

# Consolidated and predictable Central Asia becomes more attractive in economic and investment terms



Central Asia has undergone a radical transformation in recent years. The positive trends observed in the region have affected almost all spheres - from political and economic to cultural and humanitarian. The formation of a new political climate in Central Asia is evidenced by the increased contacts between heads of state, the growth of trade volumes, and the implementation of large joint projects.

From the first days of his presidency, Shavkat Mirziyoyev, outlining the continuity of the foreign policy course, defined Central Asia, which is associated with the vital interests of Uzbekistan, as a priority of the country's foreign policy. This approach is reflected in many strategic documents, initiatives and steps taken. The issues of cooperation with the closest neighbors traditionally occupy a special place in the annual messages of the head of state to the Oliy Majlis.

As a result of the establishment of strategic cooperation with Turkmenistan, Kyrgyzstan, Tajikistan, the deepening of strategic partnership with Kazakhstan, a completely new political atmosphere based on mutual trust and good neighborliness has formed in the region.

The regional course of the head of Uzbekistan is a symbol of renewal not only of the foreign policy of Tashkent, but of the whole of Central Asia. Moreover, this is an example of transformation of relationships based on the following approaches.

First, there are no unsolvable problems, there is a need for political will to resolve them. The principle of "discussing acute issues and finding reasonable compromises" made it possible to solve a number of regional problems on the basis of consistency and consideration of mutual interests. Unprecedented results have been achieved in resolving such sensitive issues as borders and the use of the region's water and energy resources.

Uzbekistan has begun to demarcate the border with Kazakhstan. In 2017, a historic document was signed - "Agreement on the area of the junction point of the state borders of three states - Kazakhstan, Turkmenistan and Uzbekistan", which made it possible to resolve an issue that was considered problematic for many years. A serious step in ensuring security and stability in the region was the agreements reached during the visit of Kyrgyz President S. Japarov to Uzbekistan (March this year), according to which the parties agreed to complete the legal registration of the Kyrgyz-Uzbek border in the near future.

Despite the existing problems, Uzbekistan, together with its neighbors, is making every effort to turn interstate borders into bridges of friendship, good-neighborliness and cooperation.

So in April this year, on the Kazakh-Uzbek border near the checkpoints "Zhibek Zholy" (Kazakhstan) and "Gisht Kuprik" (Uzbekistan), a ceremony was held to launch the construction of the International Center for Trade and Economic Cooperation "Central Asia". The center with a total area of 400 hectares, with a throughput capacity of 35 thousand people. and 5 thousand trucks per day in both directions is intended to become a major industrial, trade and logistics platform for the implementation of joint investment projects in such promising areas as the agro-industrial complex, light industry and manufacturing sector.

On 23 April 2021, on the initiative of Uzbekistan, a business forum "Border Integration - the Key to Development" was held in Ferghana. Along with the heads of the border regions - Batken (Kyrgyzstan), Sughd (Tajikistan) and Ferghana (Uzbekistan), representatives of local industrial and agricultural enterprises took part in the event. The holding of the business forum can be safely regarded as a significant achievement in improving economic ties between the border regions of the three countries.

In addition, the parties are taking steps to deepen regional cooperation in the field of water use. A working

group has been created to develop proposals on all areas of water relations between Uzbekistan and Kazakhstan and Tajikistan. The Regulations are being developed on the establishment of a joint bilateral water management commission with Kyrgyzstan in order to achieve a constructive solution on the issues of the water and energy sector. Interaction with Turkmenistan is fruitfully developing within the framework of a trilateral working group with the participation of the Amu Darya basin water management organization.

Practical measures are being developed to launch the full-fledged operation of a single energy ring in Central Asia. An agreement was reached with Kyrgyzstan on mutual supplies of electricity in the amount of up to 750 million kWh. "At a conditional price" per 1 kWh, which will allow filling the Toktogul reservoir and providing Uzbekistan with water during the growing season 2021-2023.

The planned jointly with Tajikistan construction of two 320 MW HPPs on the Zarafshan River is an important step in regional cooperation in the use of transboundary water resources. In addition, Tashkent has shown its readiness to participate in projects for the construction of the Kambar-Ata and Rogun hydroelectric power plants.

According to the World Bank, improving the use of hydropower potential and joint planning of capacity reserves in the region in 2020-2030. can bring CA countries up to US\$6.4 billion in economic benefits.

Secondly, a consolidated and predictable Central Asia is becoming more attractive in economic and investment terms.

The total GDP of the countries of the region grew from US\$253 billion in 2016 to US\$302.8 billion in 2019. In the context of a pandemic, this indicator at the end of 2020 decreased by only 2.5%, amounting to US\$295.1 billion. At the same time, the intraregional trade showed impressive indicators. The total volume of foreign trade of the region in 2016-2019 grew by 56%, reaching US\$168.2 billion.

For 2016-2019 FDI inflows to the region increased by 40%, amounting to US\$37.6 billion. As a result, the share of investments in Central Asia in the total volume in the world increased from 1.6% to 2.5%. At the same time, according to forecasts of analysts of the international company Boston Consulting Group (BCG), over the next 10 years the region can attract up to US\$170 billion of foreign investments, incl. 40-70 billion dollars - in non-resource sectors.

At the same time, there is an intensification of cooperation between the countries of the region themselves. Thus, within the framework of industrial cooperation in the city of Kostanay (Kazakhstan), a joint production of Uzbek cars of the "Ravon" brand has been established. LLC "Krantas group" (Uzbekistan) and the Aluminum company "Talko" (Tajikistan) jointly created a special equipment plant "Talko-Krantas". In March of this year, following the visit of S. Japarov to Uzbekistan, a plan of practical measures was drawn up to expand and deepen cooperation in the field of industrial cooperation in the implementation of 60 projects worth US\$550.4 million. An agreement was reached to create an Uzbek-Kyrgyz development fund with an authorized capital of US\$50 million with a subsequent increase to US\$200 million

Investment cooperation of Uzbekistan with the Central Asian countries is also actively increasing. So, from the end of 2017 to November 2020, the number of registered enterprises with capital in Kazakhstan increased from 281 to 896 units, Kyrgyzstan - from 57 to 175 units, Tajikistan and Turkmenistan - to 178 and 140 units, respectively. Uzbek capital also began to actively participate in neighboring countries. In particular, a textile factory has been opened in Kazakhstan, and a joint production of household appliances has been launched in Tajikistan and Kyrgyzstan.

The concentration of the integration efforts of the Central Asian countries into the system of international transport corridors is especially noted. Uzbekistan and Tajikistan resumed air traffic, restored the Galaba-Amuzang-Khushadi railway. Thanks to the efforts of Uzbekistan and Turkmenistan, the Turkmenabad-Farab

railway and road bridges have been built, providing the Central Asian countries with the shortest access to the markets of the Near and Middle East. Work on the construction of the Uzbekistan-Kyrgyzstan-China railway has been intensified. In June 2020, the first train on multimodal transit was launched on the Lanzhou-Kashgar-Irkeshtam-Osh-Andijan-Tashkent-Mary route. The implementation of these projects will significantly increase the geo-economic attractiveness of Central Asia as an important transit and communication hub between East and West.

The tourism potential of the region is being revealed. The number of travelers in Central Asia in 2016-2019 almost doubled - from 9.5 to 18.4 million people. According to the UN World Tourism Organization, foreign tourist flow to Uzbekistan increased by 27.3%, to Kazakhstan - by 10%. One of the world's largest publications, Lonely Planet, called Central Asia a "promising region to visit in 2020". Experts associate the positive dynamics with the facilitation of visa policies in almost all countries of the region, as well as with the "high-speed reforms" of Uzbekistan in the tourism sector.

Third, the awareness of the community of interests strengthens the perception of the region as an integral, consolidated player. The symbol of this pragmatic approach was the Consultative Meetings of the Heads of State of Central Asia, initiated by President Sh.Mirziyoyev.

During the Consultative Meetings (2018, 2019), the main aspects of mutually beneficial cooperation were discussed, such as the development of transit and transport potential, rational use of water and energy resources, cultural interaction and strengthening regional security. During the second Consultative Meeting (November 2019, Tashkent), a serious achievement was the adoption of a Joint Statement, in which the Central Asian countries confirmed their determination to comprehensively deepen regional cooperation, strengthen the existing relations of friendship, good-neighborliness and strategic partnership.

All this gives confidence that through joint efforts the leaders of the Central Asian countries can independently ensure stability in the region, resolve all controversial issues peacefully in an open and trusting dialogue.

For example, close interaction between the governments and heads of the border regions of Kazakhstan and Uzbekistan made it possible to solve the problem of the consequences of the breakthrough of the Sardobin reservoir (May 2020) in accordance with the norms of agreements on eternal friendship, strategic partnership and the Convention on the Protection and Use of Transboundary Watercourses and International Lakes.

The immediate reaction of the local administrations of Ferghana and Batken regions to the conflict situation in the Sokh region of the Kyrgyz-Uzbek border, as well as the political will shown during the negotiations, contributed to the rapid establishment of control over the situation and neutralization of growing tensions (May-June 2020).

Direct contacts between the heads of Kyrgyzstan and Tajikistan, as well as the measures taken to transfer the process into a political and diplomatic channel, made it possible to avoid further escalation of the conflict on the Kyrgyz-Tajik border (May this year).

The leaders of neighboring countries made a significant contribution to the peaceful resolution of the conflict. Thus, the President of Uzbekistan Shavkat Mirziyoyev held repeated telephone conversations with the heads of Tajikistan and Kyrgyzstan, urging them to resolve the problem exclusively through negotiations in the spirit of friendship and good-neighborliness.

In turn, the President of Kazakhstan K. Tokayev, also stressing the importance of resolving all controversial issues exclusively by negotiation, spoke in favor of developing a mechanism for resolving border incidents within the framework of the next Consultative meeting of the heads of states of Central Asia.

This reaffirmed that this format appears to be an efficient and effective regional dialogue platform for confidential, constructive and open discussion of topical issues of regional cooperation and solving

common problems of the CA countries.

Another evidence of the formation of a peaceful and friendly atmosphere in the region is the preparation of the first in the history of the region five-sided document on friendship, good-neighborliness and cooperation in Central Asia in the 21st century. Until now, such agreements were concluded only on a bilateral basis. This synchronization of efforts and approaches of the Central Asian countries is a weighty response to many challenges.

Fourth, the trend towards regional rapprochement was positively assessed and supported by the world community. In June 2018, the UN General Assembly adopted a special resolution "Strengthening regional and international cooperation to ensure peace, stability and sustainable development in the Central Asian region", which became one of the important guidelines that determine the conceptual vectors of regional cooperation.

The adoption of this document is the implementation of the initiative of the President of Uzbekistan announced at the 72nd session of the UN General Assembly (September 2017). According to the UN Secretary General's Special Representative N. Herman, the resolution made a significant contribution to strengthening trust between the countries of the region, becoming a truly historic document representing a common vision for the sustainable development of Central Asian countries. In addition, the document emphasizes the importance of deepening bilateral and regional cooperation in the integrated rational use of water and energy resources, the implementation of transport and transit potential, the development of tourism and cultural and humanitarian interaction.

External partners gradually developed an understanding that stimulating regional interaction opens up new opportunities for the implementation of promising projects in Central Asia.

This is confirmed by the intensification of the regional approach in building relationships of other actors with the countries of the region. According to B. Yaroshevich, Head of the Central Asia Unit of the European External Relations Service, the European Union, having recognized the new dynamics of regional cooperation in Central Asia, has actively restructured its foreign policy taking into account the new realities in the region. As a result, in June 2019, the European Union adopted a new strategy for Central Asia.

According to experts, the adoption of the new EU Strategy for Central Asia and the Strategy for the Development of Interconnectedness between Europe and Asia testifies to the firm intention of the European Union to move to the practical implementation of the existing potential of mutually beneficial multilateral cooperation both in Central Asia and between the EU and the CA region. According to the estimates of the authorized representative of the Foundation. K. Adenauer on Central Asia R. Heine, the key role in strengthening these trends is played by the regional rapprochement of the Central Asian states and the improvement of the general climate of political relations in the region.

In February 2020, the United States for the first time adopted a separate Strategy for the Central Asian region "Strengthening Sovereignty and Economic Prosperity". One of the most important elements of the newly adopted strategy is the fact that "support and strengthening of the sovereignty and independence of the Central Asian states, both individually and within the entire region," is defined as a political goal. According to analysts, Washington recognizes the formation of a new environment in Central Asia - a regional one - with such a statement.

According to R. Hoagland, a member of the Board of Trustees of the Caspian Political Center, the new strategy includes subtle changes in American policy that take into account the current realities of the development of the situation in this strategically important region of the world. Moreover, according to him, this document can be seen as a significant "victory" for the countries of Central Asia, since it states the continued full participation and assistance of Washington in an era when the United States backs away from its obligations in other parts of the world.

In October 2020, the foreign ministers of the Central Asian countries and Russia met for the first time in the Central Asia + Russia format, which resulted in the adoption of a Joint Statement on Strategic Directions of Cooperation. In the document, the parties expressed agreement in such areas as the political and diplomatic sphere, security, trade and economic relations, transport links, environmental protection and adaptation to climate change, energy, sanitary and epidemiological situation, migration and humanitarian spheres. At the same time, it is noted that the participating countries will make efforts to establish regular and multi-level consultations between the foreign ministries of the countries to discuss topical issues of the global and regional agendas during regular meetings of the CA + 1 format, as well as, as necessary, within the framework of joint events at the sites of the CIS, UN and OSCE.

According to Russian analysts, today Russia is systematically interacting with some countries in the region within the framework of the CSTO or the EAEU. However, only the new Central Asia + Russia format appears to be the platform where the Russian Federation can interact with all Central Asian countries. So far, this format is not an institutional instrument and does not have a fixed organizational structure. However, it allows you to “compare notes” and discuss regional risks and challenges.

The regional approach was reflected in Beijing’s new approach to the region. In July 2020, a meeting of foreign ministers was held in the "Central Asia - China" format. Previously, the regional dialogue was held annually on the basis of multilevel meetings of the Shanghai Cooperation Organization. So, over the years, 7 forums of cooperation between China and Central Asia have been held in different provinces of the PRC, which were organized by the Chinese Committee of the SCO for Good Neighborliness, Friendship and Cooperation. Representatives of government agencies, businessmen, experts and journalists took part in its work.

As observers note, the organization of a separate dialogue platform "Central Asia-China" has become in demand, on the one hand, due to the need to create a fully independent platform of the Central Asian countries and China, on the other, as a result of improved cooperation within Central Asia itself. Regular meetings of leaders of states since 2018 and a course of rapprochement create a favorable basis for Beijing’s regional initiative.

Thus, the trends and achievements of the past few years indicate that Central Asia is transforming. A new political climate is being shaped here, which is characterized by a significant strengthening of unity and cohesion. The joint efforts of the countries contribute to the formation of Central Asia as a stable, open and steadily developing region, a promising predictable international partner.

The countries of the region have demonstrated their ability to independently resolve existing problematic issues and contradictions without the intervention and involvement of external forces. Our common and, of course, priority task is to ensure sustainable development, stability and prosperity in the Central Asian region.

At the same time, the ongoing processes contributed to the formation of a new vision of Central Asia by external partners as an integral region, and not as separate states.

The attention to Central Asia is growing in the world, the interest of leading states and international financial institutions in supporting joint initiatives of the states of the region is increasing. In this regard, the region, and Tashkent, in particular, has unique opportunities to change the current situation, to determine development trends not only within the region, but also outside it.

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