

Prospects for Regional Integration in Central Asia

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Introduction

The result of the collapse of the USSR and the emergence of newly independent countries made significant changes in Central Asia. These changes are characterized by the expansion and deepening of international economic, political, and cultural cooperation among newly independent countries. Central Asian countries namely, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan attempted regional integration in the 1990s. Kazakhstan and Uzbekistan were the main actors in initiatives of regional integration. The first attempt at a regional integration meeting of the Central Asian countries that focused on economic issues was held in Almaty on June 23, 1990. The second meeting was in Tashkent on August 15, 1991, followed by the one in Ashgabat.¹ Kazakhstan and Uzbekistan made bilateral agreements and in 1994 Central Asian Union was founded by joining Kyrgyzstan in Tashkent. Because of political unsustainability, Tajikistan joined later, when the union's name changed to the Central Asian Economic Community in 1998.² The organization was renamed the Central Asian Cooperation Organization in 2002, which aimed provision of free movement of goods, services, capital, and labor. Turkmenistan remained out of this integration as a neutral country.³ Later Central Asian Cooperation Organization merged with Eurasian Economic Community. From 2005 to 2016, it might be called a “frozen period” for regional integration of Central Asia.

In 2017, Uzbekistan's new government brought the regional integration issue to the table again.⁴ The regional meetings of Central Asian countries restarted to resume regional integration. By reducing taxes for products and creating business forums for regional investors, the new “era” of reintegration of Central Asia started. Mutual economic activities and trade are keys to reintegration in the region.

¹ Ediliya ABDIKADIROVA, ‘ORTA ASYA’DA ENTEGRASYON SÜREÇLERİ’, *Reforma* 2, no. 74 (n.d.): 65–70.

² Inomjon Bobokulov, ‘Central Asia: Is There an Alternative to Regional Integration?’, *Central Asian Survey* 25, no. 1–2 (2006): 75–91.

³ Nurzhan Zhambekov, ‘Central Asian Union and the Obstacles to Integration in Central Asia’, *Analytical Articles* 3 (2015).

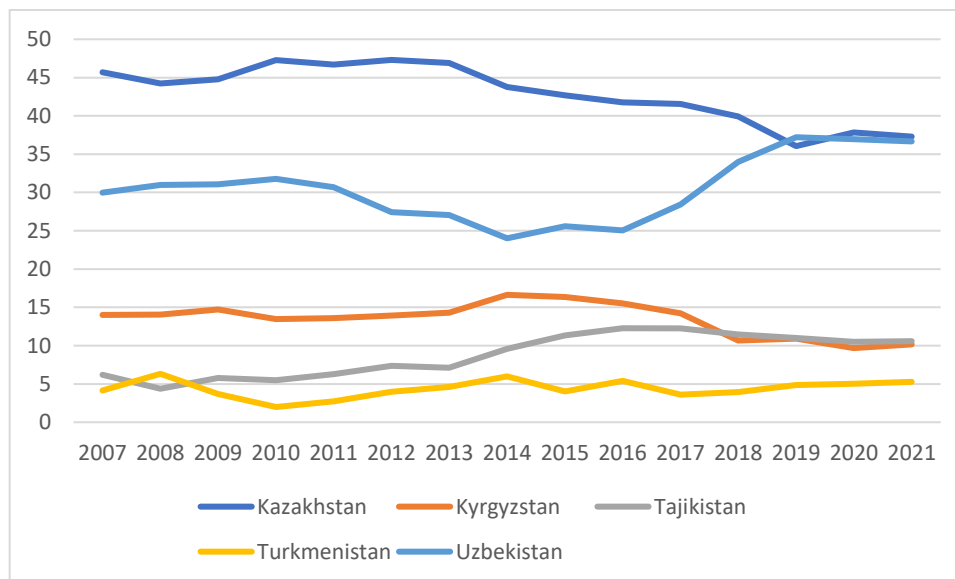
⁴ Adam Saud, ‘Changing Dynamics of Uzbekistan’s Foreign Policy Under Shavkat Mirziyoyev: : Prospects for Central Asian Regional Economic Integration’, *Central Asia* 82, no. Summer (2018): 1–35, <https://doi.org/10.54418/ca-82.80>.

Economic Cooperation and Foreign Trade

Five countries started to diversify their economies and transit to a market-based economy. Starting in the mid-1990s and by 2005 countries had essentially completed the transition from central planning to a market economy and signed several regional trade agreements.⁵ Despite the economic similarity at the beginning of the 1990s, the regional countries' paths to development showed a deal of variety. For instance, economic reforms made Kazakhstan's share in regional GDP significant and GDP per capita to the middle-upper group.

Kazakhstan and Uzbekistan are the leading regional actors with the highest values in regional trade turnover (see *Figure 1*). Kazakhstan and Uzbekistan each accounted for 45% and 30% of the regional trade value in 2007, while their shares converged to 35~40% in 2021. Meanwhile, Kyrgyzstan's share declined from 15% to 10% during the same period and ended up being on par with the growing share of Tajikistan in the end. Lastly, Turkmenistan retained approximately 5% of the shares throughout the period.

Figure 1. Central Asia countries share in regional trade, %



Source: Trade Map data

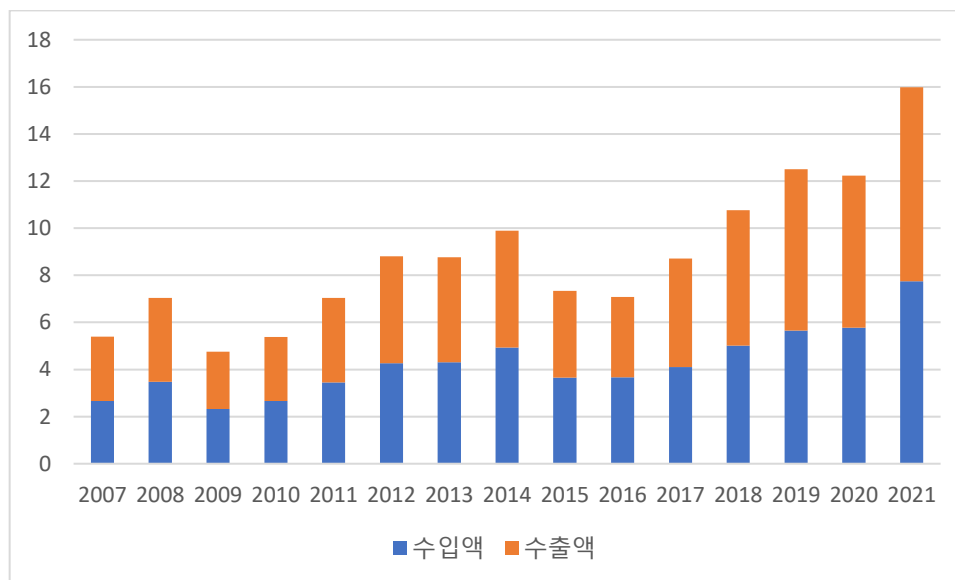
After the change in Uzbekistan's leadership, new reintegration initiatives started with “consultative meetings”.⁶ As the result of reintegration attempts, a significant increase in regional trade turnover was observed in recent years. Total regional foreign trade increased

⁵ Richard Pomfret, ‘Regional Integration in Central Asia’, *Economic Change and Restructuring* 42, no. 1 (1 May 2009): 47–68, <https://doi.org/10.1007/s10644-008-9060-6>.

⁶ Mr Alisher Rakhimov, Ulugbek Khasanov, and Akram Umarov, ‘The New Foreign Policy of Uzbekistan: Central Asia, the EAEU and the BRI’, 2020.

from 5.40 billion US dollars in 2007 to a record high of 15.98 billion US dollars in 2021. The imported value by Central Asian Republics totaled 2.66 billion US dollars in 2007 and reached 7.74 billion US dollars in 2021. The exported value by Central Asian Republics totaled 2.73 billion US dollars in 2007 and reached 8.24 billion US dollars in 2021. In addition, the share of Central Asian Republics in overall trade volume in 2021 also recorded its highest value of 18% in 2021. Although there were fluctuations in foreign trade turnover, the observed trend was generally upward (see Figure 2).

Figure 2. Foreign trade among Central Asian Republics, in USD billions



Source: Trade Map data⁷

The first president of Kazakhstan mentioned in his speech in the early 1990s that he preferred regional integration to keep competitiveness in the global market rather than being raw material producer. After 30 years of his speech, the countries still keep their status as raw materials producers and exporters, despite the diversion and expansion of the economy. Mineral fuels, mineral oils, and products are the main export products from Central Asian countries to Central Asia, followed by cereal and ores, slag, and ash.

Current Trends of Reintegration in Central Asia

After the election of the new president of Uzbekistan, a regional integration issue, that has been practically absent from the regional agenda for many years, started actively to discuss. Several projects and serious steps started in not only economic and business corporations, but also all spheres might be influenced in the lives of common people of the region. Solving border issues by demarcating and delimiting made people-to-people integration possible.

⁷ See www.trademap.org

Interregional flights and railway trips were increased and reinstated, which might frequently visit each other.⁸

The heads of the Central Asian countries agreed to meet once a year to discuss regional issues and the first consultative meeting of the Central Asian leaders gathered in Kazakhstan on the eve of the Navruz in March 2018. The second meeting was guested by Uzbekistan in 2019. The third meeting was postponed due to the COVID-19 pandemic and was held in 2021 in Turkmenistan. During the meetings, several bilateral and regional agreements were signed, which brought the implementation of new joint projects.

The following joint projects are noted:

- The Uzbek-Kyrgyz Investment Fund was established that funding capital consisting of 200 million US dollars.
- Uzbekistan and Kyrgyzstan undertook a new highway project starting from Tashkent pass through Kyrgyzstan to Kashgar (China).
- The International Center for Trade and Economic Cooperation "Central Asia" on the Uzbek-Kazakh border will become a major platform for joint investment projects on trade and logistics.
- the North-South regional route will be reshaped with multimodal transport routes, which are standardized with a single tariff policy.
- Border-crossing points are increased, and favorable visa regimes are applied that positively affected the number of visitors among regional countries.

Regional Integration: Obstacles and Perspectives

Studies discussed Central countries' attempts at regional integration and its dynamics.⁹ One of the obstacles to regional integration was the attempt for regional leadership between Kazakhstan and Uzbekistan. Personal mistrust of elites of each other was another negative factor, which made impracticable of the idea of regional integration. Tajikistan and Kyrgyzstan wanted to retain "their independence from larger neighbors" in the union.¹⁰

⁸ Andrea Schmitz, 'Uzbekistan's Transformation: Strategies and Perspectives', 2020.

⁹ Özge Aynagöz Çakmak, 'Orta Asya: Bölgesel Entegrasyon Girişimleri ve Öneriler', *Sosyal Ekonomik Araştırmalar Dergisi* 17, no. 33 (2017): 116–34; Евгений Юрьевич Винокуров, Александр Михайлович Либман, and Наталья Викторовна Максимчук, 'Динамика Интеграционных Процессов в Центральной Азии', *Евразийская Экономическая Интеграция*, no. 2 (7) (2010): 005–032; Меират Муратович Омаров, 'Интеграция Стран Центральной Азии На Основе Региональной Идентичности', *Вестник Череповецкого Государственного Университета* 4, no. 1 (42) (2012): 29–32.

¹⁰ Zhambekov, 'Central Asian Union and the Obstacles to Integration in Central Asia'.

Another factor that prevented the corporation was the interests of big actors in the region. Even though Central Asian have common issues to solve together, big actors such as Russia and China pushing their projects such as Eurasian Economic Union and Belt and Road initiatives. Regional trade turnover between Central Asian countries totaled approximately 5-6% of total foreign trade, while China's and Russia's share in regional trade increased to 20-25%. It shows that countries were integrated into global rather than regional markets. Recent amicable relations between countries reveal that regional trade is slightly increased. Despite obstacles, the intervention of big actors like the USA, Russia, and China, and other players like Iran and Turkey, experts estimate high perspectives of regional integration.

The regional integration perspective is obvious in Uzbekistan's foreign policy and its priority to cooperate with the neighboring countries. Uzbekistan has an unrealized export potential of more than 600 million US dollars to Central Asian countries.¹¹ Approximately 75 million people are common market factors that positively affect integration.

Current projects on logistics are accelerators for regional economic growth and integration. According to the World Bank, the impact of investment on logistics would be estimated that an increase of the GDP of Central Asian countries might be approximately 15 percent.¹²

Consultative meetings are a temporary format for the institutionalization of regional integration. Central Asian countries have more potential and mutual links to be integrated compared to other integration models. Central Asian countries in their stage of integration can be copied the model of ASEAN to keep mutual respect, equality, and non-interference in other countries internal affairs.¹³

Conclusion

Identical religion and cultural similarity, common history, and language promote Central Asian countries to regional corporation and integration. In addition, Central Asian countries have common issues to solve together such as transportation, regional security, border issues, the interdependency of water resources, the Aral Sea, and environmental problems. Despite similarities, Central Asian countries chose different trajectories in development.

¹¹ “‘Strong’ plans”, accessed 21 May 2022, <https://review.uz/uz/post/jelezne-plan>.

¹² ‘Улучшение транспортной связанности в Центральной Азии требует комплексного подхода’, Text/HTML, World Bank, accessed 23 May 2022, <https://www.vsemirnyjbank.org/ru/news/press-release/2021/04/02/improving-transport-connectivity-in-central-asia-requires-a-coherent-approach>.

¹³ Stephen Aris, ‘A New Model of Asian Regionalism: Does the Shanghai Cooperation Organisation Have More Potential than ASEAN?’, *Cambridge Review of International Affairs* 22, no. 3 (2009): 451–67; Zhainara Iskakova, Marat Sarsembayev, and Zarina Kakenova, ‘Can Central Asia Be Integrated as ASEAN?’, *Opción* 34, no. 85 (2018): 152–69.

Civil war until the mid-1990s in Tajikistan and political unsustainability were experienced in Kyrgyzstan, while Kazakhstan became an upper-middle-income country providing political stability. Central Asian countries attempted regional integration; however, these attempts did not yield successful results. The role of the head of Central Asian countries shows that trends in regional integration might be radically changed. New trends show that new government leaders of Uzbekistan and Kazakhstan are involved to create favorable circumstances for regional corporations and integration. Regional trade and economic ties might be drivers of the current stage of the regional corporation. Business and investment forums, exhibitions, and meetings make regional business people cooperatively work on projects.

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