



RECENT DEVELOPMENTS IN EXPORTS OF CENTRAL ASIAN COUNTRIES TO CHINA

China, which has invested billions of dollars and provided loans to Central Asia, continues to be one of the most important trading partners of the countries in the region. According to the 2019 data, China is the top trading partner for Kyrgyzstan, Uzbekistan, and Turkmenistan, the second largest for Kazakhstan, and the third largest for Tajikistan.

As it is known, the trade volume between the Central Asian countries and China showed a general downward trend in 2014-2016 and began to grow again in 2017. For instance, the total Central Asia-China trade volume increased by 18.7% to \$36.412 billion in 2017 compared to the previous year. Then it boosted by 14.4% to \$41.663 billion in 2018 and by 12.2% to \$46.749 billion in 2019. If we look at the Central Asian-Chinese trade data in 2017-2019, we can see a significant increase especially in Central Asia's exports to China. For example, in 2017, the total exports of the Central Asian countries to China amounted to \$15.114 billion, which is a 21.2% increase compared to the previous year. This figure then grew by 26.4% to \$19.104 billion in 2018 and by 7.9% to \$20.618 billion in 2019. It can be stated that the increasing trend in the total exports of the Central Asian countries to China has the internal and external factors behind these figures. First of all, the concrete steps taken by the Central Asian countries in the past few years to diversify their economies, improve their foreign trade structures and increase their exports have had a positive impact on their exports. Uzbekistan is the best example of such a positive development in Central Asia. The economic liberalization efforts following the change of power in September 2016, together with the improved investment and foreign trade conditions, as well as the liberalization of monetary policies contributed significantly to the development of the national economy and the increase in foreign trade. These developments have led to an increase in trade relations with China, one of the most important trade partners of Uzbekistan. The Uzbekistan-China bilateral trade volume, which amounted to \$4.754 billion with an 11.8% increase in 2017 compared to the previous year, reached \$6.266 billion with a 31.8% increase in 2018 and \$7.621 billion with a 21.6% increase in 2019. In 2017, Uzbekistan's exports to China increased by 13.5% to \$2.026 billion compared to the previous year, reaching \$2.324 billion

with a 14.7% increase in 2018 and \$2.519 billion with an 8.4% increase in 2019.

We can see a similar situation in the trade of Kyrgyzstan and Tajikistan with China. Although exports of Kyrgyzstan and Tajikistan to China are very low compared to their imports, there has been a general increase in the exports of both countries to China in recent years. For example, the Kyrgyzstan-China bilateral trade volume equaled \$5.424 billion in 2017, which is a 4% drop compared to the previous year, and then increased by 3.3% to \$5.601 billion in 2018 and by 13.3% to \$6.346 billion in 2019. Meanwhile, Kyrgyzstan's exports to China increased by 22.2% to \$87.055 million in 2017. However, it declined by 37.6% to \$54.359 million in 2018 and gained an upward momentum again in 2019 with \$66.009 million, an increase of 21.4%. The Tajikistan-China bilateral trade volume, which fell by 23.2% to \$1.348 billion in 2017, reached \$1.503 billion with an 11.5% increase in 2018 and then \$1.674 billion with an 11.4% increase in 2019. Accordingly, Tajikistan's exports to China increased by 49.5% to \$46.737 million, by 64.3% to \$76.804 million, and by 10.2% to \$84.620 million, respectively.

When evaluated in terms of external reasons, the increase in the Central Asian countries' exports to China in 2017-2019 was due to the positive developments in the global energy market in recent years. The fact that global oil prices started to increase again in 2017 allowed the Central Asian countries to recover their economies that depend on energy exports. From this point of view, we can see that energy exports of the Central Asian countries to China increased significantly in 2017-2019. For example, from 2010-2016 through Kazakhstan-China Oil Pipeline 10 million tons of oil annually transferred to China, whereas in 2017 12.277 million tons and in 2018 13 million tons of oil were shipped to China, while in the first half of the 2019 5.59 million tons of oil were transported through the same line. Moreover, the amount of gas transferred to China through the Central Asia-China Gas Pipeline increased by 13.37% to 38.738 billion cubic meters in 2017, and it grew further by 22.6% to 47.493 billion cubic meters in 2018 and by 1% to 47.9 billion cubic meters in 2019. Given that energy products make up the bulk of Central Asia's exports to China, it should not be overlooked that Kazakhstan and Turkmenistan played an important role in increasing the exports of Central Asia to China between 2017-

2019. As it is known, Kazakhstan and Turkmenistan constitute the largest part of the total trade volume between Central Asia and China. It can be observed that the exports of both countries to China increased significantly in the reported period. In 2017, the bilateral trade volume between Kazakhstan and China increased by 37% to \$17.943 billion compared to the previous year. Then it rose by 10.7% to \$19.857 billion in 2018 and by 10.7% to \$21.991 billion in 2019. In particular, Kazakhstan's exports to China increased by 32.8% to \$6.379 billion, by 33.7% to \$8.530 billion and by 8.6% to \$9.262 billion, respectively. In 2017, the Turkmenistan-China bilateral trade volume amounted to \$6.943 billion, an increase of 17.6% compared to the previous year, while in 2018, it increased by 21.5% to \$8.436 billion and by 8.1% to \$9.117 billion in 2019. On the other hand, Turkmenistan's exports to China increased by 18.2% to \$6.575 billion, by 23.5% to \$8.119 billion and by 7% to \$8.686 billion, respectively.

Furthermore, the United States-China trade war, which escalated in March 2018, provided additional opportunities for the Central Asian countries to increase their exports to China. In particular, China's additional tariffs of 5% and 25% on many U.S. agricultural products turned the attention of Chinese importers to Central Asia. Therefore, there has been significant growth in the export of agricultural products of the Central Asian countries to China in the last two years. For example, in 2018, Uzbekistan's exports to China of fruits and vegetables alone increased by 1.66 times to \$46.2 million. In 2018, Kyrgyzstan's exports of agricultural products to China amounted to \$13.15 million. In the same year, Kazakhstan's exports of agricultural products to China increased by 37.7% to \$280 million compared to 2017 and continued its rise by 38.6% to \$388 million in 2019.

In summary, the increasing trend in the exports of the Central Asian countries to China in 2017-2019 is very significant for the countries in the region. In general, we can say that the emphasis placed by the countries of the region on the economic diversification and expansion of their exports along with the global economic developments have led to an increase in the exports of the Central Asian states to China. Moreover, the gradual development of cooperation in transportation between China and the Central Asian countries in recent years has also contributed to the increase of their exports to China.

Politics, Foreign Affairs, and Security

- The foreign ministers of the guarantor states of the Astana Process, Iran, Russia and Turkey, held their seventh meeting via teleconference. The parties discussed recent developments in Syria, including ongoing political processes, the return of refugees, and the situation in Idlib and east of Euphrates. The ministers agreed that international organizations should step up the provision of humanitarian assistance to the Syrian civilian population, especially in the context of the fight against the COVID-19 outbreak (MFA of Turkey; MFA of Russia, 22.04.2020).
- Upon Turkey's initiative, the Executive Committee of the Organization of Islamic Cooperation (OIC) held an extraordinary foreign ministerial meeting via teleconference to discuss the implications of coronavirus on the health sector and financial stability in the OIC member states. The parties agreed to enhance their cooperation in stemming the spread of the virus and underlined the importance of scaling up national response measures (MFA of Turkey; OIC, 22.04.2020).
- Secretary General of the Turkic Council Baghdad Amreyev participated in a videoconference meeting with the ambassadors of the member countries and Turkmenistan to the United States. The Secretary General informed the ambassadors on current priorities of the organization and the outcomes of the Turkic Council's extraordinary summit. The parties exchanged views on the efforts to mitigate the negative impact of the coronavirus pandemic on socio-economic development of their countries (Turkic Council, 24.04.2020).
- Turkmenistan and Afghanistan held political consultations at the level of foreign ministers via videoconference. The parties exchanged views on regional and international issues, focusing on the importance of interaction and mutual assistance. The ministers also discussed ways to intensify the implementation of the agreements in the field of transport, construction, and energy, in particular the TAPI gas pipeline and TAP power line projects (MFA of Turkmenistan, 22.04.2020).
- The foreign ministers of Armenia and Azerbaijan held consultations via videoconference, joined by the co-chairs of the Minsk Group. The ministers discussed the impact of the global health crisis on the region, including the postponement of previously agreed humanitarian measures. They also considered next steps in the Nagorno-Karabakh settlement process in line with their joint statement issued in Geneva in January 2020 (OSCE, 21.04.2020).
- As stated by Russian Foreign Minister Sergey Lavrov during a video conference with members of the Alexander Gorchakov Public Diplomacy Fund, Moscow is ready to discuss the restoration of diplomatic relations with Georgia since Russia "did not initiate the suspension of the relations". According to Lavrov, the Russian government can discuss the opening of a trade representation in Georgia if Tbilisi makes such an offer (Agenda.ge, 21.04.2020).

Economy, Finance, and Energy

- The COVID-19 pandemic has negatively affected migrant remittances, which are vital for many low-income countries. According to the latest forecast by the World Bank, remittances are expected to drop by 20% in 2020 and this would be the largest single-year decline in the past century. The Central Asian countries are predicted to experience the most negative impact due to the combined effect of coronavirus and the falling oil price, which affected major destination countries for migrant workers such as Russia (Quartz, 22.04.2020).
- According to forecasts of possible scenarios for the development of Kazakhstan's economy after the coronavirus crisis, some oil projects in Kazakhstan may be temporarily suspended, while the mining of gold, precious metals and uranium will continue. At the same time, the situation may provide opportunities for small and medium-sized enterprises if they launch domestic production of consumer goods, promote local tourism and develop agricultural business (Kazakh TV, 23.04.2020).
- To help Uzbekistan support its economy during the coronavirus pandemic, the European Bank for Reconstruction and Development (EBRD) will provide financial assistance of \$150 million to Uzbek banks. The funds will be made available under the EBRD's Trade Facilitation Program to three financial institutions – Asaka Bank, Ipoteka Bank, and UzPromstroybank. The assistance package will help Uzbek exporters and importers mitigate coronavirus-related trade and supply chain disruptions (The Asset, 22.04.2020).
- Officials from Turkmenistan's Ministry of Foreign Affairs and State Customs Service held a meeting via videoconference with representatives of the UN Conference on Trade and Development (UNCTAD). The parties focused on the main vectors of cooperation between Turkmenistan and UNCTAD, including the implementation of joint projects under Turkmenistan's Concept for the Development of the Digital Economy such as the introduction of the single window system for exporters and importers (MFA of Turkmenistan, 22.04.2020).
- To protect the economy from the risk of recession resulting from the coronavirus pandemic, Ukraine's Central Bank cut its main interest rate for the seventh time in a row – from 10% to 8%. The bank estimates that the current lockdown will cause the economy to contract by 5% in 2020, the first such drop since 2015. At the same time, the bank expects the economic growth to revive to 4% in 2021 (Reuters, 23.04.2020).
- President of Belarus Alexander Lukashenko met with government officials to discuss priority measures to ensure the sustainable operation of the economy and the social sector amid the global epidemiological crisis. According to Lukashenko, the decision by Belarus not to stop the work of key branches of its economy was justified: while the country's GDP decreased by 0.3% in the first quarter of 2020, real incomes of the population grew by 7.1% (BelTA, 23.04.2020).

Society and Culture

- The International Turkic Academy officially announced the opening of the "Year of Tonyukuk" dedicated to the 1300th anniversary of Bilge Tonyukuk's monument. On this occasion, the academy held an international videoconference on "Civilization of the Great Steppe: Tonyukuk's Legacy and Modern Turkic World". Conference organizers presented a publication, which contains the translations of the monument's text in 12 languages (TWESCO, 24.04.2020).
- The seventh meeting of the Steering Committee of the EU project "Assistance to the Education System in Turkmenistan" was held in the online mode at the National Institute of Education in Ashgabat. The project aims to assist the Turkmen government in creating a modern education system in accordance with international standards and labor market needs. The project has two components: 1) strategic planning – institutional capacity management; and 2) the development of general secondary and vocational education programs (Turkmenportal, 23.04.2020).
- The Astana Opera Theater in Nur-Sultan launched an online project dedicated to the 175th anniversary of great Kazakh poet Abay Kunanbayev. The project is named after one of the poet's most popular songs – "Bright moon on a quiet night". Under the project, well-known artists of the theater and musicians of its symphony orchestra performed the works of Abay in self-isolation (Sputnik, 21.04.2020).
- The U.S. government committed, through the U.S. Agency for International Development (USAID), an additional 348 million tenge (\$800,000) to mitigate the spread of the COVID-19 outbreak in Kazakhstan. With this additional commitment, the United States provided a total of 713 million tenge (more than \$1.6 million) to help Kazakhstan respond to the pandemic. Technical specialists from the U.S. Center for Disease Control and USAID continue to share expertise with Kazakhstani experts to combat the disease (U.S. Embassy in Kazakhstan, 22.04.2020).
- A new hospital complex partially opened in Istanbul's Basaksehir district to receive patients with COVID-19. The medical facility is expected to be the largest in Europe in terms of the capacity of intensive care units. When completed, the complex will host a general hospital, a cardiovascular disease hospital, an orthopedics and neurology hospital, a children's hospital, a maternity hospital, an oncology hospital, a psychiatry hospital and a physical medicine and rehabilitation hospital (Daily Sabah, 20.04.2020).
- According to the 2020 World Press Freedom Index published by the Reporters Without Borders, Kyrgyzstan took the lead among the Central Asian states, ranking 82nd among 180 countries. Uzbekistan and Kazakhstan are placed next to each other on the 156th and 157th positions, respectively. In the same list Tajikistan became 161st whereas Turkmenistan with 179th ranking listed among the countries that are positioned at the end of the list (The Tashkent Times, 21.04.2020).