral relations;

Direction and form: common directions of bilateral relations and cooperation in the political, diplomatic, trade, economic, and security fields developed by the member states of the European Union with the countries of Central Asia. It is common for a state-owned enterprise of a country or a multinational company registered in that country to develop bilateral relations in the form of protecting its interests and ensuring its business security.

Goals and Intentions: The national interests of the country and the interests of the country's large companies and corporations are at the heart of the goals and intentions of bilateral relations. However, some criteria of the "Normative Policy" of the European Union: common values, market economy, governance, anti-corruption, democracy, human rights, and equality are not mentioned.

c. Corporate Relations;

Direction and form: When operating in Central Asia, companies and firms from European Union member states have learned to communicate in an appropriate manner, taking into account the specifics of local authorities, political heritage, culture, values and religious norms of the people. This can be seen in the examples of many French and Italian projects that have been operating successfully and sustainably in the countries of Central Asia since 1991.

Goals and objectives: Corporate relations only mention the shared values, business culture and philosophy that the company proclaims on the international stage. When European companies come to Central Asia, they adapt to local norms and customs to conduct business according to the principle "If you drink the water, follow the customs." The goal of the companies is to ensure the stability and security of their own business interests and projects while meeting the needs of the country's ruling tribes, parties, and groups in both overt and covert ways.

d. Civil Society Relations;

Direction and form: many projects and programs aimed at Central Asian society have been implemented by civil society organizations and non-governmental organizations of European Union countries (not the European Union itself) for more than 30 years. The difficulties they face are general problems of the system left over from the Soviet Union. If we want to work

³⁸⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=JOIN%3A2022%3A23%3AFIN&qid=1653033264976>

effectively and continue our community-oriented projects in the future, we need to cooperate with local authorities.

Goals and objectives: One of the characteristics of civil society relations is that they are interpersonal, which makes them more realistic and effective than other policies. Central Asian society and culture are different from European social relations, so it is important to define precisely the goals to be achieved. Since 1991, European civil society activities in Central Asia have been carried out mainly in the areas of civic education, support to small and medium enterprises, gender equality and equal rights in the labor market, basic understanding of democracy, information and training of Internet companies. As for the implementation and results of these activities, it is difficult to draw common conclusions, as each organization measures this in its own way and the characteristics of each country are different.

Future Trends and Challenges of European Union Policy in Central Asia

1. Internal Changes and Development of the European Union: Since the institutional establishment of the Treaty of Rome in 1957 until the Maastricht Treaty in 1993,³⁸⁸ the European Union has focused more on the internal problems of the European continent and between countries. The 1993 Maastricht Treaty laid the foundation for the European Union's common policies, currency, and institutionalized governance. The European Union views its foreign policy at a more strategic level and its member states coordinate their policies within this framework. The Treaty of Amsterdam (1997), the Treaty of Nice (2001), and the Treaty of Lisbon (2007)³⁸⁹ further expanded the European Union's powers, political reach, and scope of action, and it began to be substantively and formally larger than its member states in terms of foreign policy decisions and strategies. In other words, at this level of institutional power and policy, the European Union itself is a very young political union compared to other countries with old traditions and political succession. Therefore, it is reasonable to assume that the European Union's policies are at the stage of maturity of powers and policies.
2. From a normative power to a global power factor: chronologically, the European Union began to define itself as a "normative power"³⁹⁰ in the early 2000s. "Normative power" means that shared values, equality, and the values of a democratic civil society are the most

³⁸⁸ <https://www.consilium.europa.eu/en/maastricht-treaty/#:~:text=The%20Maastricht%20Treaty%20established%20the,euro%20and%20created%20EU%20citizenship.>

³⁸⁹ https://european-union.europa.eu/principles-countries-history/principles-and-values/founding-agreements_en

³⁹⁰ https://www.ceas.europa.eu/node/15687_en

important political principles and that foreign policy and strategic direction are determined on this basis.³⁹¹ However, in the face of geopolitical challenges such as the attacks of September 11, 2001, U.S. military operations in Iraq and Afghanistan, color revolutions, upheavals in North Africa, the Middle East, and Arab countries, Russia's revanchist policies, and the strengthening of the People's Republic of China, the European Union had to adopt a common policy and respond from the perspective of a global strategic actor. As a result, the European Union's global strategy document "Common Vision, Common Action: A Stronger Europe - A Global Strategy for the European Union's Foreign and Security Policy"³⁹² was published in 2016. Since then, it has begun to define itself as a global geopolitical, geostrategic, and geoeconomic actor.

3. The European Union has become a major player in Central Asia: If we look at the European Union's policies regarding Central Asia, we can classify them according to the substantive and formal changes that have taken place over time:³⁹³

1) 1991-2006: the TACIS program was the first political experiment in the vast post-Soviet Central Asia. The mistakes and points are the same and a lot of experience is gained.

2) 2007-2013: development and implementation of the first strategy for the Central Asia region. It has become one of the most important players in the fields of economy, trade and energy in Central Asia.

3) 2014-2020: Central Asia policy has entered a radically new phase. In 2015, a review of the implementation of the strategy implemented in Central Asia was conducted and the next steps of the policy were defined. As a result, a new strategy for the Central Asian region was developed in 2019.

4) 2021-2027: Due to the war between Russia and Ukraine, the European Union is moving in a completely new geostrategic and geoeconomic environment. In this context, the European Union was forced to position itself as one of the main players in Central Asia. In order to become the main balancing force against Russia and China in Central Asia, the European Union began to formulate its policy as an actor of interests rather than its own normative principles.

5) After 2028: The European Union will officially become one of the three main external actors in Central Asia (Russia, China, and the European Union), and the United States and Western

³⁹¹ <https://hcss.nl/report/normative-power-and-eu-strategic-autonomy/>

³⁹² https://eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf

³⁹³ https://www.eeas.europa.eu/eeas/central-asia_en

alliances will likely reach the point of relying on, coordinating, and sometimes accompanying the European Union in their policies in Central Asia.

Geo-strategically balanced policy: on the one hand, the European Union implements its policies according to its own strategy,³⁹⁴ ³⁹⁵but the policies and actions of other powers, especially Russia, China, and the United States in Central Asia, will influence each other and reduce or increase some outcomes. The geostrategic balance and balance of power in the region may also change depending on the extent to which the policies of other actors, such as India, Turkey, Japan, the Republic of Korea, and Iran, are compatible or contradictory.

Correct assessment of real opportunities, capabilities, and resources: as the geostrategic situation changes rapidly and drastically after February 24, 2022, the question is how the traditional balance of power in Central Asia will change in the future. This depends on how the global supply channel will change due to damage and economic sanctions. For the European Union,³⁹⁶ the extent to which it can satisfy shortages of hydrocarbons from the Mediterranean and Middle East will determine the power it will wield over Central Asia's energy resources.³⁹⁷ However, since most of the geostrategic power in Central Asia today is in the hands of Russia, the European Union's efforts will be of limited effectiveness.

Azerbaijan, the key to Central Asia: the key to the policy of the European Union in Central Asia is the exit of Azerbaijan. The stable and reliable partner Azerbaijan can become a reliable bridge to Central Asia for the European Union in the future, in contrast to the results of the Iran nuclear deal and Turkey's continued opportunistic attitude. This includes not only maintaining the operation and supply of the "Southern Gas Corridor" through Turkey, but also the immediate implementation of supporting quality projects such as river freight transport and rail transport through the southern part of the Caucasus Mountains, which will significantly increase the access capacity of the European Union to Central Asia.

Build a coalition and play as a team: it is important that the European Union coordinate its policy in Central Asia in the coming years with the G7's B3W (Build Back Better World)³⁹⁸

³⁹⁴ https://www.eeas.europa.eu/sites/default/files/eu-asian_connectivity_factsheet_september_2019.pdf_final.pdf

³⁹⁵ https://www.eeas.europa.eu/sites/default/files/eu-asian_connectivity_factsheet_september_2019.pdf_final.pdf

³⁹⁶ <https://www.consilium.europa.eu/en/press/press-releases/2022/03/21/a-strategic-compass-for-a-stronger-eu-security-and-defence-in-the-next-decade/>

³⁹⁷ https://ec.europa.eu/info/sites/default/files/com_2022_61_1_en_act_roadmap_security_and_defence.pdf

³⁹⁸ <https://www.realinstitutoelcano.org/en/analyses/the-future-of-values-in-the-eu-global-strategy-2020/>

initiative and the U.S. strategy³⁹⁹ for Central Asia as part of its global EU strategy.⁴⁰⁰ Also in the context of its bilateral relations, the European Union can coordinate its policy in Central Asia through the strategic partnership.⁴⁰¹ It is developing with India and the strategic partnership.⁴⁰² Also, it has established with Japan, in some cases increasing its effectiveness and joining forces.

A desperate strategy: the European Union is forced to become one of the most important strategic actors at the global level to protect its external and internal interests.⁴⁰³ This has also been demanded by member states, and proposals have been made to give the European Union institutions more power in matters of internal power distribution, voting quotas, and veto power.⁴⁰⁴ The European Union is expected to be a stronger strategic actor in the 2021-2027 cycle^{405 406} and after 2028.^{407 408 409}

Response policy of Central Asian countries: in the coming years, the geostrategic intersection of the great powers in the Central Asian region will become narrower, political competition will intensify and become more active depends on the overall picture of interaction. Besides, how will the balance of power within Central Asia change: Will Kazakhstan maintain its leadership role? Will political reforms in Uzbekistan work? Will Turkmenistan open up further? Will the political situation in Kyrgyzstan stabilize? Will new avenues of development open up in Tajikistan? Many interesting events will determine the general life in the region.

³⁹⁹ <https://www.state.gov/united-states-strategy-for-central-asia-2019-2025-advancing-sovereignty-and-economic-prosperity/#:~:text=The%20United%20States%20primary%20strategic,international%20investment%3B%20and%20has%20strong%2C>

⁴⁰⁰ <https://www.csis.org/analysis/g7s-new-global-infrastructure-initiative>

⁴⁰¹ https://www.eeas.europa.eu/sites/default/files/eu-india_strategic_partnership_a_roadmap_to_2025_0.pdf

⁴⁰² <https://www.eujapanspa.jp/>

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https://www.cidob.org/en/publications/publication_series/project_papers/eu_listco/from_resilience_to_strategic_autonomy_a_shift_in_the_implementation_of_the_global_strategy

⁴⁰⁴ <https://www.politico.eu/article/germany-scholz-say-eu-reform-admit-ukraine/>

⁴⁰⁵ https://ec.europa.eu/info/strategy/priorities-2019-2024/stronger-europe-world_en

⁴⁰⁶ https://ec.europa.eu/info/sites/default/files/communication-industrial-strategy-update-2020_en.pdf

⁴⁰⁷ https://ec.europa.eu/info/strategy/strategic-planning/strategic-foresight/2021-strategic-foresight-report_en

⁴⁰⁸ https://ec.europa.eu/info/sites/default/files/action_plan_on_synergies_en_1.pdf

⁴⁰⁹ https://ec.europa.eu/info/strategy/priorities-2019-2024_en

