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## KAZAKH-UZBEK RELATIONS IN THE CONTEXT OF REGIONAL SECURITY

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### Abstract

The relevance of the study rests on the fact that the definition of the state border between Kazakhstan and Uzbekistan is a serious problem for many reasons. The Central Asian region acts as a kind of buffer that protects the southern borders of CIS, and the weakening of this sector may jeopardize the stability of the present situation. In this regard, this article tries to identify ways of cooperation and how to strengthen the Kazakh-Uzbek relations that are the basis of stability in Central Asia. The article explains the existing cooperation in foreign policy between the two key republics of Central Asia. It seems advisable that the two largest States in the region – Kazakhstan and Uzbekistan – intensify their joint efforts to implement a number of integration projects in Central Asia in order to achieve the stability of bilateral and multilateral relations.

**Keywords:** State border, Kazakh-Uzbek relations, Security, Integration projects, Central Asia, International relations.

*Título en Castellano: Las relaciones entre Kazajistán y Uzbekistán en el contexto de la seguridad regional*

### Resumen

*La relevancia de este estudio radica en el hecho de que la definición de la frontera estatal entre Kazajistán y Uzbekistán es un problema grave por muchas razones. La región de Asia Central actúa como una especie de amortiguador que protege las fronteras del sur de la CEI, y el debilitamiento de este sector puede poner en peligro la estabilidad de la región. En este sentido, este artículo trata de identificar formas de cooperación y como fortalecer las relaciones entre Kazajistán y Uzbekistán. En este contexto, las relaciones bilaterales entre estos dos países son fundamentales para la estabilidad en Asia central. El artículo explica la cooperación bilateral existente en el ámbito de la política exterior y considera deseable que los dos Estados más grandes de la región-Kazajistán y Uzbekistán-intensifiquen sus esfuerzos conjuntos en la realización de un número sustancial de proyectos de integración en Asia Central con el fin de lograr la estabilidad de las relaciones bilaterales y multilaterales*

**Palabras Clave:** Frontera estatal, Relaciones kazajo-uzbekas, Seguridad, Proyectos de integración, Asia central, Relaciones internacionales.

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## 1. Introduction

Kazakhstan and Uzbekistan are building close relations, and this is quite a natural process. After all, partnership is conditioned not only by common borders, but also by the cultural, historical and linguistic community of the two peoples<sup>2</sup>. Central Asia is a region of great strategic importance. First of all, this is due to its geographical location. Central Asia is located at the heart of the Eurasian continent, therefore protection and strengthening security and stability in this region are of crucial importance for the global security. The events of recent years indicate that threats to security in this region are gradually increasing and the development of a solid security mechanism is becoming more pressing.

The Central Asian Region acts as a kind of buffer that protects the southern borders of the CIS, while the weakening of this area could jeopardize the stability of the situation.

In the Central Asian security discourse, it is necessary to pay close attention to the Kazakh-Uzbek relations<sup>3</sup>. These bilateral relations are the basis of stability in Central Asia. Kazakhstan and Uzbekistan, located in the heart of Eurasia, are the connecting link between the highly developed regions of Europe and East Asia. The security and stability of the entire regional system largely depend on the foreign policy of the two key Central Asian Republics, claiming a leading position in the region<sup>4</sup>.

In addition, the lack of an agreed geopolitical strategy between Kazakhstan and Uzbekistan weakens the resistance to Islamic fundamentalism and extremism.

Islamization and the gradual formation of understanding of the society's religious structure remain a rather profound problem. If we analyze the state and the share of Islam in both countries, then we can say that, taking into consideration the traditional understanding of the role of Islam, Uzbekistan is more susceptible to Islamic religious views. According to some estimates, up to 90% of the population are Muslims; in Kazakhstan this number is around 70%, and around 23% are Christians. In contrast to Uzbekistan, where mono-nation occupies about 85% of the total territory and population, in Kazakhstan the issues of interethnic relations exist and are perceived as a form of differentiation in the way of life. This leads to the fact that opportunities for the dissemination of alternative forms of Islam, close to radical, understood primarily as a pure and genuine branch of Islam, are more possible in Uzbekistan. In Kazakhstan such teachings are one of the possible alternatives, along with Christianity, Buddhism and other beliefs and it can be said with confidence that Uzbekistan is a more interesting target for the penetration of radical forms of Islam.

It is necessary to recognize that the development of relations between Kazakhstan and Uzbekistan is quite difficult. There are many unresolved issues between the two sides, such as border problems, water issues, and migration. Adding to this, as already mentioned, the Central Asian region is strategically important both for the CIS and for the whole world and Russia, China and the United States, *inter alia*, are competing for influence in the region<sup>5</sup>.

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<sup>2</sup> Hasanov, Elnur L.: "About Research of Features of Legal Culture on the Basis of Historical-Literary Heritage", *Information (Japan)*, vol. 20, n° 4 (April 2017) pp. 2289-2296.

<sup>3</sup> Tokayev, Kasymzhomart K. (2000): *Foreign Policy of Kazakhstan in Conditions of Globalization*, Almaty, Kazakhstan.

<sup>4</sup> Zhetpisov, Jalal: "Kazakh-Uzbek Relations and the Problem of Regional Security", Information and Analytical Center for the Study of Socio-Political Processes in the Post-Soviet Space (April 2007), at [http://ia-centr.ru/archive/public\\_detailsa3c4.html?id=471](http://ia-centr.ru/archive/public_detailsa3c4.html?id=471).

<sup>5</sup> Zerkalov, Dmitry (2009): *Political Security: Problems and Reality*, Kiev, Osnova.



Recently, in the summit held in Tashkent in 2015 with the participation of the President of Kazakhstan Nursultan Nazarbayev once again the Uzbek leadership confirmed its interest in the further development of the bilateral relations. The most important result of the visit was the creation of an interstate council to develop economic, political and security ties. Nursultan Nazarbayev also called for expanding contacts in “military and technical spheres”. “Our special services and special departments should work in the atmosphere of complete trust to fight terrorism, drug trafficking and other extremist manifestations in our region”, he added.

In this summit, the two leaders showed their desire to achieve stability in Central Asia. Therefore, speaking on the further development of relations between Kazakhstan and Uzbekistan, we can say that, despite all the problems that exist at this stage, both sides will try to do their best to solve them.

It is no secret that Uzbekistan has territorial claims to Kazakhstan. A significant disputed territory is Saryagash. The same claims, according to experts, may arise in relation to the cities of Turkestan and Sairam, populated by Uzbeks by 70-80%. The disputes are being held around the Kirov, Makhtaaral and Zhetysaysky districts of the South Kazakhstan Region, transferred to Uzbekistan in 1956 by the initiative of Nikita Khrushchev, and then, after his resignation, returned to Kazakhstan, though not completely. Some analysts say that representatives of the Uzbek elite are talking about the ownership of the entire territory of Southern Kazakhstan. The issue of the border crossing in the Aral Sea is also unsolved. At the same time, there is a lack of territorial claims to Tashkent from Astana. Though potentially they can still arise, as some Kazakhstani lands were transferred to Uzbekistan in the 1920s and 1930s. The problem is aggravated by the fact that, after the collapse of the USSR, delimitation of borders was not carried out, and those boundaries that were established in the Soviet period did not reflect the peculiarities of the historical settlement of ethnic groups in the region. This entails the potential danger of interethnic conflict<sup>6</sup>.

This problem, in its turn, raises the issue of formalizing relations between the two States. The opacity of many bilateral trade and economic agreements can be understood considering that the bilateral relations need a more lasting solution. In most cases, this is due to the fact that Uzbekistan does not fully understand the specifics of mutual relations with other States and has begun only recently to formulate a balanced policy. For instance, a large-scale financial reform is planned in Uzbekistan since 2017. In November 2016, the acting President of Uzbekistan, the country's Prime Minister Shavkat Mirziyoyev, amid the pre-election campaigning, submitted for public discussion the draft resolution “Concerning Priority Areas of Monetary Policy”. The document is considered as a precursor of the reform on the abolition of currency restrictions in the country. The key point of the document is the creation of a foreign currency ceiling based exclusively on supply and demand. Local experts agree that the liberalization of monetary policy will provide a serious impetus to the development of the economy of Uzbekistan in the medium term. However, the transition to a market mechanism of currency regulation can be painful.

Another aspect to be underline is that President of Kazakhstan, Nursultan Nazarbayev, being an advocate of regional integration initiatives, never found support from Islam Karimov. On the contrary, Karimov fiercely defended the independence of Uzbekistan, up to the country's withdrawal from the CSTO (twice), carefully avoided the forming EAEU and

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<sup>6</sup> Rakhimov, Mirzohid: “Relations between Uzbekistan and Kazakhstan: Main Trends and Sustainability Factor in Central Asia”, Central Asian Analytical Network (April 18, 2016), at <http://caa-network.org/archives/6994>.



incidentally closed the borders. Since Uzbekistan has borders with all the countries of Central Asia, its participation in regional projects was desirable, but is not always feasible.

In any case, Nursultan Nazarbayev did not speak ill of the deceased Uzbekistan leader, calling Karimov “my dear friend”. Nevertheless, Nursultan Nazarbayev noted changes in the tone of the bilateral relations: “Recently our relations began to develop in a completely different manner”, and highlighted the real evidence of the strengthened relations. In the fourth quarter of 2016, according to the President, trade turnover increased by 30%. “This was due to the fact that the new leadership in Uzbekistan opened all the opportunities for trade and removed the barriers.”

The population of the Republic of Uzbekistan is currently about 31.3 million people. At the same time, the population density exceeds 470 people per 1 km<sup>2</sup>. compared to Kazakhstan, where the population density is 6 people per 1 km<sup>2</sup>. The population of Uzbekistan is increasing annually by 500 thousand people (Table 1). As a result, citizens of Uzbekistan move to Kazakhstan<sup>7</sup>.

**Table 1.** Population Dynamics of Kazakhstan and Uzbekistan

	Population number, million people	Population density, people per 1 sq. km.	Annual growth, thousand people
Uzbekistan	31,3	470	500
Kazakhstan	18,02	6	130

Kazakhstan, in its turn, seeks to protect its territory from unauthorized flows of migrants. However, a clear program of cooperation in this area has not yet been determined.

In the context of the recent economic crisis, Kazakhstan has developed sufficiently stringent standards for labor migrants; now they have some difficulties for obtaining an immigration license. The draft law on migration and employment of the population is being discussed in the parliament, and it is planned to tighten the migration controls by increasing the penalties in the case of breaking the law. The offender will not be able to enter the Republic for five years. It is also proposed to abolish the quota for labor migrants arriving without a license and introduce certificates of qualifications that will be issued for a period of three months.

The companies that want to attract foreigners to their enterprises will be obliged to pay significant fees, so employers will have to pay double taxes for hiring a qualified specialist. Experts consider these measures excessive, frightening labor migrants, while the data of various studies show that the Kazakhstan's need for both labor migrants and expats will certainly increase. The amount that the employer must pay for each foreign worker will be differentiated depending on the industry. Thus, in the agricultural sector, prices will be the lowest, as opposed to the oil and gas sector. If the country needs highly qualified personnel, then they need to create better conditions, so they will be able to pay less for them. If the employer attracts a simple worker, then he will pay more for him. In addition, according to

<sup>7</sup> Zhetpisov, Jalal: “Kazakh-Uzbek Relations and the Problem of Regional Security”, Information and Analytical Center for the Study of Socio-Political Processes in the Post-Soviet Space (April 2007), at [http://ia-centr.ru/archive/public\\_detailsa3c4.html?id=471](http://ia-centr.ru/archive/public_detailsa3c4.html?id=471).



the proposed norms, the migration legislation implies the introduction of quotas for attracting not only highly qualified specialists, but also for other labor migrants, which previously did not exist. Currently, the quota for qualified specialists is set at 0.7% of the economically active population, which is about 63 thousand people; *de facto* it is 30-35 thousand people. However, if we are talking about labor migrants, then quotas can produce a serious restrictive effect, because they come to Kazakhstan much more than expats. However, such an approach can scare migrants off, and they will change the geography, given that with the fall in the living standards in Kazakhstan the number of migrant workers is decreasing. However, the demand for workers in Kazakhstan will increase due to the present demographic distortions<sup>8</sup>.

Kazakhstan will gradually lose more and more workers, given the declining birth rate. The solution lies not in toughening, but in maximizing the legalization of migrants' workers, providing them the same rights and duties, at least in the labor sphere, as the Kazakhs today have. But it is difficult, since too many groups are interested in preserving illegal migrants: intermediaries, entrepreneurs, and inspecting bodies. Today, they are all interested in ensuring that migrants are as far from the locals as possible, in order to withdraw this sector from public control. On the contrary, their legalization and integration into the life of the Kazakh society is needed: they cannot live in ghettos and be out of the public eye.

Under these conditions, the control of workers and salaries is possible, not allowing to offer dumping prices in the labor market and destroy it. In particular, in the National Report on the State of Entrepreneurial Activity in Kazakhstan presented in 2016 by the National Chamber of the RK, it is said that there is a sharp shortage of specialists in the country. It is noted that the increase in the labor force is not expected due to the "demographic pits" of 1997-2002 – the period of the smallest natural increase in the population in the history of independent Kazakhstan. This means that this year and in the next 5 years, the emergence of a significant number of new labor resources – a serious increase in the economically active population – will not happen.

In addition, the number of citizens with higher education leaving the country is increasing. In 2015, about 136 thousand people with higher education left Kazakhstan. The migration balance of human resources with higher education is negative: a much greater number of people with higher education leave the country, rather than the high educated people that arrive.

Low qualification and weak performance of the specialists in the country increase the negative effect. Over the last 5 years the budget expenditures on education did not exceed 3.8% of GDP. At the same time, the labor salary is 25.6 dollars per hour. At the same time, in the OECD countries, budgetary expenditures on education are at 5.1% of GDP, and labor salaries exceeds the Kazakhstani level by almost 2 times – 46.5 dollars per hour.

The analysis conducted by the Kazakhstan Institute of Strategic Studies under the President of the Republic of Kazakhstan (KISI) shows that from 1991 to 2015 only 3.538 million people emigrated from Kazakhstan and more than 2 million will not return. Kazakhstan has lost significant human capital. At the same time, the departure of specialists with higher and incomplete higher education from Kazakhstan only for the period from 1991

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<sup>8</sup> Sulyagina, Julia O.: "State Regulation of the Integration Processes of Immigrants in Modern Russia", *Materials of the Afanasiev Readings*, vol. 1, nº 10 (2012) pp. 282-287.





to 2005 amounted to 200-250 thousand people and the total damage from the “brain drain” can be estimated at \$100-125 billion<sup>9</sup>.

One cannot discount the fact that the average population density in Kazakhstan is 6 people per square kilometer, and, for example, in Uzbekistan it is 48 people per square kilometer. Even the most populous SKR (20 people per sq. km.) is adjacent to the Tashkent Region (279 people per sq. km.). At the same time, the density in the Fergana Valley is even higher (479 people in the Andijan Region, one of the highest rates in the world for non-urban population). And along the southern border there is the Chui Oblast of Kyrgyzstan (39 people per sq. km.). Therefore, people from there will inevitably go to the RK. Unregulated migration, along with foreign investments and officially attracted foreign labor, significantly contributes to the development of the economy of Kazakhstan. During the 2,000 decade the number of unregulated migrants grew annually from 200-300 thousand to 700 thousand – 1.5 million or more people and several times higher than the number of legally employed workers from abroad. Looking to the regional distribution, the largest number of foreign specialists comes to work to the Atyrau Region – 30%, Astana – 15.2%, Mangistau Region – 12.2%, Almaty Region – 7.5% and Almaty – 15.8%, which together amounted to 80.7% of all the foreign workers.

Over the last two years, more than two million migrants have been registered in the country – they are mostly citizens of Kyrgyzstan, Uzbekistan and Tajikistan, but only 1% of them named work as the goal of their visit, and more than 96% indicated various private goals, which were untrue. Kazakhstan will remain dependent on labor migration<sup>10</sup>. And according to the estimates of the Ministry of Economy and Budget Planning of the Republic of Kazakhstan, as early as 2017, the ratio of workers leaving the working age with respect to those entering it will be 70.3%. By 2030, this figure will evenly decrease to 49.6%. This means that for 1000 people entering the working age by 2030 there will be 496 people leaving the working age. Thus, the issue of migrants in Kazakhstan will be an open question for a long time.

## **2. Critical Bilateral Problems**

### **2.1. Delimitation and Demarcation of the Borders between Uzbekistan and Kazakhstan**

As it is known, the main attribute of any State is its territory. Central Asia is a region where representatives of different nationalities, who share common historical roots, live. But today the former Soviet Union territories have to solve a common problem: the delimitation and demarcation of their State borders.

Borders are a barrier to illegal migration, illegal drug trafficking and weapons. The latter pose a serious threat not only for one State but for the entire world community in our time, in the era of globalization<sup>11</sup>. The delimitation of borders has always been one of the

<sup>9</sup> Pavko, Yana A.: “Treaty Mechanism of International Legal Regulation of Cooperation among States in the Arctic Region”, *Journal of the National Academy of Legal Sciences of Ukraine*, vol. 89, nº 2 (July 2017) pp. 166-176.

<sup>10</sup> Jakuleviciene, Lyra: “Present and Future Challenges of Asylum Law and Policy in the EU”, *Journal of the National Academy of Legal Sciences of Ukraine*, vol. 86, nº 3 (October 2016) pp. 40-42.

<sup>11</sup> Idrisov, Yerlan: “Kazakhstan – Uzbekistan: border problems will be solved in a civilized manner”, *Kazakhstanskaya Pravda*, April 2000, p. 28.



most difficult in the overall complex of interstate relations. This issue is on the agenda since independence and the recognition of the new States by the world community<sup>12</sup>.

The administrative border between Uzbekistan and Kazakhstan is longer than 2.200 kilometers, and the basis for resolving the line of its passage was laid down by generally accepted international principles, including the principle *uti possidetis*<sup>13</sup>, preserving the borders as they are in the process of succession and supposes that the existing problems will be solved in the future through the mechanism of peaceful interstate harmonization<sup>14</sup>.

The delimitation of the State borders between Uzbekistan and Kazakhstan was carried out in two stages. In the first stage, 96% of the total length of the border was delimited. The respective agreement was signed by the Presidents of the two States on November 16, 2001 in Astana<sup>15</sup>. Still remained to be solved some questionable areas of the border, occupying about 4% of the total length. As a result of further contacts in 2002, interstate negotiations were completed on the passage of the border line in these areas, namely: in the areas of Bagys and Turkestanets settlements, Arnasay Dam, etc.<sup>16</sup>. In September 2002, in Astana, the presidents of Kazakhstan and Uzbekistan signed the agreement entitled "On Certain Sections of the Kazakh-Uzbek Border". However, the delimitation agreement of 2002 did not regulate the fate of all the border settlements, and only resolved the issue of belonging of some disputed lands. In early 2003, the governments of Uzbekistan and Kazakhstan, by an agreement, made additional clarifications on the State borders line. As a result, a section of land (located to the northeast of Tashkent) connecting the settlements of Bagys and Turkestanets were transferred to Uzbekistan, and the Bagys settlement and land of the isthmus between the Chardara reservoir and Lake Arnasai were transferred to Kazakhstan. Thus, the Kazakh "enclave" received direct transport connection to the rest of Kazakhstan.

In 2003, the process of demarcation of the border between Uzbekistan and Kazakhstan began. The issue was ripe since the lack of border demarcation resulted in border incidents connected mainly with violation of the rules of crossing the border areas for residents. And as a result, there were shooting and even deaths<sup>17</sup>. And a significant growth in transit indicators of Kazakhstan and Uzbekistan is expected after the inauguration of several new international communication projects that will connect Central Asia with other regions<sup>18</sup>.

During 2017, Kazakhstan and Uzbekistan will complete the final demarcation of the border. In March 2017 a regular meeting of the joint Kazakh-Uzbek Demarcation Commission was held in Tashkent. During this meeting, the government delegations of the

<sup>12</sup> Lalonde, Suzanne N. (2004): *Determining Boundaries in a Conflicted World: The Role of Uti Possidetis*, Chicago, University of Chicago Press.

<sup>13</sup> Shaw, Malcolm N. (2014): *International Law*, Cambridge: Cambridge University Press.

<sup>14</sup> Shaw, Malcolm N.: "The Heritage of States: The Principle of Uti Possidetis Juris Today", *British Yearbook of International Law*, vol. 67, n° 1 (November 1997) pp. 75-154.

<sup>15</sup> Rakhimov, Mirzohid: "Relations between Uzbekistan and Kazakhstan: Main Trends and Sustainability Factor in Central Asia", Central Asian Analytical Network, April 18, 2016, at <http://caa-network.org/archives/6994>.

<sup>16</sup> Saparbayev, Berdibek: "Akimat SKR is Ready to Facilitate the Resettlement of the Citizens of the Republic of Kazakhstan residing in Turkestanets", Karavan, February 2002, at <https://www.caravan.kz/news/akimat-yuko-gotov-sposobstvovat-pereseleniyu-grazhdan-rk-prozhivayushhikh-v-poselke-turkestanec-172100/>.

<sup>17</sup> Laumulin, Murat T. (2005): *Central Asia in Foreign Political Science and World Geopolitics. Volume I: Central Asia and Kazakhstan in Modern Political Science*, Almaty, KISI.

<sup>18</sup> Seidin, Nurlan: "Delimitation of the Kazakh-Uzbek Border: Problems and Solutions", Kazakhstan Institute for Strategic Studies under the President of the Republic of Kazakhstan, April 2002, at <http://kisi.kz/ru/categories/geopolitika-i-mezhdunarodnye-otnosheniya/posts/delimitaciya-kazahstansko-uzbekskoy-granicy-problemy-i->.





two countries continued to elaborate documents for the demarcation of the Kazakh-Uzbek State borders and agreed on a schedule of field work for the first half of 2017. The process of demarcation of the Kazakh-Uzbek state borders began in 2003, and the field work began in April 2004. According to the Ministry of Foreign Affairs of Kazakhstan, the field demarcation works for the installation of border pillars on the border by the Kazakh side are almost completed. The border line in the area is marked with 1,565 main and intermediate border pillars, 776 of which are put in the Kazakh side.

In terms of demarcation of the border, Uzbekistan and Kazakhstan demonstrated a better model of relations. They have advanced on these issues very fast and are preparing now to complete the entire complex. There is still a joint point to be resolved between Kazakhstan, Uzbekistan and Turkmenistan. During the visit of Kazakhstani representatives to the Uzbek capital in May 2017, the parties agreed on a number of border areas. It remains only to fix the agreement technically, establishing special signs on the border sections.

The decision of border issues was announced by the President of Uzbekistan, Shavkat Mirziyoyev, as one of the main priorities. The corresponding item is available in the Strategy of Action signed by Shavka Mirziyoyev in June 2017 on the five priority development directions of the Republic of Uzbekistan in 2017-2021. The length of the Kazakh-Uzbek border exceeds 2,100 km.

After the collapse of the Soviet Union, the authorities of the independent republics of the region began to make mutual claims to each other regarding who owns a particular section of the Central Asian land. The matter was not limited to simple disputes at the diplomatic level. Constant border conflicts with gunfire between the military took place. And only in the last couple of years the authorities of almost all the States have become ready to finally put boundaries on the map.

## **2.2. Leadership in Central Asia**

The thesis of the so-called rivalry for leadership in the Central Asian Region between Uzbekistan and Kazakhstan spread quite widely and significantly distorted the understanding of the real situation and the nature of relations between the States of the region. This false stereotype influenced both political positions and scientific approaches to the study of complex processes in Central Asia. The introduction of this thesis in the intensive scientific and political discourse even made that both countries believe considerably in it, to the point that signs of rivalry appeared where they did not exist and could not be.

There is a meaningless reality. If one judges the leadership of a particular State, it is important to compare the specific foreign policy actions of both states and the effectiveness of these actions in a comparative way.

Uzbekistan is a unique country in the Central Asian Region. It is the only republic that borders all the other states of Central Asia<sup>19</sup>.

Besides, the multi-vector policy of Kazakhstan hides a balancing between the various geopolitical centers of power that exert influence on Central Asia. At the same time, there is a multi-vector nature inside out – fascination of Kazakhstan with loud but inadequate initiatives, such as the “Conference on Interaction and Confidence Building Measures in Asia”. This

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<sup>19</sup> Laumulin, Murat T. (1994): *Western Researchers of Central Asia and Kazakhstan*, Almaty, Kenzhe Press.



forum, beginning with the meaning of the name itself and ending with particular practical matters, is doomed to remain an example of the multi-vector foreign policy projections. The same thing happens with the failed Nursultan Nazarbayev dream of an Eurasian Union.

The well-known initiative of Nazarbayev to create the Central Asian Union can also be added. According to this conception, Kazakhstan could become a leader in Central Asia. However, this idea of Nazarbayev, becoming a part of the multi-vector policy, drowned in itself, instead of becoming a priority, or the main direction of Kazakhstan's foreign policy. Kazakhstan did not pay attention to the fact that Central Asia, Eurasia, Europe and Asia are not equivalent concepts. The foreign policy of Kazakhstan was characterized by a certain eclecticism.

Uzbekistan also excelled in its achievements. Proclaiming the concept of “Turkestan is our common home” and initially acting as the mouthpiece of the Central Asian association, Uzbekistan did little in practice for this. On the contrary, it mined some sections of its border with Kyrgyzstan and Tajikistan, introduced the visa regime for its neighbors (with the exception of Kazakhstan), but, as a leader, could not reach an agreement with them on the allocation of water resources in the region.

Uzbekistan claims regional leadership. In part, these ambitions of political leadership explain the constant foreign policy fluctuations and the strategic maneuvering of the Republic between Russia and the West. As for relations with other States of the region – Kazakhstan is a rival for leadership in the region, Turkmenistan is a partner in the water conflict, and Tajikistan and Kyrgyzstan, being weak countries, are a direct threat to the economy of the Republic (due to the water issue), as well as a market for selling Uzbek electricity.

Uzbekistan is the second economy of the region. In the GDP structure of Central Asia, Uzbekistan accounts for about 16% of the total, while Kazakhstan reaches the 67%. In economic terms, Uzbekistan is practically self-sufficient. The Republic achieved food security. The economy is diversified. In 2011, industrial goods amounted for 53.57% of the GDP, agriculture, 25.25%, services sector, 13.57% and construction, 12.13%. There are opportunities for its modernization. The Uzbek leadership manifests itself in the cultural field and in the sphere of military construction. But it is not ready to assume the main function of leader for the integration of the region, and does not lay claim to this goal. Uzbekistan has become a “backing State”.

So far, the main problems to be overcome are ensuring its security, preventing the Islamization of the region and implementing economic projects. In general, this is the optimal strategy for the country's development. However, without cooperation with Kyrgyzstan and Tajikistan, it is impossible to solve the water problem that is the most acute for Uzbekistan on the path of further development. And such a decision at this stage can only be obtained with the help of larger moderators, like Russia. In addition, we can recall the Soviet project of “turning rivers”, which in fact did not change the watercourses, creating a system of canals and locks, for around 5% of the river's runoff (an approximate level of annual flow fluctuations) to the countries of Central Asia. This will be the most fruitful cooperation between Russia and the countries of Central Asia.

As Nursultan Nazarbayev noted in 2013, “Uzbekistan is not only the leading State of our region, but also our leading trade and economic partner in Central Asia”. In recent years, the business ties between the neighbors have become stronger. In 2015, the volume of trade



amounted to \$3.2 billion, according to Tashkent, or \$1.6 billion if we consider the Kazakh data. Despite the discrepancies in the statistics, the fact remains that the indicators are high. In the first decade of the 21st century, the volume of trade did not exceed \$1 billion, but the impetus was given by the Agreement on Strategic Partnership signed in Tashkent in June 2013. In this sense, it is difficult to disagree with the higher assessment given by Tashkent.

The Uzbek Ministry of Foreign Affairs on its website assures that, despite the positive dynamics, the potential of relations between neighbors is not fully implemented. It is not difficult to guess that diplomats, making such conclusions, relied on the volume of economies of the two countries. But there is another good reason. According to the CIA World Factbook, Uzbekistan has maintained high economic growth rates even after the global crisis of 2008. The GDP growth did not fall below 8%, and only in 2015 it was 6.8%. In comparison: Kazakhstan finished 2015 with 1.2% of the GDP growth, and in 2017, according to Standard & Poor's, this figure will be zero at best. In this role, Uzbekistan can become the main driver for the region's development. At least the bordering Kazakhstani regions will benefit substantially from the neighbor.

### **2.3 Economic Relations**

By now, Uzbekistan and Kazakhstan have a solid contractual basis in their relations. In particular, more than 170 bilateral documents have been signed between the republics in various spheres of cooperation. The main documents are the Agreement on Eternal Friendship between the Republic of Uzbekistan and the Republic of Kazakhstan (1998) and on Strategic Partnership (2013).

The Agreement on Strategic Partnership between the Republic of Uzbekistan and the Republic of Kazakhstan was signed by the heads of state during the visit of the President of Kazakhstan Nursultan Nazarbayev to Uzbekistan in June 2013. It consolidates the main principles and priorities in the political, trade-economic, transport-communication, water-energy, environmental, cultural-humanitarian, military-technical and other areas of bilateral cooperation. During the visit, documents on cooperation between the ministries of internal affairs and customs services of the two countries were also signed. The Ministry of Culture and Sports of the Republic of Uzbekistan and the Ministry of Culture and Information of the Republic of Kazakhstan adopted the Program of Cooperation in the field of Culture for 2013-2015. In addition, the presidents took part in the opening of a new building of the Embassy of the Republic of Kazakhstan in Tashkent and the monument to the great Kazakh poet and thinker Abai Qunanbayuli<sup>20</sup>.

It should be noted that trade and economic relations between Uzbekistan and Kazakhstan in the period from the 1990s to the middle of the 2000s, for a number of objective and subjective reasons, were at a relatively low level. The case shifted in April 2008 during the visit of the President of Uzbekistan to Astana. Islam Karimov and Nursultan Nazarbayev signed the Agreement on the Creation of the Free Trade Zone between Uzbekistan and Kazakhstan, and in subsequent years the volume of foreign trade turnover between the countries grew significantly<sup>21</sup>. In 2012 it amounted to more than \$2.5 billion, exports from Kazakhstan to Uzbekistan amounted to \$1.344 billion, and imports from Uzbekistan to Kazakhstan were equal to \$817 million. In 2015, as we mentioned, the trade turnover between

<sup>20</sup> Nazarbayev, Nursultan A.: Speech by President N. Nazarbayev at an Expanded Meeting of the Board of the Ministry of Foreign Affairs of the Republic of Kazakhstan, *Diplomacy of Zharshysy: Special issue* (October 1998), p. 68.

<sup>21</sup> Nazarbayev, Nursultan A. (2012): *When Thought is Material*, Moscow, Fiction.



the countries probably exceeded \$3.2 billion. And this, of course, is not the limit. There are great opportunities for expanding economic relations. For example, Uzbekistan has significant reserves for export of cars and trucks, buses, agricultural machinery, ready-made textile products, electrical and light industry products, building materials, glass, etc. to Kazakhstan<sup>22</sup>. For its part, Kazakhstan can expand the range of products supplied to Uzbekistan, including rolled metal products, ferroalloys, timber, and wood products.

In the context of globalization, the possibility of comparing the lives of different ethnic groups and States, including those living side by side, has sharply increased. For political elites, the struggle for resources was always immanently connected with the struggle for obtaining and retaining political power. And in the conditions of Central Asia this was simultaneously a struggle of political elites for their own property and economic benefits.

As for the question of water resources, various forums and meetings have been held constantly, promising agreements and pathetic declarations were made. For example, on 18 February 1992 both countries signed in Alma-Ata an agreement on cooperation for the joint management of the use and protection of the interstate water sources. And in 2003 the Fund for Saving the Aral Sea was established in Kyzyl-Orda.

In Central Asia we can say that there are two groups of States. The first includes Kyrgyzstan and Tajikistan, the second group includes Kazakhstan, Uzbekistan and Turkmenistan. The first group does not have any significant reserves of hydrocarbons, which means a considerable share of export revenues from Kazakhstan and Turkmenistan. But Kyrgyzstan and Tajikistan “own” the sources of the rivers of Central Asia, and they are vitally interested in the development of their own hydropower. The second group of States, especially Uzbekistan, is interested in large volumes of water mainly to provide for its own agriculture. After all, the problem of desertification is acute for downstream countries such as Kazakhstan, Uzbekistan and Turkmenistan. For example, even in Kazakhstan – the most fortunate of the three countries mentioned above-, more than 66% of the land is affected by the process of desertification. Some scientists even argue that it is Kazakhstan that ranks first in the world in terms of soil degradation.

Regarding the projected decrease in the estimated river flow in Kazakhstan, significant changes in the magnitude and structure of water consumption can occur, and more conflicts and contradictions between individual water users can occur, including the aggravation of interstate water relations in transboundary basins

In March 2017, Uzbekistan and Kazakhstan signed an agreement on economic cooperation. Among the signed documents was the Joint Declaration on Further Deepening of the Strategic Partnership and Strengthening of Good-Neighborliness between the Republic of Kazakhstan and the Republic of Uzbekistan. The President of Uzbekistan, Shavkat Mirziyoyev, as the press service of the President of Kazakhstan reported, expressed his gratitude to the leadership of Kazakhstan for confidential and business negotiations, which create the basis for the development of interstate relations. He emphasized the role of Nursultan Nazarbayev in strengthening the friendship of the peoples of the two States. Shavkat Mirziyoyev also noted the importance of establishing inter-parliamentary and inter-regional contacts between the two countries.

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<sup>22</sup> Kozhamzharova, Zhuldyz Z. (2010): *Cooperation of Kazakhstan and Uzbekistan in Modern Conditions: Historical Aspect (1991-2008)*, Valikhanov Institute of History and Ethnology, Almaty.



To understand the bilateral cooperation process, we can mention the following bilateral agreements signed by the Heads of the two countries:

1. Joint Declaration on Further Deepening of the Strategic Partnership and Strengthening of Good-Neighborliness between the Republic of Kazakhstan and the Republic of Uzbekistan;
2. Agreement between the Government of the Republic of Kazakhstan and the Government of the Republic of Uzbekistan on Interregional Cooperation;
3. The Strategy of Economic Cooperation between the Government of the Republic of Kazakhstan and the Government of the Republic of Uzbekistan for 2017-2019;
4. The Protocol on the Introduction of Amendments and Additions to the Agreement between the Government of the Republic of Kazakhstan and the Government of the Republic of Uzbekistan on the Avoidance of Double Taxation of Income and Property;
5. The Protocol on the Introduction of Amendments and Additions to the Agreement between the Government of the Republic of Uzbekistan and the Government of the Republic of Kazakhstan on International Road Transport dated March 20, 2006;
6. The Program of Cooperation between the Ministry of Foreign Affairs of the Republic of Kazakhstan and the Ministry of Foreign Affairs of the Republic of Uzbekistan for 2017-2018;
7. Agreement between the Ministry of Defense of the Republic of Kazakhstan and the Ministry of Defense of the Republic of Uzbekistan on Military Cooperation.

Nursultan Nazarbayev stressed that Shavkat Mirziyoyev's first State visit as President was held on the 25th anniversary of the establishment of diplomatic relations between the States. And during this period, about one hundred agreements were signed in various fields, the key ones being the Agreement on Eternal Friendship and the Agreement on Strategic Partnership.

To date, about 800 active enterprises with the participation of Uzbek capital are present in Kazakhstan.

Within the framework of the business forum hosted in Astana in July 2017, negotiations were held between Kazakhstani and Uzbek entrepreneurs in the B2B format, as well as an exhibition of industrial and consumer goods of Uzbekistan, where about 100 Uzbek companies were represented in the field of light industry, engineering, food industry, construction, banking and investment, and others. The ceremony of signing 10 documents for the total amount of about \$97 million (one investment project for the amount of \$20 million, and nine documents in the export-trade sector) took place. As a result, it is expected that the entrepreneurs of the two countries will sign 92 documents for a total amount of \$840 million.

Uzbekistan and Kazakhstan support each other in international policy issues. Both countries fruitfully cooperate within the framework of such international structures as the UN, SCO, CIS, the Organization of Islamic Cooperation, the International Fund for Saving the Aral Sea and others. The positions of the parties on many issues of regional and international





importance are similar or very close.

Uzbekistan supported the election of Kazakhstan as a non-permanent member of the UN Security Council for 2017-2018. This will promote the interests of the countries of the region in the international arena. Kazakhstan supported the initiative of Uzbekistan to create a nuclear-weapon-free zone in Central Asia, highly appreciates the foreign policy of Uzbekistan based on the principles of non-alignment with any military-political blocs, and peaceful settlement of conflicts and disputes.

Today, both countries are entering a new stage in the development of the bilateral relations. At the initiative of the President, Shavkat Mirziyoyev, the Strategy for the Further Development of the Republic of Uzbekistan in 2017-2021 was adopted. In his address to the people of Kazakhstan this year, President Nursultan Nazarbayev presented the Kazakhstan third stage.

Kazakhstan is one of the most important partners of Uzbekistan in trade and economics. There are about 230 enterprises with the participation of the Kazakhstan's capital in Uzbekistan, and in Kazakhstan more than 130 joint enterprises were established with the entrepreneurs of Uzbekistan<sup>23</sup>. By the end of 2016, the volume of mutual trade between these two countries amounted to \$2 billion. It was noted that this indicator did not correspond to the trade potentialities, being possible to increase the trade turnover by at least two times. The economies of these two countries do not compete, but, on the contrary, complement each other. To do this, it is necessary to intensify the activities of the intergovernmental commission, the joint trading houses and the organization of new markets.

The transport communications sector is one of the priorities in the development of the partnership. Automobile and railroads of our countries are mutually integrated. This important transport and communications network also performs a transit function for the third countries.

The opening of the Tashkent-Samarkand road passing through the territory of the Maktaaral district of Kazakhstan, the launch of the Tashkent-Almaty high-speed train and the bus routes between the cities of the two countries will further strengthen the transport links between the two countries, and help the development of interregional contacts, trade and tourism.

#### **2.4. Customs Union and Eurasian Economic Union**

In order to expand the Kazakh-Uzbek trade and economic relations, the two countries have a joint Intergovernmental Commission on Bilateral Cooperation chaired by the first deputy heads of government of Kazakhstan and Uzbekistan.

The largest items of Kazakhstani export to Uzbekistan are oil and petrochemical products, products of flour-and-cereals industry, grains, ferrous, non-ferrous metals, products of inorganic chemistry, and food products<sup>24</sup>. From Uzbekistan to Kazakhstan energy carriers

<sup>23</sup> Kapitonov, Ivan A., Taspenova, Gaukhar A., Meshkov Vladimir R., Shulus, Aleksei A.: "Integration of Small and Middle-Sized Enterprises into Large Energy Corporations as a Factor of Business Sustainability", *International Journal of Energy Economics and Policy*, vol. 7, nº 2 (April 2017) pp. 44-52.

<sup>24</sup> Kulshmanov, Aysultan: "Kazakhstan and Uzbekistan: The History of Relations for the Years of Independence", BNews.KZ (September 2016), at [http://bnews.kz/ru/news/politika/vneshnyaya\\_politika/kazahstan\\_i\\_uzbekistan\\_istoriya\\_vzaimootnoshenii\\_za\\_go\\_di\\_nezavisimosti\\_foto-2016\\_09\\_03-1288783](http://bnews.kz/ru/news/politika/vneshnyaya_politika/kazahstan_i_uzbekistan_istoriya_vzaimootnoshenii_za_go_di_nezavisimosti_foto-2016_09_03-1288783).





(gas), cotton fiber, chemical products and plastics, fertilizers, fruit and vegetable products and other types of goods are imported. Representative offices of JSC “Development Bank of Kazakhstan”, JSC NC “Kazakhstan Temir Zholy”, JSC NC “Kazinform” and airline “AirAstana” are accredited in Uzbekistan.

Regarding the EAUE, Kazakhstan continues to view Eurasian integration as a gradual, multiphase process that encompasses closer economic integration while preserving sovereignty and political independence; the creation of a friendly and open market for people, goods and capital based on economic reasoning, rather than political priorities.

The relationship between EAEU and Uzbekistan is complicated, but unambiguous. Until the end of 2014, Uzbek authorities have repeatedly stressed that the country will refrain from any integration in organizations reminiscent of the Soviet Union. In addition, Uzbekistan conducts its own development model, which many experts have called inward. In addition, Uzbekistan has not played an active role in any regional organizations since the collapse of the Soviet Union. It often took a “wait and observe” attitude and considered numerous attempts at (re) integration in the post-Soviet space very carefully. In December 2014 President Putin announced that Moscow and Tashkent had begun consultations on the introduction of a free trade agreement between EAEU and Uzbekistan. On January 12, 2015 President Karimov bluntly stated that Uzbekistan would not join EAEU. The reason for this unwillingness is the political nature of EAEU, as perceived by Uzbekistan. They prefer to pursue a multi-vector foreign policy.

Despite the coincidence of interests in many sectors and issues, experts consider the statements about the formation of an Astana-Tashkent geopolitical partner axis as premature. Perhaps the goal could be to achieve such a level of coordination on regional policies, that the two key countries of the region could seriously affect the situation in the region as a whole, putting aside the role of extra-regional centers of power. This also applies to economic issues, where a huge niche of mutually beneficial opportunities exists, and to security issues in its real dimensions – even in the water and energy sphere, in countering the threats of religious extremist and terrorist nature. This does not cancel Kazakhstan's participation in multilateral organizations, such as EAEU or CSTO; on the contrary, intensification of cooperation with Uzbekistan would only strengthen the Astana positions in these organizations. The combined positions of the two countries would also contribute to the effectiveness of their participation, for example, in SCO.

The importance of Uzbekistan in Central Asia is such that, without constructive relations with Tashkent, the rest of the Moscow regional policies simply loses its meaning. Uzbekistan does not participate in any of the alliances initiated by Russia, therefore, the level of bilateral relations should be assessed much more widely. Without agreement with Tashkent, there can be no successful Russian policy either in Tajikistan, in Turkmenistan, or in Kyrgyzstan. And, on the contrary, Russian-Uzbek cooperation in the post-Soviet period has already demonstrated its effectiveness in the regional context. There are also a number of specific areas that have already been fixed at the intergovernmental and intergovernmental level during the Islam Karimov's last visit to Moscow in 2015. Looking at the bilateral relations, they demonstrate a remarkable interdependence. Uzbekistan, for example, needs modernization of the armed forces and Russia needs new jobs for its defense enterprises. Uzbekistan needs a market for agricultural products and Russia needs stable supplies of these products, especially taking into consideration the external sanctions he faces and the need to change critical imports suppliers. The list can be continued. The principle “what will they do without us?”, which has been used by some officials and experts in Moscow so far, has not



been working for a long time, and not only in relation to Uzbekistan. It already became the main cause of all the failures of the Russian policy in the countries of the former Soviet Union.

### **3. The Role of Regional Associations in Ensuring Security**

The projects of Russia, the United States and China are focused on the formation of a security system in Central Asia. Security issues are the main topics for such organizations operating in the post-Soviet space, as CIS, CSTO and the SCO. For Moscow these organizations are a mechanism for coordination and cooperation in the implementation of jointly adopted decisions. Despite the fact that these organizations formally pursue different goals, in fact, their functions often coincide. Attention is drawn to the fact that the management bodies of organizations are also similar. It seems that the division of the “zones of responsibility” between CSTO, CIS and SCO contribute to a more effective solution of security problems in Central Asia.

Speaking about specific security projects developed within these organizations, it is worth noting that they are also often duplicated in other formats. For example, in CIS there are three security projects for Central Asia: a unified air defense system, peacekeeping activities and CIS Antiterrorist Center. Meanwhile, the Regional Antiterrorist Structure was also established in SCO, and CSTO has a common air defense system. This circumstance allows us to conclude that the functions of CIS in the field of security are partially transferred to other organizations. And even though the projects already functioning under the auspices of CIS will not be rolled off, the resolution of security issues in the Central Asian Region is likely to shift to CSTO and SCO<sup>25</sup>.

The SCO reflects the security strategy to be developed in Central Asia according to the views existing not only in Russia, but also in China. This was the reason for the SCO internal contradictions. Initially, the organization had as its goal the fight against the “three evils”: separatism, extremism and terrorism<sup>26</sup>. Gradually, these problems have lost relevance for most of the countries in Central Asia. Only the problem of religious extremism is common to all the members of the “Shanghai Five”. However, the organization reacts promptly to new security challenges and demonstrates its readiness to assume responsibility for ensuring security in Central Asia and for the overall development of the region<sup>27</sup>. In particular, SCO tried to develop a project to create an Energy Club, which should become an integral part of the security system in the Central Asian space<sup>28</sup>.

Unlike SCO, which connects the functions of both economic and military-political, CSTO is a kind of security institution, with responsibility for both traditional and new threats and challenges in Central Asia. In addition to solving border problems and preventing foreign policy threats, CSTO solves such major problems as combating drug trafficking.

<sup>25</sup> Aubakirova, Anna A.: “The Shanghai Cooperation Organization (SCO) and the Council for Interaction and Confidence Building Measures in Asia (SVDMA) – the Ratio: Geopolitical Prospects”. *Bulletin of KazNU*, nº 1 (2005) p. 22.

<sup>26</sup> Kushkumbaev, Sanat K. (2002): *Central Asia on the Way to Integration: Geopolitics, Ethnicity and Security*, Almaty, Suleimenov Institute of Oriental Studies of the Ministry of Education and Science of the Republic of Kazakhstan.

<sup>27</sup> Olimov, Muzaffar: “SCO and Security Problems in Central Asia”, *Proceedings of the International Conference* (October 2005), Almaty, Kazakhstan Institute for Strategic Studies under the President of the Republic of Kazakhstan, pp. 66-72.

<sup>28</sup> Logvinov, Grigory S.: “Shanghai Cooperation Organization is a Qualitative Step forward”, *Problems of the Far East*, nº 5 (October 2002), pp. 7-14.



The United States is also interested in maintaining stability in this territory. The strategy of the US security in Central Asia was the deployment of NATO military forces in the Central Asian States after September 11, 2001. And although Central Asia is the center of the intersection of geopolitical interests of the United States, Russia and China, these States understand the danger of destabilizing the situation in the region and, though apart from each other, but take steps towards solving security problems in Central Asia<sup>29</sup>.

There is an opinion that one of the factors of the US presence in the region is the need to overcome the OPEC's monopoly in oil pricing, the creation of the so-called free oil market and to increase the importance of the US oil companies. At the same time, the transportation of Caspian hydrocarbons to the United States is a costly project and therefore unprofitable. However, the US companies are successfully transporting Caspian oil to Europe.

After 2014 the United States introduced a new strategy for the development of the region "The New Great Silk Road", involving the unification of Afghanistan and the EU countries with the more economically developed states of South Asia. At the same time, participation of Russia, China and Iran in the process is as limited as possible. The project involves the formation of a transport corridor from Southeast Asia to Europe bypassing Russia, completely excluding participation in it of both the Northern Sea Route and the Trans-Siberian Railway. Thus, according to the authors of the project, Russia and China will for several decades fall out of the process of rapprochement with the Central Asian states. However, experts believe that such an idea is not feasible, since even from a geographical point of view the region is forced to contact and develop economic ties with its closest neighbors – Russia and China.

In addition, another point of view considers more rational for the US to leave the region, because it will save considerable financial resources. Speaking in favor of his own opinion, Daniel W. Drezner argues that, firstly, already implemented projects such as the launch of the Baku-Ceyhan pipeline did not strengthen the position of the US in Central Asia; it is impossible to achieve the full power of one country in the region; and the region is considerably remote geographically<sup>30</sup>.

Nevertheless, the US is not in a hurry to leave Central Asia. Moreover, Washington is making efforts to consolidate its position in the region and prevent that Central Asia becomes a monopoly of influence for China and Russia.

China is another world power, which is also interested in close cooperation with the Central Asian States. The Chinese approach to the region can be defined as a strategy for maintaining the *status quo* in Central Asia. This is confirmed by the statements of the Chinese leadership about the "harmonious peace" and "peaceful development" as the main priorities of Chinese ideology and diplomacy. In general, China is interested in the successful development of the Central Asian economies, since stable economic systems are the guarantee of successful cooperation. Especially considering the fact that the scale of commodity circulation between the republics of Central Asia and China is steadily increasing. At the same time, the activation of China's role in Central Asia is one of the directions of its regional strategy. For example, by 2012 China's share in Kazakhstan's trade turnover was equal to that of Russia, a traditional trading partner. In general, the Central Asian countries export energy

<sup>29</sup> Ashimbayev, Maulen S.: "Modern Geopolitical Situation in Central Asia in the Context of Interests of World and Regional States", *Kazakhstan in Global Processes*, vol. 2, nº 2 (December 2005) pp. 6-14.

<sup>30</sup> See also the article: "US Foreign Policy Towards Central Asia" in this issue of the Journal



resources and raw materials to the People's Republic of China, while China exports machinery and equipment to CA (about 65% of China's exports to Central Asia), as well as food and consumer goods (more than 30% of total exports). The main priorities of China in the region are as follows:

1. Counteracting terrorism, separatism and extremism;
2. Maintaining security along the perimeter of borders;
3. Promoting stability in Central Asia;
4. Promoting the economic development of the region;
5. Formation of friendly relations between China and Central Asian states;
6. Preventing the region from entering the sphere of monopoly control of any of the powers competing with China;
7. Providing open access to the energy resources of the region.

The growing dependence of China on the energy resources of Central Asia contributes to the fact that Chinese companies are increasingly penetrating the energy sector of Central Asian countries. In the 1990s China's interests in the energy sector of the Central Asian states were mainly concentrated in the oil and gas industry of Kazakhstan. But since the beginning of the 2000s, investment activity of the PRC began to affect other states in the region with their energy industries. Thus, an agreement was signed between Turkmenistan and China, according to which Turkmenistan undertakes to export 30 billion cubic meters of natural gas to China annually for 30 years; In Kazakhstan there are 22 oil companies with Chinese participation, 8 of which have 100% of Chinese capital, 1 – 95% (CNPC-Aktobemunaigaz), 1 – about 88% (Lancaster Petroleum), 8 – 50% and higher. In addition to the Kazakh and Turkmen oil and gas industry, Chinese interests are currently concentrated in the field of nuclear energy (Kazakhstan), water resources and electricity (Kyrgyzstan, Uzbekistan, Tajikistan, Kazakhstan), and coal industry (Kyrgyzstan).

In addition, Central Asia, as a hypothesis for the future, may well act as a transit region for the transportation of hydrocarbons from the Middle East and Iran. Transit of hydrocarbons through Central Asia to China, according to experts, makes the PRC not dependent on the offshore supplies of hydrocarbons from Iran and the Middle East, which are currently controlled by the US Navy.

A new step in the China's strategy in the region is the initiative “*One Belt, One Road*” que launched by president Xi Jinping in 2013, denominated since September 2015 “*Belt and Road Initiative*” (B&R). It is considered a Marshall Plan but of greater magnitude with a figure of 60 billion dollars of investments realized until May 2017, anticipating a figure of investment of 600 to 800 billion dollars in the next five years. The “Belt” plans to unite China, Central Asia, South Asia and Europe by a network of sea routes, railways and highways.

Within the framework of the (B&R), it is planned to create a transport corridor with a length of about 12.000 km, which, starting from Shanghai, will pass through the territories of



Kyrgyzstan, Uzbekistan, Kazakhstan, Russia and Belarus and will end in Europe.<sup>31</sup> The successful implementation of this project will enable China to receive about 50% of world GDP annually. The implementation of the project involves the following program of actions:

1. The intensification of cooperation between the Central Asian States, China and Russia in the political sphere;
2. Forcing the formation of a unified transport network;
3. Increasing the scale of trade through overcoming trade barriers, increasing the level and quality of trade relations with the states of the region, reducing investment costs;
4. Transition to settlements in the national currency, which will increase the currency flows;
5. Development of relations between the peoples of Central Asia and China, and the strengthening “people's” diplomacy.

It is expected that the internal resources of China- in particular state enterprises investment- and, partially, of the Central Asian States will be used to achieve the above-mentioned goals. Undoubtedly, China is ready to make huge financial outlays, which will not only allow China to realize its ambitious plan, but will undoubtedly affect the internal processes in the region.

It can be assumed, and it is justifiable, that the projects “Economic Belt of the Silk Road” and the Eurasian Economic Union are competing; however, both Moscow and Beijing at present assure us that it is necessary to speak more about the cooperation of the two powers in Central Asia, especially in those areas where their interests do not contradict each other (for example, in the field of politics or security, strengthening of the Islamist influence or an increase in the role of the United States in the internal processes of the region).

In general, China implements both multilateral and bilateral formats of relations in Central Asia. The multilateral is expressed by participation in international organizations and projects, such as SCO or the “Economic Belt of the Silk Road”, while the bilateral is represented by China's relations with each individual state of the region. This state of affairs allows China to use the entire set of instruments, such as economic, political, military, to realize their personal interests and strategies.

Thus, China's interests in Central Asia are determined by China's growing dependence on external energy resources, the desire to counteract competition from the United States and Russia for its presence in the region, as well as by the opportunity to realize their ambitious geopolitical projects through the Central Asian States.

#### **4. Recommendations.**

Thus, at present it is necessary to state that, despite all the difficulties arising in the relations between Uzbekistan and Kazakhstan in the process to strengthen their statehood, the bilateral

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<sup>31</sup> See the article in this issue of the Journal entitled “Los Intereses de China en Asia Central: One Belt-One Road”.





policies of the two countries demonstrate the need for joint actions and cooperation for solving urgent issues affecting security, economic cooperation, humanitarian and environmental problems.

The development of relations between Uzbekistan and Kazakhstan is one of the most important aspects of international relations in Central Asia. The existing complex of modern challenges posing a threat to national, regional and international security in Central Asia requires the expansion and deepening of the entire range of the Uzbek-Kazakh relations, which, in addition to the fruitful political and economic cooperation as well as a rich cultural and humanitarian component, includes scientific and academic ties. The common interests and goals of Kazakhstan and Uzbekistan outweigh any existing disagreements and tactical differences. Their objective interdependence will allow further enhancing mutually beneficial cooperation.

It seems advisable for the two largest States in the region – Kazakhstan and Uzbekistan – to intensify their joint efforts in implementing many integration projects in Central Asia in order to achieve the stability of bilateral and multilateral relations. We can mention, as an example, the role played by Germany and France in the middle of the 20th century – at the dawn of the movement towards European integration.

However, at the regional level, several international experts voiced the opinion that the Republic of Uzbekistan could join the Eurasian Economic Union in the next few years. The question is that Tashkent officially has never sought economic integration with the former Soviet Republics, having withdrawn from the Central Asian Union and the Eurasian Union, rejecting the proposal to join the Customs Union and not intending to take membership in the World Trade Organization until 2020. Former Uzbek President, Islam Karimov, stated that he did not consider the possibility of the country joining the EAEU, fearing that the integration project could somehow negatively affect the country's sovereignty, given the past experience inside the Soviet Union and the present Russian policies. Now, when the country's leadership is changing, it is quite possible to expect the resumption of negotiations on the membership in the EAEU. This Central Asian Republic has been waited for a long time in the Union, ready to offer to the citizens of Uzbekistan the appropriate privileges after the conclusion of the relevant agreements.

We can mention several advantages in the Uzbekistan's accession to EAEU: the international ties of the Republic will be strengthened, the tariffs for exports will decrease, and the demand for imports will increase. Of course, if Uzbekistan rejects the EAEU, it can keep its own market, but its expansion is limited by the internal demand and the country has to find new markets. For instance, according to official data, now the country has an average of more than 40 cars per 100 families, and with the current level of welfare of the residents it is problematic to raise this figure. Expansion in foreign markets is difficult. Previously, it was realized due to lower prices, but after the exhaustion of the margin of profitability, this path is almost closed. It is easier to be developed at the expense of foreign markets, which are located in the countries of EAEU.

Interest in integration exist. The Eurasian Union is interested in the Tashkent accession. There are several reasons for this: the level of trade turnover between the countries, the developed railway infrastructure of Uzbekistan, and the strategic position of the country.





However, the position of Tashkent is still unclear. Islam Karimov sought to maintain the non-aligned status of the country during the presidency, but his followers who came to power are more willing to cooperate with EAEU and Russia. Mutual trust is an imperative.

And before talking about the economic benefits of joining EAEU it is necessary to clarify some important points: economic decisions are currently made under the influence of politics. This also applies to the issue of Uzbekistan's accession. Tashkent closely cooperates with China, and the Republic's leadership fears that joining the Eurasian Union will spoil these relations. But it is debatable. Economic integration with China will not spoil the integration with EAEU: at present the PRC and the countries of the Customs Union (especially Kazakhstan and Russia) are cooperating closely. However, that is a point to be weighed in the face of the competition between different States with different policies for the region, that will probably increase in the next coming years.

In addition to expanding its foreign economic and political relations, the country's leadership, as a priority, must take care of the internal situation. And there are some problems connected with it. Again, Tashkent must carefully weigh what kind of help and support it can receive from whom and what margin of autonomy wants to keep.

The pace of economic growth in Uzbekistan is declining today. Neighbors' problems negatively affect the economic indicators. For instance, due to the economic crisis existing in Russia today, one can expect a reduction in the production of the automotive industry – the manufacturers need to increase sales, and orders from traditional markets are declining.

Labor migration, as we explained, is another problem. Today migrants from Uzbekistan face legal and financial difficulties when applying for work in the EAEU countries, while the citizens of the Customs Union member states do not have such problems, and the employers increasingly choose the Customs Union states' citizens when they need to hire workers. In addition, given the crisis of the Russian economy, the number of jobs available for migrants is declining, and this also has a negative impact on Uzbekistan, increasing its unemployment. Many Uzbeks prefer to look for work at home (although the necessary number of jobs has not yet been created) and the rate of unemployment is around 9% – which, of course, does not make things more positive.

And, finally, there are possibilities for profit. Tashkent can make money on transport services (and the authorities understand it), creating joint projects with Kazakhstan and Russia.



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