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## **On Some Aspects of the Central Asian Economic Development**

Despite of all discrepancies, controversies and even failures of the initial period of existence of the entire post-Soviet space, there was a strong will to preserve and develop close forms of interaction as a counterbalance to the prolonged "collapse" of the former unitary system.

The search of optimal forms of cooperation was largely determined and still remains relevant by the realization that in the extremely complex and ambiguous conditions of globalization, as well as the clash of interests of leading external players, institutional mechanisms of regional cooperation are an important component of stability and security and have acquired a special sound.

Similar accents were highlighted in the speech of the head of Uzbekistan Shavkat Mirziyoyev, (the head of the state), at the international conference "Central Asia: one past and a common future, cooperation for sustainable development and mutual prosperity" held on November 10, 2017 in Samarkand.<sup>1</sup>

The formation of a new regional system is always characterized by its own specifics. Its understanding is important for assessing the features of the past and prospects for future development. After all, they reflect the processes of regulating relations as they occur in reality, and not on paper. Most of the countries in the region had no experience in creating their own statehood, armed forces, financial and fiscal systems, sovereign foreign and domestic policies, and managing socio-political processes. Accordingly, not only the convergence of countries that are close in level, but also the gradual smoothing of "sharp corners" can be much easier at different stages in a narrow format than in the framework of the system as a whole. The emerging transition to the rapprochement of a whole range of relations between the countries of the region indicates that a certain limit has been set to dangerous fragmentation in this part of the post-Soviet space, and that are small, but real prerequisites for developing opportunities for closer cooperation.

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<sup>1</sup> <http://president.uz/ru/lists/view/1227>

As you know, the Central Asian region consists of five Central Asian republics that were part of the USSR: Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Tajikistan with a total area of 4 million square kilometers, with a population (in the early 90's) of more than 50 million people.<sup>2</sup>

Today, relations with highly developed Western countries, primarily the United States, the European Union, China and South Korea, and others, play an increasingly important role among the current vectors of the foreign policy of the Central Asian States. If maintaining close ties with Russia is an objective reality for almost all Central Asian countries, existing due to the continuity of economic ties that remained after the collapse of the Soviet Union. The search for the maximum possible benefit from industrially developed Western nations also pushed the Central Asian leaders to pursue a balanced policy, taking into account various political and socio-economic factors.

In the context of mutual interest in developing economic ties with the leading Asian powers, on the one hand, and the geopolitical "views" of China itself, certain factors play a significant role. Three Central Asian nations - Kazakhstan, Kyrgyzstan, and Tajikistan-border the Xinjiang Uygur Autonomous region of China, where about 60% of the population is made up of Turkic peoples, close tribesmen of the Central Asian peoples. Accordingly, the most significant issue in the relationship between China and the Central Asian States from the very beginning of their appearance on the political map of the world was the issue of borders and trans-border security.

Over the past few years, China has become a major importer in three of the five Central Asian countries: Kyrgyzstan, Tajikistan, and Uzbekistan. In 2015, 56% of all imports to Kyrgyzstan came from China. The situation is not much different in Tajikistan, where imports from China amounted to 41%. China is also the leader in imports to Uzbekistan - about 20%. Only in Kazakhstan and Turkmenistan, the PRC concedes the palm to other countries-Russia and Turkey, respectively.

For example, China has become the main export destination for Turkmenistan and Kazakhstan. China's share of Turkmenistan's exports is now a record 68%. At the same time, Ashgabat's exports to China consist almost exclusively of hydrocarbons. As for Kazakhstan, the share of its exports to China is 15%. Here again, oil and gas prevail, but in General, Kazakhstan's exports are more diversified

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<sup>2</sup> [https://www.ca-c.org/journal/08-1997/st\\_02\\_esenov.shtml](https://www.ca-c.org/journal/08-1997/st_02_esenov.shtml)

than Turkmenistan's. China is the second most important export partner of Uzbekistan.<sup>3</sup>

A feature of economic cooperation between the Central Asian countries and China in recent years has been the mutual coordination of programs for the development of national economies. This is done, among other things, to maximize opportunities for attracting Chinese financial resources.

According to confirmed data, the total volume of oil reserves in Central Asia reaches 15-31 billion barrels, and the total volume of natural gas reserves is 230-360 trillion.m2, which is 7.2% of the world's oil reserves and 7% of gas resources. The region ranks 10th in the world in coal production and electricity generation. It accounts for large reserves of ferrous, non-ferrous and rare metals, and in total gold production (Uzbekistan - about 90 tons, Kyrgyzstan - just over 20 tons, Kazakhstan - less than 19 tons) ranks 9th.

In terms of oil production, Kazakhstan ranks 1st (80 million tons), Turkmenistan-2nd (6 million tons) and Uzbekistan-3rd (5 million tons). Turkmenistan is rich in natural gas deposits, which ranks 2nd in the CIS after Russia in reserves. Coal deposits are available in all republics except Turkmenistan. The energy sector in Central Asia is relatively well developed. Kazakhstan produces up to 90 billion kW/h, and Uzbekistan-52-54 billion kW/h.

The metallurgy industry is no less developed. Kazakhstan is allocated, smelting up to 2.0 million tons of steel per year, and Uzbekistan-700 thousand tons). Polymetallic products in the economy of countries are represented quite variously: lead, zinc, copper, chrome (Kazakhstan); lead, zinc, copper, gold, silver, etc. (Uzbekistan)

As for the relations of the Central Asian States with Europe is still poorly visible, according to some experts. However, this does not exclude the activity of a number of European players in projects related to hydrocarbon resources and the development of transport and communications, which is of vital interest for Europe to connect with Asia. The presence of the United States in Central Asia in the region is quite noticeable, it is being strengthened and almost all major projects involve American capital. On the one hand, until 2001. US interests were mainly related to the construction of alternative oil and gas pipelines and the development of raw

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<sup>3</sup> Alexander Vorobyov, researcher, Institute of Oriental Studies, Russian Academy of Sciences, Kitaj I Centralnaja Azija: rastushaja druzhba pod bokom Rossii / (Published on the website of the Russian Council on Foreign Affairs, July 4, 2017 <https://russiancouncil.ru/analytics-and-comments/analytics/kitay-i-tsentralnaya-aziya-rastushchaya-druzhba-pod-bokom-rossii/>)

material deposits. The main problem for the Americans since the collapse of the Soviet Union here has been finding ways to export bypassing the territory of Russia and Iran. This task was extremely difficult, especially when you consider that such opportunities in the region, even geographically and hypothetically, are very limited.

In the current conditions, strengthening economic and political relations remains extremely important for the Central Asian region and its geopolitical interests. At the same time, there are obvious differences in approaches to the development of such relations in General. None of these countries is ready or willing to lose at least some of their sovereignty in favor of closer cooperation, especially since relations with major non-regional actors are different for each of these republics. At the same time, the interest in such relations is primarily dictated by the difficulties of ensuring internal and external security in the face of internal and external threats.

Today, the significance of the Central Asian region is determined by its unique geopolitical location, having a strategic transit and logistics potential that connects the Far East with Europe, and the South of Eurasia with the North. South Korea, for example, could help develop the region's technological potential, drawing on its vast experience in this area. Private companies in the country of morning freshness could participate in the modernization and construction of infrastructure, as well as the development of natural resources.

Early 2017, Korean leader Moon Jae-In presented the "Nine Bridges" strategy at the world economic forum in Davos, which provides priorities in such areas of the Korean economy, the implementation of which in close cooperation with the emerging markets of Central Asia would be mutually beneficial. Chinese and Russian companies are still actively using the region's cooperative potential, participating in a number of energy and infrastructure projects. The strengths of the South Korean economy in the field of advanced information technologies, industrial manufacturing and development of railway networks, and especially innovative projects in the agricultural sector and rational use of water resources are particularly in demand in the countries of the region and have become the main focus of their investment policy. It is obvious that China attaches particular importance to the Central Asian segment of its Belt & Road Initiative. Russia is no less interested in this region within the framework of the Eurasian economic Union, whose activities are in some sense politicized, and to a certain extent aimed at curbing China's economic presence in the region. The industrial base of the EEA States is poorly diversified and significantly dependent on imports. In addition, the absence of protective tariff barriers for Chinese goods creates significant obstacles in

overcoming the technological lag of these countries. All these factors raise the development of partnership with South Korean business to a special level and optimal.

Some countries in the region, namely Uzbekistan and Turkmenistan, which are not members of the EAEU and do not have strict obligations to it, conduct more flexible foreign economic activities, supporting the policy of most favored South Korean business. In particular, the Republic of Korea and Uzbekistan have established mutually friendly relations, and investment by South Korean companies is growing rapidly. The South Korean government provides long-term loans and official development assistance.

Effective experience in countries such as South Korea, the United States, Austria, and Germany in supporting small and medium-sized businesses through various startup projects is important for the development of a market-based entrepreneurial culture and the environment of the region's national markets. The competitive advantages of existing Korean companies are well known: they include experience, a developed production base, qualified personnel, and an excellent system for training new personnel, and state support for business. According to a study by Bloomberg Global Index Innovation<sup>4</sup>, South Korea leads the world in a number of basic indicators. Among them, the level of R&D, labor productivity, the level of technology implementation and activity in patent activity. In terms of the number of patents per capita, it is in the first place in the world. It indicates a serious level of penetration of high technologies and the importance of applied science in this country, creating the foundations of a "creative economy". Such criteria bring the importance of partnership with Korean business to the fore for almost all Central Asian States.

On the other hand, the economy of one of the largest States in the region, the Republic of Uzbekistan, is undergoing quite serious transformational shifts and a real departure from the previous command and administrative system. For example, over the past few years in Uzbekistan started its activities more than 800 new enterprises with foreign capital, among which some of the companies with Russian participation of more than 130 enterprises, Chinese - 120, Kazakh - 90, and South Korean - 65, and more than 320 rest of the world.<sup>5</sup>

In the annual report of the International monetary Fund "Doing Business 2019"<sup>6</sup> in the ranking of ease of doing business among 190 countries, Uzbekistan

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<sup>4</sup> <http://www.iksmedia.ru/articles/5401306-Yuzhnokorejskij-startap-na-podeme.html>

<sup>5</sup> <https://stat.uz/uploads/doklad/2019/yanvar-mart/ru/13.pdf>

<sup>6</sup> Doing Business provides objective measures of business regulations for local firms in 190 economies.

has entered the top ten reformer countries over the past five years (from 166 (2012) to 69 (2019)), which certainly defines the country as the most favorable for doing business. This is actively promoted by comprehensive interaction with Russian partners in priority sectors of investment activity, in particular, the involvement of Russian experience in the development of national engineering projects R&D, research and technology parks, innovative cities and zones. Such targeted projects could also solve the problem of joint development of a marketing strategy in the investment segment, which would significantly reduce the disparity in the placement and promotion of investments in advanced innovative technologies.

Preferential priority in deepening industrial cooperation with leading innovations and technology companies will ensure significant export growth in the basic sectors of the economy of Uzbekistan. World Bank analysts predict that investment activity and the creation of new joint ventures will expand by about 2 times by 2025, which will directly strengthen the export potential of the Republic's foreign trade turnover.<sup>7</sup>

According to the Report of Goskomstat of the Republic (National Statistics Committee)<sup>8</sup>, the main foreign trade partners among CIS countries are Russia, Kazakhstan, Kyrgyzstan, Turkmenistan, and Tajikistan, which accounted for 29.4% of foreign trade turnover, among other countries - China, Republic of Korea, Turkey, Germany, USA, Afghanistan, Latvia, Japan, India, France and Italy, which accounted for 44.4% of the total foreign trade turnover<sup>9</sup>.

Having said that, we may conclude that Central Asia today is a region that is being rediscovered by the outside world. In the foreseeable future, the region will still remain a place where the interests of global and regional centers of power clash. For their part, the States of the region have long ceased to be passive witnesses of the changes taking place in the world, and we can observe the activation of their policies, and this process, I think, will increase proportionally as their economic and political situation strengthens.

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<https://www.doingbusiness.org/>

<sup>7</sup> [https://regulation.gov.uz/oz/document/8839-](https://regulation.gov.uz/oz/document/8839-kontsepsiya_kompleksnogo_sotsialno_ekonomicheskogo_razvitiya_respubliki_uzbekistan_do_2030)

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<sup>8</sup> <https://stat.uz/uploads/doklad/2019/yanvar-mart/ru/13.pdf>

<sup>9</sup> Ibidem