

Niva Yau: Witness Testimony

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Commissioner Bartholomew and Commissioner Schriver, and distinguished Members of the Commission: thank you for your kind invitation asking me to testify before you today. I am honored to have the opportunity to share with you my thoughts on the People's Republic China's (PRC) engagement with its neighbours in Central Asia. I was asked to focus specifically on the PRC's economic engagement in Central Asia.

Ties and histories between what occupy today's People's Republic of China (PRC) and Central Asian states date back at least two thousand years. Unlike relations with Southeast Asian states which were largely based on a tributary system, Central Asian empires and tribes were consistently active threats challenging stability in the east.

These ties have been forcefully broken off by the Russian Empire. The Chinese Communist Party (CCP) has been using selected stories from the Silk Road to paint a harmonious picture to shape the diplomatic narratives in the past 30 years. But the Silk Road was not entirely harmonious. The rise and fall of Chinese dynasties were often connected to management success of relations with empires and tribes in the western region. Multiple Chinese dynasties were driven to bankruptcy, and in some cases capture, due to never-ending wars with the nomadic groups coming from the western region. For example, An Lushan was a Sogdian general who toppled the Tang dynasty and claimed the empire as Yan dynasty.

Forging good relations with Central Asian states holds substantial symbolic strategic importance to the CCP. Not only is Central Asia considered part of the Chinese periphery, thus Chinese interests are already placed in the category of domestic interest, it is crucial to survival of the CCP to control a landmass historically of threat to the Chinese civilization.

Having managed its western borders with officials in Moscow during the Soviet Union, Central Asia's independence came as a shock to Chinese leaders. The Jiang administration, occupied by dozens of Russian-speaking Soviet educated officials like Jiang himself, crafted early policies on Central Asia. These policies were basic at a surface level, directed at solving immediate bilateral problems but were carefully thought-out after 1994 to build a foundation for greater Chinese influence in the region.

Today, the roughly 75 million population in Central Asia share a 3320-kilometer with the PRC Xinjiang Uyghur Autonomous Region (historically known as East Turkestan). In a January 1992 Central Asia tour, the PRC established formal diplomatic relations with Turkmenistan, Uzbekistan, Kazakhstan, Tajikistan, and the Kyrgyz Republic. Amongst all Central Asian states, Uzbekistan has kept most distance from the PRC since the beginning under the First President, Karimov's isolationist regime. On the other hand,

¹ The views presented in this testimony are Niva Yau's alone and do not represent those of OSCE Academy and of the Organization for Security and Co-operation in Europe.

Kazakhstan's First President, Nazarbayev has visited Beijing and held talks with Chinese leaders even prior to formal diplomatic relations and the fall of Soviet Union.

Chinese Interests in Central Asia

At diplomatic establishment, the PRC secured regional support and recognition for its desired status of Taiwan. However, what the PRC needed was immediate consensus and concrete commitments to eradicate supporters and sympathizers of the Uyghur-led East Turkestan independence movement that were active in Central Asia due to cross-border ties amongst the Uyghur population. Conservative statistics record the Uyghur population in Central Asia to be around 300,000; however, the Uyghur diaspora estimates the real figure to be at least one million because cross-border activities between the PRC and Central Asian states were not recorded during the sudden collapse of the Soviet Union.²

In the PRC, the roughly 11 million Uyghur population is the largest ethnic minority. Beijing was under immense pressure as the independence movement poses serious domestic security and stability concerns. The separatist movement must be completely eliminated, even across official borders, for it endangers unity of the CCP political system and its functioning as a unified Chinese state.

In Central Asia, this required local law enforcement efforts to disintegrate these networks scattered around the region. As well, in order to ensure a full grip on Xinjiang (East Turkestan), the PRC also needed to resolve border disputes with Kazakhstan, Tajikistan and the Kyrgyz Republic that was left from Soviet legacy. A combination of these needs, which are necessary to be all achieved at once, called for a serious effort to bring Central Asian leaders onboard.

At the time, the PRC had little to no leverage and bargaining power in Central Asia. Its ties to the region had been cut off by the Soviet Union. In 1991, when Central Asia first became independent, its total trade with the PRC was at merely \$463 million. The border dispute negotiations that were between PRC and Central Asian states always included participation of the Russian Federation. There were little incentives and capacities for Central Asian states to manage the East Turkestan independence movement across the border, and lack of progress through diplomatic dialogue prompted the necessity of PRC economic and military engagement.

In 1994, when then-Premier Li Peng toured Central Asia, Li spoke of these security issues alongside economic narratives such as reviving the old Silk Road, meanwhile hand delivering generous loan agreements to Central Asian leaders, bringing to bilateral meetings group after group of Chinese entrepreneurs. In the years following, regional trade with the PRC grew from \$463 million in 1991, \$2.3 billion in 2002 to \$50.2 billion in 2013.³

As trade grew, at the same time, PRC security objectives in the region have achieved full success. All border disputes ended in 1999. Central Asia-based groups associated with the East Turkestan independence movement have been criminalized, Uyghur cultural groups disintegrated, Uyghur community leaders murdered, members of the Uyghur community deported and heavily surveilled.⁴ On

² Isa, Dolkun, "Uyghur situation in Central Asia countries (In Kazakhstan, Kyrgyzstan and Uzbekistan)," Organization for Security and Co-operation in Europe Human Dimension Implementation Meeting, September 25, 2007, <https://www.osce.org/files/f/documents/3/1/27056.pdf>.

³ Yau, Niva, "China's Pursuit of Power in Central Asia," OSCE Academy, December, 2020, https://osce-academy.net/upload/file/Niva_brief.pdf.

⁴ Isa, Dolkun, "Uyghur situation in Central Asia countries (In Kazakhstan, Kyrgyzstan and Uzbekistan)," OSCE Human Dimension Implementation Meeting, September 25, 2007, <https://www.osce.org/files/f/documents/3/1/27056.pdf>.

Beijing's terms, it has exerted extraterritorial stability in Central Asia – the western periphery it believes to be tied to the security of Xinjiang (East Turkestan), creating its desired peace and stability on its doorstep. In order to maintain strict national cohesion and prevent unravelling of the entire system, Beijing is likely to continuously work to ensure a full grip on Xinjiang (East Turkestan), thus expanding presence in Central Asia.

Aside from sustaining ability to manage these security issues, in the long run, Central Asia offers the strategic landmass which will allow the PRC to shift energy and trade reliance away from the sea. In the past, the best of Chinese dynasties enjoyed a global trade system which was China-centric and land-based. It is no wonder then, that the PRC seeks to position itself as the geopolitical center of the Asia-Pacific, including Central Asia. As such, in exploring economic cooperation with Central Asian states, the largest implemented projects and those most continuously discussed and explored are in the energy and logistics sector. As the PRC make steps towards national rejuvenation, construction of this land-based energy and trade route in the Eurasian landmass has already begun in Central Asia. In 2013, this was consolidated and coined the Belt and Road Initiative.

Chinese Investments in Central Asia

Compared to 1991, the PRC has since built a well-rounded economic footprint in Central Asia. All of these presences allow Chinese actors to engage in a quantitative manner, working with as many elites and potential future elites as possible, who will be of use to PRC interests. Regional trade pattern sustains the role of Central Asia as an exporter of raw materials to and importer of consumer goods from the PRC. The PRC is the first, if not second, leading trade partner of all Central Asian states. Where resources and capacity are available, the PRC also engages in investment projects. It has embarked on dozens of industrial capacity transfer projects in Kazakhstan since mid-2000s, following a BOT (build operate transfer) or BT (build transfer) structures, where Kazakh companies maintain ownership while sharing profits with Chinese companies. Most significantly, the PRC is the principal provider of cheap loans and grants to Central Asian states, primarily in the logistical sector, particularly to weak economies such as Tajikistan and the Kyrgyz Republic.

In 2020, the Central Asian economy stood at roughly \$286 billion GDP. At \$169 billion, roughly half of regional GDP is concentrated in Kazakhstan, \$57 billion in Uzbekistan; \$45 billion in Turkmenistan; \$8 billion in Tajikistan and \$7 billion in the Kyrgyz Republic.⁵ As such, Kazakhstan also consistently makes up of at least half of regional trade with the PRC. Trade patterns between Central Asian states and the PRC in the past 20 years consisted of Central Asian export of raw materials and import of Chinese-made consumer products.

Uyghur Human Rights Project & Oxus Society for Central Asian Affairs, "No Space left to Run: China's Transnational Repression of Uyghurs," June 24, 2021, https://oxussociety.org/wp-content/uploads/2021/06/transnational-repression_final_2021-06-23.pdf

⁵ World Bank, "GDP (current US\$) – Kazakhstan", 2022

<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=KZ>

World Bank, "GDP (current US\$) – Uzbekistan", 2022

<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=UZ>

World Bank, "GDP (current US\$) – Turkmenistan", 2022

<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=TM>

World Bank, "GDP (current US\$) – Tajikistan", 2022

<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=TJ>

World Bank, "GDP (current US\$) – Kyrgyzstan", 2022

<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=KG>

Between 2013 and 2016, this was proved to be an extremely fragile and unsustainable trade relationship. Hit by the Crimea crisis which affected Central Asian currencies because of devaluation of the Russian ruble, Central Asian affordability of Chinese consumer products sharply declined. At the same time, slowing down of the Chinese economy reduced crude oil imports from Kazakhstan as domestic manufacturing needs declined. Due to these factors, bilateral trade between China and Central Asia fell by 40% from \$50.2 billion in 2013 to \$30 billion in 2016.

In the past 15 years, the majority of total exports from Central Asia to PRC have been in the energy sector, dominated by two state-managed pipelines, China-Kazakhstan oil pipeline and China-Central Asia gas pipeline. Chinese oil imports from Kazakhstan experienced substantial growth – from 45,000 tons in 1997 to over 1 million tons in 2002, peaking at 11.98 million tons in 2013 (4.25 percent of Chinese total oil imports that year) at the bilateral pipeline’s maximum capacity. However, since 2014, the figure fell to 5.68 million tons and continuously declined since then.⁶ On the other hand, gas exports from Turkmenistan to PRC have experienced consistent growth since starting operations in 2012, at 21.3 bcm, 51.4% of total Chinese gas import.⁷ The figure gradually climbed to 31.7 bcm in 2017, 37.3 bcm in 2020 and 34 bcm in 2021.⁸ Other Central Asian exports to PRC are much smaller in scale and they are often managed by private Chinese companies, including mined materials such as gold, copper, coal, and others.

Most of PRC investments in Kazakhstan, Turkmenistan and Uzbekistan are in the oil and gas sector, and majority of them are jointly operated with local partners. Chinese investors find security in having a local partner to manage local operational difficulties especially when a project involves a large sum of investments. The PRC has invested at least \$20 billion into the Kazakh oil and gas sector; at least \$17 billion into Turkmenistan’s and at least \$2 billion into Uzbekistan’s. The largest projects in Kazakhstan, the China-Kazakhstan oil pipeline and the Darkhan deposit have joint agreements with KazMunaiGas. Through a 60.3% stake in AktobemunaiGas, CNPC operates on Zhanazhol, Kenkiyak, Urikhtau and Mangystau fields. Through a 50% stake in Kuatamlonmunai, CNPC operates on Konys and Bektas fields. Through a 60% stake in PetroKazakhstan, CNPC modernized the Shymkent refinery. After taking over FIOC in 2004, FIOC’s assets became Sinopec’s largest operations in Kazakhstan.

PRC new investments in other industries, such as copper and aluminum, are in BOT/ BT format, where Chinese companies build and continuously earn profits from projects which are owned by Kazakh companies. In Uzbekistan, which has only in recent years welcomed Chinese investments outside of the oil and gas sector, now have a variety of smaller Chinese investments in its agriculture, real estate, electricity, auto, textile and railway industries.

Elsewhere in Central Asia, Chinese investments are concentrated in the mining sector. In Tajikistan, Chinese companies owns several mining projects, such as lead, zinc, silver, gold, antimony ore and others. In the Kyrgyz Republic, Chinese mining are focused on gold, copper, tin and tungsten. These resources are exported to the PRC in their raw, unprocessed form. Compared to oil and gas operations in

⁶ Yau, Niva, “Tracing the Chinese Footprints in Kazakhstan’s Oil and Gas Industry”, The Diplomat, 12 December, 2020, <https://thediplomat.com/2020/12/tracing-the-chinese-footprints-in-kazakhstans-oil-and-gas-industry/>

⁷ Sadykov, Murat, “Turkmenistan Supplying over Half of Chinese Gas Imports”, 6 August, 2013, <https://eurasianet.org/turkmenistan-supplying-over-half-of-chinese-gas-imports>

⁸ BP, “BP statistical review of world energy”, June 2018, <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2018-full-report.pdf>
BP, “BP statistical review of world energy”, 2021, <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-full-report.pdf>

Business Turkmenistan, “China Imports 34 bcm of Turkmen Natural Gas in 2021”, 6 January 2022, <https://business.com.tm/post/8075/china-imports-34-bcm-of-turkmen-natural-gas-in-2021>

Kazakhstan, Uzbekistan and Turkmenistan, most of the Chinese mining companies in Tajikistan and the Kyrgyz Republic operate without a local partner.

As well, in Tajikistan and the Kyrgyz Republic, dozens of cheap, long-term loans have been granted to local governments to modernize basic infrastructure, with the condition to contract Chinese companies. Most of these loans are towards infrastructure projects which have minimum prospects of generating direct income to repay the loans, such as construction of a new highway connecting the north and south part of the Kyrgyz Republic, with no plans to install a toll. Instead, these projects rely on providing the infrastructure and logistics which can boost trade, only one aspect of importance in terms of increasing trade.

Some of these projects are purely to feed political goals of the Central Asian leaders. For example, under the Atambayev administration, his goal for Kyrgyz energy independence facilitated reconstruction of the Bishkek power plant and building of the north-south electricity line, both of which were financed by cheap Chinese loans and constructed by state-owned Chinese companies. Worst are the rent-seeking opportunities that come with Chinese loans – such as the cost of relocating cattle which went only into the pockets of local officials instead of local herders – which further inflate the project cost and add additional burden to taxpayers.

These projects sustain long-term Tajik and Kyrgyz dependence on the PRC as Chinese debt has climbed to close to half of total foreign debt in both Central Asian countries. Beyond unrealistic repayment plans, mounting misjudgments towards Chinese loans and projects are most problematically being made amongst leaderships in Tajikistan and the Kyrgyz Republic. Only recently, after the case of the PRC seizing the Sri Lankan Hambantota port, have the two governments changed their attitudes, and have been outspoken about plans to repay Chinese debts. During the pandemic, unconditional repayment delays requested by these Central Asian states were not offered by Chinese state policy banks. Instead, the banks offered repayment extension with additional interest rates, furthering the existing dependency pattern.

While promised that economic engagement with PRC will bring the region back to its once prosperous days during the Silk Road, the bilateral economic plannings that are between Central Asian states and the PRC on the other hand are slow at meeting these promises. Particularly in Tajikistan and the Kyrgyz Republic, these promises are unmet. In Kazakhstan and Uzbekistan, leaderships are unsatisfied with the lack of diversity in their exports to the PRC and have been demanding more technology transfer since mid-2010s.

In 2014, the Kazakh government prepared a proposal of 80 projects for the Chinese side to consider investing.⁹ The next year, a \$2 billion government-to-government joint fund was allocated for about 55 projects from the list. The 55 projects are valued at a total of \$24.6 billion, which Chinese SOEs, who are constructing partners, are set to invest and profit under BOT/BT format. About 72% of the 55 projects are industrial processing technologies, most are new to Kazakhstan, such as plastics manufacturing, wind energy, auto assembly line and others. As of 2022, 15 projects are completed, most are under construction. In 2015, following success of Kazakhstan, the Kyrgyz Republic delivered a proposal of 40 projects to the Chinese side, but none materialized. In 2017, Tajikistan also suggested its desire for industrial transfer from the Chinese side.

Apart from more diverse investment projects, Central Asian governments are pushing existing Chinese projects to create more profits within the local economy. The primarily example is pushing Chinese firms to hire more locals via writing these obligations in the contracts. As well, Central Asian states have adopted legislation of proportion of local hires and placing caps on foreign worker permits. Aside from

⁹ Van Der Kley, Dirk, and Yau, Niva. "How Central Asians Pushed Chinese Firms to Localize", October 2021, <https://carnegieendowment.org/2021/10/15/how-central-asians-pushed-chinese-firms-to-localize-pub-85561>

government incentive to create jobs, civil society most particularly in Kazakhstan and the Kyrgyz Republic have been the most prominent actors in voicing out this imbalance of importing Chinese workers. The compliance to local demands has demonstrated PRC willingness to provide more economic benefits to strengthen stability of like-minded regimes and leaders. In the case of Chinese economic engagement in Central Asia, it is clear that economic goals are subordinate components of broader security goals.

As Chinese companies moved to hire more local workers, combined with trends of industrial transfer, it is expected that PRC companies will impact regional migration. In the past 30 years, Central Asian workers have found Russia to be the principal destination for work and migration. Millions of Central Asian workers at variety level of skills, due to language similarity and Soviet legacy, find Russia their second home. However, as Chinese companies grow their presence and continuously offer training and hire more Central Asian workers, more will stay in the region for work instead of moving to Russia. The massive population of Central Asian workers who work in Russia and the remittances they send back home are one of the largest contributors to local GDP. At the same time, Russia benefits from having continuous influx of cheap labour from Central Asia to fill its industries. As such, this regional migration pattern has sustained much of dependence on Russia, if changed, will impact the kind of leverage Russia can exercise in Central Asia.

Apart from this, PRC engagement in Central Asia in the past 20 years dramatically reoriented the region from Russia to China. In energy, the two pipelines ended Central Asian reliance on only being able to export oil and gas to Russia. In transport, upgraded railway links, particularly the diversification routes offered by the China-Europe Railway Express via Kazakhstan, offered Chinese sea ports as an alternative access to the sea-based trade. Lianyungang port in the Chinese northeast provides extensive privileges, such as free storage and a direct train cargo service connecting to landlocked Kazakhstan. In processing industries, the PRC is offering new technologies to Central Asian states that Russia did not.

A quiet competition between Russia and the PRC can be witnessed in the regional economic space, with the latter offering substantially more, and in its favour. Where initiatives call for a multilateral effort, the PRC actively uses the Shanghai Cooperation Organization (SCO). After successfully pushing for a unified permit system within the Shanghai Cooperation Organization (SCO) to simplify truck logistics at the Central Asian borders in 2014, the PRC in 2019 proposed a unified customs system for the entire SCO region. This system, which is only slightly modified from the domestic Chinese system, could potentially allow the PRC to export border management softwares outside of its own borders. Previously, as the Central Asian country through which most Chinese products are transferred, Kazakhstan has already voiced concerns about the PRC's noncompliance with existing rules, such as the SMGS convention.¹⁰

In response, Russia's Eurasian Economic Union, of which Kazakhstan and the Kyrgyz Republic are members, draw up favourable tariffs for import and export trade within the Union, which effectively made imports from the PRC more expensive. However, this has not been implemented fully as the Kyrgyz Republic widely practices relabeling imported Chinese products as Kyrgyz-made. Also, Russia in the Eurasian Economic Union proposed multiple times to create a unified trade bloc, which would prohibit member states from having third-party trade agreements. This proposal was continuously rejected by Kazakhstan, with the Kazakh President Tokayev calling it a "restriction of sovereign rights".¹¹

¹⁰ Established by the Soviet Union's Organization for Cooperation of Railways (OSJD) in 1957, the SMGS convention governs the movements of cargo. P.J. Hodgkinson, "Report on Transport Facilitation procedures and documentation in Kazakhstan." United Nations Economic and Social Commission for Asia and the Pacific, https://www.unescap.org/sites/default/files/Seamless%20Transport%20report_Kazakhstan.pdf.

¹¹ "The EAEU Presidents did not adopt the strategy. Tokayev saw in it a "restriction of sovereign rights." Azattyq, May 19, 2020, <https://rus.azattyq.org/a/30621018.html>

Beyond trade, the PRC has also introduced an SCO technology partnership in 2016, which allowed funding to enter Central Asian states from the Xinjiang local government which has expanded technology cooperation beyond the traditional purview of anti-terrorism. Groups of Chinese scientists are now working on dual-use technologies and services in Central Asia that were previously exclusive to Russia. In 2019, the SCO adopted a roadmap to digitalization, with dozens of Chinese companies meeting with the SCO Secretary General soon after to consolidate participation. Beside maintaining capacity to address security issues, PRC-led digitalization efforts in Central Asia shaping technical standards and architecture will also help to secure long-term commercial advantages for Chinese tech companies and introduce a new form of dependency.

Local Perspectives and Implications

The PRC introduced itself to Central Asia at a time when the region faced quick decoupling from collapse of the Soviet Union. The few industries that it had struggled to continue operation due to the repatriation of Russian skilled workers back to Russia, basic supplies stopped coming, leaving most in Central Asia shocked by the sudden change. The PRC offered economic cooperation at a time when Central Asian states looked for survival, and leaders were after regime stability. Cheap consumer products coming from the PRC replaced supplies from the Soviet time. And political leaders were fed narratives that, with the PRC, Central Asia could re-transform into a key node in Eurasia – revival of the Silk Road. Specifically, the PRC promised economic development without political liberation, good governance, and social justice.

Failing to bring about such fantasy, instead, many of the Chinese funding and companies have been found in corruption cases involving all ranks of Central Asian officials. The issue of corruption has increasingly been dividing the Central Asian public and the local elites. Particularly in rural areas with Chinese investment projects, with taxes paid to the capital, the local population does not see benefits staying in the local community but instead going to corrupted officials. As well, the damage done to the local environment as a result of mining projects, which are often difficult to monitor as they are located in remote places, spark tension between local community and local officials due to the latter never following up on complaints. Dissatisfaction amongst local communities which live around a Chinese investment project have paused dozens of projects through non-violent protests, strikes, blocking of road to violent attacks such as burning down a gold processing plant.

The urban population, which does not live with and thus did not witness the issues of Chinese companies on the ground, is more concerned about economic dependence on the PRC and the lack of economic diversity and growth locally. The local business community finds a lack of opportunities to conduct manufacturing as cheap Chinese products continuously flood the market. At the same time, opportunities for entry into large-scale Chinese investment projects are limited as the Chinese companies either go solo or with a local SOE. Those politicians who engage in corruption with Chinese projects also further their political career with these funds, narrowing the space for newcomers to competitively engage in politics regionally.

What is more, amongst the urban population, there is a widely shared unsettling worry of Chinese strategic ambitions in the region. With or without intention, Beijing sends subtle reminders that parts of Kazakhstan, Tajikistan and the Kyrgyz Republic were part of the Chinese Empire at various dynasties. Despite fully resolving their border disputes, Central Asian countries find Chinese discussions, existence and use of these maps which included their territories into the PRC a concerning, though rare, practice. These issues have all fueled deep distrust of Beijing's intentions and public uneasiness about being heavily dependent on their eastern neighbour.

The issues that Chinese companies bring to Central Asia open spaces and opportunities for investors from other countries who are willing to commit to better practices. By 2050, the population of Central Asia is

expected to reach 100 million.¹² In order to grow its economy, Central Asia is in need of both hard and soft infrastructure. As the world's least connected region to global sea-based trade, shipping is expensive due to poor highways, lack of efficient cargo trains and accessibility to ports. There is large potential for international donors to profit from assisting the revival of Central Asia's logistical network connectivity with South Asia. Uzbekistan is already committing efforts to connect itself with South Asian partners, including Afghanistan, Pakistan and India. India has in recent years stepped up engagement with Central Asian states, particularly with Turkmenistan, for its energy needs.

Apart from facilitating the physical logistical network, soft infrastructures are also needed. In areas such as border management, customs rules, tariffs, anti-drug, storage, and so on, other countries such as the United States can offer knowledge-based assets. Business opportunities in other sectors are likely to open given the physical viability of doing business. As Central Asian states caught themselves in an ever more dividing global environment, the risks are outweighing the convenience of cooperating solely with Russia and the PRC. It appears that now is the turning point for Central Asia. Central Asia is embracing a magnitude of global geostrategic shift it had not witnessed. The United States can benefit from playing a significant role in facilitating economic engagement between Central Asia and South Asia, supporting allies in both regions. Under considerable anxiety, Central Asian states are likely to welcome new initiatives and partners.

Currently, the challenges for foreign businesses and governments working in Central Asia lie in the rent-seeking culture that Chinese companies and officials helped sustain. The local inefficiency of regulations and administrative processes aid to open up spaces for rent-seeking officials, who extort Chinese companies who are willing to engage in such environment. The key challenge for other foreign investors will be to navigate this rent-seeking culture, while keeping in mind the small margin of profits due to expensive logistics for export and little disposable income for domestic consumption. However, as highlighted above, the developmental path that Central Asia aligned itself with Russia and the PRC is not sustainable. There are opportunities for other countries, particularly those who are already engaging in projects developing better business environments on the ground, such as the United States, the United Kingdom, the EU, India, Japan and South Korea, to increase diplomacy work, and share their experiences on governance.

Recommendations

1. Support Central Asian Integration, and Integration to the Global System

Central Asian states, who are anxiously deciding how best to transition away from its reliance on Russia after its War in Ukraine, must be offered an alternative option instead of falling deeper in their dependency on the PRC. None of the Central Asian countries are completely comfortable with the consequence of their close collaboration with Russia and the PRC. Crucially, Central Asian states, who desire regional integration and regional integration to the global systems, should be supported and empowered.

In international affairs, as shown in the past 30 years, Central Asian states have been simultaneously and irregularly included in both European and Asian multilateral structures, summits and forums—the former motivated by the region's Soviet legacy and its continuous ties with Russia, and the latter motivated by Silk Road histories and the Belt and Road Initiative. This Eurasian identity that Central Asian countries assigned to themselves has not worked in their favour. In many areas, such as trade, cultural norms and values, it is neither integrated with Europe, nor Asia.

¹² Makhanov, Kanat. "UN Population Prospects: Case of Central Asia", Eurasian Research Institute, <https://www.eurasian-research.org/publication/un-population-prospects-case-of-central-asia/>

Driven by recent developments, Central Asian states now look to South Asia as a prime region of integration. Yet, none of these integrations will sustainably succeed without Central Asian states coming to a regional identity consensus that serves to guide norms and values in its societies, which will then dictate its developmental path, choices of partners, foreign policies, and so on. In the past 30 years, both Russia and the PRC compete in the political narrative sphere that shapes and divides this precise regional identity.

What Central Asia needs, is to be connected to the global system in a regional manner that allows the region to exploit successes and failures of other blocs' experiences. It is only through such integration that governments in Central Asia will make decisions and act with restraint with consideration of global norms and values.

Firstly, Central Asian integration should be supported where it can. For example, foreign actors should support dialogue processes to resolve existing conflicts and problems amongst Central Asian countries, in areas such as water, enclaves, and so on. As a minimal step, foreign actors can support more non-controversial regional initiatives which bring the Central Asian public together, for example youth engagement, experience sharing in animal protection, and so on.

Second, Central Asian states should be elevated and empowered as a bloc. Central Asian states fully understand the role they play in aiding the PRC to sustain its legitimacy in Xinjiang (East Turkestan). At the same time, Central Asian states are making use of this Chinese vulnerability in exchange for demands in other areas. Given the current global dynamic, Central Asian states should be empowered to re-think their transactional relationship with the PRC.

Third, connect Central Asia with the world. Kazakhstan joined the World Trade Organization only in 2015. Uzbekistan is in the process of accelerating its WTO membership. Turkmenistan only formally applied to WTO membership in 2021. Apart from supporting Central Asian integration to the global trade system through global trade organization memberships, Central Asian delegations should be included in global summits and forums in other sectors, such as civil society. By simultaneously bringing Central Asians out to the world, and creating more global knowledge and attention to the region, regional governments can find alternatives away from Russia and the PRC. Central Asian states should be exposed to case studies in countries and regions, particularly in Southeast Asia, where integration with the global trade system and compliance with global norms have resulted in economic success and strengthened local accountability.

2. Work with Asian Allies of the United States

In supporting Central Asian integration to the global system, other Asian countries can play a key role. Japan and South Korea already have strong presence in Central Asia. South Korea enjoys historical ties with the region, with roughly half a million of ethnic Koreans living in Central Asia. Korean businesses have established long-term presence particularly in Uzbekistan, where South Korea is amongst top trading partners. Both the Japan International Cooperation Agency (JICA) and Korea International Cooperation Agency (KOICA) engage in local human development work in Central Asia. In April 2022, the Japanese Foreign Minister visited Astana, Kazakhstan and asked President Tokayev to align with the world on Russia's War in Ukraine. There is large potential for the United States to jointly work with, fund and implement projects with Japanese and Korean partners in Central Asia. As well, the United States can support other Asian allies, for example Thailand, to introduce its presence in Central Asia.

3. Sustain Access to Local Knowledge for Refined Communication Strategies

On the ground, foreign governments who work on Central Asia should sustain good access to information about local developments in order to formulate appropriate communication strategies with local governments. Very few international media outlets employ correspondents in Central Asia, and if they do,

the majority work on a contractual basis. In the English-language space, only two media outlets dedicate close attention to affairs in Central Asia. Radio Free Europe is under-funded and is increasingly incapacitated by its internal competition within the Central Asian services. Eurasianet has little diversity in its senior management which does not permit growth for its writers of Central Asian origin.

Lack of international media capacity on the ground meant little global attention and understanding of crucial events that took place in Central Asia. For example, international reporting on the nation-wide unrest in Kazakhstan in early 2022 was stripped of its local context and political elements.¹³ On the other hand, Radio Free Europe and Eurasianet, with no resources to enlarge its audience, compete for a small group of Central Asia watchers. It is in the interest of foreign actors to support their own medias and maintain good access to information on the ground.

4. Avoid Isolating Afghanistan

Regional countries around Afghanistan, particularly Uzbekistan, have accepted and to some extent embraced the prospects of a long-term Taliban leadership. A stable Afghanistan will finally allow visions of Central Asia South Asia connectivity, including the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline which will solve India's energy problem and subsequently aid its development process. Rediscover Central Asia as a factor on stabilizing Afghanistan, there are many areas where facilitating exchange and interactions are possible between Central Asian states and Afghanistan.

While it is important to continuously highlight human rights problems and terrorism threats that are associated with the Taliban leadership, the United States will benefit from engaging in a new dialogue with the Taliban under these new regional circumstances. Criticizing and punishing the Taliban leadership in public will be counter-productive to developments that are brewing between Central and South Asia. Regional countries who wish to engage with the Taliban leadership should be free to do so. In the long-run, having Afghanistan play a role in the Central Asia South Asia connectivity project open possibilities of introducing global norms and values to the country. Working with the Taliban leadership in Afghanistan is possible if there is on the ground willingness to learn and gradually integrate itself with the global system, initiatives from Central Asia are a good starting point.

¹³ Couch, Emily, and Khashimov, Sher, "How Western Media Framed Kazakhstan's Protests", Foreign Policy, <https://foreignpolicy.com/2022/05/02/western-media-kazakhstan-protests/>