



02
2023

Rising Regionalism between the Eagle, the Bear and the Dragon: Central Asia in the Scope of Global Players

By Urs Unkauf

Introduction

Central Asia is a vital region in global politics. Located at the crossroads between Europe and Asia, this part of the world has been a strategic and cultural center of influence for centuries. In the mirror of current geopolitical processes, Central Asia is of particular importance as a platform of interaction and projection for the global powers – China, the US and Russia. Although the EU is trying to act as a shaping actor in the region, it has so far been of secondary importance. The reasons

for this lie not least in the strengthening of the regional leading powers Kazakhstan and Uzbekistan through internal consolidation, partial transformation of the power elites and the search for new alliance constellations in foreign policy in view of the war in Ukraine. This occurs beyond Russian-dominated structures such as the Eurasian Economic Union (EEU), Commonwealth of Independent States (CIS) and Collective Security Treaty Organization (CSTO). This contribution aims to briefly outline Central

Asia's geopolitical position in the beginning of the 3rd decade of the 21st century under the conditions which erupted one year after the war in Ukraine started, in terms of geopolitical and geo-economic factors. The focus here is on Kazakhstan and Uzbekistan, with the implications for Kyrgyzstan, Tajikistan and Turkmenistan being included in the conclusion. Although Afghanistan and Mongolia are partly included in the Central Asian region by some analysts, these two countries are not discussed in detail here.

Central Asia has been a source of tension between global powers for centuries, as the region is seen as a geopolitical and economic prize. It is home to some of the world's most important energy reserves, including oil and gas, and is a key transit route for fossil fuels from the Caspian Sea towards Europe, China and potentially South Asia. The US and its allies have sought to promote stability and democracy in the region, while Russia has sought to maintain its traditional influence. China has also searched to increase its economic and political influence in Central Asia, particularly through its Belt and Road Initiative (BRI). Central Asia is also a cultural crossroads, with a mix of ethnic and religious groups, including Muslims, Jews, Buddhists and Christians. This cultural diversity has in the past sometimes led to tensions between different groups, but it also provides

opportunities for increased cooperation and integration among different cultures. Central Asia is likely to develop as a player in global politics for the foreseeable future, which needs to be taken under consideration. Its strategic importance, combined with its rich cultural heritage, makes it an attractive destination for economic as well as political investment and development. As such, Central Asia will continue to be an important region to watch as the world becomes, in contradiction to what is currently discussed, in the misperceptions of 'decoupling' and 'nearshoring', increasingly interconnected.

Central Asia in the world: New dynamics shaping potentials

When analyzing Central Asia, it is of fundamental importance to understand the states and the elites acting within them as powerful actors and not as mere subjects of external influences of great powers, which nevertheless play a significant role, as described at the beginning. More than 30 years after the end of the Soviet Union, it is important to note that the five republics have successfully consolidated their state autonomy in an otherwise quite fragile region of the world. The anchoring of national sovereignty as the basis of an interest-driven foreign policy and the creation of national identities have been the decisive elements in

recent decades. Another lesson that shapes these countries is the experience that economic prosperity and authoritarian political orders do not have to be mutually exclusive, but can sometimes be highly effective under the condition of fragile external constellations and limited own room for maneuver. If one considers the developments in the neighborhood of the states in question – Afghanistan, Chechnya, the conflicts between Armenia and Azerbaijan as well as between India and Pakistan and the experience of the civil war in Tajikistan in the 1990s – one clearly realizes that the standards of liberal democracies in the tradition of the Atlantic-oriented West are hardly applicable to this region.

President Shavkat Mirziyoyev was confronted with separatist tendencies in Karakalpakstan.

Secondly, it is noteworthy that both Uzbekistan and Kazakhstan faced the challenge of consolidating internal governance in 2022, albeit the latter in a more radical form. Kazakh President Kassym-Jomart Tokayev has succeeded in consolidating and at the same time limiting his own power after the suppression of a movement that began as a protest over social policy measures but was quickly infiltrated and instrumentalized by terrorist elements. For the groups that were

close to his predecessor Nursultan Nazarbayev, this process of resulting political reforms is associated with a lasting loss of power. In Uzbekistan, President Shavkat Mirziyoyev was confronted with separatist tendencies in the autonomous republic of Karakalpakstan in the western part of the country and subsequently refrained from a constitutional reform with a centralist orientation.

President Tokayev made it clear to Putin that his country disapproves of annexation of Ukrainian territory.

While Tashkent hosted the world in July 2021 in the run-up to the presidential elections in October as the host of a high-profile international conference on cooperation between Central and South Asia in the shadow of the Covid-19 pandemic, its global political ambitions in the following year were rather more modest. At the same time, there was an increased struggle for regional leadership and, not least in the wake of the war in Ukraine, for more foreign investments. Astana is in the process of internal consolidation following a constitutional referendum and early presidential elections in 2022, as well as early elections to the lower house of parliament scheduled for 19 March 2023. At the same time, President Tokayev made

it clear directly to President Vladimir Putin at the international St Petersburg meeting that his country clearly disapproves of the annexation of Ukrainian territory. Tajikistan's President Emomali Rahmon also had strong words on dealing with Moscow's southern neighbors during a summit of Central Asian countries with Russia in Astana in October 2022. These developments need to be put into context with the fact that, on the other hand, Central Asia has been seriously underestimated by the US and mainly the EU beforehand.

Geopolitics through business

Although the normative maxims of a “rule-based order” and “value-guided foreign policy” are becoming increasingly important for the foreign policies of the EU and NATO, and respectively Germany, these aspirations are confronted with a complex reality that can rather be described as multipolar or polycentric. This implies that beyond the three global superpowers mentioned in the title, there are increasingly regional actors striving to pursue their own agendas. For Central Asia, China, Russia and Türkiye currently exert much greater economic and political influence than the EU, despite its revised strategy for the region in 2019. The economic areas in which the states of the region are integrated – the Caspian region, the Organization of Turkic States, the Shanghai

Cooperation Organization and the South Asian region – are also gaining in importance. In addition, the process of transformation from state economies to market economy structures is not yet complete in these countries, as also evidenced by the recent measures of economic reforms in Kazakhstan. In geo-economic terms, a window of opportunity is currently opening for the EU states in particular. The closure of Kazakhstan's trade mission and Uzbekistan's increased turn towards Europe illustrate these trends. At the same time, Russia is striving to maintain and expand its influence in the region through growing dependencies, which are being critically eyed by the elites of the states that have been independent for over 30 years now.

For Central Asia, China, Russia and Türkiye currently exert much greater influence than the EU.

Both Kazakhstan and Uzbekistan pursue an ambivalent strategy with regard to integration into geopolitical structures. The scope for interaction is to be expanded and dependencies reduced and, if possible, avoided. While Kazakhstan is acting from a position as a leading regional economic power and an important supplier of fossil fuels still needed by Europe, Uzbekistan is still in the initial phase of this process after years of extensive foreign policy isolation under President Islam Karimov. Increased involvement by Western

companies not only promises entry into previously unexploited markets, but also has the considerable potential to help shape these transformation processes and thus make a formative contribution to the development of these countries. At the same time, the ignorance of strategic business development with regard to Central Asia, which has dominated up to now, apart from a few pioneering achievements, is taking its revenge. The dominant focus of German foreign trade on Russia, without at the same time exploiting the potential of its southern neighboring countries, is proving to be a structural competitive disadvantage in these markets compared to other economic stakeholders, for example from China, India and Türkiye.

Russia is striving to maintain its influence in the region through growing dependencies.

If, for instance, the German Chamber of Commerce in Moscow is organizing a business delegation to Uzbekistan, or if various regional business associations in Germany, which previously focused on Russia, are now reorienting themselves towards Central Asia, it can be asked with a certain cynicism whether it took the war in Ukraine to seize these opportunities in a serious way? However, the impression of serving as a ‘second choice’

is received with moderate enthusiasm in the respective countries themselves. At the same time, optimism prevails with regard to the associated opportunities for their own economic development. Europe’s leading national economy in particular is reflected in this field of perception, which is characterized by ambiguity.

Germany’s economic take on the region

Despite the economic consequences of the Covid-19 pandemic, the energy price crisis and rampant inflation, Germany continues to be the economic powerhouse of the EU. German economy in Central Asia is one of the most dynamic and important economic players in the region. Germany has a long and successful history of economic engagement in the region, and it continues to invest in infrastructure and other projects to further solidify its presence in the region. Germany is the largest source of foreign direct investment (FDI) in Central Asia and has invested more than \$3.6 billion since the collapse of the Soviet Union. Germany’s investments cover a wide variety of sectors, including energy, transport, telecommunications, finance, and manufacturing. Germany has also been a key supporter of regional economic integration. It has financed numerous initiatives, such as the

Central Asian Free Trade Area (CAFTA) and the Central Asia-Caucasus Business Council (CACBC). Germany is one of the largest trading partners for the Central Asian states and by far the largest one within the EU.

Germany is the largest source of foreign direct investment (FDI) in Central Asia.

Berlin has also been an important provider of development aid to Central Asia – more than \$4.4 billion since the collapse of the Soviet Union. Kazakhstan remains Germany's most important economic partner in the region. According to the German Federal Foreign Office, the bilateral trade volume was 5.1 billion euros (imports to Germany: 3.7 billion euros; exports to Kazakhstan: 1.4 billion euros). More than 200 German companies are currently represented in Kazakhstan. With regard to Uzbekistan, German economy is also an increasingly important trading partner, however, the bilateral trade volume has developed dynamically and amounted to approximately 628 million euros in 2021, thus Uzbekistan reaches the 81st place among Germany's foreign trade partners according to the Federal Statistical Office. The trade volume with the other three countries in the region is all together roughly in the range of 300 million euros in 2019-2021, according to the Foreign Office.

Economic interactions of German businesses will become more dynamic in the near future.

It is to expect that the economic interactions of German businesses will become more dynamic in the near future. As a consequence of the wide-ranging sanctions against the Russian Federation, those companies that can place their goods and services previously sold on the Russian market without major effort will increasingly orient themselves there. The German economy, in turn, forms the bridge to Europe from the perspective of the Central Asian protagonists. This stems not least from Germany's early diplomatic engagement in the region after the end of the USSR, compared to other EU states, and the reputation it still enjoys. Taking an outlook into the future, the crucial question is whether Germany will succeed in the medium to long term in establishing itself in the region vis-à-vis other global and regional powers mentioned above, or whether, should geopolitical conditions change radically again, it will return to its position at the side table.

Strategic multi-level approaches needed

The geopolitical situation predestines Central Asia to be an area of interaction between global and regional powers. At the same time, the

countries of the region, especially Kazakhstan and Uzbekistan, are developing their own foreign policy agenda. Although strong ties with China and Russia will remain, the Central Asian elites are now moving towards a more diversified portfolio in their foreign (trade) relations. While Kazakhstan and Uzbekistan underwent a change of elites in 2016-2019 and power was consolidated primarily in domestic politics in 2022, rivalries flared up again between Kyrgyzstan and Tajikistan, which took on conflict-like proportions but were quickly pacified. While Bishkek, with its regular power (not elite) changes, is a special case in the region, President Rahmon in Dushanbe is now in the longest continuity of political rule since the region's independence. In Turkmenistan, there was a change of rule in 2022, but no change of elites or power, and the country with the fourth-largest natural gas reserves in the world is currently facing the same challenge that China has already managed successfully - reopening after years of consistent isolation.

Germany and the EU should be perceived as partners and not as instructors in countries of Central Asia.

While the dragon, the bear and, to a certain extent, the eagle vie for economic and political

influence in the region, the question for the EU and especially Germany is the significance of Central Asia in their foreign policy agenda. It is also clear that the region plays a role that should not be underestimated in solving global issues such as the fight against international terrorism as well as irregular migration and the effects of climate change. A long-term assertion of one's own interests in Central Asia can only succeed if a cooperation can be created that adequately takes into account the perspective of the countries concerned without strategically neglecting one's own goals. Germany and the EU should be perceived as partners and not as instructors for the development of political and economic systems in the countries of Central Asia. The time window for action is limited and other stakeholders consider the European hesitation as an incentive for their own strategic approach. This requires staying power, the increased structural development of regional competences, for example through the establishment of new conferences and think tanks in cooperation with the countries of the region. To achieve this, it is essential to institutionalize a constructive symbiosis of economic, political and intellectual engagement with Central Asia. Europe is at the beginning of a process that will not lastly determine what role it will play in future world politics.

Urs Unkauf is the Federal Managing Director of the German Federal Association for Economic Development and Foreign Trade (BWA Global Economic Network), based in Berlin, Germany.

DISCLAIMER: The views presented in this paper are solely of the author and do not represent an official position of the Institute for Development and International Relations (IRMO) or of the Hanns Seidel Foundation.

IRMO<sup>60
years</sup>

Institut za razvoj i međunarodne odnose
Institute for Development and International Relations



Institute for Development and International
Relations - IRMO
Lj. F. Vukotinovića 2, Zagreb, Croatia
www.irmo.hr

Hanns Seidel Stiftung
Amruševa 9, Zagreb, Croatia
www.hanns-seidel-stiftung.com.hr

© Institute for Development and International Relations – IRMO, ISSN 1849-9155