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HIGHLIGHTS

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Political Developments

Turkmenistan's incumbent President Gurbanguly Berdymukhamedov was convincingly re-elected as President for a third term of seven years, securing 98% of the votes polled in a heavily one-sided election on 12th February, 2017. He demolished eight other token candidates that included subordinate regional officials and director of a government-owned oil refinery. Turkmenistan's official news organization reported that international observers found only minor voting problems, which did not affect the election results. Independent election monitors have however not declared any of Turkmenistan's elections free or fair since the country gained independence after the collapse of Soviet Union in 1991.

Berdymukhamedov was sworn in on 17th February in a grand ceremony. All eight candidates vigorously applauded him at the ceremony. He promised to create a human rights ombudsman in a country where abuses are cited as being systematic by rights groups, and strengthen the fight against drug trafficking.

Kyrgyz President Almazbek Atambayev signed into law constitutional changes approved in a referendum in early December, 2016. Many of the changes were controversial with some international experts commenting that the changes would "negatively impact the balance of powers." Many analysts have stated that rebalancing of powers between President and Prime Minister was deliberate: either Atambayev was envisioning "a Putinesque term as Prime Minister when his single presidential term concludes" or he's interested in installing a loyal colleague in the office.

Kyrgyz President Atambayev has declared that he would not seek political office, including the post of Prime Minister, after his 6 year presidential term ends at the end of 2017.

According to Kyrgyz Constitution, President can occupy this position for only one term. Elections for the next President are scheduled for 19th November, 2017.

The Respublika—Ata-Jurt party of Kyrgyzstan, on February 14 2017, nominated its leader Omurbek Babanov, former Prime Minister as its candidate in the forthcoming presidential election. Two other prominent politicians — former Prime Minister Temir Sariyev, who leads Ak-Shumkar (White Falcon) party, and Onuguu-Progress party leader Bakyt Torobayev, have also announced plans to run for the post of President.

President Nursultan Nazarbayev of Kazakhstan in his nationwide televised address on 25th January, 2017 outlined a dramatic dilution of his own powers and a shift to a more parliamentary form of government. He described the strongly presidential model in force since independence as necessary to “overcome the enormous difficulties of forming the state,” but said that time had arrived for a new model. Under this, the president will give up some of his powers to parliament and the government. The new arrangement would however still leave the President with a veto over the most sensitive matters of state in foreign policy, defence and homeland security.

International human rights organization Freedom House in its annual report “Freedom in the World 2017” ranked Kyrgyzstan (37 points) as the only country in Central Asia which is “partly free.” Uzbekistan which received 3 points in the ranking has the worst indicators of freedom in Central Asia. Turkmenistan got 4 points. Tajikistan with 11 points and Kazakhstan with 22 points were ranked among the 49 “not free” countries.

At the instance of Russia, Turkey and Iran, Kazakhstan hosted the Syrian Peace Talks in Astana on 23-24th January 2017 and on 16th February, 2017. Syrian delegate accused Turkey of continuing to facilitate the entry of “tens of thousands of mercenaries” to Syria. He also accused Jordan of sponsoring rebel factions that have been clashing with government forces in the southern city of Daraa for the past few days.

In addition to the prestige of hosting the Talks, Kazakhstan seeks to prevent spread of Islamist extremism at home and in the region. Kazakh authorities estimate that several hundred of their citizens have joined Islamist militant groups in Syria and Iraq.

Kazakhstan neutralized two radical groups and six religious extremists in the city of Almaty and Almaty region through a special operation carried out over 13-24th January 2017 by the National Security Committee together with Interior Ministry.

On 15th February 2017, Moscow hosted consultations on Afghanistan with participation of senior officials from six nations — Russia, Afghanistan, Pakistan, China, Iran, and India. It was decided to invite the Central Asian countries to the next Round of consultations. Participants also agreed to further increase efforts towards peace and stability in Afghanistan under an Afghan-led and Afghan-owned peace process.

Governments of Uzbekistan and Russia plan to sign two agreements in the field of labor migration in April, 2017 during Uzbek President’s visit to Russia. They will cover organized recruitment and employment of citizens of Uzbekistan for temporary work in Russia and establishment of migration offices in each other’s country. The leaders will also discuss trade and military co-operation.

Kazakhstan “strongly condemned” the ballistic missile launch conducted by Democratic People’s Republic of Korea (DPRK) on 12th February as “a blatant violation of the relevant UN Security Council resolution.”

Economic Developments

Pipeline construction and gas-field development on the 1,680 km Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline commenced in Turkmenistan in 2015. Commissioning of the project is likely to be delayed by one year from 2019 to 2020 because of inability of Turkmenistan to achieve financial closure on the project. It was earlier scheduled to attain this by December 2016, but now it has been moved forward to June 2017. The four countries have signed a US\$10-billion investment agreement for the pipeline. The Tapi pipeline is projected to export up to 33bcm/yr from Turkmenistan to Afghanistan, Pakistan and India over 30 years.

China is falling well short of Turkmen expectations regarding the amount of gas it imports, in the process damaging the latter’s economy. Turkmenistan has supplied China with a total of 160bcm of gas since deliveries started in December 2009. This indicates that deliveries in 2016 totalled 30bcm or less. Such a level falls far short of Turkmenistan’s export target and casts a long shadow over goals set out by

president Berdimukhammedov in May 2014, when he declared that “annual export of natural gas to China will amount to 40bcm by 2016 and up to 65bcm by 2021.”

Turkmenistan’s GDP growth slowed to 6.2% in 2016 from 6.5% in 2015. Economic growth has been slowing since 2015 as energy prices dropped and Russia halted imports of Turkmen gas, leaving China as its major buyer.

Kyrgyzstan’s Prime Minister stated that the country’s membership of the Eurasian Economic Union (EEU) has been beneficial for the country. Opposition in Kyrgyzstan has charged that government has done nothing to improve economic situation in the country and create favorable conditions for local businesses to enter the EEU market. In 2016 Kyrgyzstan’s trade with EEU declined by 18.6% as compared to 2015 and amounted to US\$1.9 billion. Imports from non-EEU countries increased: from China by 150%, from Turkey by 12.2%, and from USA 130%. Kyrgyzstan’s transitional period with preferences will end in August 2017 and the country will then be required to obey common rules for all EEU member states. Farmers cannot export their products because they do not meet the requirements of EEU technical regulations. Despite criticism of MPs, Deputy Prime Minister expressed optimism focusing on a 3.8% GDP growth and an increase in customs duties by 8 billion soms in 2016. Exports in 2016 grew by 5.1% and reached US\$1.54 billion, compared to a 22% decrease in 2015. Imports decreased by 3.7% in 2016, compared to a 29% decrease in 2015.

Government stated that Kyrgyz economy declined because of unfavorable economic situation in Russia and Kazakhstan, the main trading partners of Kyrgyzstan. Kyrgyzstan’s economic growth is expected to be about 2.7% in 2017. In January-November 2016, remittances from Kyrgyz labor migrants working abroad amounted to US\$1.493 billion, 20.9% more than in the same period in 2015.

Central Bank of Uzbekistan decided to keep the refinancing rate at the earlier level of 9% per annum. This was done to keep inflation under control, stimulate investment and promote economic growth. Inflation in the country in 2016 was 5.7% compared to 5.6% a year earlier. In 2017, inflation is expected to be between 5.7%-6.7%. Uzbekistan has been growing steadily on account of its vast natural resources of oil, natural gas and gold. Uzbekistan’s economy grew by 7.8% in 2016 compared to an 8% growth in 2015 reflecting a weaker external environment and slower growth in the industry. The government has forecast GDP growth of 7.8% in 2017.

President Nazarbayev in his state-of-the-nation address on 31st January, 2017, launched the third phase of Kazakhstan’s economic modernisation. The Plan looks beyond the current difficult global economic conditions to prepare the country for challenges and opportunities in years ahead to make it among the 30 most developed nations of the world by 2050. Nazarbayev emphasized the importance of expansion of business environment and improvement of conditions for mass business. To achieve that goal, it is necessary to minimize the state’s involvement in the economy and develop public-private partnership.

Position of Kazakhstan in the American Think Tank Heritage Foundation’s “2017 Index of Economic Freedom” moved up significantly by 27 positions from 69 to 42 with an improvement of 5.4% in overall performance. Amongst Central Asian States, Kyrgyzstan comes next at 89, Tajikistan stands at 109, Uzbekistan at 148 and Turkmenistan brings up the rear at 170 out of a total of 180 countries. For purpose of reference, India stands at 143 (a decline of 3.6% in performance and fall from 128th position in the previous year), China at 111, Russia at 114, Sri Lanka at 112, Bangladesh at 128, and Pakistan at 141.

World Bank has forecasted that Kazakhstan’s GDP will grow from 0.9% in 2016 to 2.2% in 2017, 3.7% in 2018 and 4% in 2019. Much of this has to do with the government’s own infrastructure spending. As the economy opens up, Kazakhstan climbed the World Bank’s Ease of Doing Business index and is now ranked 35th. According to World Bank, 80% of all foreign money coming into Central Asia heads to Kazakhstan. World Bank has ranked it as one of the 20 most attractive countries in the world for investors.

Total value of exports and imports of Kazakhstan equals 53% of its GDP with average applied tariff rate of 3.3%.

Tajikistan's trade turnover decreased significantly over 2016. Between 2003 and 2013, Tajikistan's GDP grew by an average of 7.2% per year, while employment expanded at only 2.1% annually. The low level of product diversification and reliance upon natural resources makes the Tajik economy susceptible to volatile commodity prices. The country adopted a new National Development Strategy covering 2016-2030, which envisages Tajikistan transforming from a mainly agrarian based economy to an industrialized economy.

In 2016 Tajikistan's foreign debt reached US \$2.3 billion or 32.7% of the country's GDP. Today, Tajikistan's largest international creditor is China, accounting for more than half of the country's total debt. Tajikistan's other large creditors are the World Bank, Asian Development Bank, and Islamic Development Bank. In 2016, Tajikistan's exports amounted to US\$898.7 million and imports stood at US\$3 billion.

India-Central Asia Relations

Indian Space Research Organization (ISRO) successfully launched "Al-Farabi-1", a 1.7 kg Technology Demonstrator nano satellite built by Al-Farabi Kazakh National University, Almaty along with 103 other satellites using Polar Satellite Launch Vehicle (PSLV-C37) from Satish Dhawan Space Centre, Sriharikota on 15th February, 2017. The successful launch of Kazakhstan's nano satellite is expected to pave the way for further bilateral cooperation in the field of space.

India and Kazakhstan marked the 25th anniversary of establishment of bilateral diplomatic relations on 22nd February, 2017.

Technical assistance of 7.8 million tenge (US\$ 25,000) was given by India to the Al Farabi Kazakh National University, Almaty for establishment of a Mahatma Gandhi Centre and upgradation of the India Studies Centre in the Department of Indology of Faculty of Oriental Studies at the University.

A 30-member cultural and artisan troupe from Kyrgyzstan and an 8-member troupe from Kazakhstan participated in the 31st Surajkund International Crafts Fair in Haryana, India from 1st-15th February, 2017. The troupes showcased traditional arts and crafts of their countries to huge crowds at the Mela.

A two member delegation from Kazakhstan comprising of Dr. Erlan Gadletovich Batyrbekov, Director General, National Nuclear Centre, Ministry of Energy, and Prof Laura Yerekeshava, Deputy Director, Institute of Oriental Studies participated in the Raisina Dialogue organised by Observer Research Foundation and Ministry of External Affairs in New Delhi on 18-20 January, 2017.

(The views expressed are personal)
