

## Uzbekistan's strategy to build greater trans-regional connectivity



With the election of President Shavkat Mirziyoyev, Uzbekistan took a course towards pursuing an open, proactive, pragmatic and constructive foreign policy in order to create an area of mutually beneficial cooperation, stability and sustainable development in Central Asia. The new approaches of official Tashkent found comprehensive support in all the capitals of Central Asia, which became the basis for positive changes in the region.

In particular, in recent years, there has been a qualitative shift in Central Asia towards strengthening regional cooperation. A systematic political dialogue based on the principles of good-neighborliness, mutual respect and equality has been established between the leaders of the states of the region. This is confirmed by the introduction, since 2018, of the practice of regularly holding Consultative Meetings of the Heads of State of Central Asia.

Another important achievement was the adoption at the end of the second Consultative meeting in November 2019 of the Joint Statement of the leaders of the Central Asian states, which can be regarded as a kind of program for the development of the region. It contains consolidated approaches and a common vision of the heads of state regarding the prospects for strengthening regional cooperation.

The achieved high level of consolidation of the region and the readiness of the Central Asian countries to take responsibility for solving regional problems is also evidenced by the adoption in June 2018 of a special UN resolution "Strengthening regional and international cooperation to ensure peace, stability and sustainable development in the Central Asian region."

Thanks to all these positive trends, today, on the basis of the principles of finding reasonable compromises and mutual consideration of interests, a number of systemic problems are finding their long-term solution,

which previously hindered the realization of the enormous potential of regional cooperation. Most importantly, the states of Central Asia have begun to play a primary and key role in making decisions on the most pressing and pressing issues of the development of the entire region.

Such strengthening of interstate relations today contributes to the formation of Central Asia as a stable, open and dynamically developing region, a reliable and predictable international partner, as well as a capacious and attractive market.

Thus, the new political atmosphere has given a powerful impetus to the development of trade, economic, cultural and humanitarian exchanges. This can be seen from the example of the growth dynamics of intraregional trade, the volume of which reached US\$5.2 billion in 2019, which is 2.5 times more than in 2016. Despite the dire consequences of the pandemic, intraregional trade remained at US\$5 billion in 2020.

At the same time, the total volume of foreign trade of the region in 2016-2019 increased by 56%, reaching US\$168.2 billion.

During this period, 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%.

In parallel with this, 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.

As a consequence, the general macroeconomic indicators of the region are improving. In particular, the combined 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 figure at the end of 2020 decreased by only 2.5%, amounting to US\$295.1 billion.

All these factors together show that the new pragmatic approaches of Uzbekistan in foreign policy have led to the creation of favorable conditions for the joint promotion of large economic projects of a trans-regional nature by the Central Asian states, bringing their relations with neighboring regions to a new level and the active involvement of the region in the formation of multilateral coordination structures. and cooperation.

Such plans are enshrined in the aforementioned Joint Statement of the Heads of State of Central Asia, voiced following the 2019 Consultative Meeting. In particular, the document notes that the Central Asian states will continue to strive to develop open economic cooperation and diversify ties with other partner countries, international and regional organizations, with the expectation of strengthening regional peace, stability and expanding the prospects for economic development in the region.

These goals should be served by the political and economic concept of interconnectedness promoted by Uzbekistan, which is based on the desire to build a solid architecture of mutually beneficial cooperation between Central and South Asia.

These aspirations of official Tashkent are motivated by the interest of all states of both regions in the development of closer relations, the prevailing clear understanding of the indivisibility of security, the complementary nature of economies and the interconnectedness of the processes of socio-economic development of Central and South Asia.

The implementation of these plans is designed to help build a huge space of equal opportunities, mutually beneficial cooperation and sustainable development. A natural consequence of this should be the creation of a belt of stability around Central Asia.

Guided by such goals, the President of the Republic of Uzbekistan Shavkat Mirziyoyev put forward an initiative to hold an international conference "Central and South Asia: regional interconnectedness. Challenges and Opportunities", designed to consolidate the countries of the two regions in the construction of the conceptual foundations of a sustainable model of interregional connectivity.

This idea was first voiced during the speech of the head of Uzbekistan at the 75th session of the UN General Assembly. These issues took a key place in another important political event of 2020 - the President's message to the country's Parliament, where South Asia was designated as a priority area in the country's foreign policy.

In parallel with this, Uzbekistan has significantly increased its political and diplomatic activity in the South Asian direction. This is expressed in facilitating the creation of a dialogue format "India-Central Asia", a series of virtual summits at the highest level "Uzbekistan-India" (December 2020) and "Uzbekistan-Pakistan" (April 2021).

In this regard, a significant event was the signing of the trilateral agreement "Uzbekistan-Afghanistan-Pakistan" on the creation of a "Trans-Afghan" corridor designed to connect the countries of the two regions with a reliable transport network.

All of these steps show that Uzbekistan has actually already begun to implement plans to build greater trans-regional connectivity.

The upcoming high-level conference should become the backbone element and a kind of culmination of these efforts.

In this regard, the planned event is already arousing increased interest of a wide range of regional and international experts, who note the importance and relevance of the upcoming conference.

In particular, observers and analysts from such authoritative international publications as Diplomat (USA), Project Syndicate (USA), Modern Diplomacy (European Union), Radio Free Europe (EU ), Nezavisimaya Gazeta (Russia), Anadolu (Turkey) and Tribune (Pakistan).

According to their assessments, the results of the upcoming conference may lay the foundation for the practical implementation of the idea of a grandiose integration project, which implies the convergence of two fast-growing and culturally-civilizationally close regions.

Such a prospect can create a new point of economic growth for Central and South Asia, contributing to a radical transformation of the economic picture of the macroregion and the improvement of interregional coordination to ensure stability.

Afghanistan is a key link in ensuring the integration of the two regions

Building trans-regional connectivity, the strategic component of which will be the Trans-Afghan corridor, gives Afghanistan a central place in the system of interregional ties and will return the Afghan side to its lost historical role as a key link in ensuring the integration of the two regions.

The implementation of these goals is especially necessary against the backdrop of the upcoming withdrawal of American troops from Afghanistan, scheduled for September 2021. Such a development of events, of course, creates a turning point in the modern history of Afghanistan.

On the one hand, the US withdrawal, considered a key condition of the so-called "Doha" agreements, could give a powerful impetus to the peace process in a neighboring country, contributing to the establishment of Afghanistan as a sovereign and prosperous state.

On the other hand, the emergence of a power vacuum threatens to exacerbate the internal armed struggle for power with the risk of escalating it into a fratricidal war. At the same time, the intensity of clashes between the Taliban movement and Afghan government forces is already increasing, which may negatively affect the prospects for achieving an internal political consensus.

All of the above tectonic changes taking place in and around Afghanistan further increase the relevance of the upcoming conference, demonstrating the correctness of the course chosen by Uzbekistan for interregional rapprochement, since modern realities in Afghanistan make cooperation between the two

regions an objective and vital necessity.

Realizing this, Uzbekistan intends to launch the process of adaptation of the states of the two regions to the post-American era in Afghanistan. After all, the prospects for the upcoming departure of the US contingent should induce all neighboring states to assume a significant share of responsibility for the economic and military-political situation in Afghanistan, the improvement of which is the key to ensuring the long-term stability of the macroregion.

Given this fact, Uzbekistan is trying to achieve a broad regional consensus on the Afghan issue by demonstrating the beneficial nature of establishing an early peace in a long-suffering neighboring country for the common prosperity of all regional states.

In this regard, foreign experts are convinced that Tashkent's plans for interconnection organically complement the modern Afghan policy of Uzbekistan, within the framework of which the republic is in search of a mutually acceptable formula for peace and ways to ensure long-term stability in Afghanistan.

Such an ideal recipe for peace is precisely interregional economic integration with the involvement of Afghanistan, which will undoubtedly have a stabilizing effect on the internal situation in the country.

This opinion is shared by a wide range of experts. In particular, according to observers of the Russian newspaper *Nezavisimaya Gazeta*, the Mazar-i-Sharif-Kabul-Peshawar railway project promoted by Tashkent will become an "economic springboard" for Afghanistan, since the route will pass along mineral deposits - copper, tin, granite, zinc, iron ore.

As a result, their development will begin, tens of thousands of jobs will be created - alternative sources of income for the Afghan population.

Most importantly, the expansion of interregional trade through Afghanistan will bring economic benefits to the country in the form of transit fees. In this context, the opinion of the observers of the American edition of *Project Syndicate* is interesting, according to which the Trans-Afghan railway can carry up to 20 million tons of cargo per year, and transportation costs will decrease by 30-35%.

With this in mind, observers for the Turkish newspaper *Anadolu* are convinced that the proposed rail link through Afghanistan represents a huge economic benefit that could stabilize the region more than any political deal.

The practical implementation of these plans is also vital against the background of the continued dependence of the Afghan economy on foreign aid, the scale of which has shown a downward trend in recent years.

In particular, the volume of annual financial support from donors, which covers about 75% of the country's government spending, fell from US\$6.7 billion in 2011 to about US\$4 billion in 2020. It is expected that over the next 4 years, these indicators will decrease by another 30%.

In these conditions, there is an increasing need to speed up the implementation of other economic projects of a trans-regional scale, which can create additional favorable conditions for the economic revival of Afghanistan.

Among them, one can especially highlight such projects as the Turkmenistan-Afghanistan-Pakistan-India gas pipeline and the CASA-1000 power line, the practical implementation of which will not only have a very positive effect on ensuring the energy security of Afghanistan, but will bring significant financial benefits to the Afghan side from transit of energy resources to the states of South Asia.

In turn, the prospect of Afghanistan becoming an important transit and energy hub will create additional interest for all internal Afghan forces in reaching political consensus and serve as a solid socio-economic basis for the peace process. In short, broad involvement of the Afghan side into the system of interregional

ties created by Tashkent can be used as a fastening mechanism in promoting stability.

#### Central Asia on the way to diversify transport and transit directions

Strengthening interregional ties meets the goals of the Central Asian states to diversify transport routes and increase the region's competitiveness as an international transport and transit hub.

During the summit meetings, the leaders of the Central Asian states have repeatedly expressed the collective intention of the parties to advocate for strengthening coordination and deepening regional cooperation in the joint implementation of major economic projects, especially those aimed at expanding transport and transit opportunities, ensuring stable access to seaports and world markets, the formation of modern international logistics centers.

The need to solve these problems is dictated by the continuing transport isolation of Central Asia, which prevents the deep integration of the region into global supply chains and the Central Asian states gaining their rightful place in the emerging new model of the international trade system.

So, today the states of the region, having no direct access to seaports, bear significant transport and transit costs, which reach 60 percent of the cost of imported goods. Carriers lose up to 40 percent of the time for transporting goods due to imperfect customs procedures and underdeveloped logistics.

For example, the cost of shipping a container to the Chinese city of Shanghai from any Central Asian country is more than 5 times higher than the cost of transporting it from Poland or Turkey.

At the same time, in recent years, the Central Asian states have already managed to ensure access to the seaports of Iran, Georgia, Turkey, Azerbaijan and Russia by using the potential of various transport corridors (Baku-Tbilisi-Kars, Kazakhstan-Turkmenistan-Iran, Uzbekistan -Turkmenistan-Iran, Uzbekistan-Kazakhstan-Russia).

Among these transit directions, the international transport corridor "North-South" stands out, which today provides the exit of Central Asian goods through Iranian ports to world markets. At the same time, this project is an example of the successful connection of the Central Asian states with India, which is the largest economy in South Asia.

In this context, the implementation of the Mazar-i-Sharif-Kabul-Peshawar railway project will contribute to the emergence of an additional corridor and the formation of an extensive network of railway lines designed to physically bring the countries of Central and South Asia closer together. This is the relevance of the idea of trans-regional interconnection promoted by Uzbekistan, the practical implementation of which will benefit all states of the two regions.

The above plans will also benefit from major international trade actors such as China, Russia and the European Union, which are interested in providing reliable overland access to the South Asian market as a viable alternative to maritime trade routes.

Taking this into account, there is a high probability of internationalization of the Mazar-i-Sharif-Kabul-Peshawar railway project, that is, the expansion of the circle of parties interested in financing and further using the transit potential of this corridor.

For this reason, it is clear that Uzbekistan's plans go far beyond the trans-regional agenda, since the construction of this railway will become an important component of international transport corridors connecting the European Union, China, Russia, the states of South and Southeast Asia through Central Asia.

As a result, the transport significance of the territory of the Central Asian states will significantly increase, which in the future will acquire the opportunity to ensure their active participation in the international transit of goods. This will provide them with additional sources of income such as transit fees.

Reducing transport costs will be another major achievement. Economists estimate that transporting a container from Tashkent city to the Pakistani port of Karachi will cost approximately US\$1400-1600. This is about half the price of transportation from Tashkent to the Iranian port of Bandar Abbas (US\$2,600-3,000).

In addition, thanks to the implementation of the "Trans-Afghan" corridor project, the Central Asian states will be able to use the transit potential of two routes at once, leading to the southern seas.

On the one hand, there are already existing corridors to the Iranian ports of Chabahar and Bandar Abbas, on the other - "Mazar-i-Sharif - Kabul - Peshawar" with subsequent access to the Pakistani ports of Karachi and Gwadar. Such an alignment will contribute to the formation of a more flexible pricing policy in Iran and Pakistan, which will significantly reduce export-import costs.

Most importantly, the diversification of trade routes will have a very favorable effect on the macroeconomic situation in Central Asia. According to World Bank experts, further elimination of geographic barriers to trade with the outside world could increase the aggregate GDP of the Central Asian states by at least 15 percent.

#### A collective response to common challenges

The format of the upcoming conference will provide senior officials, experts and political-forming circles of the states of the two regions with a unique opportunity to gather on one platform for the first time to lay the foundation stone for a new trans-regional security architecture with the expectation of building a space of equal opportunities that takes into account the interests of all parties involved.

Such development of cooperation can become a model of inclusiveness, which implies the creation of an enabling environment in which each country can realize its creative potential and work together to resolve security problems.

The need for this is explained by the inseparability of the issues of security and sustainable development - the interest of the states of Central and South Asia to rally in the face of common challenges and threats that have a negative impact on ensuring the consistent prosperity of the two regions.

Among these challenges, experts single out such problems as drug trafficking, terrorism, epidemiological crisis, climate change and lack of water resources, which the states of the two regions could counter by joint efforts - identifying common problems and taking coordinated measures to overcome them.

In particular, Russian, European and Pakistani experts point to the need to use the site of the upcoming conference to build a system of collective fight against drug trafficking. The relevance of this is justified by the continuing reputation of Afghanistan as the main drug hub in the world.

This is confirmed by data from the UN Office on Drugs and Crime, according to which, over the past 5 years, Afghanistan accounts for 84% of the world's opium production.

In these conditions, according to the Pakistani expert - Executive Director of the Center for Global and Strategic Studies of Pakistan, Khalid Taimur Akram, "until there is control on both sides and the drug situation in the region improves, this state of affairs continues to serve as material support for destructive forces - terrorism and cross-border crime."

Foreign experts also pay special attention to the problems of climate change, which have a direct negative impact on the economies of the two regions. 2020 was one of the three warmest years on record.

Such extreme weather events, combined with the COVID-19 pandemic, have a double shock to most countries in the world, including Central and South Asia.

Moreover, Central and South Asia is an example of a water-scarce macro-region. This situation makes them vulnerable to the global process of climate change.

In the current situation, awareness of the climate crisis is emerging in both regions, which should be accompanied by the formation of a common understanding of the need for joint efforts.

Considering these factors, experts urge the states of the two regions to take advantage of the opportunities provided by Tashkent international platform in order to determine specific plans for a joint struggle with climate challenges. In particular, the adoption of coordinated steps by states towards the active use of environmentally friendly technologies and increasing the energy efficiency of the states' economies in order to minimize the negative impact of extreme weather conditions is considered to be in great demand.

#### A New Model of Trans-Regional Connectivity for Inclusive Economic Growth

With the creation of a new architecture of mutually beneficial cooperation between regions, which should be facilitated by the upcoming conference, the most favorable conditions will be formed for a significant increase in the level of transregional trade and economic exchanges.

Most international experts share this opinion. According to them, the implementation of the connectivity initiative will connect the isolated Central Asian market, abundant in hydrocarbon and agro-industrial resources, with the growing consumer market in South Asia and beyond with the world.

This is especially necessary against the background of the presence in the trade and economic sphere of a significant unrealized potential for cooperation, the full use of which is impeded by the lack of a reliable transport network and institutional mechanisms of interaction.

In particular, the volume of mutual trade between the countries of Central and South Asia does not yet reach US\$6 billion. These figures are significantly lower compared to the trade of the South Asia region with the outside world, the volume of which exceeds US\$1.4 trillion.

At the same time, since 2009, the total imports of the countries of South Asia have been continuously demonstrating stable growth dynamics, the volume of which reached US\$791 billion by the end of 2020. This situation makes the South Asian market one of the most important for the Central Asian countries. In addition, with a combined population of 1.9 billion people (24% of the world's population) and a GDP of 3.5 trillion dollars, South Asia is the fastest growing region in the world (economic growth up to 7.5% per year).

In this context, the recent report of the World Bank specialists is interesting. It notes that, despite the dire consequences of the pandemic, the prospects for economic recovery in the countries of South Asia are improving. Economic growth is expected to be 7.2% in 2021 and 4.4% in 2022. This is a return from a historical low in 2020, and means that the region is entering a recovery trajectory. Thus, South Asia will gradually be able to regain its status as a rapidly growing region of the world.

Considering all these factors, experts note that Central Asian producers have every chance to occupy their niche in the South Asian market - to fully realize their export potential.

For example, in the recently published special report of ESCAP (United Nations Economic and Social Commission for Asia and the Pacific), the growth of regional exports of Central Asian states as a result of strengthening interregional connectivity is estimated at 187% compared to 2010, and exports of South Asian countries - at 133%.

In this regard, it is necessary to highlight a number of areas, the development of cooperation in which meets the interests of all states of Central and South Asia.

First, the investment area. The need to build up cooperation in this area is dictated by the trend towards a decrease in foreign direct investment in developing countries. According to experts from the United Nations Conference on Trade and Development (UNCTAD), the volume of FDI in developing countries fell by 12% in 2020 alone. But even such a slight reduction, according to experts, could jeopardize their

recovery from the pandemic.

Experts argue this assumption by the persistence of the needs of Asian countries in attracting large volumes of investments to maintain economic growth.

According to ADB, developing countries in Asia must invest a whopping US\$1.7 trillion a year between 2016 and 2030 just to meet their infrastructure demand. At the same time, Asian countries are currently investing in infrastructure about US\$881 billion a year.

In these conditions, the urgency of active investment interaction between the states of Central and South Asia, as well as the adoption of collective measures to progressively improve the investment climate of the macroregion, increases. Such joint actions could help transform Central and South Asia into a place of concentration of international financial flows.

Second, the agricultural sector. The agricultural sector is considered one of the most promising areas of cooperation in the trade and economic sphere, which is due to the high demand in South Asia for food products from the Central Asian states.

Thus, South Asian countries are still experiencing a deficit in a certain category of food products and annually in aggregate import food products worth about US\$30 billion (India - US\$23 billion, Pakistan - US\$5 billion, Afghanistan - US\$900 million, Nepal - US\$250 million). In particular, Nepal currently imports 80% of the grain it consumes, and the cost of food imports has increased by 62% over the past 5 years. Pakistan's food import spending has also increased, rising 52.16% in the first 6 months of 2020 alone.

Third, the energy sphere. Most of the states of South Asia are net importers of hydrocarbon raw materials. The region also periodically experiences acute power shortages. In particular, the economic driver of South Asia - India - is the third largest oil importer in the world and the third world consumer of electricity (annual consumption is 1.54 trillion kWh). The country annually imports energy resources worth US\$250 billion.

In these conditions, the implementation of large multilateral projects in the energy sector is considered to be in great demand. Thus, progress in the development of the CASA-1000 interregional energy project will not only increase opportunities for electricity trade between regions, but will also be the first step towards creating a regional electricity market in Central and South Asia.

In turn, the implementation of the TAPI (Turkmenistan-Afghanistan-Pakistan-India) gas pipeline project, designed to become a symbol of peace and good-neighborliness, will strengthen the role of the Central Asian states in the energy security architecture of the South Asian region.

Fourth, tourism. The demand for the development of cooperation in the tourism sector is due to the presence of an undiscovered colossal potential between the two regions. This can be seen in the example of tourism interaction between Uzbekistan and South Asian countries.

In particular, in 2019-2020, only 125,000 people from the South Asian states visited Uzbekistan. (1.5% of the total number of tourists), and the total volume of exports of tourist services to the countries of the region amounted to 89 million dollars (5.5%).

In addition, outbound tourism from South Asia is expected to grow. The UN World Tourism Organization predicts that the number of Indian tourists worldwide will increase by 122% to 50 million by 2022 from 23 million in 2019, and their average spending will rise to US\$45 billion by 2022 from US\$23 billion. During this period, the number of tourists from Bangladesh will grow by 2.6 million, and from Sri Lanka - by 2 million.

Fifth, the scientific and educational sector. Universities of Central Asia, especially medical ones, are becoming attractive to young people from South Asian states. A vivid confirmation of this is the growing number of students studying in universities in Central Asia. In 2020, their number reached 20 thousand. Such an increased interest of South Asian youth in the educational services of the Central Asian states is



explained by the high quality of training of specialists and the relatively low cost of training.

In this regard, the states of both regions are interested in further strengthening cooperation in the field of education. Thanks to this, the system of training highly qualified personnel will significantly improve in both regions, the use of which is necessary to overcome social inequality and create a competitive economy based on knowledge. Most importantly, building up cooperation in the scientific and educational sphere can give a powerful impetus to a scientific and innovative breakthrough. After all, it is intellectual resources, coupled with the latest technologies, that are the decisive engine of economic development.

In this context, attention is drawn to the fact that the volume of the global high-tech market today is estimated at US\$3.5 trillion, which already surpasses the market of raw materials and energy resources. In this regard, innovation is considered one of the promising areas for the development of cooperation between Central and South Asia.

Sixth, the cultural and humanitarian sphere. The implementation of any integration project is impossible without the formation of a single cultural and humanitarian space capable of bringing the peoples living in the two regions closer together, increasing the level of mutual trust and strengthening friendly relations.

After all, cooperation in this area contributes to the mutual enrichment and interpenetration of cultures, which is a key condition for building and developing stable and long-term relations between the two regions in the spheres of economy, politics and security.

These goals require significant steps towards intercultural rapprochement. There are all the necessary historical prerequisites for this. The cultural relationships of the vast subregion of Central and South Asia are deeply rooted in history. They date back to the period of such empires of antiquity as Kushan, Bactria, the Achaemenid state.

All these states were located on vast territories, including partially or completely modern territories of Central and South Asia. It was then, in the III-II millennia BC, that the foundations of trade routes were laid, an extensive network of land routes emerged, which included access to India through Afghanistan. In turn, the ancient cities of Central Asia were the intersection of trade routes from China, Europe and India.

In this context, it is clear that the head of Uzbekistan Shavkat Mirziyoyev has a clear strategic vision: the "Third Renaissance" taking place in Uzbekistan should be accompanied by the revival of historical ties with neighboring regions, the restoration of ancient caravan routes, including the Great Silk Road, which has been played the role of a conductor of knowledge, innovation and prosperity. This development of events is consonant with the regional strategy of Uzbekistan. After all, historically, Central Asia achieved the peak of its highest prosperity, acting as a crossroads of world civilizations and one of the main centers of international trade.

In general, the practical implementation of Uzbekistan's plans for interconnectedness can create a new economic reality in two regions at once, forming the most favorable soil and all the necessary conditions for the inclusive economic development of the states of Central and South Asia, as well as the progressive increase in the welfare and well-being of the peoples living in these regions.

This perspective shows that our country's plans for interconnectivity are of global importance, since improving the macroeconomic situation and strengthening stability in two densely populated regions of the world will have a very positive impact on international security. Taking this into account, this initiative can be regarded as another reflection of Uzbekistan's aspirations to make its worthy contribution to ensuring and maintaining international peace and sustainable development.

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