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## HIGHLIGHTS

- Political Developments
- Economic Developments
- India-Central Asia Relations

## Political Developments

**Kyrgyzstan's newly-elected President Sooronbay Jeenbekov** was sworn into office on 24th November, 2017. Jeenbekov's assumption of office is the first peaceful transfer of power in Kyrgyzstan's contemporary history. The two former presidents, Askar Akayev and Kurmanbek Bakiyev, were toppled through revolutions in 2005 and 2010 respectively and fled the country.

Prosecutors **in Kyrgyzstan** have opened a criminal case against Omurbek Babanov, runner-up in recent presidential elections. He is accused of fomenting ethnic tension during the campaign and inciting overthrow of government.

An International Conference titled "**Central Asia: Shared Past and Common Future, Cooperation for Sustainable Development and Mutual Prosperity**" was organized by **Uzbekistan** in collaboration with United Nations in November, 2017. General VK Singh, Minister of State for External Affairs led a delegation from India to the Conference. Foreign Ministers of other 4 Central Asian countries, External Relations Commissioner of European Union, Iranian Foreign Minister, representatives from UN, OSCE, SCO, CIS, EBRD and senior delegations from other countries participated. Addressing the Inaugural Session, Uzbek President Shavkat Mirziyoyev spoke of necessity to use transit and logistics potential of region more efficiently and ensure advanced development of transport infrastructure. He announced that Uzbekistan will host an international conference on development of transport and transit infrastructure in Central Asia in 2018. Mirziyoyev said that since beginning of 2017, Uzbek trade with region had increased by 20% on average, and almost 70% with certain states. The Conference discussed specific areas for enhancing cooperation in political, trade-economic, investment, transport-communication, water-energy, environmental and cultural-humanitarian spheres, as well as issues of confronting modern threats and challenges.

**Kazakh foreign minister** announced at the Conference that President Nursultan Nazarbayev will convene Summit of Central Asian leaders in 2018 to give an impetus to regional integration.

On sidelines of the Conference, 13th annual **EU-Central Asia ministerial meeting** took place. EU leaders identified radicalization of youth, Iranian nuclear program, and achieving stability in Afghanistan as major concerns.

Also, **foreign ministers of five Central Asian nations** signed a Program on Mutual Cooperation for 2018-19. The document outlines joint efforts to boost security, trade and economic cooperation, investment, transportation, energy, tourism, and culture across the region.

**Turkmenistan and EU** discussed prospects for cooperation in political, economic and trade spheres. Talks on supplying Turkmen gas to Europe started in 2011. Southern Gas Corridor, which includes the Trans-Caspian project (laying of a 300-km gas pipeline along bottom of Caspian Sea to coast of Azerbaijan), remains a priority for EU.

Another important event was the signing of an agreement on demarcation of junction point of state borders of three states by **Foreign ministers of Kazakhstan, Turkmenistan and Uzbekistan**. It creates a solid basis for promoting mutual respect, equality and territorial integrity of the three countries.

**Kyrgyzstan's** outgoing-President Almazbek Atambayev indicated in his last press-conference that he might contest elections to Kyrgyz Parliament in 2020. Atambayev charged that restrictions by Kazakhstan on goods from Kyrgyzstan were contrary to provisions of Eurasian Economic Union (EAEU). He accused other EAEU members of "complete indifference" to this "blockade" causing immense hardship to Kyrgyz traders and transporters. He suggested that Russia should intervene to resolve the dispute.

**Atambaev** signed a law repudiating Agreement of 2016 whereby Kazakhstan would provide assistance of \$100 million "to promote integration of Kyrgyz Republic in Eurasian economic Union". Atambayev rejected this financial assistance from Kazakhstan.

**After a massive crackdown on the Islam-following Uyghur community in its Xinjiang province, China** started targeting ethnic Kazakhs living on its side of the border - again on grounds of religion to force them to stop following their customs, including praying five times a day.

A **radioactive accident reportedly in Russia or Kazakhstan** sent radioactive contamination into atmosphere drifting in a cloud over Europe in recent weeks. High levels of Ruthenium 106, an isotope produced by nuclear reactors, which is not found in nature and is not harmful to human health or environment were detected.

**Tajikistan** has declared that all imams who received their religious training abroad will be sacked. The government hopes that this will prevent radicalization.

**Russian Prime Minister Dmitry Medvedev visited Uzbekistan** to attend the Commonwealth of Independent States (CIS) meeting in Tashkent. Russia and Uzbekistan confirmed their commitment to further deepen relations and signed a package of new cooperation and investment agreements. Uzbek President also held bilateral meetings with Prime Ministers of Tajikistan, Kazakhstan, Belarus and Deputy Chairman of Cabinet of Ministers of Turkmenistan. Bilateral cooperation and prospects for development of relations were discussed.

**Iranian Foreign minister met President and foreign minister of Tajikistan** during his visit to Dushanbe. It was agreed to hold meeting of Joint Commission soon in Dushanbe. Foreign ministers of Tajikistan and Iran inaugurated the new building of Iranian Embassy in Dushanbe.

**Uzbek President** visited South Korea and signed 75 deals covering finance, trade and industry. Contracts in energy, oil and gas sectors amounted to \$2.95 billion. Another \$1.7 billion were pledged in construction and infrastructure deals, and \$2.7 billion in banking and finance sector. Uzbekistan also signed first long-term contract for supply of uranium to South Korea.

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## Economic Developments

**7th Regional Economic Cooperation Conference on Afghanistan (RECCA) was held in Turkmenistan** to discuss investment opportunities in Afghanistan. Political and business leaders from 40 countries and representatives of 30 regional and international organizations focused on key aspects of economic development of Afghanistan. Afghan foreign minister said that 7th RECCA Meeting had come at a time when

need for economic growth, stability and confidence-building in the region was greater than ever before. His inter-alia pointed to launch of Afghanistan-India Air Corridor Programme, through which Afghanistan exported more than 1150 metric tons of goods to India since June, 2017. Indian Minister of State for External Affairs MJ Akbar said that Pakistan has emerged as the “largest wall in history”, inhibiting connectivity between India and Afghanistan. He accused Pakistan of committing crime against Afghan people by blocking normal access between India and Afghanistan. **Lapis Lazuli Transit Route agreement was signed between Afghanistan, Turkey, Turkmenistan, Azerbaijan and Georgia.** The agreement focuses on two issues viz. transit structure and transportation infrastructure.

**Iran and Turkmenistan** are discussing possibility of transporting Turkmen gas to Armenia and Azerbaijan via Iran.

**Kazakhstan** hopes to settle a dispute with global energy companies developing the Karachaganak gas condensate field in the coming weeks. Kazakhstan had filed a \$1.6 billion claim against foreign firms developing Karachaganak field in 2015.

**Pakistan has asked Turkmenistan** to slash gas price by linking it with Brent crude oil rates under a revised pricing formula for shipments through TAPI pipeline.

**European Bank for Reconstruction and Development** reopened its office, which had been closed since 2007, in **Uzbekistan** and announced first new financing in the country of four loans totaling \$125 million. 15 more projects in next 12 months are planned.

**Pakistan's exports to Tajikistan** plunged 40% owing to tariff restrictions and non-availability of cost-effective transportation. Non-availability of direct air links between the two countries is the biggest bottle-neck to restrict trade volume. Exports from Pakistan to Tajikistan dropped to \$4.5m in 2015-16 from \$7.5m in 2014-15. But imports, mainly of raw cotton, increased to \$11.16m from \$0.068m during same period.

**Kazakhstan** is expected to see GDP growth of 3.8% and 3.5% in 2017 and 2018 respectively. Kyrgyzstan will see GDP growth of 4.4% in 2017 and 4.2% in 2018, and Turkmenistan – 5.7 and 5.2% respectively. In Central Asia, highest GDP growth will be witnessed by Tajikistan and Uzbekistan; Tajikistan at 6.5% and 5.0% in 2017 and 2018 respectively, and in Uzbekistan, GDP is expected to rise 5.4% in 2017 and 6.2% in 2018.

**Pakistan prevented Afghan trucks** from crossing the border and without any prior notification, increased customs tariffs by up to 150% on 120 out of 741 Afghan goods being exported to Pakistan. In retaliation, Afghanistan banned entry of Pakistani trucks via Torkham and Spin Boldak crossings. It decreed that Pakistani trucks should unload at the border and goods carried to their destinations only by Afghan trucks — a practice that Pakistan has been following since 2010 with respect to trade between Afghanistan and India over the Wagah crossing.

**Russia has launched oil supplies in test mode to Uzbekistan.** Russia plans to construct a new refinery with capacity of 5 million tons in three years. To increase supplies it is necessary to expand capacity of oil pipelines through Kazakhstan Capacity of pipeline through Kazakhstan needs to be expanded from current 10 million tons to at least 18 million tons. Supplies could then be increased up to 3 million tons to Uzbekistan, and 2 million tons to Kyrgyzstan.

**Uzbekistan** raised gasoline prices by about 40% and diesel by about 70% amid chronic shortages of fuel in the country. The hike brings prices closer to those in neighbouring countries after Uzbekistan devalued its currency by almost 50% in September.

**China will build an aluminium factory worth \$1.6 billion in Tajikistan.** This will further increase China's influence as it already owns more than half of Tajikistan's external debt.

**As against exports of an average 44,000 metric tons of high-octane kerosene a month by Russia to Kazakhstan in 2016,** quantity this year dropped to around 15,000 metric tons. This has resulted in long queues at gas stations and unhappiness amongst common people. Even more acute is the situation with aviation fuel.

In a policy reversal, **Uzbekistan** announced construction of a major 400 MW hydroelectric power project on river Pskem to produce 900 million kwh of electricity per year, making this the second largest plant in the country. Export-Import Bank of China will reportedly extend a \$240 million loan toward the \$800 million cost of the project.

Volume of **oil production in Kazakhstan** in January-October 2017 amounted to 60.172 million tons, which is 12% more than for same period in 2016. Kazakhstan's Kashagan field is expected to produce 250,000 barrels of oil per day by the end of this year.

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## India-Central Asia Relations

**Indian Army Chief Gen Bipin Rawat held talks in New Delhi with Kyrgyz armed forces chief** on ways to expand bilateral security and defence cooperation.

Kyrgyzstan was focus country in annual India International Trade Fair organized in Delhi from 14th-27th November, 2017. 7,000 exhibitors participated in the Exhibition.

The 14-day long joint training exercise between **defence forces of India and Kazakhstan titled "Prabal Dostyk – Robust Friendship - 2017"** was held in Himachal Pradesh. A mock drill to repel terrorist attack on "United Nations office" marked the culmination of the exercise. This was second edition of "PRABAL DOSTYK" series, the first having been conducted in Kazakhstan in 2016. Exercises included basic mutual orientation between contingents of two armies, joint training in counter-insurgency/counter-terrorist operations under UN mandate and culminated with a validation exercise. Overall aim of the exercise was to understand each other's operational methodology and develop interoperability to enable joint operations.

**India held talks with EAEU** on starting negotiations for establishing a Free Trade Area. Current Indian trade with EAEU is \$8.4 billion which is well below potential. EAEU has so far concluded only one FTA with Vietnam. During his first visit to Russia as Commerce Minister, Suresh Prabhu attended first ministerial conference on trade organised by Shanghai Cooperation Organisation (SCO) after India became full member in June 2017.

**Kazakhstan** will simplify visa regime for Russia, China, India, EU and the Persian Gulf countries in the coming years.

**Kazakhstan's flag carrier Air Astana** will add Mumbai as its second destination in India by 2019. Air Astana currently operates 10 flights between Kazakhstan and India every week - a daily service between Almaty and New Delhi and thrice weekly between Astana and New Delhi. Its first priority is to institute daily flights between Astana and Delhi. Total number of passengers carried between Kazakhstan and India during 2017 reached 43,459, representing an increase of 43% compared with 2016.

**India approved protocol amending Agreement** with Kyrgyzstan for avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income. New clauses are being added to existing DTAA with Kyrgyzstan regarding exchange of information.

**Uzbekistan** is keen on Indian companies taking advantage of country's attractive investment climate and is willing to offer far-reaching incentives to Indian pharmaceutical companies in particular. At first stage it is suggested that Indian companies open packaging facilities for some value addition. Demanded level of localization is 36% which could be achieved in next 3-4 years.

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*(The views expressed are personal)*

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