

HIGHLIGHTS

- **Political Developments**
- **Economic Developments**
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Political Developments

In mid-July, the heads of state of the Gulf Cooperation Council (GCC)—Saudi Arabia, Kuwait, Bahrain, Qatar, Oman, and the United Arab Emirates (UAE)—and the five Central Asian republics (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan) convened in Jeddah for the first summit between the two regions. The summit was held as uncertainty about agricultural exports from Ukraine and Russia—and other supply chain disruptions from the war in Ukraine—increased Gulf and global interest in Central Asia as a producer of grain and energy and in Middle Corridor trade routes as alternatives to shipping via Russia. The Central Asian states are eager to capitalize on their strategic location and the opportunities of the geopolitical moment but need investment from capital-rich donors such as the Gulf states to develop the infrastructure and logistics needed to scale up commercial capacity. They are also seeking options beyond the Belt and Road initiative of China to create their transit and transport infrastructure. Despite the complementary interests of Central Asia and the Gulf, trade in 2021 between the two regional blocs amounted to only 0.27 per cent of the Gulf states' total trade. While there have been recent bilateral meetings between leaders from the two regions, the summit aimed to pave the way for increased collaboration ensuring “the flexibility of supply chains while improving transportation and communication, food security, energy security and water security” and “creating business opportunities, supporting investment opportunities and increasing trade.”

The Taliban are digging the Qosh Tepa canal to divert water from the Amu Darya, the river that supplies water to several parched Central Asian states. Afghanistan and Iran have already traded deadly fire over cross-border water sharing. Some experts fear that the first shots of long-predicted “water wars” in the region may already have been fired. Long-term neglect,

mismismanagement, and overuse of water resources, coupled with a years-long drought that's baked the steppe hard, have rattled governments in Central Asia finally coming to terms with the reality of climate change. The presidents of Uzbekistan, Tajikistan, and Turkmenistan will meet in Ashgabat, Turkmenistan, in August for their annual get-together, with water high on the agenda. Central Asian neighbors are grappling with the Taliban's decision to build the massive canal, without consultation with other riparian states, that could reduce the flow of the Amu Darya by half. The Taliban want to turn northern desert into farmland with the Qosh Tepa canal, which Uzbekistan fears will severely cut into its own resources for agriculture.

The war in Ukraine as well as the West's sanctions regime against Russia, has increased the geopolitical significance of the Central Asian Republics (CAR) in German security considerations. Germany has initiated a new drive to boost its ties with CAR in response to Russia's prolonged military intervention in Ukraine. The German President Frank-Walter Steinmeier visited Kazakhstan in the third week of June, reinvigorating the Kazakh-German strategic partnership and economic relations. Economy, energy, and connectivity dominated the talks between Steinmeier and Kazakh President Kassym-Jomart Tokayev. Astana is significant for Germany because 85% of German foreign trade in Central Asia is conducted with Kazakh companies. The total bilateral trade between the two is \$9 billion. Moreover, Berlin's energy security requirements necessitate alternatives to Russian oil resources. Technology in exchange for raw materials is the broad theme that drives the relationship. Berlin has promised to enhance exports of education and technology to Astana. Steinmeier and Tokayev launched the construction of a green hydrogen plant worth \$54.3 billion by Svevind Energy, the German-Swedish company. The Kazakh-German Engineering Institute was also inaugurated during the President's visit. In return, Kazakhstan has announced an increase in its crude oil exports to Germany's PCK refinery in Schwedt by 10%, using the land transportation links.

An official at the Russian General Consulate in Kazakhstan's largest city, Almaty, said that Kazakh authorities have decided not to extradite Russian IT expert Nikita Kislitsin to the United States. A Kazakh court has reportedly ruled to keep Kislitsin in custody until his possible extradition to Russia is decided. In late June, Kazakh authorities arrested Kislitsin, who is the senior executive at the F.A.C.C.T. (formerly Group-IB) company, one of Russia's top cybersecurity firms, at Washington's request. Kazakh officials said at the time that they also had received a request from Moscow to extradite Kislitsin to Russia. Russia has apparently urged Astana not to extradite Kislitsin to the United States.

Although Kazakhstan, like Turkmenistan, did not receive any ships when the Soviet fleet on the Caspian was divided up, Astana has built up the largest inventory of ships of any of the littoral states, including Russia, by purchasing them from foreign countries or building them domestically in cooperation with foreign shipbuilding firms. Most of these ships are quite small and clearly intended for fighting, poaching or search-and-rescue operations; even so, the rapid siltation of the northern part of the Caspian, the product of climate change; the collapse of dredging

operations after 1991; and increased demands for water from growing populations means that Astana is now capable of projecting power more effectively than any other state, including Russia, whose Caspian Flotilla ships are larger and require deeper waters. Kazakhstan's plans to expand its navy assumed a more public role recently when its Zenith factory signed an agreement with Turkey's Asfar and YDA Group to build naval vessels in Uralsk. The accord will have three major consequences: First, this agreement effectively sidelines Moscow's efforts to remain the dominant player in Kazakhstan's shipbuilding industry—a position it thought it had solidified in 2010 with an accord to build ships for Astana. But after this joint effort produced two minesweepers a decade ago, its role has declined to the point that Kazakhstan has chosen to look elsewhere. Second, Kazakhstan's agreement with Turkey expands on Ankara's already close defense cooperation with Astana. This cooperation is part of the Turkish government's efforts to assume a leading role in the development of the Central Asian states' militaries, as was outlined in the case of Kazakhstan during President Tokayev's visit to Turkey in May 2022. And third, while both Kazakhstan and Russia are worried about the strategic and economic considerations of the siltation in the northern Caspian, Astana's past policies of building smaller ships, something that the Turkish-Kazakhstani agreement will almost certainly continue, is likely to put Astana in a better position economically and even militarily than Russia in the region. Tokayev has called attention to Kazakhstan's shipping problems by involving both China and Iran in dredging operations in the Volga-Don Canal, which links the Caspian to the Sea of Azov and then the world's oceans.

Kazakh Deputy Minister of Foreign Affairs Kanat Tumysh and Secretary General of the Conference on Interaction and Confidence Building Measures in Asia (CICA) Kairat Sarybay signed a Roadmap for the Implementation of the Kazakh Chairmanship's Priorities in CICA for 2023-2024 outlining progress in implementing activities to strengthen connectivity in Asia. The document reflects progress in the implementation of Kazakh President Tokayev's initiative announced at the sixth CICA Summit in October last year, including the creation of the CICA Council on Sustainable Interconnectivity, the institutionalization of the CICA Finance Summit, the preparation for the 2024 CICA Environmental Conference, the creation of a partner network of the member states' leading universities, as well as initiatives to support volunteer movements in the CICA region.

Kazakhstan hosted the first Kazakh-Afghan business forum on Aug. 3 in Astana focused on developing trade and economic relations with Afghanistan. US Special Representative for Afghanistan Thomas West, along with the Special Envoy for Afghan Women, Girls and Human Rights, Rina Amiri, visited Astana, Kazakhstan and met colleagues from the 5 Central Asian Republics for a C5+1 Special Session on Afghanistan. They discussed several issues, including providing humanitarian assistance, protecting human rights, international cooperation with Afghanistan, ensuring security and combating terrorism. Many agreed that inclusive governance & women's rights are integral to economic stability, security & peace. They underscored that women's rights are integral in Islam & critical to development, as in their countries. Amiri held discussions with the Kazakh special representative on Afghanistan, Talgat Kaliyev, and Special Representative of the President for International Cooperation, Erzhan Kazykhan. They discussed

areas of cooperation in support of the Afghan people and explored ideas of how Central Asian countries can mobilize to support Afghan women and girls. Amiri said that she had a “great meeting with Kazakh women education and business leaders who voiced solidarity with their Afghan sisters. They committed to advancing with their government, education and entrepreneurial support for Afghan women.”

A working meeting of the heads of the Collective Security Treaty Organization (CSTO) member states defense communications management bodies took place in Moscow on behalf of the CSTO Joint Staff. Representatives of the defence agencies of Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, Russia, Tajikistan, the CSTO Joint Staff and the CSTO Secretariat attended the event. Chief of the CSTO Joint Staff, noted that “the most important direction of the CSTO is the improvement of the system of interstate information interaction and the CSTO Troops management system, the technical basis of which is the communication system”. He also noted that the experience of the peacekeeping operation in the Republic of Kazakhstan and the annual joint exercises demonstrated the need to coordinate the efforts of the CSTO member states to improve the communications system.

Economic Developments

The Kazakhstan central bank is cutting the country’s gold share down to as low as half of its held reserves in an effort to replenish foreign currency reserves. The central bank of Kazakhstan has an estimated \$34.5bn (KZT15.34trn) of gold reserves held domestically, which makes up around 56% of the country’s reserves. The central bank aims to reduce this further to between 50% and 55%, having already sold 60.7 tonnes (t) in the first six months of the year. The bank will look to sell a further 12.7t in order to reach its target. The Kazakh central bank told Bloomberg that it had made 108.8t of “gradual” gold sales to external markets, drawing as much as \$7bn. This, it said, will help to “ensure balance in the allocation” of its reserves between gold bullion and foreign currency.

Dollarization of deposits in Kazakhstan continues to decline. By the end of 2022, this indicator decreased to 31.6 percent from its peak of 38.4 percent in February 2022. In April 2023, the share of foreign currency deposits reached its lowest level in over 15 years, standing at 29.3 percent. The National Bank of Kazakhstan implemented measures to ensure financial and price stability throughout 2022, including raising the base rate from 9.75 percent in January to 16.75 percent in December. During the first half of 2023, the base rate remained at the same level, aiming to slow down price growth in the medium term.

Hotels in Kazakhstan welcomed nearly 250,000 foreign nationals in recent weeks which is over three times more than in the same period last year. Kazakhstan witnessed an eleven-fold surge in arrivals from Mongolia, from 489 to 5,683 tourists, and more than an eight-fold increase in visitors from China, from 2,223 to 18,954. The number of tourists coming from India increased

by 4.7 times from 1,245 to 5,887, South Korea – by 3.8 times from 939 to 3,585, Germany – tripled from 1,659 to 5,054, and the United States – more than double from 1,237 to 2,761.

Kazakhstan and China are looking to boost joint scientific research. Kazakhstan's science and higher education minister, Sayasat Nurbek, met with top officials of the China-based Center for Technology Transfer of the SCO Member States (SCO CTTC). The parties discussed potential partnerships "in the fields of science and higher education," including "creating joint laboratories, scientific and technological projects and educational programs." The meeting did not produce any concrete agreements. SCO CTTC representatives also held talks with leaders of the Kazakh Science Foundation. Those talks focused on the development of technologies and pharmaceuticals that can be "commercialized," including vaccines against brucellosis in farm animals, unmanned aerial systems, charging stations for electric vehicles, anti-corrosion phosphate materials for oilfield equipment, and fermented milk products for children.

The volume of freight traffic between China and Kazakhstan during the first half of 2023 rose by 26 percent to 13.7 million tons. The export of goods from Kazakhstan to China increased by 37 percent to 8.3 million tons. Commodities acted as the main drivers of growth. China-bound cross-border shipments of grain jumped by 200 percent, vegetable oils by 70 percent, non-ferrous metals by 55 percent and metal ore by 15 percent. Imports from China increased by 13 percent to 5.4 million tons, with autos and construction materials leading the way.

Kazakhstan has sent several trucks on a new trade route to Pakistan through Afghanistan in a pilot mode as part of a recently launched project. Kazakhstan is currently negotiating with National Logistics Cell, a Pakistani company, which will safely ensure trade between Pakistan and Kazakhstan. The cargo from Kazakhstan to Pakistan and back travels 4,000 kilometers.

India-Central Asia Relations

Indian Aviation Regulator Director General of Civil Aviation (DGCA) has approved IndiGo's plans to start flight services to Almaty in Kazakhstan from 5th September, 2023. IndiGo has embarked on an ambitious international expansion. In February, the carrier announced plans to start direct flights to six overseas destinations -- Nairobi (Kenya), Jakarta (Indonesia), Tbilisi (Georgia), Baku (Azerbaijan), Tashkent (Uzbekistan) and Almaty (Kazakhstan).

Three Memorandum of Understanding (MoUs) were signed between Indian and foreign universities in presence of Union Education Minister Dharmendra Pradhan and University Grants Commission Chairman M. Jagadesh Kumar. One of them *inter alia* was between Guru Ghasidas Vishwavidyalaya and Eurasian National University Astana, Kazakhstan. These agreements encompass an array of collaborative initiatives, including joint degree programmes, dual degree academic programmes, credit transfer arrangements, student exchange opportunities, and joint

teaching and research activities. Besides, the agreements also facilitate sharing of scientific resources.

Ambassador of Kazakhstan to India Nurlan Zhalgasbayev took part in a Special Session on India and Kazakhstan Emerging ties: Focus on West Bengal. The event, organized by the Merchant Chamber of Commerce and Industry (MCCI) of West Bengal, was attended by more than 100 representatives of local large, small and medium-sized businesses, business community, public figures and mass media. Kazakh Ambassador informed about the political and economic reforms in the country, new business opportunities and prospects of investing in the economy of Kazakhstan. Following the session, it was agreed to send a business delegation to visit Kazakhstan.

A team of 20 Indian doctors at BLK Max, New Delhi performed a rare two-way swap liver transplant, granting a new life to two Uzbekistan nationals. Overcoming the challenges of ABO incompatibility, the medical team, devised an innovative solution where willing donors exchanged organs to match the blood groups of the recipients. The medical team conducted four simultaneous surgeries, exhibiting exceptional perseverance and achieving a ground-breaking milestone in medical history by saving the lives of both 41-year-old Gulyam and 51-year-old Matlubakhon who hail from Uzbekistan.

India has suspended manufacturing licenses for three cough syrup makers. Cough syrups made by two of the three firms were linked to the deaths of at least 89 children in Gambia and Uzbekistan last year. The companies deny any wrongdoing. India has tightened its testing of cough syrup exports since June, 2023 making it mandatory for companies to obtain a certificate of analysis from a government laboratory before exporting products.

The previous issues of Central Asia Digest are available here: [LINK](#)

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COMMENTS