

Central Asia : towards a new 'Great Game' ?

19/11/2023

Confidential

Summary

The theatre of the 19th-century 'Great Game', at the heart of Zbigniew Brzezinski's post-Cold War 'Great Chessboard', Central Asia is now back in the spotlight, as evidenced by the growing number of contacts in recent months between the region's leaders and their counterparts in China, the United States, Russia, Turkey, France and elsewhere. Against the backdrop of major geopolitical upheavals, the five Central Asian republics (Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan and Turkmenistan), aware of their strategic importance, are seizing the opportunity to multiply their multilateral partnerships in order to escape both Russia's grip and China's growing ambitions.

Increasingly integrated into the global economy, Central Asia is experiencing robust growth, estimated at 5.7% in 2023. This growth is mainly driven by increased trade: with China reopening its borders, and the resuming trade with Russia, the countries of the region have significantly increased their exports. Central Asia is rich in natural resources: in addition to their vast oil and gas reserves, the Central Asian states have abundant mining resources (gold, uranium, etc.) and large reserves of critical materials (manganese, chromium, etc.). The energy transition is opening up new prospects for Central Asia, which is attracting a great deal of interest.

The region is also ideally located at the heart of the route between China and Europe. While most land traffic between the two continents passes through Russia, the aftermath of the war in Ukraine could allow the "Middle Corridor" through Central Asia to establish itself as a major land link between Beijing and European countries.

As a commercial gateway between China and Europe, Central Asia remains in Russia's orbit. Having emerged from the USSR, the five former Soviet republics still maintain close ties with Russia, whose influence is exercised mainly in the political and security spheres. Despite distancing themselves from Moscow, the Central Asian economies remain highly integrated with Russia: far from declining, trade has actually increased since the start of the war in Ukraine. In addition to an increase in remittances from expatriate workers in Russia, Central Asian exports more than doubled between 2021 and 2022, a rise in flows that could be explained by the circumvention of Western sanctions on exports to Russia. Despite this trade resilience, Moscow is now being supplanted in economic terms by Beijing. In an effort to secure supplies of strategic products and find new outlets for its exports, China is pursuing a strategy of establishing a foothold in Central Asia, which is both a market and a transit point for Chinese products. The Central Asian republics, which do not want to be caught between Moscow and Beijing, are struggling to achieve genuine regional integration and are therefore relying on multilateralism.

1. A region increasingly integrated into the world economy

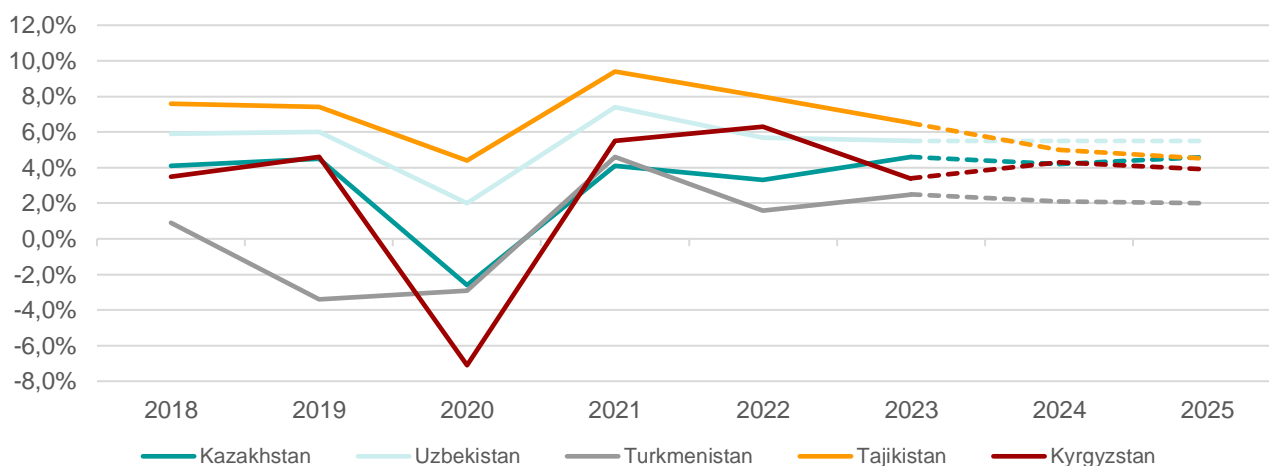
1.1. A healthy trade-driven economy

1.1.1 Growth: a robust outlook

The economies of Central Asia have been hit hard by the effects of the Covid-19 pandemic. **While the region's growth is heavily dependent on foreign trade, exports from its extractive sector and remittances from its large diaspora**, the collapse in international demand and the closure of borders have affected the prospects of the countries concerned. The **EBRD** (European Bank for Reconstruction and Development) recently upgraded Central Asia's growth forecast upwards to **5.7% in 2023**¹. **Tajikistan** leads the way, with 7.5% in 2023 (6.5% for the IMF), followed by **Uzbekistan** (6.5% for the EBRD, 5.5% for the IMF), **Kazakhstan** (5% for the EBRD, 4.6% for the IMF) and **Kyrgyzstan** (4.6% for the EBRD, 3.4% for the IMF). While the EBRD does not share the outlook for **Turkmenistan**, a closed country for which it is difficult to obtain reliable and accurate data, the IMF estimates that its GDP will grow by 2.5% in 2023.

This stellar growth, which the EBRD expects to continue at **5.9% in 2024**, is being driven by **rising public spending, a recovery in international trade and the economic reopening of China**, a regional giant that borders three Central Asian countries². Growth has also been stimulated by the impact of the war in Ukraine: tens of thousands of Russians, often skilled workers, have migrated permanently to Central Asia, while many Russian - and Belarusian - companies have set up in the region (particularly in Kazakhstan and Kyrgyzstan) to avoid Western sanctions. Finally, this growth is due to increased trade and remittances **from Russia**, while Central Asia has a large number of expatriates living in Russia (see chapter 3.1.2).

Figure 1: GDP growth in Central Asian countries (2018-2025, in %)



Source: IMF

1.1.2 On the trade front, exports of raw materials are the main driver

Foreign trade plays a key role in the Central Asian economies, which are highly dependent on trade. In 2019, foreign trade accounted for 42% and 57% of GDP in Uzbekistan and Kazakhstan respectively. In Tajikistan and Kyrgyzstan, this share was as high as 60% and 85% respectively³. After a decline due to the pandemic, exports from the region increased significantly between 2021 and 2022. In value terms, they increased by 40% for Kazakhstan, 32% for Kyrgyzstan, 30% for Tajikistan, 9% for Uzbekistan and 356% for Turkmenistan⁴.

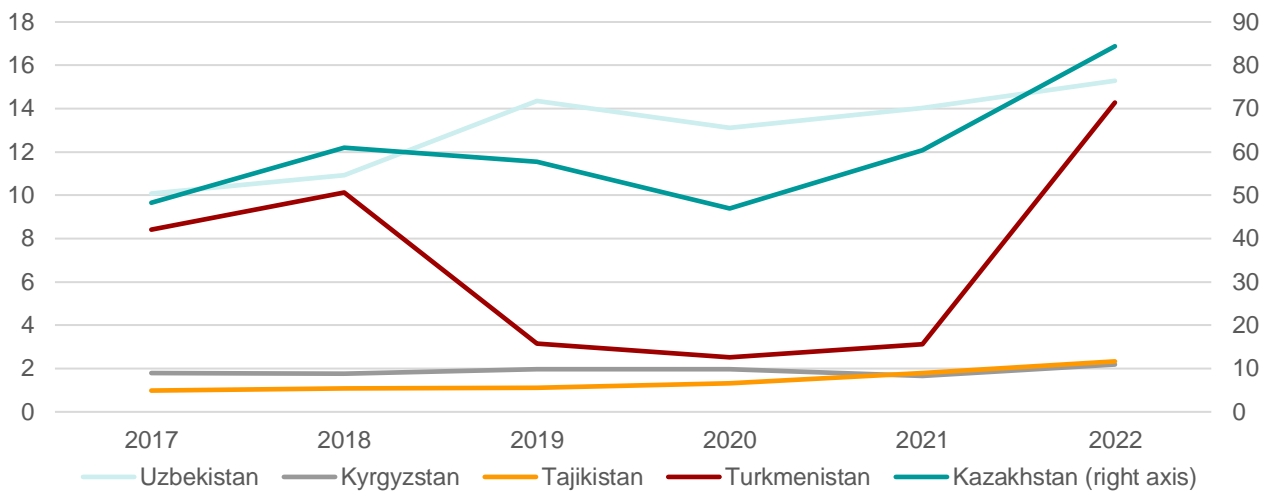
¹ EBRD, *EBRD forecasts strong economic performance in Central Asia*, September 2023

² EBRD, *Regional Economic Prospects*, September 2023

³ Coface, *Central Asia: is the ménage à trois with China and Russia sustainable*, April 2019

⁴ TradeMap

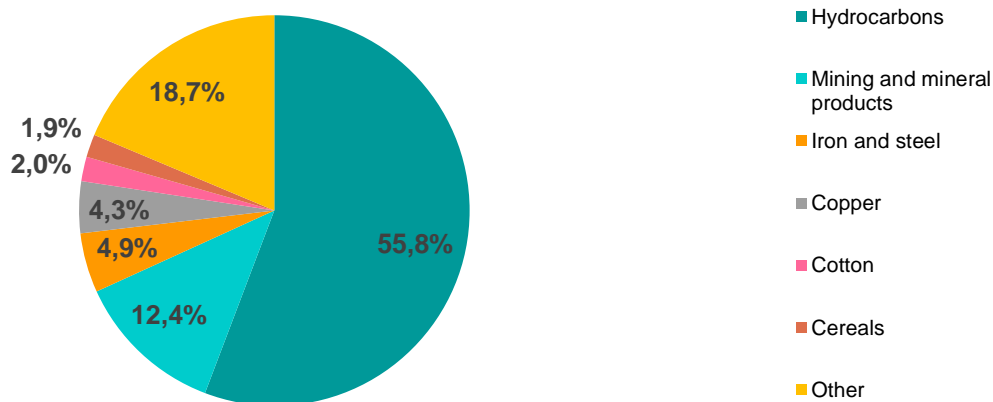
Figure 2: Development of exports from Central Asian countries (USD billion, 2017-2022)



Source : TradeMap

This increase in exports is mainly due to the recovery in world trade, but also to the reopening of China and the increase in trade with Russia (see chapter 3.1.2). **The structure of trade is also very uniform: despite obvious disparities, regional exports consist mainly of raw materials. In 2022, hydrocarbons will account for 55.8% of the region's exports, compared with 18.7% for mining and mineral products.**

Figure 3: Main products exported by the Central Asian countries (2022)



Source : TradeMap

In addition, these products will **lead the exports** of all the countries in the region in 2021: crude oil will account for 40% of Kazakhstan's exports and gas for 68% of Turkmenistan's exports, while gold will account for 38%, 37% and 31% of Kyrgyzstan's, Tajikistan's and Uzbekistan's exports respectively⁵.

⁵ The Observatory of Economic Complexity

Intra-regional trade: diverse dynamics behind the rise in trade

In parallel with the development of Central Asia's foreign trade, **the share of intra-regional trade in the region's countries in its total trade turnover is steadily increasing**. From 10% in 2017, the share of intra-regional exports has risen to **18% by 2022**.

However, the dynamics vary from country to country. **While Kazakhstan, the economic powerhouse of Central Asia, is the main trading partner of its neighbours, intra-regional trade accounts for only a small share of Astana's trade**: in 2022, only 6.7% of Kazakhstan's exports and 4.5% of Kazakhstan's imports were with its neighbours⁶. **A similar dynamic can be observed in Uzbekistan**: in 2022, intra-regional trade accounted for only 17.7% of Uzbek exports and 15.3% of Uzbek imports. Astana and Tashkent give priority to trade with other partners, such as Russia, China and the European Union, while benefiting from greater economic integration than their neighbours on the international stage, as demonstrated by the visit of French President Emmanuel Macron to Kazakhstan and Uzbekistan in early November 2023⁷.

Conversely, **Tajikistan and Kyrgyzstan are more dependent on intra-regional trade**, which will account for 28.5% and 31.2% of their exports respectively in 2022. Smaller than their neighbours and less integrated into globalisation, these economies are largely dependent on trade with Uzbekistan and Kazakhstan. Turkmenistan, which is more inward-looking, exports mainly to China, and intra-regional trade accounted for just 6.6% of its exports in 2022 (compared with 25% in 2021).

Finally, it should be noted that bilateral trade between Tajikistan, Kyrgyzstan and Turkmenistan is extremely low. **Intra-regional trade is mainly structured around Uzbekistan and, above all, Kazakhstan: Astana is estimated to account for 80% of the region's trade**⁸.

1.2. Rich in natural resources, Central Asia attracts investors

Central Asia is rich in hydrocarbons, coal, metallic minerals (gold, copper, zinc) and non-metallic minerals (uranium). As the main supplier of metals and minerals to the USSR, the newly independent Central Asia was gradually integrated into the global economy through its exports of ores and hydrocarbons. In the context of the energy transition, **the growing demand for critical materials is opening up new prospects for Central Asia** and reinforcing the geostrategic importance of the region, and in particular of Kazakhstan, the world's leading uranium producer, which has "all the ores and elements in Mendeleev's table".

1.2.1 Hydrocarbons: a major oil and gas windfall

In 2022, the OSCE estimated the region's reserves at **31.2 billion barrels of oil** and **23.4 trillion cubic metres of gas**⁹. The Central Asian republics also own and produce **coal**, albeit in more limited quantities. Together, Kazakhstan and Turkmenistan are estimated to hold 95% of the region's oil and 83% of its gas¹⁰.

Kazakhstan is the **world's 11th oil producer**, with **1.8 million barrels in 2021** - or 2% of global production¹¹. Oil, which accounts for 80% of the country's mining output and more than 40% of its exports, is exploited mainly by international companies in *joint-venture* with state-owned companies. The Karachaganak, Kashagan and Tengiz fields, the mainstays of the country's production, have been developed by **ExxonMobil**, **TotalEnergies** and **Chevron**. In 2021, Astana also produced 32 billion cubic metres of gas (0.8% of the world total) and 2.1 exajoules of coal (1.2%).

Turkmenistan, which ranks **34th** in world oil production, produced **250,000 barrels per day** in 2021 (0.3% of the world total). **However, it is in gas that Ashgabat stands out: with the fourth reserves worldwide, the**

⁶ TradeMap

⁷ Le Monde, *Emmanuel Macron in Central Asia to counter the influence of China and Russia*, November 2023

⁸ The Astana Times, *Five Trade Trends in Central Asia Connectivity*, June 2023

⁹ Ankasam, *The Issue of Energy in Central Asia and the Role of Turkmenistan*, March 2023

¹⁰ ADI Analytics, *Regional spotlight: Oil & Gas in Central Asia*, May 2021

¹¹ BP, *Statistical Review of World Energy*, 71^{ème} edition, 2022

country produced **79.3 billion cubic metres in 2021, or 2% of world production**¹². The Galkynysh gas field in the west of the country is one of the largest in the world. As a result, Turkmenistan's economy is highly dependent on its natural gas exports (68% of the total), which go mainly to China. Ashgabat therefore plays a crucial role in supplying energy to Beijing, which has announced its intention to strengthen bilateral cooperation in the gas sector in 2023¹³.

1.2.2 Gold, copper, uranium... abundant mineral resources

The subsoil of Central Asia is rich in metallic and non-metallic minerals. In addition to gypsum, copper and silver, **the region is rich in gold**. With demand for the yellow metal on the rise, **Central Asia plays a significant role in this market, accounting for more than 8% of global production in 2022**, compared with 6% in 2017¹⁴. Most of this is accounted for by Kazakhstan (7th world producer, with 3.9% of the total) and Uzbekistan (10th world producer, 3.2% of the total)¹⁵. By 2021, gold would be the leading export product for Kyrgyzstan (38.3% of its total exports), Tajikistan (37.2%) and Uzbekistan (30.8%)¹⁶.

Kazakhstan and Uzbekistan also play a key role in the **global supply of uranium**, an essential fuel for nuclear power plants. While Astana and Tashkent account for 13% and 2% of identified resources respectively¹⁷, Kazakhstan has established itself as the world's leading uranium producer, with **almost 43% of global production**. Mining is mainly carried out by the state-owned company **Kazatomprom**, which operates some mines in *joint-venture* with foreign companies, which are increasing their presence in the country. **Orano**, in particular, is present in two mines; under pressure in Niger, the French group is stepping up its investment in Kazakh deposits... The uranium produced in the country **is almost exclusively exported**, while prices are rising, boosted by renewed interest in nuclear energy. Although it is exported to many countries (France, Canada, etc.), its main market remains China, accounting for more than 50% of exports.

1.2.3 Critical materials: Central Asia's growing role in the energy transition

Central Asia is rich in **critical materials**. According to a study carried out by **the Norwegian Institute of International Affairs (NUPI)**¹⁸, Central Asia's geological potential includes **22 critical materials, 16 of which have a high geological potential**. The region is estimated to hold 38.6% of the world's reserves of manganese, 30% of chromium, 20% of lead, 12.6% of zinc, 8.7% of titanium, 5.3% of cobalt and 5.3% of copper (see Annex 1). This great diversity gives it many economic advantages and increases its importance in the eyes of the markets.

Faced with growing demand for critical materials, the Central Asian republics are increasing their production capacity. **Central Asia is now one of the world's leading producers of some of these materials**: in 2019, it was the second largest producer of chromium and cadmium, the sixth largest producer of zinc and selenium, and the seventh largest producer of lead, silver and copper. Once again, geological potential varies from country to country. Kazakhstan and Uzbekistan stand out as being among the top 10 producers of certain minerals. In particular, Astana is the second largest producer of chromium (used in wind turbines and photovoltaic panels), with the world's largest reserves.

China, which plays a leading role in the supply chain of critical materials and their refining¹⁹, is interested in these resources. **Western countries, aware of their dependence on Beijing, are also turning to Central Asia** to secure their energy transition and new supplies of critical minerals (see chapter 4.1.2). In November 2022, the European Union signed a memorandum of understanding with Kazakhstan covering the supply of

¹² BP, *Statistical Review of World Energy*, 71^{ème} edition, 2022

¹³ Reuters, *China's Xi calls for greater cooperation with Turkmenistan on natural gas*, January 2023

¹⁴ Calculations by GSA based on USGS data

¹⁵ USGS

¹⁶ The Observatory of Economic Complexity

¹⁷ IAEA, NEA, *Uranium 2022. Resources, Production and Demand*, 2023

¹⁸ NUPI, Romain Vakulchuk, Indra Overland, *Central Asia is a missing link in analyses of critical materials for the global clean energy transition*, One Earth, December 2021

¹⁹ GSA, *Strategic minerals: refining, the key to Chinese domination*, July 2023

critical minerals²⁰. **While the exploitation of critical minerals is largely carried out by local actors, the former Soviet republics are strengthening their partnerships with international companies or foreign investors.**

2. The "Middle Corridor": Central Asia wants to return to the heart of the China-Europe road

Central Asia was an important stage on the Silk Road - the main trade route between Europe and China from Antiquity to the Middle Ages - and it aims to regain this key role. From the 15th century onwards, the sea route became predominant, and **today most of the land traffic between China and Europe passes through the "Northern Corridor", a term used to designate several railway routes, all passing through Russia**, the most emblematic of which is the Trans-Siberian Railway.

In 1993, Armenia, Azerbaijan and Georgia joined forces with the five Central Asian states to develop the Transport Corridor Europe-Caucasus-Asia (TRACECA), a land and sea link (Caspian and Black Sea) serving Turkey and bypassing both Russia and Iran²¹. However, it was not until 2013 that the Kazakh railway company **KTZ**, the Azerbaijani railway company **ADY** and the Georgian railway company **GR** signed an agreement creating the **Trans-Caspian International Transport Route (TITR)**, better known as the **"Middle Corridor"**, which incorporates the main lines of TRACECA.

2.1. The war in Ukraine accelerates the shift of flows to Central Asia

But freight flows have remained modest, and it **is the outbreak of war in Ukraine in February 2022 that could provide the opportunity for the Middle Corridor to establish itself as a major land link between China and Europe**. Fearing the impact of sanctions against Russia and **Russian Railways**, some Western charterers are looking to bypass that country. Volumes have therefore fallen by 34% on this route²² and **exploded on the Middle Corridor**: according to the Kazakh authorities, they have been multiplied by **2.5** between 2021 and 2022, to reach 1.5 million tonnes and 33,000 TEU containers. The trend is continuing: by the first quarter of 2023, traffic had increased by almost **64% compared with the same period in 2022**²³. Several global transport giants, such as Maersk²⁴ and DB²⁵, have launched or strengthened services using the Middle Corridor. The Middle Corridor is also benefiting from renewed political support. In June, the **European Union** published a study carried out by the European Bank for Reconstruction and Development (EBRD)²⁶, **that identified the Middle Corridor as the best alternative to the Northern Corridor** and listed the measures needed to make the route more fluid. For its part, China is not abandoning the Northern Corridor - the most important of the six land corridors forming part of its Belt & Road Initiative (BRI) - but is now showing its support for its Central Asian rival. At the third Silk Road Summit on 18 October 2023, President Xi Jinping indicated that his country would support the TITR, although he did not announce any concrete initiatives at this stage²⁷.

2.2. A clear path

On paper, the future of the Middle Corridor looks bright. The EBRD estimates that, without any particular improvements, nearly 130,000 TEU containers will pass through the Middle Corridor in 2040, and that improvements measures it would be possible to **reach 835,000 TEU/year, and even 1.4 million TEU/year if**

²⁰ European Commission, *COP27: European Union concludes a strategic partnership with Kazakhstan on raw materials, batteries and renewable hydrogen*, November 2022

²¹ Conflict Studies Research Centre, *Rebirth of the Great Silk Road: Myth or Substance?* February 1999

²² RailFreight.com, *UTLC ERA sees further drop of volumes on New Silk Road via Russia*, May 2023

²³ The Astana Times, *Cargo Transportation Along Middle Corridor Increases to 1.5 Million Tons in 2022*, May 2023

²⁴ Maersk, *Maersk launches a revamped Middle Corridor rail service*, May 2022

²⁵ New Silkroad Discovery, *DB Cargo Eurasia launches new intermodal transport service through the Middle Corridor*, June 2022

²⁶ EBRD, *Sustainable transport connections between Europe and Central Asia*, June 2023

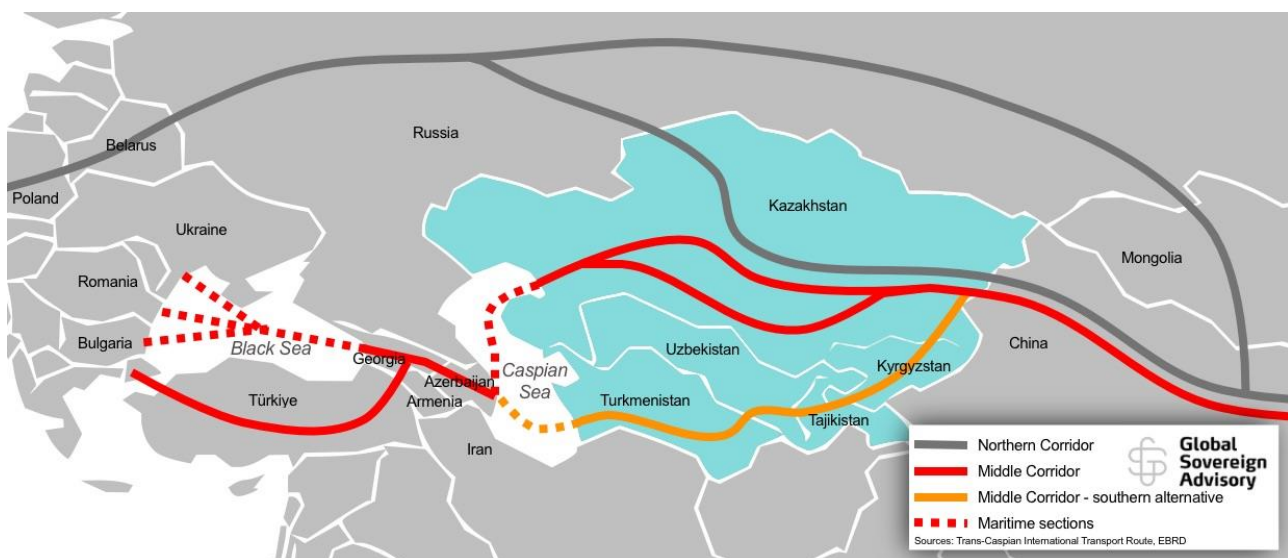
²⁷ Xinhua, *Speech by Xi Jinping at the 3rd New Silk Roads Summit*, 18 October 2023

we take into account the knock-on effects on a secondary section, a "southern loop" serving Tajikistan, Kyrgyzstan, Uzbekistan and Turkmenistan from China (see our map).

The measures recommended by the EBRD would also make it possible to **reduce transit times between the Chinese and European hubs in the corridor to 13 days**, compared with 14 to 45 days today - due to the many logistical and administrative uncertainties that remain - and **more than 16 days on average in the northern corridor**²⁸ .

2.3. Many obstacles remain

Despite the rapid growth of flows through Central Asia, the "Northern Corridor" is likely to remain the main China-Europe land route in the short term. **In 2022, despite the diversion of operators from Russia, the "Northern Corridor" will carry about 10 times more goods than the "Middle Corridor"**²⁹. While many facilitation measures can be envisaged to speed up traffic (accelerated customs clearance, digitalisation of administrative procedures), the infrastructure improvements recommended by the EBRD will require at least €18.5 billion. The geopolitical context, which favours the Middle Corridor, is also hampering its development. For example, the ongoing fighting between Ukraine and Russia *de facto* prohibits any maritime transit to Bulgaria and Romania *via* the Black Sea. Flows destined for Europe *de facto* pass through Turkey alone, creating further risks of geopolitical dependency. Finally, the ongoing tensions between certain states in the region - between Tajikistan and Kyrgyzstan, or between Uzbekistan and Armenia - could discourage certain investors from supporting the development of the Middle Corridor³⁰.



²⁸ China Railways, *CR Express Routes*, consulted on 14 November 2023

²⁹ Mirek Dušek, Astana Times, *From Pathway to Highway in Eurasia*, June 2023

³⁰ Pierre-Olivier Bussièrès, *The Middle Corridor: A Geopolitical Game-Changer in Eurasian Trade*, Geopolitical Monitor, October 2023

3. With China and Russia, a difficult *ménage à trois*

3.1. An increasingly contested Russian preserve

3.1.1 Central Asia and Moscow: historical closeness, security dependence and aspirations for autonomy

The Central Asian states emerged from the USSR, which shaped their borders and political systems, and have always remained in the bosom of Moscow, with which they maintain close ties. Long regarded by the Kremlin as its own preserve, Central Asia is close to Russia in **cultural, social and linguistic terms**. While the region is linked to Moscow on an **economic and commercial level**, Russian influence is also exercised through a **political and security dimension**. Moscow sees itself as the guarantor of regional security, notably through the Collective Security Treaty Organisation (CSTO), founded in 2002. Although it proved its inability to intervene in the recent conflict between Armenia and Azerbaijan, the CSTO allowed Russia to send contingents to Kazakhstan at the request of President Kassym-Jomart Tokayev, following the violent demonstrations that set the country ablaze in early 2022³¹.

This intervention allowed Russia to strengthen its position in the region and **reaffirm its influence in this near abroad, at a time when the Central Asian states are multiplying their commercial partnerships with other actors and trying to assert their diplomatic autonomy**. The outbreak of war in Ukraine has reshuffled the deck, with many Central Asian chancelleries distancing themselves from Moscow. **Oscillating between neutrality and tacit support for Kiev, the states of the region have seized the opportunity to continue their emancipation from Russian tutelage**.

3.1.2 Trading up, despite the war in Ukraine

Despite their distancing themselves from Moscow, the economies of Central Asia remain closely integrated with Russia. Bilateral trade, **bilateral trade has actually increased since the start of the war**.

These exchanges primarily concern **remittances**, as millions of workers from the region are employed in Russia. Moscow is the main destination for workers from the countries of Central Asia³², for whom remittances are of vital importance because of their weight in the economy (51% of Tajikistan's GDP, 31% of Kyrgyzstan's GDP, etc.)³³. Unexpectedly, **the invasion of Ukraine has not led to a decline in remittances from Russia; on the contrary, transfers reached record levels in 2022. As a result of increased demand for labour, linked to military mobilisation and the establishment of a war economy, Moscow registered 3.5 million new migrant workers in 2022, 90% of them from Central Asia**³⁴. The influx of new workers, coupled with the recovery of the ruble against the dollar (+23%) and the euro (+40%) between February and December 2022, has led to an increase in the value of remittances to Central Asia. Between 2021 and 2022, remittances to Tajikistan, Uzbekistan, Kazakhstan and Kyrgyzstan increased by 83%, 80%, 55% and 10% respectively³⁵. Despite the resilience of the Russian economy in the face of sanctions, the depreciation of the ruble is expected to reduce the value of dollar remittances.

³¹ Reuters, [Russia sends troops to put down Kazakhstan uprising as fresh violence erupts](#), January 2022

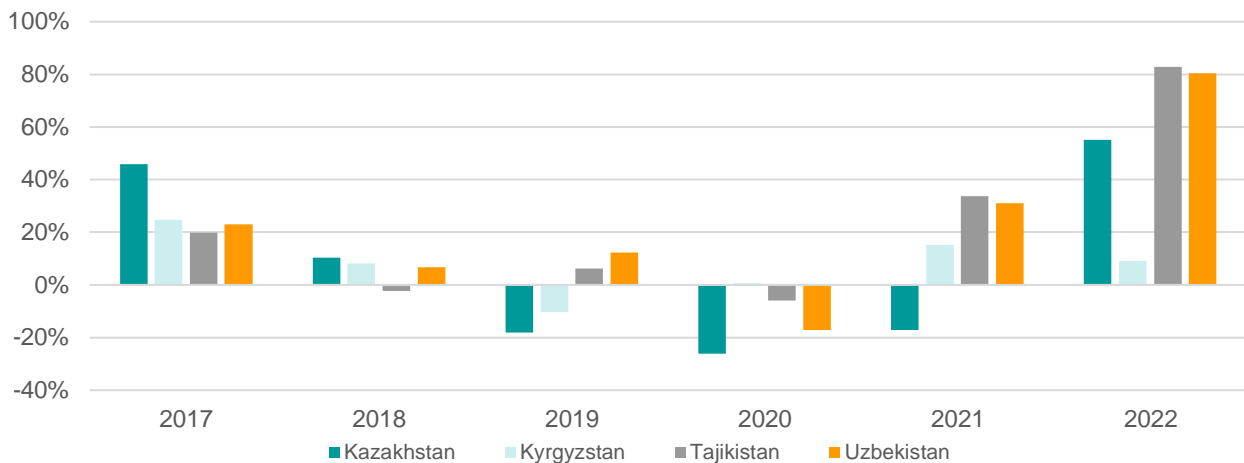
³² Migration Policy Institute, [Post-Soviet Labor Migrants in Russia Face New Questions amid War in Ukraine](#), February 2023

³³ GSA, [Remittances from expatriate workers: new trends](#), September 2023

³⁴ Reuters, [Russian trade, remittances boost Central Asia growth prospects, EBRD says](#), September 2023

³⁵ GSA, [Remittances from expatriate workers: new trends](#), September 2023

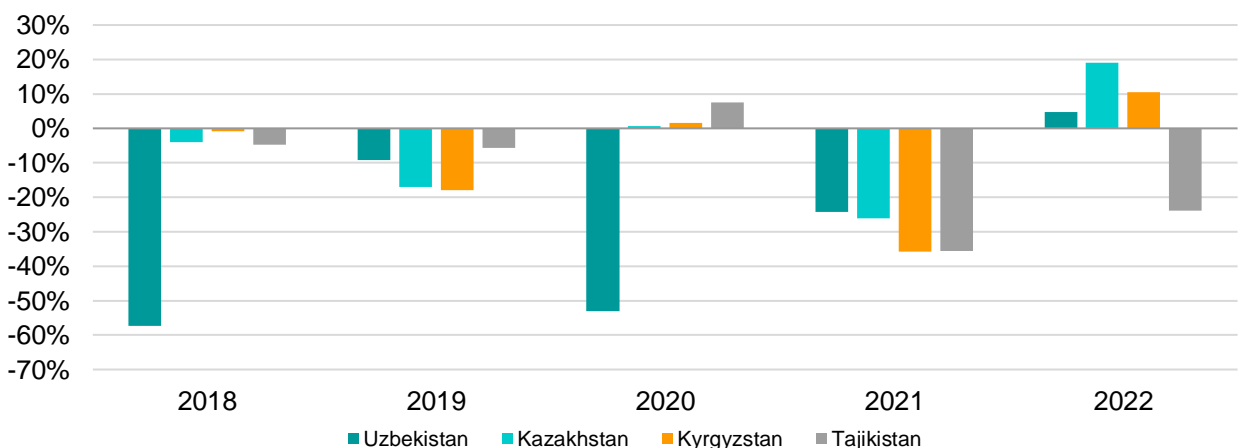
Figure 4: Change in remittance flows to Central Asian countries (% , 2017-2022)



Source: IMF

Secondly, trade flows from Central Asia to Russia have increased significantly, **more than doubling since 2021**.

Figure 5: Trade balance between the Central Asian countries (excluding Turkmenistan) and Russia (annual variation, %)



Source : TradeMap

The outbreak of war in Ukraine triggered major changes in the region's trade patterns: at the same time as **their exports to Russia fell drastically**, against the **backdrop of economic sanctions**, the **Western states significantly increased their exports to the Central Asian countries** (for example, EU exports to Kyrgyzstan are currently 307% higher than in the period 2017-2021³⁶). At the same time, these countries have **increased their exports to Russia**. **Is this intermediary trade aimed at circumventing sanctions against the Russian economy?** The question is all the more relevant given that, according to the *Institute of International Finance* (IIF), the widespread increase in exports to Central Asia has mainly affected European countries that are geographically close to Russia or that have reduced their trade with Moscow the most³⁷.

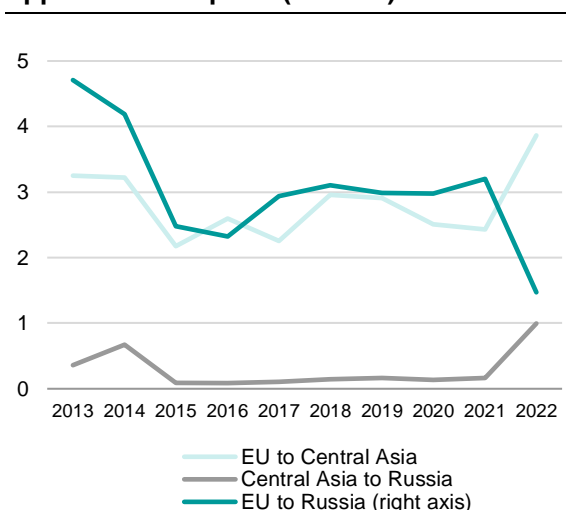
Changes in the structure of trade show that **trade flows, which could reflect a re-routing of European exports to Russia via Central Asia, mainly concern products sanctioned products**. As a result of these

³⁶ Le Monde, *L'Asie centrale intensifie ses échanges avec la Russie*, September 2023

³⁷ IIF, *Global Macro Views - Trade Diversion around Russia Exports Controls*, August 2023

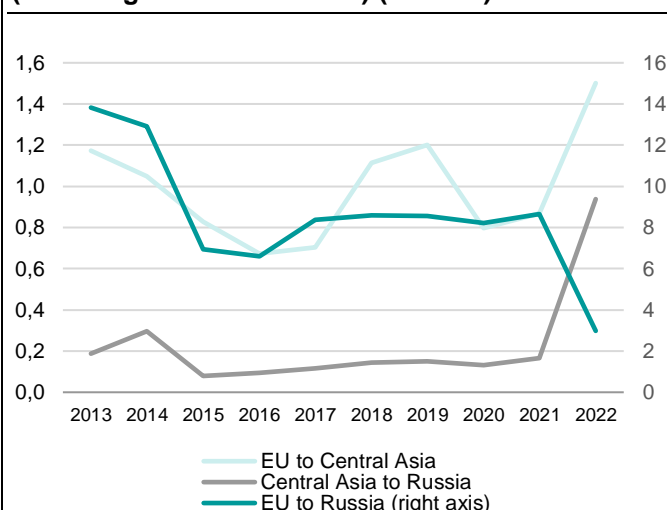
sanctions, exports of machinery, mechanical appliances and their spare parts (see Figure 6) from the European Union to Russia **have fallen by 54%** between 2021 and 2022, from USD 22.4 billion to USD 10.3 billion. At the same time, European exports of these products to Central Asia have **increased by 59%** (USD 2.4 billion in 2021, USD 3.9 billion in 2022). Exports from the five former Soviet republics to Russia have also exploded: fluctuating around USD 100 million since 2015, they have risen to USD 1 billion in 2022 (an increase of more than 500%). The same trend can be observed for machinery and electrical parts (see Figure 7), which are also under sanctions: between 2021 and 2022, European exports **to Russia fell by 66%** and **rose by 73% to Central Asia**, which then drastically increased trade in these products with Moscow (+467%).

Figure 6: Exports of machinery, mechanical appliances and parts (USD bn)



Source: TradeMap (Code HS:84)

Figure 7: Exports of electrical machinery and parts (including semi-conductors) (USD bn)



Source: TradeMap (Code HS:85)

While these apparent trade diversions reflect the great difficulty of effectively controlling international trade, the EBRD is more cautious. **The organisation estimates that the increase in exports of sanctioned goods to Central Asia is only a fraction of the reduction in direct trade in these goods with Russia³⁸**. Despite the increase in its imports from Central Asia, Moscow has therefore also had to find new suppliers, such as China and Turkey.

3.2. Greater Chinese involvement in the region

China, which took advantage of Russia's withdrawal from Central Asia after independence in 1991, is increasing its influence there. Beyond the political and security aspects, **Beijing is pursuing a strategy of establishing an economic presence in Central Asia**, a strategy that has accelerated since Russia's invasion of Ukraine.

To mark a new chapter in its relations with Central Asia, China organised **its first summit with the region's five heads of state in May 2023**. Whether by coincidence or as an ostentatious symbol of the world's new multipolarity, this event was held at the same time as the G7 summit. The summit in Xi'an, China, focused on the development of Central Asia and laid the foundations for **cooperation in trade, energy and infrastructure**. President Xi Jinping announced **USD 3.8 billion** (26 billion yuan) in **financial support** for Central Asia, while calling for **increased bilateral investment and greater energy cooperation³⁹**. China and

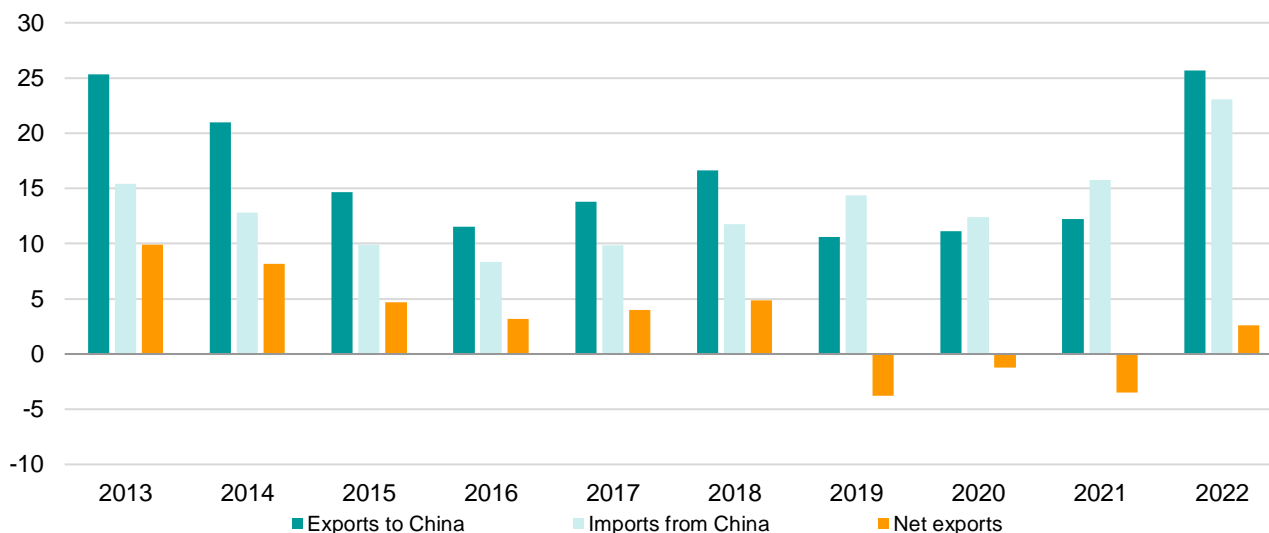
³⁸ EBRD, *The Eurasian roundabout: Trade flows into Russia through the Caucasus and Central Asia*, February 2023

³⁹ Reuters, *China's Xi unveils grand development plan for Central Asia*, May 2023

the Central Asian states plan to establish a formal mechanism to facilitate future summits, with the next meeting scheduled for 2025⁴⁰.

The Chinese president also called for an increase in trade, which reached **more than 48 billion USD in 2022 – a 70% increase on the previous year**. Beijing imports mainly **industrial goods** (hydrocarbons, minerals, etc.) from Central Asia, and exports mainly **consumer goods** (clothing, machinery, electronic products, etc.).

Figure 8: Trade between Central Asian countries and China (USD bn, 2013-2022)



Source : TradeMap

The Central Asian states see their growing economic and political ties with China as an opportunity to diversify their partnerships, while maximising their connectivity through the development of new trade routes. China's growing interest in these former Soviet republics is primarily driven by its desire to **secure its strategic supplies** (hydrocarbons, critical materials) and **find new outlets for its exports**. It also allows China to maintain stable relations with its western neighbours, whose commercial importance is growing as a result of the United States' attempt at maritime containment and its tumultuous relations with several neighbouring states (Japan, Vietnam, South Korea, the Philippines, etc.). In this sense, **Central Asia is both a market and a transit point for Chinese exports**: its trade corridors offer new routes for Chinese products, while **the region could eventually become one of the key components of the BRI project** (see Chapter 2).

4. In search of new partnerships, Central Asia struggles for regional integration

4.1. Governments aware of their strengths and committed to multilateralism

In 1997, Zbigniew Brzezinski, former national security adviser to President Jimmy Carter, stressed the geostrategic role of Central Asia, saying that whoever controlled the "Eurasian Balkans" would control the world⁴¹. Twenty-five years on, **this increasingly important economic crossroads continues to inspire envy**. As well as the obvious Russian and Chinese influences, other players are interested in Central Asia: the United States, Turkey and the European Union, but also Iran, South Korea, India, etc.

⁴⁰ Chinese Ministry of Foreign Affairs, *China-Central Asia Summit. Xi'an Declaration (full text)*, May 2023

⁴¹ In his forward-looking book *The Great Chessboard*, published in 1997, Zbigniew Brzezinski (national security adviser to US President Jimmy Carter from 1977 to 1981) promotes a strategy of geopolitical domination by the United States on the international stage, which involves mastering the "Great Chessboard" represented by Eurasia.

At the same time, the Central Asian states in the region **do not want to be caught between their dependence on Russia and the rising ambitions of China. Despite its limited political and economic weight, Central Asia is therefore using its strategic position and natural resources to give substance to its autonomy and diversify its partnerships.**

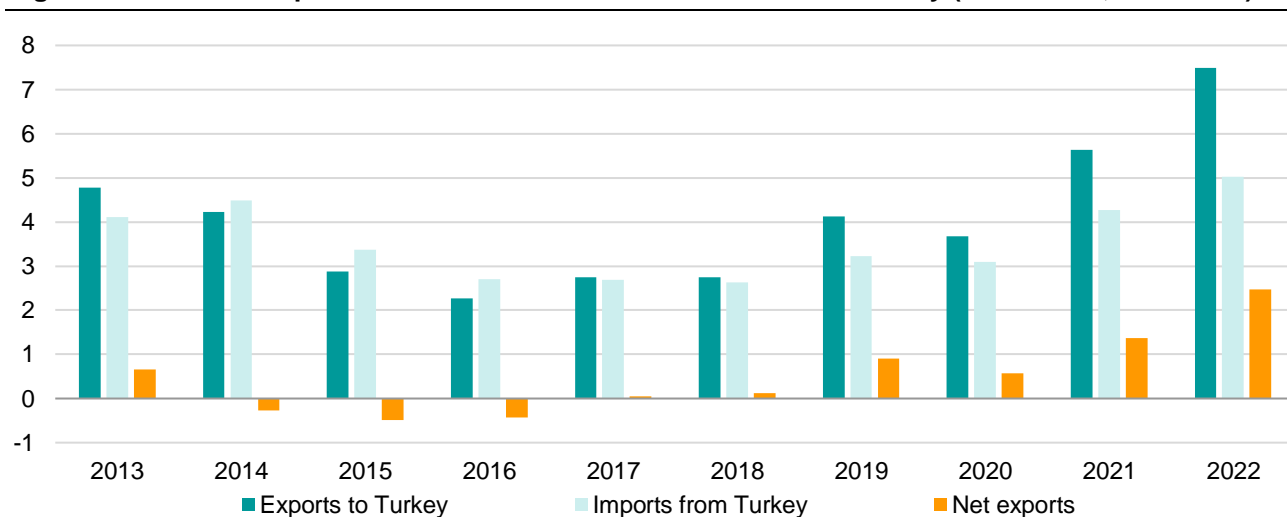
4.1.1 Turkey's economic and cultural offensive

Turkey, which shares **cultural, religious and linguistic links** with most of the countries of Central Asia, is seeking to strengthen its relations with the former Soviet Turkic republics of the region, grouped together in the **Organisation of Turkic States (OTS)**⁴². Ankara, which is counting on this instrument to strengthen its influence in the region, has redoubled its efforts since the invasion of Ukraine. In this effort, the country is mobilising many resources.

In economic terms, Turkey is particularly close to Kazakhstan (the number one destination for Turkish FDI), Uzbekistan and Kyrgyzstan, whose relations with Ankara have now reached the level of strategic partnerships. With more than **4,000 Turkish companies operating in Central Asia**, the country is increasing its investments there: Turkish FDI in the region currently stands at more than **USD 85 billion**⁴³. Trade between Turkey and Central Asia is growing, and reached **USD 12.5 billion by 2022**. Ankara's economic and commercial activities are mainly focused on Turkmenistan, where Turkey is the leading trading partner and foreign investor.

Turkish imports consist mainly of raw materials (especially hydrocarbons), and although Ankara's exports are more diffuse, the Turkish military industry is playing a growing role: after Kyrgyzstan, Kazakhstan and Turkmenistan have purchased **Bayraktar** combat drones⁴⁴. In addition to the development aid provided by **TIKA** (the Turkish Cooperation and Development Agency), Ankara's economic action is supported by the **Turkish Business Council**, which brings together Turkish-speaking states to work on **infrastructure and transport projects**. Ankara, which wants to improve its trade links with the region while increasing its freight volumes to China, **supports the Central Asian Corridors initiative, which aims to link Europe and Asia** via its territory (see Chapter 2).

Figure 9: Trade development between Central Asian countries and Turkey (USD billion, 2013-2022)



Source : TradeMap

⁴² The aim of the OET is to promote the development and cooperation of countries sharing languages from the same family. The ETO is made up of Turkey, Kazakhstan, Kyrgyzstan, Uzbekistan and Azerbaijan. Hungary, Turkmenistan and the Turkish Republic of Northern Cyprus (not recognised by the United Nations) are observer members.

⁴³ Silk Road Briefing, *Turkiye's Multilateral Trade with Central Asia: Current Situation and Future Prospects*, May 2023

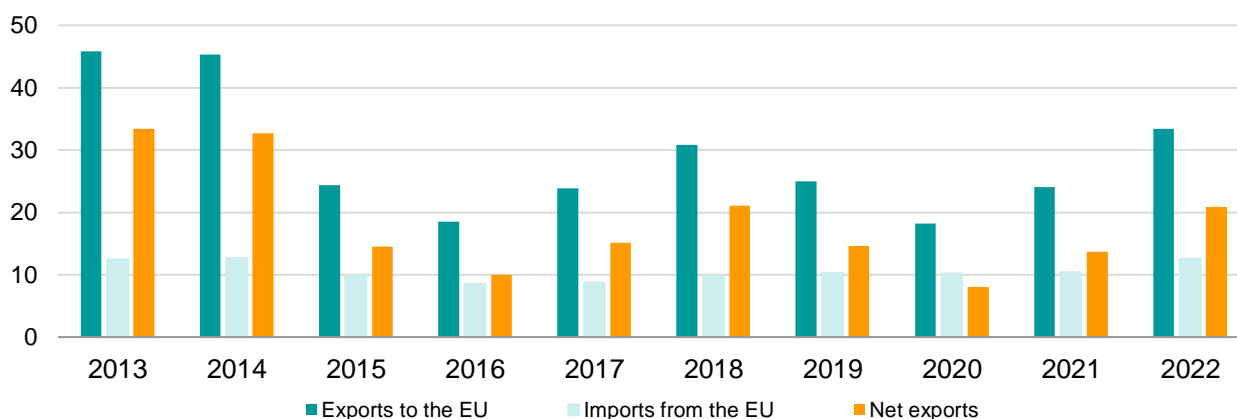
⁴⁴ La Croix, *Turquie : le drone, nouvel outil d'influence d'Ankara*, April 2023

4.1.2 Following the war in Ukraine, the European Union is stepping up its cooperation with the Central Asian states

The multilateral diplomacy of the Central Asian states has also led them to turn to the European Union (EU). Central Asian leaders have become *demanding* in their relations with Brussels, which has been present in the region since the early 2000s: the EU has drawn up a new **strategy for the region in 2019**⁴⁵, while **funding under the Development Cooperation Instrument** has reached **€1.1 billion** in grants, technical assistance and budget support over the 2014-2020 period⁴⁶.

At the same time, **Central Asia has become more important to Brussels since the outbreak of the conflict in Ukraine, particularly in terms of trade**. Central Asian exports have risen from USD 24.1 billion in 2021 to **USD 33.4 billion in 2022**. As the Europeans seek to diversify their supplies away from Russia, the main focus is on **energy and raw materials**: Kazakh oil, Turkmen gas, Kyrgyz and Tajik gold, etc. The EU is also working to strengthen its links with the Central Asian states through trade corridors (see Chapter 2). As the largest donor of aid to the region, Brussels has also become the **leading investor**, accounting for **42% of FDI**, ahead of the United States (14%), Russia (6%) and China (3.7%)⁴⁷.

Figure 10: Evolution of trade between the Central Asian countries and the European Union (USD billion, 2013-2022)



Source : TradeMap

Underlining the rapid development of the relationship, several high-level meetings have been organised over the past year. Following the **EU-Central Asia Conference on Connectivity** in November 2022 and the **EU-Central Asia Conference on Environment and Water Resources** in February 2023, Brussels and the Central Asian countries organised a **second Economic Forum** in Almaty in May 2023. On this occasion, Kazakhstan and the EU signed a financing agreement for the Cooperation Facility for the implementation of economic projects, worth €9 million⁴⁸. Finally, a **second high-level Regional Meeting** (after the first one in October 2022) was held in Kyrgyzstan in June of the same year. Charles Michel and the five Central Asian representatives reaffirmed the strengthening of their cooperation. In response the European offensive in the region, Russian Foreign Minister Sergei Lavrov said that Brussels would not push Moscow out of Central Asia...⁴⁹

⁴⁵ European Commission, *Joint Communication to the European Parliament and the Council. The EU and Central Asia: New Opportunities for a Stronger Partnership*, May 2019

⁴⁶ European Union External Action, *The EU Development Priorities in Central Asia*, March 2022

⁴⁷ Delegation of the European Union to the Russian Federation, *The growing importance of Central Asia globally and for the EU*, December 2022

⁴⁸ The Astana Times, *Kazakhstan and EU to Implement Projects Worth \$9.7*, May 2023

⁴⁹ Radio Free Europe, *Russia Says EU Won't 'Push' It Out Of Central Asia*, November 2023

4.1.3 A whiff of the Cold War rekindles Washington's interest

The United States sees the current context as **an opportunity to return to Central Asia** after its chaotic withdrawal from Afghanistan in 2021. While reiterating its repeated support for the "independence" and "territorial integrity" of the former Soviet republics (a thinly veiled message to Russia), Washington is working to develop security and energy cooperation. In May 2023, **Air Products** signed a USD 1 billion deal with Uzbekistan to operate a natural gas processing facility⁵⁰.

As a sign of this growing interest, the Biden administration launched its **Economic Resilience Initiative for Central Asia** (ERICEN)⁵¹ in September 2022, which aims to support the growth of Central Asian countries, particularly by diversifying their trade routes. As part of this effort, Washington has committed USD 25 million for the fiscal year 2022. Secretary of State **Antony Blinken**, who visited Central Asia in early 2023, announced the release of a further USD 25 million⁵².

4.2. The mirage of regional integration grows ever stronger

Since independence in 1991, the five former Soviet republics have tried to build a region. However, Central Asia has not succeeded in strengthening its political and economic integration. **Despite its shared history and cultural similarities, the region is not a unified whole.** Political disagreements are legion between these states, which are sometimes placed in competitive situations: while Kazakhstan, which is more prosperous and developed, stands out and distances itself from the other republics, pre-Tokayev Uzbekistan has long been hostile to its neighbours, while Turkmenistan remains diplomatically isolated. Worse still, the tensions have also led to confrontation: as a result of the delicate materialisation of borders, against a backdrop of pressure on water resources, a border conflict has pitted Tajikistan against Kyrgyzstan since 2021. The latest fighting, in September 2022, left more than a hundred people dead before the two neighbours signed yet another ceasefire⁵³. Regional integration remains a dead letter, despite a joint membership of **the CSTO**, **the ETO**, the **Commonwealth of Independent States** (CIS, which brings together former Soviet republics) and **the Shanghai Cooperation Organisation** (SCO). In economic terms, only Kazakhstan and Kyrgyzstan are members of **the Moscow-led Eurasian Economic Union**.

In recent years, however, as a result of political and economic developments, the five Central Asian states have **strengthened their bilateral relations and exchanges, and increased the number of high-level visits.** The Covid-19 pandemic and the war in Ukraine, which have **reconfigured global supply chains**, have contributed to this trend. This is reflected in the rise in intra-regional trade (see chapter 1.1.2). **This rising regionalisation is particularly evident in the logistics sector, as Central Asia increases its connectivity.** In April 2023, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan signed a protocol on trade facilitation, supported by the German Development Cooperation Agency (GIZ), while a regional trade information portal (Central Asia Gateway) was launched in May of the same year⁵⁴. The countries also want to play a key role in the establishment of Central Asian corridors and are promoting the construction of intra-regional railways. Kazakhstan has also expressed an interest in joint investment projects as part of the Trans-Caspian Highway⁵⁵.

Despite these early signs, regional integration still appears to be a mirage. **The increase in trade and cooperation initiatives is primarily motivated by economic factors, against a backdrop of crisis with cyclical effects.** While a new "Great Game" is taking shape in Central Asia, the former Soviet republics, courted from all sides, could on the contrary give in a little more to globalisation.

⁵⁰ VOA, *As Russia's Influence Wanes in Central Asia, China and US step in*, June 2023

⁵¹ US Department of State, *Economic Resilience in Central Asia Initiative*, February 2023

⁵² Le Point, *En Asie centrale, Blinken assure des soutien américains les pays proches de Moscou*, February 2023

⁵³ The Conversation, *Kyrgyzstan and Tajikistan: the disastrous effects of border militarisation*, October 2022

⁵⁴ The Astana Times, *Five Trade Trends in Central Asia Connectivity*, June 2023

⁵⁵ OFR, *Central Asia is back in the game*, September 2022

Annex 1: production of critical materials in the Central Asian States, according to NUPI

| Main critical materials produced in Central Asia, 2019 | | | | |
|---|-------------------------------------|---|--------------------------------------|------------------------------------|
| Metal/mineral | World production (in tonnes) | Production in Central Asia (in tonnes) | Share of world production (%) | Ranking in world production |
| Chrome | 40 789 985 | 5 191 920 | 12,73% | 2 |
| Cadmium | 25 578 | 1 573 | 6,15% | 2 |
| Selenium | 3 832 | 150 | 3,91% | 6 |
| Zinc | 12 444 207 | 710 253 | 5,71% | 6 |
| Lead | 4 767 954 | 88 500 | 2,47% | 7 |
| Silver | 26 261 | 1 307,7 | 4,98% | 7 |
| Copper | 20 613 942 | 883 554 | 4,29% | 7 |
| Bauxite | 325 998 326 | 6 104 200 | 1,87% | 8 |
| Tellurium | 524 | 48 | 9,16% | 8 |
| Manganese | 52 968 203 | 1 674 145 | 3,16% | 9 |
| Iron | 2 922 511 686 | 32 670 543 | 1,12% | 11 |
| Molybdenum | 276 097 | 750 | 0,27% | 11 |
| Kazakhstan | | | | |
| Chrome | 40 789 985 | 5 191 920 | 12,73% | 2 |
| Cadmium | 25 578 | 1 273 | 4,98% | 5 |
| Selenium | 3 832 | 130 | 3,39% | 7 |
| Bauxite | 325 998 326 | 6 104 200 | 1,87% | 8 |
| Zinc | 12 444 207 | 491 253 | 3,95% | 8 |
| Lead | 4 767 954 | 115 956 | 2,43% | 9 |
| Manganese | 52 968 203 | 1 674 145 | 3,16% | 9 |
| Silver | 26 261 | 102,2 | 3,89% | 10 |
| Copper | 20 613 942 | 737 854 | 3,58% | 11 |
| Iron | 2 922 511 686 | 32 670 543 | 1,12% | 11 |
| Uzbekistan | | | | |
| Tellurium | 524 | 48 | 9,16% | 8 |
| Molybdenum | 276 097 | 750 | 0,27% | 11 |
| Cadmium | 25 578 | 300 | 1,17% | 14 |
| Selenium | 3 832 | 20 | 0,52% | 16 |
| Copper | 20 613 942 | 100 000 | 0,49% | 22 |
| Zinc | 12 444 207 | 27 000 | 0,22% | 31 |
| Tajikistan | | | | |
| Lead | 4 767 954 | 86 500 | 1,81% | 14 |
| Zinc | 12 444 207 | 192 000 | 1,54% | 21 |
| Silver | 26 261 | 11,1 | 0,42% | 48 |
| Copper | 20 613 942 | 38 500 | 0,19% | 50 |
| Kyrgyzstan | | | | |
| Silver | 26 261 | 14,5 | 0,05% | 39 |
| Copper | 20 613 942 | 7 200 | 0,03% | 47 |

Source: Romain Vakulchuk, Indra Overland, Norwegian Institute of International Affairs, 2021