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CENTRAL ASIA IN THE CONTEXT OF THE WAR IN UKRAINE: IMPACT AND RISKS

Today the consequences of the armed conflict between Russia and Ukraine are significantly reflected in international politics and the world economy. Central Asian states are also feeling the political, social and economic impact of this war. Even a superficial comparison of the situation and potential of the five countries of the region before Russia's "special operation" against Ukraine in early 2022 and today shows how complicated the problem is. From the point of view of the relevance of the issue under consideration in the article the task of comparing the recent social and economic situation in Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Tajikistan was set. In addition, we tried to reveal the risks caused by the war in Ukraine. In the conclusion the development of the situation in the region in the short, medium and far perspectives is predicted.

Keywords: *Central Asia, the war in Ukraine, migrants, distribution effect, secondary sanctions, Trans-Caspian international transport route, regionalization.*

Сьогодні наслідки збройного конфлікту між Росією та Україною суттєво позначаються на міжнародній політиці та світовій економіці. Держави Центральної Азії також відчувають політичні, соціальні та економічні наслідки цієї війни. Навіть поверхове порівняння ситуації та потенціалу п'яти країн регіону до «спецоперації» Росії проти України на початку 2022 року та сьогодні показує, наскільки складною є проблема. У статті здійснено порівняння соціально-економічної ситуації в Казахстані, Узбекистані, Киргизстані, Туркменістані та Таджикистані. Розкрито ризики для цих країн, спричинені війною в Україні. Прогнозується розвиток ситуації в регіоні на найближчу, середню та віддалену перспективи.

Ключові слова: *Центральна Азія, війна в Україні, мігранти, ефект розподілу, вторинні санкції, Транскаспійський міжнародний транспортний шлях, регіоналізація.*

Introduction. As a result of Russia's aggression against Ukraine a new geopolitical situation has formed in the world. This war demands a fundamental change in the principles of interaction and ways of communication formed in the world economy by globalization. There is no doubt that the Central Asian

region is also experiencing radical changes in its connections in international relations, its place in the global economic and market system.

Today it is known that the war in Ukraine has an obvious negative impact on the economic and social situation of the Central Asian states which have deep historical and economic ties with Russia. According to experts Central Asia is one of the regions that has most affected Ukraine [1]. Therefore it is important to identify what risks and threats the governments of Central Asia are currently facing as a result of developments at the front in Ukraine.

From the first days of Russian aggression in Ukraine the Central Asian expert community has been providing truthful, scientifically verified information about the impact of this war on the region. Naturally, assessments of the effect of the war by independent experts differ from the official versions in Kazakhstan, Uzbekistan or Kyrgyzstan in which the decline in economic and social indicators is explained by more general or purely internal factors. But today it can be cautiously argued that numerous expert opinions on the real state of the economy and the social sphere have reached a critical mass in order to influence the public mindset and official policy in some aspects.

Along with direct socio-economic effects the war in Ukraine and Russia's policy of opposing the entire world community and surviving affect the state of interstate relations in Central Asia. With the coming to power of the second president of Uzbekistan Sh. Mirziyoyev in 2017 and thanks to his new policy interstate relations in Central Asia began to change towards trust and cooperation. In 2018 for the first time in the history of independent development the five countries managed to create a platform to discuss key issues of regional policy without the participation of non-regional states. Since then four leadership consultation meetings have been held annually. The promotion of high-level political dialogue and trust between the states has made it possible to discuss and resolve many critical territorial, border and trade issues over the past five or six years. The five countries of Central Asia began to understand more, trust each other and develop further trade and economic relations. In the early twenties almost forgotten terms like regional cooperation, integration, regionalism reappeared in the regional political discourse. In this context it would be extremely interesting to analyze the dynamics of relations between the Central Asian states under the influence of the war in Ukraine and Russian politics.

Methodology. To analyze the problem the regional approach was applied as the most appropriate and relevant one for the current situation in Central Asia. The war in Ukraine clearly highlighted the common, typical problems for all countries in the region. Despite the fact that the five Central Asian republics have been trying to pursue a multi-vector policy since the first days of independence the war in Ukraine has demonstrated their dependence on the Russian Federation as a common factor. In the context of this war Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan and Turkmenistan have discovered more and more problems that require their joint activity and solution. Perhaps the Russian aggression and the events associated with its outcome will finally weaken the national approach, which emphasizes the characteristics and existential interests of each Central Asian country both at the analytical and political levels.

The impact of the war in Ukraine on the socio-economic development of the states of Central Asia. In Tajikistan the first sanctions against Russia, in particular the disconnection of Russian banks from the SWIFT system led to a delay in money transfers, a sharp decline in the Russian ruble in the foreign exchange market and a rapid increase in prices for essential products. The situation with transfers and the ruble exchange rate stabilized after a few months, but prices, unfortunately, did not decrease and the flow of Russian relocators only complicated this situation. Tajik political scholar Nuriddin Khudoyerov believes that, contrary to many forecasts, the war in Ukraine did not greatly affect Tajikistan. According to him the trade turnover between the countries increased over the past year, which, in his opinion, means either Tajikistan is indirectly helping the Russian Federation to circumvent sanctions, or Russia is developing new markets in Central Asia. N. Khudoyerov also notes that over the past year the number of labor Tajik migrants and those wishing to obtain a Russian passport has increased [2].

In contrast to Tajikistan the war in Ukraine had a noticeable impact on many areas in Uzbekistan. It should also be noted here that inflation is rising, which negatively affects the growing economy of this state. There were many risks for the foreign exchange markets and the banking sector which contributed to the search for solutions to avoid secondary sanctions while maintaining partnerships with Russian financial institutions. As in all states of Central Asia, the flow of migration from the Russian Federation caused a rise in prices in the real estate market.

According to political scientist T. Umerov Uzbekistan will continue the policy of balancing between Russia and Western countries in order to avoid falling under secondary sanctions, once again trying to adjust to the realities of the war in Ukraine.

The situation that has developed in Kyrgyzstan with the beginning of Russian aggression in Ukraine is typical for the countries of Central Asia. First of all, remittances from Kyrgyz migrants working in the Russian Federation decreased which significantly affected the social situation. Moreover, political scientist Medet Tulgenov points out that Kyrgyz migrants have become embroiled in the conflict.

The situation that has developed in Kyrgyzstan with the beginning of Russian aggression in Ukraine is typical for the countries of Central Asia. First of all, remittances from Kyrgyz migrants working in the Russian Federation decreased which significantly affected the social situation. Moreover political scientist Medet Tulgenov points out that Kyrgyz migrants have become embroiled in the conflict. The unprecedented flow of migrants from Russia has greatly changed the housing market making it extremely unfavorable for the Kyrgyz citizens themselves.

The authorities see the opening of enterprises and new firms by Russian migrants as opportunities that contribute to the creation of new jobs and accordingly increase GDP in the medium term.

In the case of Kyrgyzstan and Kazakhstan the fact that they are members of the Eurasian Economic Union plays a decisive role in their economic situation and prospects.

In May 2022 The Moscow Times Russian Service of the Year pointed out that the war in Ukraine has complicated the position of Russia's partners in the Eurasian Economic Union. It is well known that the economy of the EAEU members depends on the Russian one, therefore Western sanctions, violation of the principle of parity by the Russian Federation have become the basis for the emerging and further deepening of risks and threats in the economic sphere. A clear proof of this is the decline in growth of the Kyrgyz economy over the three months of the war by 1%, although at the beginning of the year the European Bank for Reconstruction and Development predicted an increase of 5%. Kazakhstan's GDP growth over the same period decreased from 3.8% to 1.8%. As a result of the war the National Bank of Kyrgyzstan expected inflation at the level of 12% at the end of 2022, Kazakhstan was preparing for a 13.2% price increase [3].

Inflation in the EAEU countries is aggravated by the fact that not only food, but also clothing, gadgets, equipment and production components were exported through Russia. Regional offices of international companies were located in Moscow. Due to the war in Ukraine many large manufacturers left Russia, thereby raising the risk that members of the EAEU will lose a large number of goods. Suppliers began to look for alternative ways to deliver goods in which Moscow is also interested.

Thanks to the EAEU many Russian companies have managed to painlessly restructure their external contacts focusing on Central Asian partners. According to experts Russia has learned the world experience in creating gray schemes, especially Iranian one. There is no secret that Iran which has been under sanctions for many years imports products through the UAE. Today the Central Asian members of the EAEU have essentially become the gates of opportunities to circumvent sanctions for the Russian Federation which the United Arab Emirates is for Iran.

According to the forecasts of Western experts the imposition of heavy sanctions on Russia, the cessation of the export of goods, the withdrawal and closure of large companies should have doomed Russia to economic collapse. However the collapse of the Russian economy did not happen. By the end of 2022 the country's GDP decreased to 2.1%, and not to 15%, as experts expected. At the same time, inflation amounted to 11.94% [4]. For comparison over the past year inflation in Kazakhstan had exceeded 20%, which is almost twice as much as in Russia. This is due to what the Kazakh financial analyst Arman Beisembayev called the "pass-through" or distribution effect. The sanctions blow was aimed at the Russian economy but it was distributed among the members of the Eurasian Union. Especially the Kazakh economy which is heavily dependent on the Russian one has been hit hard.

Kazakhstan being one of the largest oil exporters should have benefited from the sanctions imposed on Russia. Despite the fact that oil prices reached \$119 in the spring of 2022 and the growth of its exports increased revenues from the oil and gas industry of Kazakhstan remained at the same level. The reason for this paradox lies in the fact that most of it is transported through oil pipelines that pass through the territory of the Russian Federation-Western

Kazakhstan-Novorossiysk (78%) and Atyrau-Samara (19%). The sanctions affected ships entering Russian ports, so the schedule of standard routes changed which limited the transportation of Kazakh oil through the pipeline. For these reasons Kazakhstan was forced to fill temporary oil storage facilities and this, in turn, led to an increase in the cost of the final oil transportation. The above circumstances prompted the Kazakh oil industry to sell crude oil for foreign currency, cutting deliveries to the domestic market by half. This primarily affected the production of diesel fuel, causing its shortage and an increase in prices: compared to 2021, diesel fuel has risen in price by 42%. It was a shock for Kazakhstan which is one of the largest oil exporters in the world. A sharp increase in prices for diesel fuel worsened the state of the agro-industrial complex. Rising costs of production forced farmers to take out new loans at higher interest rates. As a result of the influence of the whole complex of problems caused by Russian aggression in Ukraine food inflation reached an unprecedented level of 24.1% in the Republic by December 2022 [5]. In fact Kazakhstan not at war and with great economic potential has suffered more than Russia which is spending billions to annex the neighboring country.

Risks of ongoing Russian aggression in Ukraine for Central Asia. The risks arising from the war in Ukraine for the countries of Central Asia are caused, first of all, by their weakness in ensuring their energy, water, and military security, which Russia has always skillfully manipulated. Indeed, over more than thirty years such a regional environment has been formed in Central Asia where the main role of a mediator, supplier and guarantor of security has permanently been played by Russia. Under the pressure of sanctions and the enormous costs of military operations, Russia relying on its tools of influence on the region has turned it into a «corridor of opportunities».

Russia's serious instrument of pressure on Kazakhstan is not only the fact that about 80% of Kazakhstan's oil goes to foreign markets through the Caspian Pipeline Consortium. Some Kazakhstani regions are also dependent on Russian electricity supplies. In addition, recently Kazakhstan and Uzbekistan have experienced a shortage of gas which forced them to negotiate with Russia over its supply to their domestic market, while denying any possibility of creating some kind of "gas alliance" the idea which Russia is actively trying to promote now. Another sore point of Kazakhstan is the lack of water in the west of the country due to the fact that the runoff of the Ural River began to decrease because of the numerous reservoirs built in Russia. Uzbekistan, Kyrgystan has a high level of trade and economic relations with Russia. It can be argued that the war in Ukraine is increasingly drawing the states of the region, primarily Kazakhstan, into more economic dependence on Russia.

The war also exposed many problems in interstate relations and regional politics. One of them, perhaps the most important, is the insufficient state of information security in the region. Close cooperation between the countries of Central Asia to create their own information space is urgently on the agenda so that neighbors should know each other better receiving information directly not through intermediaries from other countries which can purposefully inflame intra-regional tension. For example in Kazakhstan the role of the Russian

mass media is great and many people tend to perceive events at the regional and global levels through the prism of the information they broadcast. So far the five countries of Central Asia have not succeeded in creating a regional TV channel to create their own broadcasting base.

In 2022 a record number of Russian citizens over the past five years left for Uzbekistan, Kyrgyzstan, and Tajikistan. The peak of departures was in the third quarter of the year due to the announcement of mobilization in Russia in September. According to the Azattyk news service, the number of Russians leaving for Kazakhstan increased by 234 percent compared to previous years, in Tajikistan this figure was 212 percent, and in Uzbekistan - 99 percent [6]. These figures are less than in the case of Mongolia and Georgia, Armenia. But here it must be taken into account that even before the war there were many people arriving in the region, especially in Kazakhstan, and there are more ethnic Russians in the Central Asian countries than in other post-Soviet republics. Risks of an influx of migrants from Russia are associated with the growth of the "fifth column" in the region that is not favourable for their national interests. For Kazakhstan where there is a consolidated Russian community in the north and west with paramilitary associations like "Cossacks", this problem is more acute than anywhere else. Moreover the Russian authorities support the narrative directed against the sovereignty and territorial integrity of the Republic. Many sources point to links between separatists in the north and west of Kazakhstan with Russian security services. Despite the general unfriendly background towards migrants in Kazakh society, the official authorities tend to see the positive consequences of the arrival of a large number of Russians in terms of creating new jobs. But visaran was canceled in Kazakhstan in order to tighten the rules for issuing residence permits for foreigners which indicates timid attempts by the authorities to adequately perceive the existing problems in society. In April 2022 a special IT visa was introduced in Uzbekistan which allows unhindered entry and stay in the country and also simplifies the procedure for obtaining a residence permit for IT specialists from other countries. According to official statements investors, founders of IT Park residents and programmers can obtain an IT visa and their family members are granted a visitor visa. The reason of that must be sought in the growing needs of the Uzbek economy for IT specialists in the context of digitalization. «The Kyrgyz government is also following the regional trend in the development of the IT sector. President of the RK Sadyr Zhaparov directed to develop a program to support the digital nomads. The «Bishkek» Economic Zone and the Hi-Tech Park are developing in the country. Recently arrived specialists and businesses who wish to become residents can receive tax and other facilities in the Park» [7].

Many Russian and Belarusian companies were relocated to Central Asia in order to open their production facilities and start exporting sanctioned goods to the markets of their countries. Companies, firms established in Central Asia by Russian or Belarusian citizens are also engaged in the purchase, then re-export of the necessary products to Russia, Belarus.

Kazakhstan has not only become an important corridor for Russia in terms of gray imports. According to official data, by September 1, 2022, above 15 thou-

sand Russian companies were registered in Kazakhstan, which cover almost all sectors of the Kazakh economy. For example, according to experts, after the start of the war in Ukraine, more than five thousand trucks from Russia and Belarus were re-registered in Kazakhstan. As a result, Kazakhstan gave away 70% of the international road transportation market due to the short-sightedness of the Kazakh government or as a result of targeted sabotage, Russian and Belarusian road carriers received and began to use Kazakh registration to circumvent sanctions which allowed them to transport goods to Europe and back under the Kazakh quota.

As a result of all this the states of Central Asia are threatened by the real possibility of secondary sanctions today. Kazakhstan and Uzbekistan, Kyrgyzstan and Tajikistan are already on the US list of transit countries for sanctioned goods that the US suspects could be used by Russia and Belarus to evade US export controls. Recently the United States have already imposed sanctions against the Uzbek company Promcomplektlogistic which sold microchips for the Russian military-industrial complex to Russia. And in February 2023, the Office of Foreign Assets Control of the US Treasury Department (OFAC) also included one resident of Uzbekistan in the sanctions list and 10 individuals who are also accused of supporting the Russian military-industrial complex. Kazakhstan is also on the blacklist of the Schengen area.

Along with problems and risks the war in Ukraine has created new opportunities for the CAR countries, if, of course, they can fully use them for their own benefit. The formation of Central Asia as an important transport and logistics hub of Eurasia in the context of Russia's exclusion from the global system of transport links. Today the EU is actively looking for alternative oil and gas supplies from other post-Soviet countries in order to reduce its dependence on Russia. Azerbaijan, Kazakhstan and Turkmenistan are on the focus the European countries. The current state of energy security in the EU has drawn attention to the middle corridor or the Trans-Caspian International Transport Route [8]. Starting from China the route passes through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia and Turkey, then moves on to European countries such as Romania, Poland and Ukraine. In May 2022 Finland became another destination. The TITR includes 10 thousand kilometers of railroad networks, 10 seaports, 70 thousand units of rolling stock. But volumes and alternative pipeline capacities do not yet allow us to talk about the full operation of this route, but the leaders of Kazakhstan and Uzbekistan are active in negotiations to increase the capacity of TMTR and promote other transport links in eastern and southern directions.

During the early stages of the Russian aggression there were fears that war can negatively affect the processes of regionalization in Central Asia reducing the intensification of interstate dialogue and trust. But the war in Ukraine, on the contrary, has strengthened interactions between states at various levels in some extent. Frequent meetings of the leaders of Central Asia, the strengthening of bilateral and multilateral interactions, attempts to diversify the networks of partnerships show the positive shifts in interstate relations in Central Asia.

Compared to previous years the volume of trade and the number of joint projects between the CAR countries are growing. For example, at the end of

2022 the trade turnover between Kazakhstan and Uzbekistan reached \$5 billion, which is 29.8% higher than the previous year. On the other hand, there were several clashes on the Kyrgyz-Tajik border during 2022, the conflict escalated in September, killing and injuring civilians on both sides and damaging infrastructure. But the leaders of the CAR states are trying to resolve the sharp contradictions that cause such clashes, in the first place, so that they do not create conflict situations that Russia can manipulate.

According to the Kazakhstani political scientist D. Satpayev it is possible to accelerate closer regional cooperation within Central Asia. Kazakhstan and Uzbekistan could act as locomotives and lobbyists for such cooperation becoming a kind of analogue of Germany and France within the European Union [9]. But here it is necessary to use the business community of the Central Asian countries as an engine of regional cooperation. Although the basis for closer interaction between the Central Asian countries could be the creation of a water-energy consortium, since geopolitical challenges for Central Asia are directly related to environmental risks and future water shortages. It is necessary to develop a network of border trade and economic hubs and create "borders with a human face" that would facilitate the movement of people, goods and services.

Conclusion. It is clear that the socio-economic situation in Central Asia, as well as regional political continuum will depend on the further actions of Russia and outcomes of the war. In this regard we consider that the following hypothetical scenarios can be made:

- In the near future, that is, in the coming months or until the end of the year the socio-economic situation in the countries of the region may further decline. Today the RF is facing serious problems in international politics, economy and military sphere. This means that this empire will further extract resources from Central Asia exacerbating socio-economic and political risks in the region.

- In the medium term the Central Asian countries basing on intra-regional factors can moderate serious risks and threats by diversifying their political, defense, military, trade-economic and transport relations.

- It is not surprising that the consequences of the war on Ukraine will have a positive effect on Central Asia in the future. First of all, we hope that common risks and threats will raise the level of cooperation and mutual understanding, joint actions between the five countries and lead to the peak of regionalization and integration in Central Asia. Secondly, if Russia's exclusion from the international transport system will be effectively used by these states, Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Tajikistan will take their proper place in the world market, global infrastructure and logistics according to their potential and interests.

At the same time it has to be noted that the influence of the Chinese factor on the region has recently been highlighted. At the summit of China and the five countries of Central Asia held on May 19 in Xi'an it became clear that the balance of power in the geopolitical space in the region will soon change radically [10]. Perhaps the former Chinese-Russian axis of influence in Central Asia will be completely replaced by a Chinese monopoly in the nearest future. The

official authorities in Central Asia are counting on the economic dividend of increasing Chinese participation in the region. At the moment the positive aspect of such shifts is that China began to prefer a multilateral format in relations with the states of Central Asia rather than a bilateral one which has become traditional. Any way, China's active involvement in intra-regional processes in Central Asia will be one of the most tangible and existential effects of Russian aggression in Ukraine on the region.

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