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NEW FOREIGN POLICY OF UZBEKISTAN: CENTRAL ASIA, THE EAEU AND THE BRI

GCRF COMPASS Policy Paper

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The New Foreign Policy of Uzbekistan: Central Asia, the EAEU and the BRI

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Executive Summary

The election of Shavkat Mirziyoyev as the President of Uzbekistan in 2016 became a turning point in the contemporary foreign policy of the country and contributed to its intensification. Some of these specific policies the government has implemented comprise increasing cooperation with neighboring countries, strengthening trade and economic relations, as well as in seeking compromise solutions on the most pressing issues in Central Asia (CA), including borders and water usage, among others. Moreover, Tashkent substantially reinforced its participation and active positioning in multilateral institutions. Such position of Uzbekistan that keeps special role in the region due to its strategic location, economic and demographic potential, rich history and culture has marked a trend towards the growth of regional cooperation in CA. This report reviews current developments of Uzbekistan's foreign policy towards Central Asia and priorities in cooperation with the Eurasian Economic Union and the Belt and Road Initiative and offers some key recommendations.

Keywords: *Uzbekistan, Central Asia, foreign policy, Eurasian Economic Union, Russia, Belt and Road Initiative, China, trade and investment*

Abbreviations: CA – Central Asia, SCO – Shanghai Cooperation Organization, EAEU – Eurasian Economic Union, BRI – Belt and Road Initiative, CIS – Commonwealth of Independent States, CSTO – Collective Security Treaty Organization, AIIB – Asian Infrastructure Investment Bank, EU – European Union.

The New Dynamics of Uzbekistan's Foreign Policy in Central Asia

Since the beginning of the 1990s, the regional and international position of Uzbekistan has become a major factor in determining the geopolitics of Central Asia. In the early years of independence, the leadership of Uzbekistan seriously highlighted the existence of numerous challenges to stability in the country and the region as a whole. They included threats of religious terrorism and radical extremism emanating from South Asia and Middle East, as well as external pressure from major powers to secure their influence in Central Asia. As a result of the government's balanced and pragmatic policy, Uzbekistan managed to strengthen its own defense capability, preserve the secular governance system in the country and keep the independent position of the region in an open geopolitical space. The cautious approach of Tashkent not only helped to confront the key challenges of the region, but also created the conditions for elevating Central Asian region to the next level of development. It also provided significant grounds for reviving historical ties with the outside world.

Uzbekistan under the leadership of President Shavkat Mirziyoyev is at a new important stage of drastic and dynamic transformation in all areas of the socio-political and socio-economic life of the country. The comprehensive liberalization policies initiated by the new government are aimed at curtailing central planning, providing news jobs for the population, promoting private business, encouraging foreign investment, pursuing diversification, liberalizing currency regulations, spurring technological innovation, eliminating corruption and informal economy. The reform programme is also fully consistent with the UN's all-encompassing Sustainable Development Agenda 2030.¹

¹ What the Global Goals Mean for Uzbekistan//United Nations Development Programme. <https://www.uz.undp.org/content/uzbekistan/en/home/presscenter/articles/2018/10/26/what-the-global-goals-mean-for-uzbekistan.html>

In relation to Uzbekistan's foreign policy, the following key reforms have been effectively implemented: conducting an active foreign policy aimed at the comprehensive development of the country, building friendly interstate relations, and expanding international cooperation in all spheres. Within the framework of the Country Development Strategy,² the new leadership of Uzbekistan announced its intention to promote a belt of good neighborliness and mutually beneficial cooperation in Central Asia, solving the problems of the region based on equality, mutual consideration of interests and the search for reasonable compromises³.

At the highest level of government, it was stated that Central Asia was the main priority of Tashkent's foreign policy. President Shavkat Mirziyoyev made his state visits to countries in the region. Uzbekistan's reinvigorated relations with other Central Asian states helped to solve a number of pressing problems that had accumulated over the past period. The countries of the region are consistently removing mutual barriers to the movement of people, capital and goods, and deepening cooperation in the spheres of industry and investment. As a result, the development of trade has become the main driver of relations between the countries of the region. In particular, the trade turnover of Uzbekistan with its neighbors in 2019 increased by more than 75% compared to 2017.⁴

The most acute intra-regional problems (security, state borders, water use) are approached in a systematic manner. In this direction, the First Consultative Meeting of the leaders of the Central Asian countries was held upon the initiative of President Mirziyoyev in 2018. The significance of this new initiative cannot be overstated, given that it was the first meeting of regional leaders in nearly a decade. While prior to 2018 the heads of Central Asian countries met as part of their alliances, like the Shanghai Cooperation Organization (SCO) or the Eurasian Economic Union (EAEU), nowadays the coordination of Central Asian nations has emerged at a new level, without intermediaries from a third party. The Second Consultative Meeting of the heads of the five Central Asian republics took place on 29 November 2019.

One of the significant features of these consultative meetings was the proposal by the Uzbek leader to involve the neighboring Afghanistan in regional cooperation through political dialogue and economic interaction. Uzbekistan and Afghanistan have deep historical roots, which are based on a solid cultural and civilizational foundation. Historical ties between the two nations existed long before the formation of these states themselves, when Uzbekistan and Afghanistan were not separated by political borders and were considered part of a single territory. Further development of Afghanistan is of vital importance for Uzbekistan, since the geographical proximity of this country has direct impact of the spectrum of threats and challenges on the national security of the Uzbek state.

At the same time, Uzbekistan is well aware of the potential future cooperation and benefits for the whole region. Therefore, Tashkent is most interested in peaceful Afghanistan. Uzbekistan considers Afghanistan a unique strategic partner capable of offering a fundamentally new impetus

² Uzbekistan's Development Strategy for 2017-2021 has been adopted following public consultation. // The Tashkent Times, 8 February 2017. <https://tashkenttimes.uz/national/541-uzbekistan-s-development-strategy-for-2017-2021-has-been-adopted-following-discussion>

³ Joint Statement of the Consultative meeting of the heads of states of Central Asia// The Permanent Mission of the Republic of Uzbekistan to the United Nations. <https://www.un.int/uzbekistan/news/joint-statement-consultative-meeting-heads-states-central-asia>

⁴ The results of foreign trade activity of the Republic of Uzbekistan for 2019.// Ministry of Investments and Foreign Trade of the Republic of Uzbekistan. <https://mift.uz/en/news/the-results-of-foreign-trade-activity-of-the-republic-of-uzbekistan-for-2019>

to the development of broad trans-regional ties throughout the Eurasian space. In particular, a safe and secure Afghanistan is able to open the shortest way to the ports of the Indian Ocean and the Persian Gulf to the Central Asian states, connecting South Asia with the markets of Europe and China. This will mean a significant contribution to the processes of normalizing the situation and returning Afghanistan to a peaceful life.

The settlement of the Afghan conflict also fits into the strategy of stability, sustainable development and good sense of neighborliness in Central Asia. In this context, Uzbekistan took the lead in peacemaking efforts by organizing a conference on Afghanistan on 27 March 2018 which increased great interest among the world community. The Tashkent Declaration adopted at the forum sent a serious signal to the armed opposition in Afghanistan – that is, there is a consolidated position that the countries of the region are firmly committed to achieving peace and stability in Afghanistan.⁵

The new environment and dynamics that dominate the relations of Uzbekistan with regional partners also affect the entire architecture of the international system. A number of renowned political scientists note that Central Asia would soon cease to be the periphery of the global economy and become its center.⁶ As a fundamental driver of this process is the realization of the Chinese Belt and Road Initiative (BRI) in the region that offers Central Asian states an opportunity to solve the problem they faced from the very beginning of independence - to unite the countries of Central Asia with a new and multifaceted transport network, and also to connect the region with distant countries and markets. At the same time Tashkent aspires to develop the harmonious and long-term bilateral relations with both India and Pakistan. The creation of a platform for strategic cooperation will enable Uzbekistan and the whole of Central Asia to simultaneously receive the maximum economic and political advantages from their South Asian partners. Particularly, the Central Asian reserves in gas, oil and hydroelectricity call for an integrated South/Central Asian energy market that would yield benefits for all countries involved.⁷

Thus, as follows from the above, the qualitative changes have already been observed in the region since the change of leadership in Uzbekistan in 2016. As a result of the steps taken by President Mirziyoyev to improve relations with its neighbors in Central Asia, the atmosphere and format of cooperation have changed noticeably, which makes the implementation of these policies and new opportunities more realistic. If we consider Uzbekistan as an example for other regions, it plays a very important positive role on a global scale as a state promoting the development of effective regional cooperation.

China in Central Asia, and The Eurasian Integration

In the context of the current complex international challenges, it is quite difficult for the states of the region to solve a large range of issues of internal development on their own. This situation has a new look at the search for ways to interact in maintaining socio-economic stability and sustainable development, using the opportunities of international and regional associations and institutions. Central Asian states face a dilemma to choose different models of cooperation - the

⁵ Alisher Rakhimov. Tashkentskaya konferentsiya po Afganistanu v otsenkah zarubezhnykh ekspertov i issledovateley // Mezhdunarodnyie otnosheniya: politika, ekonomika, pravo. . # 1, 2018. S. 44-55.

⁶ Francis Fukuyama. Exporting the Chinese Model // <https://www.project-syndicate.org/onpoint/china-one-belt-one-road-strategy-by-francis-fukuyama-2016-01?barrier=true>

⁷ Eva Gross. Central Asia: the view from the south // European Union Institute for Security Studies. https://www.iss.europa.eu/sites/default/files/EUISSFiles/Alert_2_Central_Asia.pdf

Chinese BRI, the Russian-led EAEU or enhance the interactions with the World Trade Organization.

Currently, the political and economic presence of Russia in the Central Asian region is still of great importance. “Moscow retains serious political influence in the format of the CIS structure with the nations of Central Asia. In addition to it, Astana, Bishkek and Dushanbe hold their membership in CSTO”.⁸ As for China, its economic and political influence in the region is also growing. The influence of other international players, such as the US and the European Union, in the Central Asian affairs is much weaker compared with both of them. As noted by Dina Malysheva, “Washington’s plans are based on a selective approach, which offers only a marginal increase in financial assistance to Uzbekistan”⁹.

In his address to the Oliy Majlis (Uzbek Parliament) on 24 January this year, President Mirziyoyev, stated that:

“...80 percent of our foreign trade cargo is transported through Russia, Kazakhstan and Kyrgyzstan. ...50 percent of finished goods exports, and for some items – over 80 percent, account for these countries. Given this, and also in order to create favorable conditions for our citizens working in Russia and Kazakhstan, the prospects of cooperation between Uzbekistan and the Eurasian Economic Union are currently being studied”¹⁰.

Therefore, in light of Uzbekistan’s decision to gain a status of observer in the EAEU, it is necessary to take into account that currently Uzbekistan has facilitated close cooperation with Russia in the priority investment sectors. For example, in the context of gaining the Status of Observer at Russia-led EAEU, the Uzbek government is aiming to use best practices in drafting national engineering / R&D projects and organizing research and technological parks, innovative cities and areas. These targeted projects “...might also address the problem of joint marketing strategy in the investment segment by removing disparities in the allocation of investment in the priority economic spheres”¹¹. Intensified industrial cooperation with Russian technological companies will boost exports to the countries in the region. According to a report released by the Uzbekistan State Statistical Committee, its “...main CIS trade partners are Russia, Kazakhstan, Kyrgyzstan, Turkmenistan and Tajikistan, accounting for 29.4% of Uzbek foreign trade”¹².

The Central Asian countries are actively forming their own agenda and multi-vector foreign policy. The second point of view implies a competition between the integration projects of Moscow and Beijing, a zero-sum game. The establishment of the EAEU is partially an “...attempt to limit China’s economic activity in the Central Asian region, to create an opportunity for the post-Soviet

⁸Ulugbek Khasanov - BRI in Changing Central Asian Economics / International Relations: Politics, Economics, Law / Volume 2019 Issue 2 Article 4 6-20-2019 / University of World Economics & Diplomacy. <https://uzjournals.edu.uz/cgi/viewcontent.cgi?article=1087&context=intrel>

⁹Dina Malysheva, Doctor of Political Sciences, Chief Researcher, RAS, Vyzovy bezopasnosti v Centralnoj Azii - Collective Monograph - Institute of World Economics and International Relations of the Russian Academy of Sciences, Foundation for Advanced Research and Initiatives, Foundation for Supporting Public Diplomacy named after A.M. Gorchakov, Foundation named after Friedrich Ebert. Security Challenges in Central Asia Moscow, RAS 2013 (Published in: <https://www.imemo.ru/files/File/en/publ/2013/13002.pdf>)

¹⁰President Shavkat Mirziyoyev’s Address to the Oliy Majlis (Uzbek Parliament) 24.01.2020 (From the official website of the President of Uzbekistan - <https://President.Uz/En/Lists/View/3324>)

¹¹[Khasanov U. Russia and Central Asia: Horizons of Cooperation / Valdai Discussion Club / 18.11.2019](https://valdaiclub.com/a/highlights/russia-and-central-asia-horizons-of-cooperation/)

¹²Ibid.

countries to restart their own programs of industrial cooperation and industrialization”.¹³ It is no coincidence that the EAEU is cautious and even discreet about the idea of creating a full-fledged free trade zone between the EAEU and China, which is advocated by Beijing. “Moscow stands for the development of a common position of the EAEU countries to economic cooperation with China, calling for a "Consolidated Deal". Beijing does not accept this approach and relies on bilateral cooperation with the Central Asian states”¹⁴.

The strength of China's economic policy in Central Asia, in addition to the flexibility of interaction on a bilateral basis and the availability of significant financial resources, is the ability of Beijing to diversify cooperation with these countries. The relative weakness of industry, the availability of ample resources, and the nature of the economies of most Central Asian countries make economic cooperation with China, which produces a wide range of diverse products and at the same time is a major consumer of resources, more "organic". “A number of inherent features of this integration association weakens the capabilities of the EAEU in the region, in contrast to the Belt & Road Initiative, which is practically non-institutional, while the EAEU is an international organization”.¹⁵ The EAEU suffers from a high degree of bureaucratization. Within its framework, there is a need to coordinate the positions of the participants, which affects the speed and quality of decision-making. The competitiveness of the EAEU is limited by the low degree of diversification of the economies of the participating countries and the low share of intra-regional exports, which currently constitutes only 13%. The financial resources of the Union are also more modest than those of the Chinese. The authorized capital of the Asian Infrastructure Investment Bank (AIIB) established by Beijing, according to the constituent documents, “...amounted to US\$ 100 billion. The authorized capital of the Eurasian Development Bank — the main financial institution of the EAEU is US\$ 9.5 billion. The pressure Moscow has endured as a result of the Western sanctions and international economic changes have contributed to an increase in the level of contradictions within the Union”.¹⁶

Some regional experts consider the fact that Russia’s capabilities, despite its massive transport and transit potential, is still inferior to that of the Chinese in building mutually profitable logistics corridors with the Central Asian nations and increase trade and commodity flows. China has manifested its ability through the BRI. For example, Murat Laumulin, a leading Kazakh scholar, states that:

“...the EAEU has recently gone through difficult times and torn by internal contradictions. In particular, Kazakhstan, despite its strong ties with Moscow, prefers to develop trade, economic and financial ties with Western countries. Much in this sense is explained by the

¹³Ulugbek Khasanov - BRI in Changing Central Asian Economics / International Relations: Politics, Economics, Law / Volume 2019 Issue 2 Article 4 6-20-2019 / University of World Economics & Diplomacy <https://uzjournals.edu.uz/cgi/viewcontent.cgi?article=1087&context=intrel>

¹⁴Nikolay Kapustin, Soprazheniye Yevrazijskogo ekonomicheskogo soyuzai Ekonomicheskogo poyasa Shelkovogoputi: dilemma integracii? (Published on the website of the Russian Council on Foreign Affairs 10.01.2018 <https://russiancouncil.ru/blogs/nikolay-kapustin/33975/>)

¹⁵Ulugbek Khasanov - BRI in Changing Central Asian Economics / International Relations: Politics, Economics, Law / Volume 2019 Issue 2 Article 4 6-20-2019 / University of World Economics & Diplomacy <https://uzjournals.edu.uz/cgi/viewcontent.cgi?article=1087&context=intrel>

¹⁶Tendencii i perspektivy razvitija Yevrazijskogo ekonomicheskogo soyuza v kontekste opyta yevropejskoy integracii i globalnyx vyzovov - Collection of articles based on materials of an international scientific and practical conference edited by L.N. Krasavina - “Finansovyy Universitet pri Pravitelstve Rossiyskoj Federacii Institut Issledovanij Mezhdunarodnyx Ekonomicheskix Otnoshenij” (Moscow, April 21, 2015) Moscow • 2016 http://Elib.Fa.Ru/Fbook/Krasavina_1746.Pdf/Download/Krasavina_1746.Pdf

reluctance of the Republic of Kazakhstan to cede part of its national sovereignty in favor of a supranational structure'.¹⁷

According to Laumulin, the foreign trade turnover of the Republic of Kazakhstan in January-December 2017 "...amounted to \$77,646. 8 million, an increase of 25.0% compared to the same period in 2016. Including exports - \$48,342. 1 million (growth - 31.6 percentage), imports – \$29,304.7 million (growth – 15.5%). At the same time, the mutual trade of Kazakhstan with the EEU countries amounted to \$17,359.6 million, i.e. 22.36% of the total foreign trade turnover of Kazakhstan. The growth of Kazakhstan's trade with the EEU countries in January-December 2017 compared to the same period in 2016 amounted to 25.9%. Including exports of \$5,118. 3 million (+30.2%), imports — \$12,241.3 million (+24.1%)".¹⁸

Belarus too, is establishing partnership cooperation with the states in "...the Middle East. Kyrgyzstan, realizing the complexity of gaining from the economic cooperation within the framework of the EAEU, has been strengthening the dialogue with the states of the European community within the framework of the EU – CA strategy, and working out priority conditions for European business and investment".¹⁹ Since Armenia's accession to the EAEU in 2016, the country has faced several issues, such as heavy reliance on gas supplies via Gazprom's transit branches to Armenia, as well as an attempt to overcome territorial isolation through participation in various projects of the Union. Moldova, which holds observer status in this Union, has controversial character of relations with Russia on a number of fundamental issues. It does not have a consolidated position on controversial relations with Russia and while small part of Moldavian elite supports expansion of ties with Moscow, the rest is more focused on developing relations with the EU. "Within the EAEU, there is still no consensus around the issue of creating a free trade area, common energy market, some restrictions in trade between member countries, which makes it unlikely the possibility of creating a single market by 2025".²⁰

Uzbekistan and the BRI: Achievements and Further Perspectives

The announcement of the BRI in Central Asia in 2013²¹ became a landmark in the history of the region. In this context, the paper is underlying the fact that this initiative has reinvigorated a great interest in the region for politicians, media, scholars and experts. This attention had been declining as a result of the anticipated withdrawal of the majority of international military forces from Afghanistan. In the period after 2001, the main motive of the interest to the region was connected with the Afghan conflict and the role of Central Asia in international cooperation on the Afghan-related issues.

Uzbekistan expressed its full support to this initiative from the very beginning.²² The involvement of the country in the BRI is important for ensuring sustainable economic development, implementing the most important transport and infrastructure projects that can have a multifactor positive impact on the whole Central Asia. Moreover, Tashkent's position towards the BRI is in

¹⁷Murat Laumulin. Limits and opportunities of Eurasian integration / INTERNATIONAL SCIENCE COMPLEX "ASTANA". <http://isca.kz/ru/analytics-ru/3247>

¹⁸Ibid

¹⁹Ibid

²⁰Ibid

²¹ Wu Jiao. Xi proposes a 'new Silk Road' with Central Asia. // China Daily, 8 September 2013. https://www.chinadaily.com.cn/china/2013xivisitcenterasia/2013-09/08/content_16952228.htm

²² Mirzokhid Rakhimov. Dynamics of Uzbek-Chinese relations. // China.org.cn, 21 June 2016. http://www.china.org.cn/opinion/2016-06/21/content_38708678.htm

tune with the country's priorities for further deepening a comprehensive strategic partnership with Beijing.

Priorities

First, Tashkent is interested in maximizing the transport potential of Central Asia and the formation of the economic corridor "China - Central Asia - West Asia." Uzbekistan aims to complete the construction of the railroad China-Kyrgyzstan-Uzbekistan in a short period. Furthermore, Uzbek leadership is paying particular importance to the construction of the Mazar-Sharif-Kabul-Peshawar railway with further access to the ports in Pakistan.²³ In order to implement these large-scale infrastructure projects, the Uzbek government proposed to bring together funding opportunities of various international financial and development institutions, private corporations and avoid the overreliance on a single funding source.

Second, Uzbekistan aims at promoting smart agriculture, creating a joint center for agricultural innovation with the Chinese support within the BRI framework.

Third, the widespread use of scientific and humanitarian potential for the development of human capital is an essential part of the BRI's implementation in Central Asia.

Fourth, the development of tourist exchange. To achieve tangible results in the tourism sector, Uzbekistan has initiated the establishment of the International Silk Road Tourism Association in Samarkand and the organization of annual tourism forums "One Belt, One Way".²⁴

BRI implementation in Uzbekistan

Major breakthrough in Uzbek-Chinese cooperation within the BRI framework was conducted after the completion of the construction of Angren-Pap railway in June 2016.²⁵ Whereas out of US\$ 1.9 billion cost of the project about US\$ 1.5 billion was funded by the Uzbek government, Chinese EximBank financed US\$ 350 mln and China Railway Tunnel Group technically supported the building of the 19.2 km tunnel "Kamchik", the most difficult and important part of the whole railroad.²⁶ The World Bank also contributed to the successful implementation of this infrastructure project. This railway is still the only officially BRI-branded project in Uzbekistan. While China has been very active in Uzbekistan, most of its presence is reflected in the bilateral partnership. In comparison to the bilateral cooperation, the projects implemented under the BRI framework have a regional and even continental significance.

In future, this railroad is expected to be a part of the broader China-Kyrgyzstan-Uzbekistan rail linkage. According to forecasts, the new railway line should provide the annual transportation of 10 million tons of national economic cargo and 600 thousand passengers.²⁷ Indeed, according to the economic terms highlighted in the 2017-2021 Development Strategy of Uzbekistan, BRI activities are designed to reenergize the economies along the road, and that of Uzbekistan.

²³ Remarks by Shavkat Mirziyoyev at Leaders' Roundtable Summit at Belt and Road Forum. // The Tashkent Times, 15 May 2017. <http://tashkenttimes.uz/world/928-shavkat-mirziyoyev-s-speech-at-leaders-roundtable-summit-at-belt-and-road-forum>

²⁴ Shavkat Mirziyoyev: Our peoples must in reality feel the effects of our joint efforts. // Official website of the President of Uzbekistan, 27 April 2019. <https://president.uz/en/lists/view/2533>

²⁵ Uzbek and Chinese Presidents open Angren-Pap railway line. // Uza, 23 June 2016. <http://uza.uz/en/politics/uzbek-and-chinese-presidents-open-angren-pap-railway-line-23-06-2016>

²⁶ Farkhod Aminjonov et al. BRI in Central Asia: Rail and Road Connectivity Projects. // Central Asia Regional Data Review 21 (2019), p.1–18. http://www.osce-academy.net/upload/file/CADGAT_21_BRI_Road_and_Rail.pdf

²⁷ Two presidents open Angren – Pap railway. // Railway Gazette, 2 July 2016. <https://www.railwaygazette.com/infrastructure/two-presidents-open-angren-pap-railway/42738.article>

Blending globalism with regionalism, as set out in the strategy of the new Uzbekistan, is the key objective of both the BRI initiative and Tashkent's foreign policy. Angren is the first step in lifting the economy of the country through this Chinese Grand initiative.

Perspectives

First, we can criticize China and its BRI project infinitely, but this approach is not helpful to solve the existing problems in Central Asia. **Regional countries should try to involve both Chinese and Western investments in infrastructure by constructing transit corridors and improving the regional connectivity.** For example, Western countries can assist in training new generation of skilled professionals in Central Asia who will actively participate in implementing various projects within the BRI and further its maintenance. This might be mutually beneficial for both China and Western countries, because having these cadres would be helpful in advancing high international standards in both construction and further sustaining of the costly projects.

Second, it does not appear that China is using its economic power to pressure smaller Uzbekistan. There are several factors that can allow Uzbekistan to maintain its relations with China without sacrificing its own interests. As a precautionary measure, Uzbekistan has been **diversifying its strategic partners and building ties with alternative countries.** This provides a diverse selection of partners for particular developmental goals. It also keeps some pressure on China not to dominate the cooperation agenda with Tashkent as the Uzbek side has choice of continuing development projects with other capable countries like Japan, South Korea, Germany or international financial institutions like EBRD, ADB, World Bank.

Third, Beijing understands that in the current state of Central Asia the success of the BRI is obscure. **The region needs significant economic reforms, improvement of economic connectivity, facilitation of the regional trade and elimination of the economic and financial barriers restricting economic cooperation between Central Asian countries.** Constructed with the Chinese support infrastructure and manufacturing enterprises will not be effective and have a long-lasting effect without improving regional economic connectivity. These issues urge China to be more active in promoting the development of the economic connectivity of the region, trade liberalisation, increasing intraregional trade, harmonization of the legislation on economic and financial relations and solving the existing conflicts obstructing the further improvement of the economic connectivity of Central Asia.

Conclusions and Policy Recommendations

In its foreign policy Uzbekistan has traditionally adhered to the fundamental principle of establishing peace and stability in the immediate neighborhood, developing mutually beneficial and constructive cooperation with all neighboring states. The current socio-economic priorities of the republic are leading towards the increased cooperation with with the Eurasian Economic Union and the Belt and Road Initiative. Uzbekistan intends to expand its trade relations with foreign partners, modernise the existing infrastructure and construct new innovative transport and production facilities, to end poverty and to develop digital economy. The implementation of these priorities requires proactive and balanced foreign policy, multi-level cooperation with all partnering countries and international institutions, and mobilisation of all resources for building resilient economy and society.

Policy Recommendations:

1. In the field of regional security, the countries of the region need to continue efforts to resolve sensitive border issues. The prompt response to avoid the escalation of border conflicts and the removal of tension need to take propriety. The recent case in the border areas between Uzbekistan and Kyrgyzstan which involved an open dialogue demonstrates an example of the best international practice for the prevention of interstate conflicts.
2. The recent most important regional event has been the achievement of the Afghan consensus on the creation of an inclusive government, which opens the way to political negotiations and the establishment of a durable and lasting peace in Afghanistan. In this regard, the further consolidation of the efforts of the world community to facilitate the implementation of all points of the reached agreements of the Afghan settlement is extremely important. Uzbekistan, in cooperation with partners that share this point of view, is already active in this direction. An example of such constructive international cooperation is the adopted Joint Statement of Uzbekistan, Germany, Norway, Qatar and Indonesia, in which like-minded countries expressed their readiness to provide any assistance in the matter of inter-Afghan reconciliation that the parties request.
3. At the time of new economic challenges in almost the entire space of Eurasia, and in the world economy as a whole, when almost every EAEU member-state is experiencing a widespread weakening of domestic business activity and foreign economic activity, volatile external markets, it would be advisable for them to develop stimulation programmes to support domestic business, revise food policies, and impose flexible regulation on exports of agricultural products. Such an approach would certainly enhance the effectiveness of this Russia-led integration initiative.
4. The slowdown of the BRI implementation increases the necessity for comprehensive study and reconsideration of the tax incentives for businesses and further driving the process of privatization of traditional sectors of economies, the creation of "safety cushion" for the retention of recession, limit the reduction of the budget deficit as the top agenda for every nation of the region. A thorough review of the external borrowing policy would allow Central Asian nations to avoid debt dependency on China and preserve their economic sovereignty.
5. The immediate strategic priority for Central Asian states is to protect the population from coronavirus by ensuring the proper preparedness of national health systems and social protection, as well as preventing a protracted economic downturn with a long decline in social welfare. At the regional level, the states of the region need to take advanced measures and promptly resolve all emerging issues in order to prevent the negative impact of the pandemic on trade and economic relations, and launch new mechanisms that would stimulate the growth of mutual trade in the post-crisis period.
6. The contemporary situation in the region and the world as a whole has redefined the importance of e-Commerce as an alternative measure to provide sustainable development and resilience. The current international economic relations have revealed the serious advantages of digitalization. In this regard, it would be important to simplify the certification, rules and legal norms of e-Commerce in order to activate

both domestic and cross-border e-Commerce and trade, which would give the opportunity to create new sectors of economies in the region.

7. Overreliance on massive foreign investments, grants and in parallel low tax revenues could inhibit economic and political institutional change in Central Asia. Without having capable, elaborate and efficient public institutions, promoting the wider implementation of the public-private partnerships, putting own substantial contribution in implementation of huge infrastructure projects within the BRI, the Central Asian countries might not value highly these achievements.
8. The Central Asian states should broaden and enhance their cooperation on such key barriers in the further expansion of the regional economic connectivity like onerous border crossing, complicated procedures and high costs on the movement of trucks and railway freight trains, extensive administrative measures, outdated or missing infrastructure, significant discrepancies in economic legislation and taxation system.
9. China and its BRI project could be criticized infinitely, but this approach is not constructive to resolving the existing problems in Central Asia. Regional countries should try to involve both Chinese and Western investments in infrastructure, constructing transit corridors, improving the regional connectivity. For example, Western countries can help in educating new generation of skilled professionals in Central Asia who will actively participate in implementing various projects within the BRI and further its maintenance. This might be mutually beneficial for both China and Western countries, because these cadres would be helpful in advancing higher international standards in both constructing and further sustaining the costly projects.

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