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Strengthening and Energizing EU-Central Asia relations

POLICY PAPER

No. 6
Economic relations and trade
Mapping strategies of Russia, USA and China towards Central Asia

September 2018

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Contents

Executive Summary

The aim of this paper is to study the role and impact of the world powers in Central Asia. The paper analyses the Central Asian countries - Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, and Turkmenistan - in terms of their economic and trade cooperation with Russia, the United States of America and China, taking into account the impact of such developments like sanctions and labour migration. The study addresses both the national and supranational levels, as it features the mapping of the role of the Shanghai Cooperation Organization (SCO), an association of five major emerging national economies: Brazil, Russia, India, China and South Africa (BRICS), and the Eurasian Economic Union (EAEU). Further, it addresses the engagement of the Central Asian countries in the international trade agreements and bilateral trade by providing an outlook of the most notable investment and bilateral projects and looks into the disputes that have arisen during the implementation of the said projects.

1. Introduction

This paper provides a summary of the economic and trade cooperation between Central Asian countries on the one hand, and Russia, China, and the United States of America on the other. Special attention was paid to the role of the regional institutions such as the Commonwealth of Independent States (CIS), the SCO and BRICS in promoting economic partnership of the countries of the Central Asian region with Moscow and Beijing.

The mapping of this relationship has been undertaken in a variety of categories: bilateral trade agreements; being part of the same international trade agreements; bilateral trade (import and export by year, amount, share, sector); direct investments (by year, amount, percentage in the total national, sector); most notable bilateral projects; interests in energy and other natural resources; most notable foreign companies operating; trade disputes/sanctions and labour migration; integration initiatives, infrastructure projects.

Information collected in the process of preparation of this paper has been found through open sources, mostly retrieved online. Desk-based research was conducted primarily in English and Russian. The time period examined in the paper was mostly confined into the decade of 2007 to 2017, in order to map the most recent developments in bilateral relations and regional multilateral initiatives.

This paper seeks to identify comprehensive tendencies between the Central Asian countries and Russia, China, and the United States in the economic sphere. The findings of this mapping exercise will provide a comprehensive basis for the following analysis of the world power's economic relations with Central Asian countries and policy recommendations for future priorities for European policy making vis-à-vis Central Asia to be elaborated in the course of the H2020 project "SEnECA – Strengthening and Energizing EU-Central Asia Relations".

2. Mapping

2.1. Russia

Russia has established strategic partnerships with all Central Asian countries. While the Russian economic dominance has to some extent been challenged by China over the past decade, it still remains one of the largest trading partners for the region. Trade balance with Russia accounts for 30 percent of the overall trading balance of the region with the turnover of around USD 35 billion.

Over the past five years, Russia has provided support to Central Asia in the amount of USD 6.7 billion (USD 4 billion through bilateral arrangements and USD 2.6 billion within International Institutions). For the past decade, Russia's main economic strategy was to retain its dominating positions against a rapidly expanding Chinese economic presence. Unlike the regions relations to China, the trading arrangements with Russia are not largely limited to energy and mineral resources, but also include industrial products, agricultural goods, chemicals, metallurgy and machinery. This is also the main reason why Russia remains an important trading partner for the region. Russia is also one of the largest investors in the region with the total amount of USD 18 billion,[2] and the largest labour market for citizens from the Central Asian states. Bilateral trading dynamics, however, have been considerably altered by the stagnation of the Russian economy, the formation of the Eurasian Economic Union (EAEU) and the Western sanctions against Russia.

Russia is among the top five trading partners for all Central Asian countries. Moscow's economic leverage, however, significantly differs depending on its status of importer or exporter. Except for

[2] "Rossiya i tsentral'naya Aziya," Ministerstvo innostrannykh del rossiĭskoĭ federatsii, accessed June 18, 2018, http://www.mid.ru/rossia-i-problemy-central-noj-azii

Uzbekistan, Russia is the main source of import for all Central Asian states, but no longer the primary export destination.[3]

Kazakhstan's economy is highly dependent on oil exports, around 80 percent of which is headed towards the European market. Thus, while Russia is placed 4th on the list of the Kazakh export destination, it is still the number one source of imports and holds almost a monopoly over the transit of the Kazakh oil export to Europe. The amount of goods imported from Russia by Kazakhstan exceeded the number of goods imported from China, the runner-up in terms of imports, three times in 2016. Currently, the EAEU largely determines trading dynamics of the two countries.

Russia has traditionally been the main source of imports for Kyrgyzstan. However, in 2016 for the first time China replaced Russia as a major supplier. At the same time, Kyrgyzstan exports to Switzerland more than to Russia, Kazakhstan and Uzbekistan combined. The Russian authorities succeeded in encouraging or forcing Kyrgyzstan to repeal the law prohibiting the bailouts of strategic facilities in the country. In 2014, Russian Gazprom purchased the entire gas sector of Kyrgyzstan for just USD 1 and Moscow forgave the Kyrgyz debt.[4] In the meantime, economic crisis in Russia has affected its ability to finance large projects in Kyrgyzstan. In 2012, Russia committed to invest USD 2.1 billion in the construction of the Upper Naryn cascade and the Kambarata-1 HPPs (1.9 GW). However, in January 2016, the President of Kyrgyzstan Almazbek Atambaev cancelled the agreement, citing the Moscow's inability to secure financing.

While the Russian trade surplus accounted for almost USD 4 billion in 2010, it barely held its position with USD 48 million in 2016. The main Uzbek export destinations in the beginning of 2000s – Russia and the EU – have been replaced recently by China and Switzerland. China is now a major source of import for Uzbekistan. Russia has also lost its position of the largest market for Uzbek gas, the export volume of which declined from 15 bcm in 2008 to 3 bcm in 2017. The overall trade turnover between Russia and Uzbekistan has shown certain progress and increased by 23 percent in 2017, because of the new Uzbek leadership's attempt to diversify trade.[5]

There are around 960 joint ventures with the share of the Russian capital in Uzbekistan. Uzbekistan exports natural gas, cars, chemical products, textile, fruits and vegetables to Russia, importing black and nonferrous metals, wood, oil and oil products, among other groups.[6] The newly-elected Uzbek President Shavkat Mirziyoyev's first visit to Russia resulted in signing of over 50 official documents with the value of USD 15.8 billion. A considerable part of investments will be spent in the energy sector.[7] One of the main Russian projects is the development of the Gyssar gas field, which is expected to increase the gas production capacity by five bcm annually.[8] Also, in 2017, Shavkat Mirziyoyev signed an agreement with the Russian authorities to launch oil supplies to Uzbekistan via the oil pipeline through Kazakhstan.[9] While the overall trade turnover between the two states was declining and Russia could not invest significantly due to economic difficulties, Moscow cancelled USD 865 million Uzbek debt in 2016 to keep Uzbekistan under its area of influence.

[3] "Key Indicators for Asia and the Pacific. Tajikistan," Asian Development Bank, accessed June 18, 2018, https://www.adb.org/sites/default/files/publication/357006/taj.pdf

[4] "Russia's Evolving Energy Interests In Central Asia And Afghanistan," Bishkek Project, accessed June 18, 2018, https://bishkekproject.com/memos/26

[5] "Tovarooborot mezhdu RF i Uzbekistan vyros na 23% za 2017 god," Internet-Portal SNG, accessed June 18, 2018, http://e-cis.info/news.php?id=17240

[6] "Predprinimateli Rossii i Uzbekistana nalazhivayut delovye svyazi," Internet-Portal SNG, accessed June 18, 2018, http://e-cis.info/news.php?id=15956

[7] "Dolgaya doroga v Pekin," Nezavisimaya, accessed June 18, 2018, http://www.ng.ru/dipkurer/2017-05-15/11_6987_uzbekistan.html

[8] "Lukoĭl zapustil osnovnye proizvodstvennye ob''ekty v ramkakh proekta Gissar v Uzbekistane," UzDaily, last modified August 22, 2018, https://www.uzdaily.uz/articles-id-33796.htm

[9] "Russia starts oil supplies to Uzbekistan," The Tashkent Times, accessed June 18, 2018, http://tashkenttimes.uz/economy/1709-russia-starts-oil-supplies-to-uzbekistan

While Russia ranks as the third most important destination market for the Tajik export, it is the largest importer of goods for Tajikistan since 2002, when it replaced Uzbekistan. There are around 130 joint ventures with the Russian capital in Tajikistan and Russian investments account for USD 1.7 billion.[10] The same as in the case of Kyrgyzstan, Moscow was viewed as a major contributor to the development of the hydropower sector. In 2004, Russian Rusal signed an agreement to build the largest Rogun dam/HPP (3600 MW) in the country. However, both sides were not able to reach consensus over the height of the dam and cancelled the agreement in 2007. Due to the slowdown of the Russian economy, Moscow has been unwilling to participate in the Rogun project since then.

While the total export volume from Turkmenistan to Russia accounted for over USD 1 billion in 2000, it was reduced to less than USD 300 million in 2016. Currently, Russia is the second largest importer of goods for Turkmenistan and the fifth export destination for the Turkmen products. Turkmenistan has traditionally been viewed by Moscow as a source of gas. However, the volume of the Turkmen gas export to Russia dropped from almost 80 bcm in 1990 to 42 bcm in 2007. While Russia expected to boost gas export since 2008, the Russia-Ukraine crisis in 2009 dragged the trade volume further down to 11 bcm in 2009, which was entirely suspended starting from January 1, 2016.[11] With the decline of the gas export to Russia, Moscow is no longer a driver of the Turkmen economy.

The EAEU is the latest stage of the Russian economic integration initiative, which implies establishing common external trade policy. The EAEU, however, still resembles a limited custom union, because not all items fall under the EAEU regulations (e.g. currently, 3,500 items are exempt for Kazakhstan) and generally its members are not satisfied with how the Union works.

Russia's promise to establish the common energy market and allow tariff-free movement of the energy resources was one of the main reasons for the EAEU member states to form and join the Union. Within the EAEU, intermediate goods account for more than 85 percent of the total export and almost 60 percent of all exported goods are energy products.[12] Thus, 47 percent of all Russian foreign direct investment in the EAEU goes to this sector.[13] The common electricity (2019) as well as oil and gas markets (2025), however, are not formed yet, which raises concerns within the Union. While customs' tariffs for most of the energy and mineral resources of the Group 27 of the EAEU customs code were eliminated, six of them – strategically important gas, crude oil, oil products and electricity – fall out of the scope of the EAEU regulation. Russia signs the annual bilateral agreements with each of the Central Asian state on the preferential conditions for export-import of those resources, thus using energy as an instrument for exercising its influence in the region.

The Western sanctions against Russia have indirectly affected the relationships within the EAEU. Oil sectors of Kazakhstan and Russia are highly interlinked. The United States placed an embargo on exports of the high-technology oil exploration and production equipment to Russia. In consequence, the U.S. sanction-imposed restrictions on the Russian energy companies operating in Central Asia, such as Gazprom, Rosneft and Lukoil, are affecting Kazakhstan as well.[14]

The Moscow's countersanctions also pose threat to greater integration within the Union. The EAEU Treaty contains a special clause, which allows its member states to unilaterally apply the temporary trade restrictions against the third countries. For instance, in 2016, Russia applied restrictions on the

[10] "Rossiya i Tadzhikistan: 25 let sotrudnichestva," Sputnik, last modified April 7, 2018, https://ru.sputnik-tj.com/infographics/20170407/1022020657/rossiya-tadzhikistan-let-sotrudnichestvo-otnosheniya.html

[11] "Gas Purchases," Gazprom, accessed June 18, 2018, https://goo.gl/ezCzRk

[12] Evgeny Vinokurov, "Eurasian Economic Union: Current State and Preliminary Results," *Russian Journal of Economics* no. 3 (2017): 17.

[13] Ibid., 63.

[14] "Sanctions after Crimea: Have they worked," Nato, accessed June 18, 2018, https://www.nato.int/docu/review/2015/Russia/sanctions-after-crimea-have-they-worked/EN/index.htm

import and transit of certain Ukrainian goods to other EAEU member states. This has affected Kazakhstan, and the Kazakh authorities are now requesting Moscow to allow a transit of machinery and equipment necessary for its economy.[15]

Economic decline and devaluation of the Ruble dragged down the prices for certain Russian goods. Kazakhstan and Belarus had to introduce the protectionist measures since 2015 to shield their markets against an influx of the Russian goods, which is also negatively affecting the trading dynamics within the Union.[16]

Russia has always been and remains the largest labour market for the Central Asian migrants. Nevertheless, the recession of the Russian economy has also negatively affected the Central Asian labour migrants. The peak of labour migration from Central Asia to Russia took place in 2013, with the following breakdown: Uzbekistan 2.7 million, Tajikistan 1.2 million and Kyrgyzstan 600,000 migrants. The economic crisis and devaluation of the Russian currency, however, have halved remittances from USD 13.6 billion to USD 6.9 billion in 2016.[17] The amount of remittance inflows from Russia in 2015 decreased by 33 percent to Kyrgyzstan, 43 percent to Tajikistan and 46 percent to Uzbekistan. In 2016, the remittance levels continued to decline - by 13 percent in Tajikistan and 10 percent in Uzbekistan. Kyrgyzstan's accession to the EAEU and extended registration timespan of 30 days for the Kyrgyz citizens in Russia have triggered a larger scale emigration and resulted in 26 percent increase of the remittances from Russia in 2016.[18]

2.2. The United States of America

In the U.S. foreign policy, strengthening economic ties with the region has always been complementary to providing security and to a lesser degree promoting democracy in Central Asia and Afghanistan. In consequence, the overall trade turnover, as well as an investment package remains very limited, excluding Kazakhstan. Since the U.S. does not pursue major economic interests in Central Asia, its economic engagement with the region remains co-opted by security. The U.S. direct investment as well as foreign assistance to the region is extremely low. Within the context of economic cooperation, the U.S. agencies' activity primarily focuses on assisting the Central Asian states create an environment attractive enough for the U.S. businesses to come to the region. The U.S. attempts to promote market mechanisms and establish open societies based on free market has largely failed. The U.S. is not even taking the main part in major infrastructure projects linking the Central Asian region to Afghanistan and other South Asian countries (TAPI and CASA-1000) that it has been supporting within the New Silk Road initiative. Moreover, according to the new State Department budget, the bilateral economic assistance routed to the Central Asian countries through AEECA was expected to be reduced to zero from USD 6.1 million for Kazakhstan, USD 3.9 million for Turkmenistan, USD 40.5 million for Kyrgyzstan, USD 25.2 million for Tajikistan and USD 5.4 million for Uzbekistan.[19] This is another sign of the U.S. declining interest in Central Asia.

Kazakhstan has attracted a substantially higher share of the American foreign direct investment than its Central Asian neighbours, making the U.S. the second largest investor after the Netherlands. The

[15] Michael Emerson and Veronika Movchan "The Eurasian Economic Union's problematic customs union," 3 DCFTAs, last modified January 11, 2018, http://www.3dcftas.eu/system/tdf/The%20Eurasian%20Economic%20Union_0.pdf?file=1&type=node&id=411

[16] "The Eurasian Economic Union: a time of crisis," OSW. Ośrodek Studiów Wschodnich im. Marka Karpia, accessed June 18, 2018, https://www.osw.waw.pl/en/publikacje/osw-commentary/2016-02-01/eurasian-economic-union-a-time-crisis

[17] "Trudovye migranty iz stran tsentral'noĭ Azii okazalis' v Rossii v usloviyakh neopredellyennosti," *InoZpress,* last modified September 7, 2017, http://inozpress.kg/news/view/id/51784

[18] "Executive Summary. Migrant vulnerabilities and integration needs in Central Asia," International Organization for Migration, accessed June 18, 2018, http://www.iom.kz/images/books/2017-DAR-executive-summary-eng.pdf, 18-19.

[19] Catherine Putz, "Will the US Ever Get a New Central Asia Policy," *the Diplomat*, last modified May 03, 2017, https://thediplomat.com/2017/05/will-the-us-ever-get-a-new-central-asia-policy/

United States-Kazakhstan Bilateral Investment Treaty came into force in 1994.[20] The majority of foreign investment is in the hydrocarbons sector, and the U.S. is a leading source of investment with stocks of around USD 27.1 billion invested in Kazakhstan until the end of 2017.[21] The importance of the U.S. in the Kazakh foreign trade balance is decisively smaller. The U.S. share slightly exceeds two percent that gives it the 10th position among the Kazakhstan's trade partners.[22]

In the early 1990s, to boost economic growth by developing its oil and gas potential, Kazakhstan opened up its domestic reserves for the international energy companies, including such American giants as ChevronTexaco and ExxonMobil. They still operate in the country based on the production sharing agreements signed with the government of Kazakhstan. Except for some ups and downs in the development of the new giant Kashagan oil field by a consortium, which includes the American companies, no critical changes were recorded for the past decade of the Kazakh-American economic cooperation.

In Kazakhstan, the U.S. Embassy often advocates on behalf of the American firms in case of investment disputes.[23] One of the major disputes that the U.S. is currently involved in took place in 2017 when the Bank of New York Mellon froze USD 22 billion belonging to the Kazakhstan's National Funds.[24] There are, however, other grounds for tensions between the U.S. and Kazakhstan. For instance, within the EAEU Kazakhstan had to double its import tariffs and introduced quotas on trade of poultry, beef and pork, which is currently causing trouble for the U.S. exporters.[25]

The overall trade turnover as well as investment package between the U.S. and Kyrgyzstan is very limited. The Kyrgyz entrepreneurs are mainly purchasing franchise licenses of the major U.S.-based companies, particularly in the food service industry. Trade relations between the parties are regulated based on the Bilateral Investment Treaty signed in 1993 and the U.S.-Kyrgyz Business Council, which was re-launched in 2016 to strengthen economic and commercial ties between the countries.[26,27]

The United States occupies the 6th position in the Uzbek trade turnover, however its share is rather limited, as it did not exceed two percent in 2016.[28] In fact, Uzbekistan does not have a Bilateral Investment Treaty or a Free Trade Agreement with the U.S. The governments of the U.S. and Uzbekistan signed a bilateral investment treaty in 1994, though the agreement never entered into force. The U.S. FDI in Uzbekistan remain insignificant.

The economic cooperation between Tajikistan and the United States is negligible. Tajikistan does not have a Free Trade Agreement or a bilateral investment treaty with the U.S. The government of Tajikistan is interested in extending cooperation with the U.S., especially after it gained the WTO

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20 "Kazakh-US Relations Overview," Embassy of the Republic of Kazakhstan, accessed June 18, 2018, https://www.kazakhembus.com/content/kazakh-us-relations-overview

21 "Direct Investments Statistic according to the directional principle," National Bank of Kazakhstan, accessed June 18, 2018, http://www.nationalbank.kz/?docid=469&switch=english

22 "Statistika vneshneĭ i vzaimnoĭ torgovli," Ministerstvo natsional'noĭ ékonomiki Respubliki Kazakhstan, accessed June 18, 2018, http://stat.gov.kz/faces/wcnav_externalId/homeNumbersCrossTrade2017?_afrLoop=1357822473477341#%40%3F_afrLoop%3D1357822473477341%26_adf.ctrl-state%3D11ll9a7tt5_60

23 "Kazakhstan. Executive Summary," U.S. Department of State, last modified June 29, 2017, https://www.state.gov/e/eb/rls/othr/ics/2017/sca/270019.htm

24 Paolo Sorbello, "Lawsuits Threaten Kazakhstan's Oil Money," *the Diplomat,* last modified January 12, 2018, https://thediplomat.com/2018/01/lawsuits-threaten-kazakhstans-oil-money/

25 "Kazakhstan – Trade Agreements," export.gov, last modified September 20, 2017, https://www.export.gov/article?id=Kazakhstan-Trade-Agreements

26 "Kyrgyz Republic -1- Openness To, And Restrictions Upon, Foreign Investment," export.gov, last modified July 28, 2017, https://www.export.gov/article?id=Kyrgyz-Republic-Openness-to-and-Restrictions-Upon-Foreign-Investment

27 "Kyrgyz Republic. Executive Summary," U.S. Department of State, last modified June 29, 2017, https://www.state.gov/e/eb/rls/othr/ics/2017/sca/270021.htm

28 "Uzbekistan. Market Overview," export.gov, last modified July 14, 2017, https://www.export.gov/article?series=a0pt0000000PAv7AAG&type=Country_Commercial__kav

membership in 2013. However, no major reforms have taken place so far to improve investment attractiveness of the country for U.S. companies. Tajikistan has also expressed its willingness to join the EAEU, the membership in which will create the new obstacles for the U.S. companies to invest in Tajikistan.[29] The United States has shown certain interest in promoting the CASA-1000 power transmission line connecting Tajik and Kyrgyz electricity with the South Asian market, but no major commitment was made so far.

The United States plays a very limited role in the Turkmen economic life. There is no bilateral investment treaty between Turkmenistan and the U.S. The U.S. government considers the Convention with the Union of Soviet Socialist Republics on Matters of Taxation, which entered into force in 1976, to continue to be in effect between the United States and Turkmenistan. The highest valued U.S. export category is aircraft and spare parts, with turbines the second largest category. The American largest import from Turkmenistan is cotton.[30] No known investment disputes have involved a U.S. person over the course of the past ten years.[31] Ashgabat counted on the U.S. financial support to trigger construction of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline, however, the latter has made no commitment so far.

2.3. China

There are no official bilateral trade agreements signed between China and a Central Asian State[32]. However, there are hundreds of the so-called economic "deals" between China and the Central Asian countries regarding trade, infrastructure and development. For instance, Kazakhstan has more than "230 contracts and agreements in different areas, among which the most fundamental agreements are the Treaty of Good-Neighbourliness and Friendly Cooperation signed in December 2002 in Beijing and the Joint Declaration of the heads of state of the Republic of Kazakhstan and China on a new stage of comprehensive strategic partnership (August 2015, Beijing)."[33]

China and four Central Asian states are part of the Shanghai Cooperation Organization (SCO). The SCO is a Eurasian political, economic, and security organisation which was established in 2003 replacing the Shanghai 5 Group (created in 1996). Below is an overview of the gradual accession of the four Central Asian states to the SCO:

- China (since 1996)
- Kazakhstan (since 1996)
- Kyrgyzstan (since 1996)
- Tajikistan (since 1996)
- Uzbekistan (since 2001)

The SCO compromises of eight members in total (incl. Russia, India and Pakistan). Out of the five Central Asian states, only Turkmenistan is not a member of the SCO.

China and three Central Asian states – the Kyrgyz Republic, Tajikistan, and Kazakhstan – are members of the World Trade Organisation (WTO). Turkmenistan and Uzbekistan are not members of the WTO. The Uzbek officials have indicated a renewed interest in joining the WTO after the seeming

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[29] "Tajikistan. Executive Summary," U.S. Department of State, last modified June 29, 2017, https://www.state.gov/e/eb/rls/othr/ics/2017/sca/270031.htm

[30] "Turkmenistan -0- Executive Summary," export.gov, last modified October 19, 2017, https://www.export.gov/article?id=Turkmenistan-Executive-Summary

[31] "Turkmenistan. Executive Summary," U.S. Department of State, last modified June 29, 2017, https://www.state.gov/e/eb/rls/othr/ics/2017/sca/270033.htm

[32] "China's free trade agreements," China FTA Network, accessed May 29, 2018, http://fta.mofcom.gov.cn/english/index.shtml

[33] "Bilateral relations," Embassy of the Republic of Kazakhstan in the People's Republic of China, accessed May 29, 2018, http://www.mfa.gov.kz/en/beijing/content-view/ha-zhong-he-zuo

political and economic opening of the country since the election of the new president Shavkat Mirziyoyev in 2016.[34]

Bilateral trade between China and the Central Asian countries has been growing between 2007 and 2015 (data available until then), with the Chinese-Kazakh relations composing the strongest economic ties. In 2007, the trade between both countries amounted to USD 13.9 billion, while in 2015 the trade volume was at USD 14.2 billion – only slightly higher than a decade before.[35] According to the Kazakh statistical office, the trade turnover decreased from USD 19.7 billion in 2011 to USD 10.5 billion in 2017. The share of China in the Kazakh trade volume decreased from 16 to 13 percent.[36] Main products that China exports to Kazakhstan are mechanical products, base metals, plastics and rubbers. From Kazakhstan, China predominantly imports chemicals, minerals and base metals.

According to the Ministry of Foreign Affairs of the PRC, the trade between China and Turkmenistan exceeded USD 6.9 billion in 2017.[37] The share of China in the Turkmen trade volume surpassed 55 percent.[38] For Turkmenistan, China has become the largest trading partner. Moreover, the two countries are each other's largest cooperative partners in natural gas.[39]

The fastest pace of growth can be observed in the Chinese trade relations with Tajikistan and Uzbekistan, where trade has grown four to five times in the mentioned timeframe. Starting with USD 0.5 billion in 2007, the Chinese trade volume with Tajikistan has grown up to USD 2.5 billion in 2015. Similarly, trade with Uzbekistan has increased from USD 1 billion in 2007 to USD 4 billion in 2015. The turnover between China and Kyrgyzstan has been ranging between USD 4 and USD 5 billion this decade.[40] According to the EC, in 2017, China accounted for 20 percent of the Kyrgyz trade (2nd place, almost EUR 1.4 billion), 20 percent of the Uzbek trade (1st place, EUR 3.8 billion), and 10 percent of Tajikistan (3rd place, EUR 405 million).

The largest investment project between Central Asia and China - the Belt and Road Initiative (BRI) - was put forward by the Chinese president Xi Jinping in September 2013 during a keynote speech he made in Kazakhstan.[41] The former abbreviation OBOR (One Belt One Road) has been changed in 2016 in order to avoid misunderstandings about only “one” road being built.[42] The Chinese officials tend to stress different aspects of the initiative at different occasions, still, at the basic level, the BRI

34 “USAID Supports World Trade Organization (WTO) Accession Process in Uzbekistan,” US Embassy in Uzbekistan, accessed May 29, 2018, https://uz.usembassy.gov/usaid-supports-world-trade-organization-wto-accession-process-uzbekistan/

35 “Annual Data,” National Bureau of Statistics of China, accessed May 29, 2018, http://www.stats.gov.cn/english/Statisticaldata/AnnualData/

36 “Statistika vneshneĭ I vzaimnoĭ torgovli,” Ministerstvo natsional’noĭ ėkonomiki Respubliki Kazakhstan, accessed June 18, 2018, http://stat.gov.kz/faces/wcnav_externalId/homeNumbersCrossTrade2017?_afrLoop=1357822473477341#%40%3F_afrLoop%3D1357822473477341%26_adf.ctrl-state%3D11ll9a7tt5_60

37 “中国同土库曼斯坦的关系, ” Ministry of Foreign Affairs of the People’s Republic of China, last modified March, 2018, http://www.fmprc.gov.cn/chn//gxh/cgb/zcgmzysx/yz/1206_32/1206x1/t7123.htm

38 “European Union, Trade in goods with Turkmenistan,” European Commission, Directorate General for Trade, last modified April 16, 2018, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113457.pdf

39 “China-Turkmenistan ties becoming strategic,” *China Daily*, accessed May 29, 2018, http://www.chinadaily.com.cn/china/2013xivisitcenterasia/2013-09/02/content_16936006.htm

40 “Annual Data,” National Bureau of Statistics of China, accessed May 29, 2018, http://www.stats.gov.cn/english/Statisticaldata/AnnualData/

41 Xi Jinping, “Promote the people’s friendship for a better future — a speech at the University of Nazarbayev,” People Daily, last modified September 8, 2013, 3.

42 Una Aleksandra Bērziņa-Čerenkova, “BRI Instead of OBOR – China Edits the English Name of its Most Ambitious International Project,” Latvian Institute of International Affairs, accessed May 29, 2018, https://web.archive.org/web/20170206061842/http://liia.lv/en/analysis/bri-instead-of-obor-china-edits-the-english-name-of-its-most-ambitious-international-project-532

"is a collection of interlinking trade deals and infrastructure projects throughout Eurasia and the Pacific spanning more than 68 countries and encompassing 4.4 billion people and up to 40 percent of the global GDP".[43]

The initiative has two main goals: the establishment of 1) the "Silk Road Economic Belt" and 2) the "21st Century Maritime Silk Road". The former is a road from China to Europe that is supposed to encompass a number of trade and infrastructure projects. The latter refers to a sea-based network of shipping lanes and port developments throughout Asia and the Pacific.[44]

Central Asia, which runs through the continents of Asia and Europe, is the vital core of the "Silk Road Economic Belt". The President Xi Jinping chose to introduce the BRI in Kazakhstan. On the map of the BRI, Central Asia is the core node, the only path, and the strategic centre. The Central Asian policy is of great strategic significance because it concerns the political, economic, energy, and security interests of China.[45]

Within the BRI, there are several notable infrastructure projects: the Moscow-Kazan high-speed railway, the Khorgos-Aktau railway, the Central Asia-China gas pipeline, the China-Kyrgyzstan-Uzbekistan railway, the Khorgos Gateway, and the Trans-Asian railways. [46]

According to the WTO, there are no official trade disputes between China and a Central Asian country. Most trade disputes between China and other states take place with the United States, the EU, Canada and Mexico.[47]

The statistics agencies of the Central Asian countries and China do not depict information on the number of migrants according to the country of origin. However, the International Labour Organization (ILO) has a statistical record for the development of migration numbers in Kazakhstan and Kyrgyzstan. This data shows that labour migration to Kazakhstan was quite high in 2009. Unfortunately, no official numbers exist for the other years in order to make a comparison. In Kyrgyzstan, the migration flow from the Central Asian countries and China has remained stable since 2007, with the exception of the migration rates from Uzbekistan which have been steadily declining since 2007.

3. Conclusions

Whereas the trading arrangements with China are largely limited to energy and mineral resources, Russia remains one of the largest investors, an important trading partner and the largest labour market for the Central Asian citizens. The stagnation of the Russian economy and the Western sanctions against the Kremlin have indirectly affected the relationships within the EAEU, in particular oil sector of Kazakhstan. However, the Russian countersanctions also pose a threat to a greater integration within the EAEU. The U.S. firms and businesses have channeled their foreign direct investment into Kazakhstan than any other country in the region. Bilateral trade between China and Central Asia has been increasingly growing, in particular within the Belt and Road Initiative, the largest infrastructure project.

[43] James Griffiths, "Just what is this One Belt, One Road thing anyway?," *CNN,* accessed May 29, 2018, https://edition.cnn.com/2017/05/11/asia/china-one-belt-one-road-explainer/index.html

[44] James Griffiths, "Just what is this One Belt, One Road thing anyway?," *CNN,* accessed May 29, 2018, https://edition.cnn.com/2017/05/11/asia/china-one-belt-one-road-explainer/index.html

[45] Shao Binhong, *Looking for a Road: China Debates its and the World's* Future (Boston: Brill, 2017), 173.

[46] Jack Farchy et al., "The New Trade Routes: Silk Road Corridor," *Financial Times*, accessed April 8, 2018, https://ig.ft.com/sites/special-reports/one-belt-one-road/

[47] "Dispute Settlement. Disputes by Member," World Trade Organization, accessed April 8, 2018, https://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm

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