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# Central Asia Struggles With the Consequences of Russia's War

During the <u>Antalya Diplomacy Forum</u> in Antalya, Turkey, which took place from March 11 to March 13, 2022, the Kyrgyz Republic's Foreign Minister Ruslan Kazakbaev <u>told</u> Helga Maria Schmid, the secretary-general of the Organization for Security and Cooperation in Europe (<u>OSCE</u>), that his country would be happy to host Russian-Ukrainian talks and serve as the "mediator for re-establishment of peace and mutual understanding" between the two countries.

On the sidelines of the forum, Kazakbaev also met with the Minister of Foreign Affairs of <u>Azerbaijan</u> Jeyhun Bayramov and the State Secretary of the Ministry of Foreign Affairs of <u>Slovenia</u> Stanislav Raščan and told them that the Kyrgyz Republic wanted the Russian-Ukraine conflict to end, reiterating that his country was willing to play a role to achieve this outcome.

Why is the Kyrgyz Republic so keen to get involved in Russia's war in Ukraine? Because this landlocked Central Asian country of more than 6.5 million people is reliant on its economic ties with Russia through the <u>Eurasian Economic Union</u>, "an international organization for <u>regional</u> economic integration," which includes Armenia, Belarus, Kazakhstan and the Kyrgyz Republic. Any Western sanctions on Russia will directly impact the Kyrgyz Republic, where <u>20 percent</u> of the population lives below the national poverty line, according to 2019 figures. The conflict between Russia and Ukraine has already begun to have a <u>negative</u> economic impact on the five Central Asian republics of

Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan, which were once a part of the former Soviet Union.

### Oil, Remittances and Food

Sanctions on Russia have sent shock waves from Nur-Sultan, the capital city of Kazakhstan, to Ashgabat, the capital of Turkmenistan, as each of the countries in Central Asia struggles with the fallout of these sanctions and the impact they will have on their economies.

Kazakhstan, which "exports two-thirds of its oil supplies through Russian ports," hastily raised its baseline interest rate from 10.25 percent to 13.5 percent and intervened in the currency markets to protect the tenge, its currency, which "sank alongside the Russian... [ruble] after Moscow launched attacks on Ukraine," according to Reuters. Kazakh officials held talks with the U.S. embassy in Nur-Sultan thereafter to minimize the impact that the Western sanctions imposed on Russia could have on Kazakhstan's economy.

Meanwhile, no major Russian city can function without seasonal migrants, particularly in the construction trade; roughly 5.2 million migrant workers entered Russia between January and September 2021 from the Central Asian countries of the Kyrgyz Republic, Tajikistan and Uzbekistan, according to data provided by the Russian Ministry of Internal Affairs. Many of these migrants send money they earn as remittances back to their home countries. This accounts for a significant percentage of the gross domestic product (GDP) of the Central Asian states like the Kyrgyz Republic, where these remittances accounted for 31 percent of the GDP in 2020, and Tajikistan, where these remittances made up 27 percent of the country's GDP during the same year. As the ruble continues to fall against the dollar, as Russia places capital controls on the currency transfers, and as economic tightening sets in within Russia, migration and remittances will slowly dry up in Central Asia. Kazakhstan's tenge and Uzbekistan's som are already struggling to hold their value. The continued Western sanctions against Russia are going to have a serious long-term impact for the Central Asian republics.

On top of the crises of oil and remittances being faced by the countries in Central Asia,

Russia also recently <u>announced</u> that it will no longer be able to supply Kazakhstan and the Kyrgyz Republic with grain and sugar. These republics rely on grain and sugar imports in normal times, but with the <u>drought</u> in the central belt in 2021, these imports have become fundamental for the survival of the people in these republics. For now, the governments of the region <u>say</u> that they have enough stocks of grain and sugar, but the "temporary ban" of these items by Russia will become a problem if the situation runs into the summer.

It is important to point out here that Russian speakers <u>comprise</u> significant sections of the population of each of the republics of the former USSR and also form a large part of the population in many of the Eastern European countries. As nationalist attitudes thrive in Russia—something that Vladimir Lenin <u>warned</u> against in 1914—worries percolate about witnessing similar destabilization among those countries that share a border with Russia, especially where Russian speakers are in some cases a majority (in Belarus, where <u>70 percent</u> of the population speaks Russian) and in others are a substantial minority (in Kazakhstan, where <u>20 percent</u> of the population speaks Russian). It did not help that Vyacheslav Nikonov, from Russian President Vladimir Putin's United Russia party, <u>said</u> on "The Great Game" program on Russian television in December 2020 that "Kazakhstan simply did not exist"; this statement irked the government in Nur-Sultan, which demanded a retraction.

For now, relations between Russia and many of these states have been largely fraternal, with Russia providing security, when necessary, mostly through the Collective Security Treaty Organization (CSTO)—a military alliance comprising Russia, Belarus, Kazakhstan, Kyrgyzstan, Armenia and Tajikistan—that was formed as a result of a treaty signed in 1992 by these post-Soviet states. It was through the CSTO that Russian forces intervened in Kazakhstan in January 2022 and helped the government put an end to a protest movement against them, and the CSTO forces agreed to "reinforce" the shared borders of Afghanistan with the Central Asian states that are members of the organization, after the U.S. withdrew from Afghanistan in August 2021. Belarus could also support and join Russia in the Ukraine war as a consequence of its membership in the CSTO; no other CSTO member state has joined this war so far.

#### The Chinese Connection

Across Central Asia, the governments are scrambling to take hold of the instability resulting from the Russian war in Ukraine. Kyrgyzstan, for instance, hastily <u>set</u> up an Anti-Crisis Committee. On February 25, Russian President Vladimir Putin <u>called Uzbek</u> President Shavkat Mirziyoyev to discuss the war and the crisis produced by the Western sanctions; that same day, Russian Prime Minister Mikhail Mishustin visited Kazakh President Kassym-Jomart Tokayev to <u>talk</u> about the decrease in trade between the two countries and what this will likely mean. Russia is concerned about the impact of the Ukraine war on the countries of Central Asia, largely because Russia has no solutions to the problems that they will face.

China, on the other hand, is well-positioned to play a key role in Central Asia in the years to come. China has already built up a number of institutional arrangements that will become important for strengthening this relationship in the region, two important ones being the Shanghai Cooperation Organization and the Belt and Road Initiative (BRI). On January 25, the "China Plus Central Asia" meeting took place virtually between China's President Xi Jinping and the heads of state from Kazakhstan, Turkmenistan, Uzbekistan, Kyrgyzstan and Tajikistan; this was to commemorate the growing ties between China and these countries over the past 30 years since the USSR collapsed. In this period, China-Central Asia trade grew by 100 percent, with the largest volumes being in China's purchase of energy from the post-Soviet republics. But this virtual conversation, which took place before the Russian intervention in Ukraine, extended beyond trade along China's Health Silk Road (set up in 2016) and the creation of a regional trade hub in Urumqi, the capital of the Xinjiang Uyghur Autonomous Region. During the height of the pandemic, Chinese investment in Central Asia slowed down; now there is an expectation in the region that not only will it return to its pre-pandemic levels but that it will also make up for any losses north of the borders

Central Asia has other options, notably to increase trade with India, Iran and Turkey. In January 2022, India held the first biennial virtual <u>summit</u> with the five Central Asian republics, and there are expectations for these ties to deepen over time. However, India—unlike China—does not share a land border with any of these states, and its <u>trade turnover</u> (\$2 billion) is much less than China's <u>trade volume</u> with Central Asia (\$9.2 trillion between 2013 and 2020). The trade relations of Iran and Turkey with Central Asia

are significant, but also minimal, and what trade relations are important to these countries have already been integrated into China's BRI project.

The economies of the Central Asian republics are fundamentally integrated into that of Russia. China can provide some investment support, but it cannot so easily supplant the 100-year-old Russian institutions that have played an important economic role in Central Asia. The Central Asian republics will struggle as the sanctions tighten on Russia, but they will get some relief from the BRI and their regional partners (including Iran and Turkey).

No wonder that Kyrgyz Foreign Minister Kazakbaev eagerly called for mediation in Ukraine. His country wants this conflict to end and for the harsh sanctions to be withdrawn. Otherwise, economic distress will increase in a region that continues to be plagued with instability as a result of the 20-year U.S. occupation of Afghanistan, and the economic hardship might lead to political unrest that could set the entire Central Asian rim on fire.

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