

## **No. 5 Economic relations and trade - Mapping Central Asia's relations with other Asian states**

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## POLICY PAPER

### No. 5 Economic relations and trade Mapping Central Asia's relations with other Asian states

September 2018



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## Executive Summary

Largely under-reported, India, Japan, Iran, Turkey and South Korea represent important trading and investment partners for the Central Asian countries. In the wake of independence, all five Central Asian powers signed a range of different agreements with the five Asian powers – though the depth of these agreements varies substantially.

Bilateral trade between the five Central Asian countries and the other Asian countries is broadly in favour of the non-Central Asian ones, though a considerable spike in individual bilateral trade is observed due to hydrocarbons. Of the countries in question, Turkey’s relationship is likely the most balanced in trade terms.

There is some direct investment from the countries into Central Asia, with South Korean and Japanese projects, in particular, being focused on aid opportunities. Turkish companies focus on construction and all seek some access and stake in the energy sector. A number of prestige projects have been undertaken by these powers in the region, largely as conduits to improve relations rather than driven by any practical economic benefit.

The impact of sanctions on Iran can be felt across the region with both direct relations with Iran being largely stunted, and the broader potential for Iran to provide an access way for Central Asian products to reach the international market remaining under-developed.

There is some labour migration to the countries in question, with some Uzbekistani migrants going to South Korea, and labour migrants from across the region going to Turkey, South Korea, Japan, and India have all articulated major cross-regional connectivity visions. In 1985 Iran, Turkey and Pakistan founded the Economic Cooperation Organization (ECO) that now includes the entire region, is headquartered in Tehran, but has done very little in its lifespan.

## 1. Introduction

The aim of this paper is to outline the economic relationship between Central Asian countries (Kazakhstan, Tajikistan, Uzbekistan, Kyrgyzstan, Turkmenistan) and other key Asian players in the region (India, Japan, Iran, Turkey and South Korea).

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, percentage in the total national, sector); direct investments (by year, amount, percentage in the total national sector); most notable investments/bilateral projects; interests in energy and other natural resources; most notable foreign companies operating; trade disputes/sanctions; labour migration; integration initiatives/infrastructure projects.

Information collected as part of this paper has been found through open sources, largely found online. Desk-based research was conducted primarily in English (though supplemented by regional languages and translated sources). The period examined for this paper is 2007-2017, so as to capture the most recent developments in the region. Information beyond this scope has been included where relevant.

This paper does not yet offer in-depth analysis or policy recommendations, but rather seeks to identify over-arching trends between Asian and Central Asian countries in the economic sphere. The results of this mapping exercise will provide a comprehensive basis for the following analysis of economic relations as well as 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. South Korea

South Korea and Kazakhstan have had a bilateral investment treaty in place since 1996. Tajikistan and South Korea signed agreements on economic, scientific and technical cooperation; and cooperation between several of the countries' ministries.<sup>2</sup> South Korea and Uzbekistan have signed a “road map” memorandum whereby South Korea helps Uzbekistan in its efforts to accede to the WTO.<sup>3</sup> They also have agreements on strategic partnership,<sup>4</sup> cooperation between the countries' Ministries,<sup>5</sup> an Intergovernmental Framework Agreement on loans of the Economic Development Co-operation Fund for 2018-2020<sup>6</sup> and an agreement on financial cooperation between the Fund for Reconstruction and Development of Uzbekistan and the Export-Import Bank of Korea.<sup>7</sup> South Korea

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<sup>2</sup> “Tajikistan, South Korea sign five new cooperation documents,” *Avesta*, last modified April 13, 2015, <http://www.avesta.tj/eng/government/5346-tajikistan-south-korea-sign-five-new-cooperation-documents.html>

<sup>3</sup> Anthony V. Rinna, “Uzbekistan: A Key to South Korea's Central Asia Strategy,” *The Diplomat*, last modified November 208, 2017, <https://thediplomat.com/2017/11/uzbekistan-a-key-to-south-koreas-central-asia-strategy/>

<sup>4</sup> “Uzbekistan – South Korea: new stage of the strategic partnership,” Permanent Mission of the Republic of Uzbekistan to the United Nations, last modified November 24, 2017, <https://www.un.int/uzbekistan/news/uzbekistan-%E2%80%93-south-korea-new-stage-strategic-partnership>

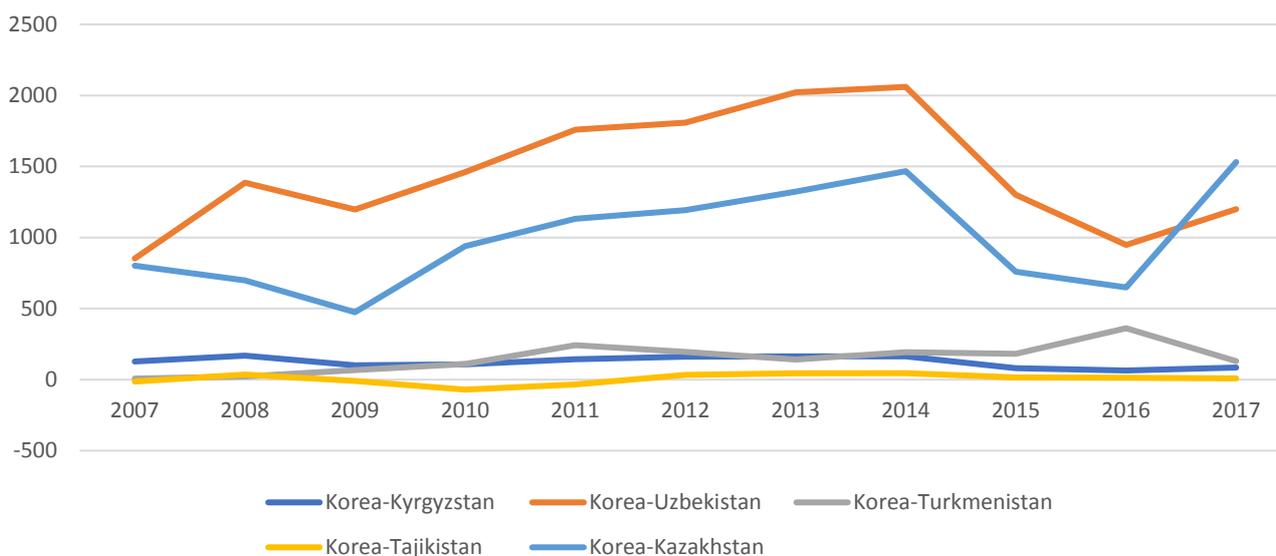
<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*

<sup>7</sup> *Ibid.*

and Kyrgyzstan have a framework agreement on non-repayable aid and a Memorandum of Understanding on cooperation in energy and industry.<sup>8</sup> South Korea and Turkmenistan have signed agreements on taxes,<sup>9</sup> trade,<sup>10</sup> sports, science and technology, textile technology and healthcare and medical science.<sup>11</sup>

Korea, Kazakhstan, Tajikistan and Kyrgyzstan are members of the WTO. Korea and Kazakhstan are members of the Conference on Interaction and Confidence-Building Measures in Asia. Kazakhstan is a member of the Organization of Security and Cooperation in Europe, of which South Korea is a cooperation partner.



**Figure 1:** Bilateral trade between South Korea and Central Asia in USD million. Source: Korea Customs Service<sup>12</sup>

Trade between South Korea and Uzbekistan used to be the highest of all Central Asian countries until 2016, when trade between South Korea and Kazakhstan overtook it. Trade between South Korea and Kyrgyzstan is the lowest in the Central Asian countries. For South Korea, Kazakhstan is the biggest destination for investments from all Central Asian countries.<sup>13</sup> In 2016, the two sides signed 20 agreements in healthcare, IT, construction, finance, trade, and tourism worth over USD 640 million.<sup>14</sup>

<sup>8</sup> Aynur Jafarova, “Kyrgyzstan interested in co-op with South Korean companies,” *AzerNews*, last modified November 20, 2013, <https://www.azernews.az/region/61785.html>

<sup>9</sup> “Update – Tax Treaty between South Korea and Turkmenistan,” Orbitax, accessed June 18, 2018, <https://www.orbitax.com/news/archive.php/Update---Tax-Treaty-between-So-20538>

<sup>10</sup> “The Republic of Korea intends to strengthen economic partnership with Turkmenistan,” *Nebit-Gaz*, last modified September 22, 2017, <http://www.oilgas.gov.tm/en/blog/1344/the-republic-of-korea-intends-to-strengthen-economic-partnership-with-turkmenistan>

<sup>11</sup> “State visit by President of Turkmenistan to the Republic of Korea,” *Turkmenistan today*, last modified April 13, 2015, <http://tdh.gov.tm/news/en/articles.aspx&article1757&cat26>

<sup>12</sup> “Import/export by Country,” Korea Customs Service, accessed June 18, 2018, <http://www.customs.go.kr/kcshome/trade/TradeCountryList.do?layoutMenuNo=21031>

<sup>13</sup> Dana Omirgazy, “Kazakhstan and South Korea: 25 years of mutual sympathy, trust and support,” last modified September 5, 2017, <https://astanatimes.com/2017/09/kazakhstan-and-south-korea-25-years-of-mutual-sympathy-trust-and-support/>

<sup>14</sup> “Kazakhstan, South Korea ink agreements worth over USD640M,” *Kazinform*, last modified November 10, 2016, [http://lenta.inform.kz/en/kazakhstan-south-korea-ink-agreements-worth-over-640m\\_a2968255](http://lenta.inform.kz/en/kazakhstan-south-korea-ink-agreements-worth-over-640m_a2968255)

Seoul provides assistance to Tajikistan through the Korean International Cooperation Agency. “The volume of investments of South Korea attracted into the economy of Uzbekistan exceeded USD 7 billion. However, as can be seen from Figure 1, the volumes of Korean trade with Tajikistan varies significantly year on year, and turnover was negative in 2007, and in 2009-2011.

Uzbekistan has 461 companies that are supported by South Korean funds, including 386 joint ventures - 75 companies that are entirely funded by money from South Korea.<sup>15</sup> These enterprises are successfully operating in the oil and gas, petrochemical and chemical, mechanical engineering, electro-technical and textile industries, spheres of information and communication technologies, transport, logistics and tourism.<sup>16</sup> The International Investment Agreement between South Korea and Kyrgyzstan signed in 1996 was terminated in 2008<sup>17</sup> and replaced by a new treaty in 2008.<sup>18</sup>

South Korea and Kazakhstan are cooperating on the financing, designing, constructing and maintaining the Balkhash thermal power plant,<sup>19</sup> the creation of Nefertem cluster of pharmaceutical and medico-biological plants and the construction of a 504-bed hospital worth USD 80 million.<sup>20</sup>

In 2015, a total of 16 Tajik-Korean joint ventures were in place.<sup>21</sup> The first joint venture between the two countries was a cotton processing company, Kabool Tajik Textiles. However, the joint venture went bankrupt in 2008, and only reopened in 2015 with the guidance from Germany's Bimaco company.<sup>22</sup>

South Korea and Uzbekistan cooperate in the provision of credit to banks,<sup>23</sup> production of textile,<sup>24</sup> the building of the Ustyurt Gas Chemical Complex,<sup>25</sup> production of household appliances,<sup>26</sup> the construction of the Ustyurt gas-chemical complex,<sup>27</sup> cooperation with conducting geological exploration<sup>28</sup> and launch of a textile Techno Park.<sup>29</sup>

<sup>15</sup> “Politics,” Ambassade de République d'Ouzbékistan en France, accessed September 05, 2018, <https://ouzbekistan.fr/en/6118-2/>

<sup>16</sup> “Uzbekistan – South Korea: new stage of the strategic partnership,” The Permanent Mission of the Republic of Uzbekistan to the United Nations, last modified November 24, 2017, <https://www.un.int/uzbekistan/news/uzbekistan-%E2%80%93-south-korea-new-stage-strategic-partnership>

<sup>17</sup> Ryskeldi Satke, “Kyrgyzstan: Caught in a Web of International Investment Agreements,” *The Diplomat*, last modified August 03, 2017, <https://thediplomat.com/2017/08/kyrgyzstan-caught-in-a-web-of-international-investment-agreements/>

<sup>18</sup> “Korea, Republic of – Kyrgyzstan BIT (2007),” UNCTAD Division on Investment and Enterprise, accessed June 18, 2018, <http://investmentpolicyhub.unctad.org/IIA/country/113/treaty/2241>

<sup>19</sup> “Kazakhstan and South Korea sign agreement on construction and maintenance of Balkhash thermal power plant,” *Tengri News*, last modified August 25, 2011, [https://en.tengrinews.kz/kazakhstan\\_news/Kazakhstan-and-South-Korea-sign-agreement-on-construction-4082/](https://en.tengrinews.kz/kazakhstan_news/Kazakhstan-and-South-Korea-sign-agreement-on-construction-4082/)

<sup>20</sup> “Kazakhstan, South Korea ink agreements worth over USD640M,” *Kazinform*, last modified November 10, 2016, [http://lenta.inform.kz/en/kazakhstan-south-korea-ink-agreements-worth-over-640m\\_a2968255](http://lenta.inform.kz/en/kazakhstan-south-korea-ink-agreements-worth-over-640m_a2968255)

<sup>21</sup> “Meeting with President of Korea and president of KOICA,” Press service of President of Republic of Tajikistan, last modified April 12, 2015, <http://www.president.tj/en/node/8655#asht>

<sup>22</sup> Payrav Chorshanbiyev, “One of Tajikistan's largest textile enterprises resumes operations,” *Asia-Plus*, last modified July 14, 2015, <http://ap.eastera.tj/en/news/tajikistan/economic/20150714/one-tajikistan-s-largest-textile-enterprises-resumes-operations>

<sup>23</sup> Anthony V. Rinna, “Uzbekistan: A Key to South Korea's Central Asia Strategy,” *The Diplomat*, last modified November 28, 2017, <https://thediplomat.com/2017/11/uzbekistan-a-key-to-south-koreas-central-asia-strategy/>

<sup>24</sup> Ibid.

<sup>25</sup> “Uzbekistan – South Korea: new stage of the strategic partnership,” The Permanent Mission of the Republic of Uzbekistan to the United Nations, last modified November 24, 2017, <https://www.un.int/uzbekistan/news/uzbekistan-%E2%80%93-south-korea-new-stage-strategic-partnership>

<sup>26</sup> Ibid.

<sup>27</sup> “Bilateral Relations,” Embassy of the Republic of Uzbekistan in the Republic of Korea, accessed June 18, 2018, <http://uzbekistan.or.kr/bilateral-relations/>

<sup>28</sup> Ibid.

<sup>29</sup> Kamila Aliyeva, “Uzbekistan, South Korea to launch textile Techno Park in September,” *Azernews*, last modified February 14, 2018, <https://www.azernews.az/region/127183.html>

South Korea and Kyrgyzstan cooperate in supporting the “Election Management Capacity Building Project”<sup>30</sup>, re-training of doctors<sup>31</sup>, and the “Establishment of Land Information System”.<sup>32</sup>

South Korea and Turkmenistan cooperate in the construction of a gas treatment factory,<sup>33</sup> the modernization of the country’s largest oil refinery,<sup>34</sup> the construction of natural gas-processing plants,<sup>35</sup> and the building of a gas chemical complex.<sup>36</sup>

South Korea is working with Kazakhstan to build green growth and energy. In 2011, the two countries held a cooperation seminar between the Seoul Initiative on Green Growth and the Astana Green Bridge Initiative.<sup>37</sup> Since then, the countries have worked to expand cooperation in energy plants and atomic power.<sup>38</sup> South Korea mainly imports crude petroleum (19 percent or USD 53.4 million), radioactive chemicals (24 percent or USD 68.2 million) and ferroalloys (48 percent or USD 136 million) from Kazakhstan.<sup>39</sup> Joint ventures have been established in such fields as chemical industry, energy, mechanical engineering, medicine, ITC, mining complex, infrastructure and light industry.<sup>40</sup>

Tajikistan is home to minerals and water, which it has sought to turn into electricity and ensure energy self-sufficiency.<sup>41</sup> South Korea’s primary interest is in Tajikistan’s natural resources and energy markets; Tajikistan’s deposits of gold, silver, antimony, and uranium would help satiate Korea’s booming nuclear industry.<sup>42</sup> It mainly imports raw aluminium (USD 5.15 million) from Tajikistan.<sup>43</sup>

Uzbekistan mainly exports transport, construction and tourism services, cotton, plastics, importing parts of vehicles, mechanical and electrical equipment.<sup>44</sup> Contracts, signed in November 2017, between South Korea and Uzbekistan in the energy and oil and gas sectors amount to USD 2.95 billion.<sup>45</sup>

<sup>30</sup> “KOICA cooperates with the Kyrgyz Republic, to enhance mature election policy and process through advanced technology while seeking for harmonization with other donors,” Korea International Cooperation Agency (KOICA), last modified December 29, 2014, [http://www.koica.go.kr/english/board/KOICA\\_News/press\\_releases/1318942\\_3534.html](http://www.koica.go.kr/english/board/KOICA_News/press_releases/1318942_3534.html)

<sup>31</sup> “Cooperation between South Korea and Kyrgyzstan in the field of medicine discussed,” *Kabar National News Agency*, accessed June 18, 2018, <http://old.kabar.kg/eng/health/full/3020>

<sup>32</sup> “KOICA to open Bishkek Office,” Korea International Cooperation Agency (KOICA), last modified March 17, 2015, [http://www.koica.go.kr/english/board/press\\_releases/1319425\\_3534.html](http://www.koica.go.kr/english/board/press_releases/1319425_3534.html)

<sup>33</sup> Balbina Hwang, “A New Horizon in South Korea-Central Asia Relations: The ROK Joins the ‘Great Game’,” *Korea Compass* (December 2012): 4-5, [http://keia.org/sites/default/files/publications/kei\\_koreacompass\\_template\\_balbinahwang.pdf](http://keia.org/sites/default/files/publications/kei_koreacompass_template_balbinahwang.pdf)

<sup>34</sup> *Ibid.*

<sup>35</sup> Laman Sadigova, “Turkmenistan – South Korea relations expand,” *Azernews*, last modified March 31, 2015, <https://www.azernews.az/region/79649.html>

<sup>36</sup> Ali Mustafayev, “Turkmenistan, South Korea seeks to deepen high-level cooperation,” *Azernews*, last modified August 3, 2017, <https://www.azernews.az/region/117105.html>

<sup>37</sup> “Bilateral and Multilateral Environmental Cooperation,” Ministry of Environment, Republic of Korea, last modified December 12, 2017, <http://eng.me.go.kr/eng/web/index.do?menuId=422>

<sup>38</sup> “South Korea, Kazakhstan agree to expand cooperation in energy, plant atomic power,” *Eco-Business*, last modified September 13, 2012, <http://www.eco-business.com/news/south-korea-kazakhstan-agree-to-expand-cooperation-in-energy-plant-atomic-power/>

<sup>39</sup> “Kazakhstan,” *Observer of Economic Complexity* (OEC), accessed June 18, 2018, <https://atlas.media.mit.edu/en/profile/country/kaz/>

<sup>40</sup> “Kazakhstan, South Korea ink agreements worth over USD640M,” *Kazinform*, last modified November 10, 2016, [http://lenta.in-form.kz/en/kazakhstan-south-korea-ink-agreements-worth-over-640m\\_a2968255](http://lenta.in-form.kz/en/kazakhstan-south-korea-ink-agreements-worth-over-640m_a2968255)

<sup>41</sup> Matteo Fumagalli, “South Korea’s Engagement in Central Asia from the End of the Cold War to the ‘New Asia Initiative’,” *The Journal of Northeast Asian History* 9, no. 2 (2012), [https://research-repository.st-andrews.ac.uk/bitstream/handle/10023/12726/Fumagalli\\_2012\\_JNAH\\_SouthKoreaColdWar\\_VoR.pdf?sequence=1](https://research-repository.st-andrews.ac.uk/bitstream/handle/10023/12726/Fumagalli_2012_JNAH_SouthKoreaColdWar_VoR.pdf?sequence=1)

<sup>42</sup> Balbina Hwang, “A New Horizon in South Korea-Central Asia Relations: The ROK Joins the ‘Great Game’,” *Korea Compass* (December 2012): 4, [http://keia.org/sites/default/files/publications/kei\\_koreacompass\\_template\\_balbinahwang.pdf](http://keia.org/sites/default/files/publications/kei_koreacompass_template_balbinahwang.pdf)

<sup>43</sup> “Tajikistan,” *Observer of Economic Complexity* (OEC), accessed June 18, 2018, <https://atlas.media.mit.edu/en/profile/country/tjk/>

<sup>44</sup> “Uzbekistan, South Korea see growth in trade turnover,” *Azernews*, last modified February 13, 2018; <https://www.azernews.az/region/127097.html>; “Business circles of Uzbekistan and South Korea discussed cooperation issues,” *UzDaily*, last modified March 07, 2018, <https://www.uzdaily.com/articles-id-43016.htm>

<sup>45</sup> “Uzbekistan Strikes Multibillion Dollar Deals in Korea, Seeks Mining Help,” *Eurasianet*, last modified November 23, 2017, <https://eurasianet.org/s/uzbekistan-strikes-multibillion-dollar-deals-in-korea-seeks-mining-help>

In 2014 South Korean firms had taken part in 9 investment projects in Turkmenistan's oil and gas sector worth a total of USD 5.5 billion.<sup>46</sup>

In 2016, 465 South Korean enterprises operated in Kazakhstan in the sphere of trade and services, construction, agro-industrial complex, consulting and finance, subsurface use and geological exploration.<sup>47</sup> In 2017, approximately 200 Korean companies were operating throughout Kazakhstan.<sup>48</sup> It is unclear what the cause of this drop over the period of a year has been, or whether it is due to incomplete reporting.

Korean companies operating in Uzbekistan are Korea International Cooperation Agency; Export-Import Bank of Korea; Samsung; LG; Daewoo. KOICA also operates in Kyrgyzstan. LG; Hyundai; Samsung; Daewoo and Kia Motors operate in Uzbekistan.

There are no trade disputes or sanctions between Korea and the Central Asian nations.

There is not much labour migration data for Korea and the Central Asian countries. As of 2017, Tajikistan and South Korea are preparing an intergovernmental agreement to legalize labour migration in Korea. Travel to Korea will be according to the needs of the Korean companies.<sup>49</sup>

Other than the projects already named under "Most notable projects/investments" are the Turkish Makyol Construction and Alsim Alarko and South Korean Korean SK and Korea Expressway Corporation signed an agreement in 2018 regarding the Big Almaty Ring Road (BAKAD) project in Kazakhstan.<sup>50</sup> Seoul and Ashgabat focus on cooperating in the transport sector by developing East-West and North-South infrastructure to further connectivity with Europe and the Middle East with access to the Caspian Sea, the Black Sea and the Baltic States.<sup>51</sup>

## 2.2. Japan

Japan's Official Development Assistance (ODA) programme includes aid and assistance to Central Asia, following the decision in 1993 of the Organization for Economic Cooperation and Development (OECD) to list the five countries as developing countries. ODA channelled USD 2.6 million to Central Asia in 1993 alone, reaching USD 108.5 million in 2008.<sup>52</sup> In addition to aid, Japan launched the Central Asia + Japan Forum in 2004.<sup>53</sup> In 2015-2016 Japan provided the Central Asian countries with more than USD 100 million (mostly USD 55 million Kyrgyzstan, USD 49 million Tajikistan). Japan was the seventh largest donor of ODA to Tajikistan (more than 5 percent of the total ODA) and the eighth largest donor of ODA to Kyrgyzstan (almost 4 percent of the total ODA).

<sup>46</sup> "South Korea's LG, Hyundai clinch USD4 billion deals with gas-rich Turkmenistan," *Reuters*, last modified June 20, 2014, <https://www.reuters.com/article/us-gas-turkmenistan-southkorea/south-koreas-lg-hyundai-clinch-4-billion-deals-with-gas-rich-turkmenistan-idUSKBN0EV1T420140620?feedType=RSS&feedName=innovationNews>

<sup>47</sup> "Kazakhstan, South Korea ink agreements worth over USD640M," *Kazinform*, last modified November 10, 2016, [http://lenta.in-form.kz/en/kazakhstan-south-korea-ink-agreements-worth-over-640m\\_a2968255](http://lenta.in-form.kz/en/kazakhstan-south-korea-ink-agreements-worth-over-640m_a2968255)

<sup>48</sup> "Kazakhstan and South Korea: 25 years of mutual sympathy, trust and support," *The Astana Times*, last modified September 5, 2017, <https://astanatimes.com/2017/09/kazakhstan-and-south-korea-25-years-of-mutual-sympathy-trust-and-support/>

<sup>49</sup> "Tajikistan and South Korea legalize migration. How it will be?" *Asia-Plus*, last modified August 22, 2017, <https://news.tj/en/news/tajikistan/economic/20170822/tajikistan-and-south-korea-legalize-migration-how-it-will-be>

<sup>50</sup> Aliia Raimbekova, "Turkish, Korean firms to build ring road in Kazakhstan," *Anadolu Agency*, last modified February 15, 2018, <https://aa.com.tr/en/asia-pacific/turkish-korean-firms-to-build-ring-road-in-kazakhstan/1064013>

<sup>51</sup> Ali Mustafayev, "Turkmenistan, South Korea seeks to deepen high-level cooperation," *Azernews*, last modified August 03, 2017, <https://www.azernews.az/region/117105.html>

<sup>52</sup> Özge Nur Ögütçü, "Japan's Policies Towards Central Asia. Analysis no. 15," *Center for Eurasian Studies*, last modified March 31, 2017

<sup>53</sup> Mirokhid Rakhimov, "Central Asia and Japan: Bilateral and multilateral relations," *Journal of Eurasian Studies* 5, no. 1 (January 2014): 78, <https://www.sciencedirect.com/science/article/pii/S1879366513000328>

The Japan-Kazakhstan Investment Agreement was signed on 23 October 2014.<sup>54</sup> The two countries also signed a bilateral Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income on 19 December 2008.<sup>55</sup> Tajikistan and Japan signed agreements on economic, scientific and technical cooperation, and cooperation between the Financial Monitoring Department of the National Bank of Tajikistan, amongst others.<sup>56</sup> Japan and Uzbekistan established Uzbek-Japanese and Japanese-Uzbek economic cooperation committees.<sup>57</sup> Kyrgyzstan and Japan have signed two MoUs; one on cooperation between the Japanese IHI Star corporation and Kyrgyz Aiyl Bank, and the other with the Ministry of Agriculture and Land Reclamation of the Kyrgyz Republic.<sup>58</sup> Turkmenistan and Japan have signed a financial cooperation agreement to support the Kyyanly Petrochemical project between the Turkmen State Bank for Foreign Economic Affairs and the Japanese Bank for International Cooperation (JBIC).<sup>59</sup> A “Japan-Turkmenistan Network for Investment Environment Improvement” was also established.<sup>60</sup>

Japan, Kazakhstan, Tajikistan, Kyrgyzstan are members of the WTO.



**Figure 2:** Bilateral trade between Japan and Central Asia. Source: Trade Statistics of Japan, Ministry of Finance.<sup>61</sup>

<sup>54</sup> “Signing of the Japan-Kazakhstan Investment Agreement,” Ministry of Economy, Trade and Industry of Japan, last modified October 23, 2014, [http://www.meti.go.jp/english/press/2014/1023\\_02.html](http://www.meti.go.jp/english/press/2014/1023_02.html)

<sup>55</sup> Ibid.

<sup>56</sup> “Tajikistan-Japan relations,” Embassy of Tajikistan to Japan, accessed June 18, 2018, <https://tajikistan.jp/pages/tajiaprel.html>

<sup>57</sup> “Cooperation of the Republic of Uzbekistan with the Countries of the Asia and the Pacific,” Ministry of Foreign Affairs of the Republic of Uzbekistan, accessed June 18, 2018, <https://mfa.uz/en/cooperation/countries/374/>

<sup>58</sup> Vusala Abbasova, “Japan invests in Kyrgyzstan USD1 billion”, Azernews, last modified October 27, 2015, <https://www.azernews.az/region/89142.html>

<sup>59</sup> “Turkmenistan to invest USD10 billion in Kiyany Petrochemicals Project,” 2B1st Consulting, last modified April 01, 2014, <https://www.2b1stconsulting.com/turkmenistan-to-invest-10-billion-in-kiyanly-petrochemicals-project/>

<sup>60</sup> “Joint Statement between Japan and Turkmenistan on the New Partnership,” Ministry of Foreign Affairs of Japan, accessed June 18, 2018, <http://www.mofa.go.jp/mofaj/files/000013896.pdf>

<sup>61</sup> “Trade Statistics of Japan,” Customs and Tariff Bureau – Ministry of Finance of Japan, accessed June 18, 2018, [http://www.customs.go.jp/toukei/info/index\\_e.htm](http://www.customs.go.jp/toukei/info/index_e.htm)

In 2016, Japan signed investment agreements worth USD 1.5 billion with Kazakhstan<sup>62</sup> and USD 7.5 million with Tajikistan.<sup>63</sup> In 2015, Japan and Turkmenistan signed USD 18 billion in investment agreements, focused on the energy, chemicals and power sectors. Japan will also invest roughly JPY 130 billion (over USD one billion) in various sectors of Kyrgyzstan, under several documents on grant aid for the development of small and medium-sized enterprises.<sup>64</sup> “This aid will include USD 16 million for the renovation of Manas International Airport in the Kyrgyz capital Bishkek, while USD 1.5 million will be directed to support the agricultural sector, and a USD 117 million loan will revamp the Osh-Batken-Isfana highway in the south.”<sup>65</sup> Japanese direct investments in Central Asia are located mostly in Kazakhstan. According to the Kazakh statistical office, Japan’s direct investment stocks in Kazakhstan approached USD six billion as of 1<sup>st</sup> of January 2018 and they accounted for four percent of total FDI stocks.<sup>66</sup>

Inpex, a Japanese oil company, constitutes definitely the most important investor in Kazakhstan. It possesses 7.5 percent of shares in Kashgan oil field. Japan and Kazakhstan signed a memorandum on cooperation in peaceful exploitation of nuclear energy and uranium mine development. Investment agreements include the construction of the Atomic Energy Plant in the Balkhash region and the production of Toyota Automobiles. Japan also invested in a Project for Strengthening Community Resilience and Regional Cooperation for Prevention of Violent Extremism in Central Asia.<sup>67</sup>

The most notable projects between Japan and Tajikistan was the pharmaceutical joint venture company “Avvalin” and an agreement to improve the city’s energy supply.<sup>68</sup>

The most notable project in Uzbekistan is the agreement to build a natural gas-to-fertilizer plant<sup>69</sup> and the cooperation between SC “Uzavtosanoat” and the Japanese company “Isuzu” to produce ten thousand buses and more than eleven thousand trucks.<sup>70</sup>

The most notable projects between Japan and Turkmenistan are the building of a thermal power plant, the building of a petro-chemical complex, the building of a gas to gasoline conversion plant, the building of a purification plant,<sup>71</sup> the construction of a plant to produce gasoline from natural gas,<sup>72</sup> the construction of a plant for the production of synthetic liquid fuel,<sup>73</sup> Gas to Gasoline (G-to-

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<sup>62</sup> Lidiya Parkhomchik et.al, “The Central Asian Policy of Japan,” Eurasian Research Institute weekly e-bulletin, no. 58 (March 2016): 1-2, [http://www.ayu.edu.tr/static/aae\\_haftalik/aae\\_bulten\\_en\\_58.pdf](http://www.ayu.edu.tr/static/aae_haftalik/aae_bulten_en_58.pdf)

<sup>63</sup> Ibid.

<sup>64</sup> Vusala Abbasova, “Japan invests in Kyrgyzstan USD1 billion”, Azernews, last modified October 27, 2015, <https://www.azernews.az/region/89142.html>

<sup>65</sup> Ibid.

<sup>66</sup> “Direct Investments Statistic according to the directional principle,” National Bank of Kazakhstan, accessed June 18, 2018, <http://www.nationalbank.kz/?docid=469&switch=english>

<sup>67</sup> “Official Development Assistance (ODA). Exchange of Notes in Fiscal Year 2017. Grant Aid by Date,” Ministry of Foreign Affairs of Japan, last modified April 10, 2018, [http://www.mofa.go.jp/policy/oda/page22e\\_000803.html](http://www.mofa.go.jp/policy/oda/page22e_000803.html)

<sup>68</sup> “Tajikistan, Japan ink deal to improve energy supply of Dushanbe city,” Trend News Agency, last modified January 31, 2018, <https://en.trend.az/casia/tajikistan/2854440.html>

<sup>69</sup> Najam Abbas, “Japan Pursues Technology-for-Energy Diplomacy in Central Asia,” EastWest Institute, last modified October 28, 2015, <https://www.eastwest.ngo/idea/japan-pursues-technology-energy-diplomacy-central-asia>

<sup>70</sup> “Cooperation of the Republic of Uzbekistan with the Countries of the Asia and the Pacific,” Ministry of Foreign Affairs of the Republic of Uzbekistan, accessed June 18, 2018, <https://mfa.uz/en/cooperation/countries/374/>

<sup>71</sup> Najam Abbas, “Japan Pursues Technology-for-Energy Diplomacy in Central Asia,” EastWest Institute, last modified October 28, 2015, <https://www.eastwest.ngo/idea/japan-pursues-technology-energy-diplomacy-central-asia>

<sup>72</sup> “Turkmenistan, Japan are strategic partners, says Berdimuhamedov,” Azernews, last modified October 27, 2017, <https://www.azernews.az/region/121209.html>

<sup>73</sup> “Investment attractiveness of Turkmenistan: multibillion joint projects,” Turkmenistan today, last modified April 12, 2017, <http://tdh.gov.tm/news/en/articles.aspx&article6207&cat35>

G), chemical and fertilizer production plants, a gas turbine thermal power plant and gas refining and chemical plants.<sup>74,75</sup>

Japan has expressed interest regarding the soon-to-be developed Kashagan oil reserves in Kazakhstan and Galkynysh reserves in Turkmenistan.<sup>76</sup> The role of the nuclear energy is becoming more important in the relationship between Japan and Kazakhstan. “Since 2012, specialists of Japan Oil, Gas and Metals National Corporation (JOGMEC) have been exploring for rare-earth metals in Kyrgyzstan in cooperation with the Kyrgyz Geology Institute”, with the aim of making Japanese companies aware of the country's resources.<sup>77</sup> The majority of energy resources in Tajikistan are water, in which investments by Japan are mostly through ODA.

Toshiba Corporation operates in Kazakhstan.<sup>78</sup> Mitsubishi Heavy Industries,<sup>79</sup> Toyota Tsusho Corporation, Tajima, Sumitomo Corporation, Pentax Medical, Mitsui & Co, Marubeni Corporation, Astellas Pharma and Itochu Corporation all have representative offices in Tashkent, Uzbekistan.<sup>80</sup> Japanese IHI Star corporation, Japan Oil, Gas and Metals National Corporation operate in Kyrgyzstan. Itochu Corporation, Kawasaki Heavy Industries Ltd, TOYO Engineering, LG International Corporation – Hyundai Engineering Corp. Ltd, Kawasaki heavy Industries Ltd, Mitsui Engineering and Shipbuilding Co Ltd., Tsukishima Kikai Co Ltd., Sojitz Corporation, Chiyoda Corporation, Nippon Steel and Sumkin Engineering Co Ltd., and Mitsubishi Corporation operate in Turkmenistan.<sup>81</sup>

There are no trade disputes or sanctions between Japan and the Central Asian nations.

There is not much labour migration data for Japan and the Central Asian countries. As of June 2017, there are 132 Japanese citizens living in Kyrgyzstan and 66 in Turkmenistan.<sup>82</sup>

Other than the projects already named under “Most notable investments/projects” are Kazakhstan's national atomic company Kazatomprom and Sumitomo Corporation signed an agreement establishing a joint rare-earth metal extraction enterprise “Summit Atom Rare Earth Company” (SARECO).<sup>83</sup> Japan and Uzbekistan are working on the Tashkent Thermal Power Plant Modernization (ODA Loan, USD 250 million, 2002) and the Tashguzar-Kumkurgan New Railway Line Construction (ODA Loan, USD 150 million, 2004).<sup>84</sup> Major infrastructure projects between Japan and Kyrgyzstan have included the reconstruction of a bridge across Kok-Art River,<sup>85</sup> the rehabilitation of some sections of the motor road Osh-Batken-Isfana in the south of the country,<sup>86</sup> and JPY 13 billion in aid to Kyrgyzstan at

<sup>74</sup> “Japan-Turkmenistan relations in coming years,” News Central Asia, last modified February 12, 2018, <http://www.newscentralasia.net/2018/02/12/japan-turkmenistan-relations-in-coming-years/>

<sup>75</sup> “MNLF intensifies monitoring of the coastal areas of Davao Region,” UNTV News & Rescue, last modified February 23, 2018, <http://untvweb.com/news/mnlf-intensifies-monitoring-coastal-areas-davao-region/>

<sup>76</sup> Najam Abbas, “Japan Pursues Technology-for-Energy Diplomacy in Central Asia,” EastWest Institute, last modified October 28, 2015, <https://www.eastwest.ngo/idea/japan-pursues-technology-energy-diplomacy-central-asia>

<sup>77</sup> “Kyrgyzstan and Japan will develop infrastructure projects,” International Business Council, last modified October 06, 2016, [http://www.ibt.kg/en/news/ibt/2283\\_kyrgyzstan\\_and\\_japan\\_will\\_develop\\_infrastructure\\_projects](http://www.ibt.kg/en/news/ibt/2283_kyrgyzstan_and_japan_will_develop_infrastructure_projects)

<sup>78</sup> Najam Abbas, “Japan Pursues Technology-for-Energy Diplomacy in Central Asia,” EastWest Institute, last modified October 28, 2015, <https://www.eastwest.ngo/idea/japan-pursues-technology-energy-diplomacy-central-asia>

<sup>79</sup> Ibid.

<sup>80</sup> “Representation of Japan companies and enterprises,” Golden Pages, accessed June 18, 2018, <https://www.goldenpages.uz/en/rubrics/?id=102803>

<sup>81</sup> “MNLF intensifies monitoring of the coastal areas of Davao Region,” UNTV News & Rescue, last modified February 23, 2018, <http://untvweb.com/news/mnlf-intensifies-monitoring-coastal-areas-davao-region/>

<sup>82</sup> “Japan-Turkmenistan Relations (Basic Data),” Ministry of Foreign Affairs of Japan, last modified May 30, 2018, <http://www.mofa.go.jp/region/europe/turkmenistan/data.html>

<sup>83</sup> Mirokhid Rakhimov, “Central Asia and Japan: Bilateral and multilateral relations,” Journal of Eurasian Studies 5, no. 1 (January 2014): 80, <https://www.sciencedirect.com/science/article/pii/S1879366513000328>

<sup>84</sup> Embassy of the Republic of Uzbekistan to Japan. <http://www.uz.emb-japan.go.jp/www/downloads/oda/presen-eng.ppt>

<sup>85</sup> “Kyrgyzstan and Japan will develop infrastructure projects,” International Business Council, last modified October 06, 2016, [http://www.ibt.kg/en/news/ibt/2283\\_kyrgyzstan\\_and\\_japan\\_will\\_develop\\_infrastructure\\_projects](http://www.ibt.kg/en/news/ibt/2283_kyrgyzstan_and_japan_will_develop_infrastructure_projects)

<sup>86</sup> Ibid.

Manas International Airport, Bishkek.<sup>87</sup> Japan and Turkmenistan signed agreements in 2015 to cooperate on infrastructure development and natural gas plant projects totalling JPY 2.2 trillion.<sup>88</sup>

### 2.3. India

Trade agreement between India and Kazakhstan was signed in 1992, when diplomatic relations were established. Agreements have been signed on cooperation in trade, economic relations, science, technology and natural resources.<sup>89</sup> India and Tajikistan have signed agreements on cooperation in financial intelligence,<sup>90</sup> countering money laundering and terrorism, supporting investments, trade, economic, scientific and technical cooperation, as well as defence cooperation.<sup>91</sup> India and Uzbekistan have signed an agreement on trade and economic cooperation in 1993, a double taxation avoidance agreement and a treaty on bilateral investment. India and Kyrgyzstan have signed agreements on culture, trade and economic cooperation, civil aviation, investment, double taxation avoidance and consular convention.<sup>92</sup>

Kazakhstan, Tajikistan, Uzbekistan and Kyrgyzstan are founding members of the Shanghai Cooperation Organisation. In June 2017, India officially joined the SCO as a full-fledged member. India, Kazakhstan, Tajikistan, Kyrgyzstan are also members of the WTO.

Trade between India and Tajikistan and India and Kyrgyzstan is the lowest of all Central Asian countries, and trade between India and Kazakhstan is the highest of all Central Asian countries. Some earlier trade data is unavailable from Turkmenistan, but the figure below reflects the broader trend of relatively low investment from India.

Trade between India and Tajikistan is low due to transportation difficulties and prohibitive costs.

As far as Indian direct investment in Central Asia is concerned, India has invested mostly in Kazakhstan. The total Indian direct investments in Kazakhstan amounted to USD 245 million from 2005 to 2017, and Kazakhstan investments in India total USD 83 million. Indian investments in Kazakhstan “are in areas such as oil and gas, banking, engineering, restaurants, tea packaging, pharmaceutical trading, mining, steel, travel agency, general trading and services. Kazakh investments are mainly in oil and gas sector and engineering, procurement and construction (EPC) companies in India”.<sup>93</sup>

<sup>87</sup> “Abe pledges ¥13 billion in infrastructure aid to Kyrgyzstan,” The Japan Times, last modified October 26, 2015, <https://www.japan-times.co.jp/news/2015/10/26/national/politics-diplomacy/abe-pledges-%C2%A513-billion-infrastructure-aid-kyrgyzstan/#.Ws8xNYi48dU>

<sup>88</sup> “Abe reaches engineering, economic agreements with Turkmenistan, Mongolia,” The Japan Times, last modified October 23, 2015, <https://www.japantimes.co.jp/news/2015/10/23/national/politics-diplomacy/abe-reaches-engineering-economic-agreements-turkmenistan-mongolia/#.WtHpa7aZP-Y>

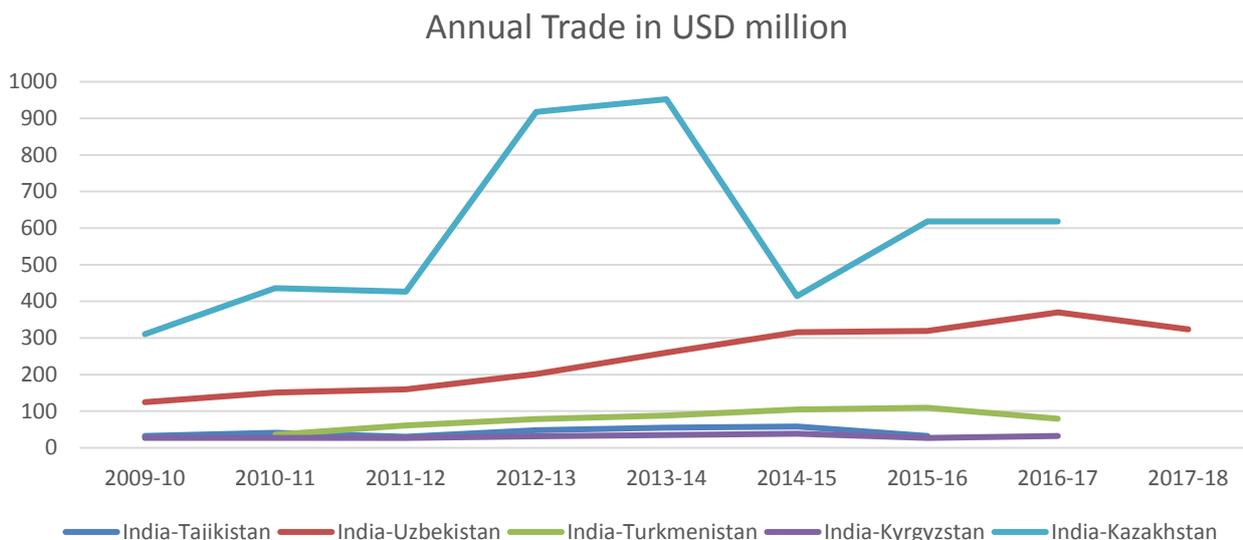
<sup>89</sup> “Trade and Economic Cooperation between Kazakhstan and India,” Embassy of the Republic of Kazakhstan in India, last modified January 01, 2017, <http://mfa.gov.kz/en/delhi/content-view/torgovo-ekonomiceskoe-sotrudnicestvo-mezdu-kazahstanom-i-indiej>

<sup>90</sup> “India, Tajikistan ink four agreements,” GKToday, last modified December 18, 2016, <https://currentaffairs.gktoday.in/tags/india-tajikistan>

<sup>91</sup> Rashmini Koparkar, “President Rahmon’s Visit: India-Tajikistan Relations Reach New Heights,” Vivekananda International Foundation, last modified January 6, 2017, <http://www.vifindia.org/article/2017/january/06/president-rahmon-s-visit-india-tajikistan-relations-reach-new-heights>

<sup>92</sup> “Bilateral Relations: India-Kyrgyzstan,” Embassy of India to Kyrgyzstan, last modified August 30, 2017, <https://www.embassy-ofindia.kg/relationpages.php?id=174>

<sup>93</sup> “India-Kazakhstan Relations,” Ministry of External Affairs of India, last modified July 2016, [http://mea.gov.in/Portal/ForeignRelation/Kazakhstan1\\_July\\_2016.pdf](http://mea.gov.in/Portal/ForeignRelation/Kazakhstan1_July_2016.pdf)



**Figure 3:** Bilateral trade between India and Central Asia. Sources: Own illustration based on data accumulated from various sources.<sup>94,95,96,97,98</sup>

The most notable investments or projects of India in Kazakhstan are the Kazakhstan-India Inter-Governmental Commission (ICG) on Trade and Economic Cooperation, joint working groups on textile industry, IT, and the Kazakhstan-India Business Council (KIBC).<sup>99</sup>

The most notable investments or projects of India in Tajikistan are in humanitarian aid,<sup>100</sup> “a five-star hotel constructed by M/s CHL Limited, India, the construction of a 116 km-long power transmission line from Sangtuda-one Hydropower plant to the Afghan border”, the supply of a seven MW generator, the construction of electric transmission lines,<sup>101</sup> a CASA-1000 power transmission project,<sup>102</sup> the rehabilitation and modernization of the Soviet-era hydro power station of Varzob-I,<sup>103</sup> healthcare

<sup>94</sup> “Trade and Economic Cooperation between Kazakhstan and India,” Embassy of the Republic of Kazakhstan in India, last modified January 01, 2017, <http://mfa.gov.kz/en/delhi/content-view/torgovo-ekonomiceskoe-sotrudnicestvo-mezdu-kazahstanom-i-indiej>

<sup>95</sup> “India-Tajikistan Bilateral Relations,” Embassy of India to Tajikistan, May 2018, <http://www.indianembassytj.com/index.php?itfpage=contents&itemid=bilateral>

<sup>96</sup> “India-Uzbekistan Relations,” Embassy of India to Uzbekistan, January 2018, <https://eoi.gov.in/tashkent/?2615?000>

<sup>97</sup> “India-Kyrgyz Republic bilateral relations,” Ministry of External Affairs of India, last modified August 30, 2017, [https://www.mea.gov.in/Portal/ForeignRelation/Kyrgyzstan\\_30\\_08\\_2017.pdf](https://www.mea.gov.in/Portal/ForeignRelation/Kyrgyzstan_30_08_2017.pdf)

<sup>98</sup> “India-Turkmenistan Relations,” Embassy of India to Turkmenistan, last modified August 31, 2017, <https://eoi.gov.in/ash-gabat/?0760?000>

<sup>99</sup> “Trade and Economic Cooperation between Kazakhstan and India,” Embassy of the Republic of Kazakhstan in India, last modified January 01, 2017, <http://mfa.gov.kz/en/delhi/content-view/torgovo-ekonomiceskoe-sotrudnicestvo-mezdu-kazahstanom-i-indiej>

<sup>100</sup> Rashmini Koparkar, “President Rahmon’s Visit: India-Tajikistan Relations Reach New Heights,” Vivekananda International Foundation, last modified January 06, 2017, <http://www.vifindia.org/article/2017/january/06/president-rahmon-s-visit-india-tajikistan-relations-reach-new-heights>

<sup>101</sup> “India-Tajikistan Bilateral Relations,” Ministry of External Affairs of India, last modified August 2017, [http://www.mea.gov.in/Portal/ForeignRelation/Tajikistan\\_August\\_2017.pdf](http://www.mea.gov.in/Portal/ForeignRelation/Tajikistan_August_2017.pdf)

<sup>102</sup> “Indian companies to build Afghanistan’s part of CASA 1000 Project,” Asia-Plus, last modified December 21, 2017, <https://news.tj/en/news/tajikistan/economic/20171221/indian-companies-to-build-afghanistans-part-of-casa-1000-project>

<sup>103</sup> Rashmini Koparkar, “President Rahmon’s Visit: India-Tajikistan Relations Reach New Heights,” Vivekananda International Foundation, last modified January 06, 2017, <http://www.vifindia.org/article/2017/january/06/president-rahmon-s-visit-india-tajikistan-relations-reach-new-heights>

services,<sup>104</sup> and the mechanical laboratory renovation in the Tajik Technical University<sup>105</sup> and the Centre of Information and Technology in Dushanbe.<sup>106</sup>

The most notable investments or projects of India in Uzbekistan is the production of car spare-parts for General Motors, Polo Amusement Park, Nova Pharma manufacturing pharmaceutical and healthcare products, Bravo Pharma engaging in diagnostic and other healthcare services, Ramada Hotel Tashkent, Shayana Farms - a pharmaceutical production company, and Orion Medicity,<sup>107</sup> “a plant for manufacturing toothbrushes, a polythene bag manufacturing plant, a toothpaste production plant and a pharmaceutical” plant, a potato processing plant, and the setting up of an IT Development Centre, the Indo-Kyrgyz Centre for Information Technology in Bishkek, and a mountain bio-medical research centre.<sup>108</sup>

The most notable project between India and Turkmenistan is the TAPI project, together with Afghanistan and Pakistan.<sup>109</sup>

Major products imported from Kazakhstan in 2016 were radioactive isotopes (47 percent), petroleum oils and oils from bituminous minerals (43 percent) and asbestos (5 percent). Major products exported to Kazakhstan were pharmaceuticals and medical products (35 percent), tea (26 percent), raw tobacco (4 percent) and machinery & equipment (3 percent).<sup>110,111</sup> For oil and gas cooperation 2009-2015 and atomic energy cooperation 2009-2019 see previous paragraph on bilateral trade agreements.<sup>112,113</sup>

India's main exports from Tajikistan include pharmaceuticals, meat and meat products, apparel and clothing accessories, iron and steel.<sup>114</sup> Furthermore, Tajikistan exports different types of ores, slag and ash, aluminium, organic chemicals, herbal oils, dried fruits and cotton to India.<sup>115</sup>

Trade between India and Uzbekistan mainly exists out of India exporting pharmaceutical products, mechanical equipment, vehicle parts, services, optical instruments and equipment to Uzbekistan. Whereas India imports fruit and vegetable products, services, fertilizers, juice products, extracts and lubricants from Uzbekistan.<sup>116</sup> Uzbekistan also supplies India with uranium.<sup>117</sup>

<sup>104</sup> “India-Tajikistan Bilateral Relations,” Ministry of External Affairs of India, last modified August 2017, [http://www.mea.gov.in/Portal/ForeignRelation/Tajikistan\\_August\\_2017.pdf](http://www.mea.gov.in/Portal/ForeignRelation/Tajikistan_August_2017.pdf)

<sup>105</sup> “Bilateral Relations,” Embassy of the Republic of Tajikistan in India, last modified July 24, 2017, [http://www.tajikembassy.in/?page\\_id=437&lang=en](http://www.tajikembassy.in/?page_id=437&lang=en)

<sup>106</sup> Ibid.

<sup>107</sup> “India-Uzbekistan Relations,” Embassy of India to Uzbekistan, last modified January 2018, <https://eoi.gov.in/tashkent/?2615?000>

<sup>108</sup> “Bilateral Relations: India-Kyrgyzstan,” Embassy of India to Kyrgyzstan, last modified August 30, 2017, <https://www.embassy-ofindia.kg/relationpages.php?id=174>

<sup>109</sup> “India-Turkmenistan Relations,” Embassy of India to Turkmenistan, last modified August 31, 2017, <https://eoi.gov.in/ash-gabat/?0760?000>

<sup>110</sup> “India-Kazakhstan Relations,” Embassy of India to Kazakhstan, last modified June 04, 2017, [http://www.indembastana.in/docs/India\\_Kazakhstan\\_Relations.pdf](http://www.indembastana.in/docs/India_Kazakhstan_Relations.pdf)

<sup>111</sup> “India-Kazakhstan Relations,” Ministry of External Affairs of India, last modified July 2016, [http://mea.gov.in/Portal/ForeignRelation/Kazakhstan1\\_July\\_2016.pdf](http://mea.gov.in/Portal/ForeignRelation/Kazakhstan1_July_2016.pdf)

<sup>112</sup> “India-Kazakhstan Relations,” Embassy of India to Kazakhstan, last modified June 04, 2017, [http://www.indembastana.in/docs/India\\_Kazakhstan\\_Relations.pdf](http://www.indembastana.in/docs/India_Kazakhstan_Relations.pdf)

<sup>113</sup> “Trade and Economic Cooperation between Kazakhstan and India,” Embassy of the Republic of Kazakhstan in India, last modified January 01, 2017, <http://mfa.gov.kz/en/delhi/content-view/torgovo-ekonomiceskoe-sotrudnicestvo-mezdu-kazahstanom-i-indiej>

<sup>114</sup> “India-Tajikistan Bilateral Relations,” Ministry of External Affairs of India, last modified August 2017, [http://www.mea.gov.in/Portal/ForeignRelation/Tajikistan\\_August\\_2017.pdf](http://www.mea.gov.in/Portal/ForeignRelation/Tajikistan_August_2017.pdf)

<sup>115</sup> Chayanika Saxena, “India And Tajikistan Ties: Partners In Development – Analysis,” Eurasia Review, last modified March 04, 2017, <https://www.eurasiareview.com/04032017-india-and-tajikistan-ties-partners-in-development-analysis/>

<sup>116</sup> “India-Uzbekistan Relations,” Embassy of India to Uzbekistan, last modified January 2018, <https://eoi.gov.in/tashkent/?2615?000>

<sup>117</sup> Dipanjan Roy Chaudhury, “Uranium supply to power Uzbek-India growing ties,” The Economic Times, last modified October 03, 2017, <https://economictimes.indiatimes.com/news/economy/policy/uranium-supply-to-power-uzbek-india-growing-ties/articleshows/60916089.cms>

“Indian exports to Kyrgyzstan comprise of readymade garments and textile products, pharmaceutical products, food products (tea, coffee and spices), colouring material, electrical and electronic products, machines, vehicles and spare parts, essential oils and cosmetics, perfumery, electric machines, footwear, precious stones, ferrous and non-ferrous metals. Kyrgyz exports to India include plastic items, raw hides and skins, woolen products, machinery and mechanical appliances, home furnishing material, canned meat, jet fuel, etc.”<sup>118</sup>

Indian exports to Turkmenistan “include electronic and electrical items (LG products made in India), machinery and woven apparel and pharmaceuticals, frozen meat and tyres. Exports to India comprises of raw hides and inorganic chemicals (e.g. Sulphur, Iodine)”.<sup>119</sup>

Indian-owned companies operating in Kazakhstan include Arcelor Mittal (Iron & Steel, Coal), Kazstroyservice (EPC), SUN Group (Gold mining), KEC Ltd. (EPC in Power Transmission), Punjab National Bank (Banking), ONGC Videsh Limited (E&P in Hydrocarbon sector) and Gateway Ventures (manufacturing, supply and EPC).<sup>120</sup> Indian companies operating in Tajikistan include M/s CHL Limited, India; KEC/RPG; BHEL and M/s Kalpataru.

113 companies created with participation of Indian capital are working in Uzbekistan. Of this total, 19 companies are with 100 percent Indian investment.<sup>121</sup> Indian companies operating in Uzbekistan include All India Industrial Gases Manufacturers' Association, ELCOM Innovations Private Limited, Pharmexcil, ASSOCHAM, Council for Leather Exports of India, Federation of Jharkhand Chamber of Commerce & Industry, Jaypee Hospitals and Moolchand Healthcare.<sup>122</sup>

There are around 20 Indian companies represented in Kyrgyzstan.<sup>123</sup>

There are no trade disputes or sanctions between India and the Central Asian nations.

There are roughly 6,250 Indians in Kazakhstan, of which around a third are students at medical universities, and another third construction workers.<sup>124</sup> The UN data noted 1,408 migrants from Kazakhstan in India in December 2017. Similarly, in Tajikistan there are around 900 Indians, of which 700 are medical students.<sup>125</sup> Kyrgyzstan has about 4,500 Indian students studying medicine.<sup>126</sup> Turkmenistan's Indian population of 1,200, are mainly semi-skilled workers in the oil & gas and construction sector.<sup>127</sup>

Other than the projects already named under “Most notable investments/projects”, India is in the process of reconstructing Ayni airfield in Tajikistan and introducing the India-led International North-

<sup>118</sup> “India-Kyrgyzstan Bilateral Commercial Relations,” Embassy of India to Kyrgyzstan, accessed June 18, 2018, <https://www.embassy-ofindia.kg/relationpages.php?id=264>

<sup>119</sup> “India-Turkmenistan Relations,” Embassy of India to Turkmenistan, last modified August 31, 2017, <https://eoi.gov.in/ash-gabat/?0760?000>

<sup>120</sup> “India-Kazakhstan Relations,” Embassy of India to Kazakhstan, last modified June 04, 2017, [http://www.indembastana.in/docs/India\\_Kazakhstan\\_Relations.pdf](http://www.indembastana.in/docs/India_Kazakhstan_Relations.pdf)

<sup>121</sup> “India-Uzbekistan Relations,” Embassy of India to Uzbekistan, last modified January 2018, <https://eoi.gov.in/tashkent/?2615?000>

<sup>122</sup> Ibid.

<sup>123</sup> “India-Kyrgyzstan Bilateral Commercial Relations,” Embassy of India to Kyrgyzstan, accessed June 18, 2018, <https://www.embassy-ofindia.kg/relationpages.php?id=264>

<sup>124</sup> “India-Kazakhstan Relations,” Embassy of India to Kazakhstan, last modified June 04, 2017, [http://www.indembastana.in/docs/India\\_Kazakhstan\\_Relations.pdf](http://www.indembastana.in/docs/India_Kazakhstan_Relations.pdf)

<sup>125</sup> “India-Tajikistan Bilateral Relations,” Ministry of External Affairs of India, last modified August 2017, [http://www.mea.gov.in/Portal/ForeignRelation/Tajikistan\\_August\\_2017.pdf](http://www.mea.gov.in/Portal/ForeignRelation/Tajikistan_August_2017.pdf)

<sup>126</sup> “Bilateral Relations: India-Kyrgyzstan,” Embassy of India to Kyrgyzstan, last modified August 30, 2017, <https://www.embassy-ofindia.kg/relationpages.php?id=174>

<sup>127</sup> “India-Turkmenistan Relations,” Embassy of India to Turkmenistan, last modified August 31, 2017, <https://eoi.gov.in/ash-gabat/?0760?000>

South Transport Corridor (INSTC).<sup>128</sup> India is also developing the Chabahar port in Iran, as an alternative route for access to Central Asian Republics.<sup>129</sup>

## 2.4. Turkey

Trade agreements between Turkey and Kazakhstan have been signed on reciprocal promotion and protection of investments,<sup>130</sup> double taxation avoidance, trade and economic cooperation.<sup>131</sup> Turkey and Kyrgyzstan have signed agreements on avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income,<sup>132</sup> mutual encouragement and protection of investments.<sup>133</sup> Turkey and Tajikistan have signed agreements on mutual promotion and protection of investments, double taxation prevention treatment.<sup>134,135</sup> Turkey and Turkmenistan have signed agreements (more than 150) on cooperation in energy, oil and gas, electricity generation, mutual legal assistance to citizens of both countries.<sup>136</sup> Turkey and Uzbekistan have signed more than 90 bilateral agreements and protocols to form the legal basis of relations.<sup>137</sup> Turkey plays an important role in the trade relations of the Central Asian states. In absolute numbers Turkey achieves the biggest volume of the bilateral trade with Kazakhstan. However, in 2017 it was just slightly bigger than Turkish-Uzbek and Turkish-Turkmen trade. As far as the Turkish share in the turnovers of the Central Asian countries is concerned, it varies from twelve percent in case of Turkmenistan (2<sup>nd</sup> place) to 2,5 percent in case of Kazakhstan. Turkey also occupies high positions in the trade volumes of Tajikistan (4<sup>th</sup> place, 8 percent), Uzbekistan (5<sup>th</sup> place, 7 percent) and Kyrgyzstan (6<sup>th</sup> place, 4,5 percent).<sup>138</sup>

All five Central Asian countries and Turkey are members of the Economic Cooperation Organization (ECO). Turkey and Kazakhstan, Kyrgyzstan, Tajikistan are members of the WTO.

<sup>128</sup> "Bilateral Relations," Embassy of the Republic of Tajikistan in India, last modified July 24, 2017, [http://www.tajikembassy.in/?page\\_id=437&lang=en](http://www.tajikembassy.in/?page_id=437&lang=en)

<sup>129</sup> Chayanika Saxena, "India And Tajikistan Ties: Partners In Development – Analysis," Eurasia Review, last modified March 04, 2017, <https://www.eurasiareview.com/04032017-india-and-tajikistan-ties-partners-in-development-analysis/>

<sup>130</sup> "Agreement Between The Republic of Turkey and The Republic of Kazakhstan Concerning the Reciprocal Promotion and Protection of Investments," Resmi Gazete, 22199 (February 1995), 6-9, [https://www.investorstatelawguide.com/documents/documents/BIT-0052%20-%20Kazakhstan%20-%20Turkey%20\(English\).pdf](https://www.investorstatelawguide.com/documents/documents/BIT-0052%20-%20Kazakhstan%20-%20Turkey%20(English).pdf)

<sup>131</sup> Nevzat Şimşek et.al, "Trade Relation Between Turkey and Kazakhstan on the 25th Anniversary of Kazakhstan's Independence," PERCEPTIONS XXII, no. 1 (2017): 8, [http://sam.gov.tr/wp-content/uploads/2017/11/2\\_perceptions\\_Spring-2017-1-7-28-1.pdf](http://sam.gov.tr/wp-content/uploads/2017/11/2_perceptions_Spring-2017-1-7-28-1.pdf)

<sup>132</sup> "The Republic of Turkey. Status of List of Reservations and Notifications at the Time of Signature," Organisation for Economic Co-operation and Development (OECD), accessed June 18, 2018, <http://www.oecd.org/tax/treaties/beps-mli-position-turkey.pdf>

<sup>133</sup> "Kyrgyzstan, Turkey sign bilateral agreement on mutual encouragement and protection of investments," Kabar News Agency, last modified April 10, 2018, <http://kabar.kg/eng/news/kyrgyzstan-turkey-sign-bilateral-agreement-on-mutual-encouragement-and-protection-of-investments/>

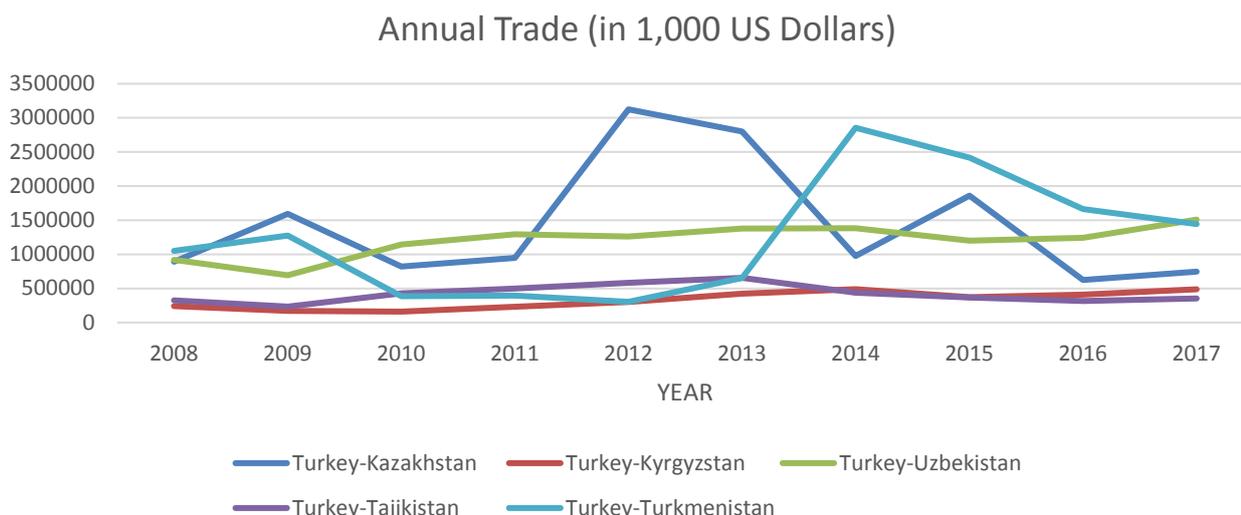
<sup>134</sup> "Republic of Turkey and the Republic of Tajikistan with Respect to Taxes on Income Between Double Taxation Agreement Republic of Turkey and Republic of Tajikistan," Official Gazette no. 24620 (2001), <http://internationaltaxtreaty.com/download/Tajikistan/DTC/Tajikistan-Turkey-DTC-Jun-1996.pdf>

<sup>135</sup> "Tajikistan-Bilateral Investment Agreements," Export.gov, December 22, 2016, <https://www.export.gov/article?id=Tajikistan-Bilateral-Investment-Agreements>

<sup>136</sup> Vladimir Mesamed, "Irano-Turkmenskie Otnosheniya v Épokhu Peremen," Tsentralnaya Asziya i Kavkaz 52, no. 4 (2017): <https://cyberleninka.ru/article/n/irano-turkmenskie-otnosheniya-v-epohu-peremen>

<sup>137</sup> "Relations between Turkey and Uzbekistan," Ministry of Foreign Affairs of the Republic of Turkey, accessed June 18, 2018, <http://www.mfa.gov.tr/relations-between-turkey-and-uzbekistan%20.en.mfa>

<sup>138</sup> "Statistics," European Commission, last modified June 18, 2018, <http://ec.europa.eu/trade/policy/countries-and-regions/statistics/>



**Figure 4:** Bilateral trade between Turkey and Central Asia. Sources: Own illustration based on data from the Turkish Statistical Institute.<sup>139, 140</sup>

As far as Turkish direct investments in Kazakhstan are concerned, according to the Turkish Ministry of Economy, Turkish companies invested around USD 1.8 billion in the country, while the National Bank of Kazakhstan assumed that at the beginning of 2018 the stocks of Turkish direct investments approached USD 600 million. At the same time, the stocks of Kazakh direct investment in Turkey exceeded USD 335 million.<sup>141</sup> According to the Turkish Ministry of Economy, the value of Turkish direct investment in other Central Asian countries is decisively smaller. For instance, the stocks of Turkish direct investment in Kyrgyzstan surpasses USD 250 million. Turkish direct investments in Kazakhstan cover such spheres as: construction, mining, food and textile industry. The total of Turkish direct investments in Kyrgyzstan amounts to USD 1 billion<sup>142</sup> in spheres as: construction, retail trade, textile and food industry. Turkey’s direct investments in Uzbekistan amount to more than USD one billion, and the number of completed projects has reached 88 with a total value of USD two billion.<sup>143</sup>

The value of Turkish investment in the construction sector of Kazakhstan approached USD 23 billion at the beginning of 2018.<sup>144</sup> Turkish construction companies in the first years of the post-conflict reconstruction of Tajikistan realized several important infrastructural projects. The Turkish consulting company “SEYASH” carried out the project of design and survey works in the Pamir highland on the Murgab-Kulma Pass road section in 1998 (border of the Republic of Tajikistan and the People's Republic of China).<sup>145</sup> The construction of this area was fulfilled by “Entes”, also a Turkish enterprise, other parts of the mountain road in Pamir were constructed by Turkish companies, too, such as “Age

<sup>139</sup> “Exports by countries 1996-2018,” Turkish Statistical Institute, accessed June 18, 2018, [http://www.turkstat.gov.tr/PrelstatistikTablo.do?istab\\_id=624](http://www.turkstat.gov.tr/PrelstatistikTablo.do?istab_id=624)

<sup>140</sup> “Imports by countries 1996-2018,” Turkish Statistical Institute, accessed June 18, 2018, [http://www.turkstat.gov.tr/PrelstatistikTablo.do?istab\\_id=625](http://www.turkstat.gov.tr/PrelstatistikTablo.do?istab_id=625)

<sup>141</sup> “Direct Investments Statistics according to the directional principle,” National Bank of Kazakhstan, accessed June 18, 2018, <http://www.nationalbank.kz/?docid=469&switch=english>

<sup>142</sup> Diana Ésenalievá, “Ob’em tryetykikh investitsii v Kýrgýstan sostavil bolee USD1 mlrd,” *K-News*, last modified January 13, 2016, <http://knews.kg/2016/01/obyem-turetskih-investitsiy-v-kyrgyzstan-sostavil-bolee-1-mlrd/>

<sup>143</sup> Ministry of Economy of the Republic of Turkey, accessed June 29, 2018, <https://www.economy.gov.tr/portal/faces/home/dislliskiler/ulkeler/ulke-detay/Uzbekistan/html-viewer->

<sup>144</sup> “Türk Yurtdışı Müteahhitlik Hizmetleri,” Türkiye Müteahhitler Birliği, last modified March 2018, [http://www.tmb.org.tr/doc/file/YDMH\\_Nisan-2018.pdf](http://www.tmb.org.tr/doc/file/YDMH_Nisan-2018.pdf)

<sup>145</sup> Nimatullo Sokhibov, “Kommunikatsionnye proektı respublikı tadjikistan,” CA&CC Press, accessed June 18, 2018, [https://www.cac.org/journal/cac-03-1999/st\\_08\\_sohibov.shtml](https://www.cac.org/journal/cac-03-1999/st_08_sohibov.shtml)

Tekar” and “Oyak Inshoot”.<sup>146</sup> Turkish companies dominate the Turkmen construction sector. They have realized a dozen hundred projects with the total value of USD 46.9 billion.<sup>147</sup>

The commission of Baku-Tbilisi-Ceyhan oil pipeline (BTC, with a capacity of 1.2 million barrels per day) in 2006, as well as Kazakhstan's connection to it in 2008 for transportation of its oil products to Turkey and to the foreign market, has improved Kazakhstan's foreign trade relations for many years, as the economy of Kazakhstan mainly depends on the export of hydrocarbons, which provides a positive balance in the foreign trade turnover between Kazakhstan and Turkey.

Turkish Petroleum Corporation-TPAO is the largest Turkish direct investor in the Central Asia. TPAO together with Kazakoil created a joint venture Kazakturmunay-KTM. The most significant construction projects implemented by the Turkish companies in Kazakhstan are: Nursultan Nazarbayev Airport (Astana), the Parliament's building, the residence of the President, Regent Ankara hotels and Okan Intercontinental Astana, children's rehabilitation center, a national museum, the Khoja Ahmet Yassau University, the twin towers in Astana, the telecommunications infrastructure of GSM standard, the Kazakhstan part of the Tengiz-Novorossiysk pipeline.<sup>148</sup> The Turkish construction company “Polimeks”, which was founded and started its activity in Turkmenistan in 1995, now takes the first place in the country on implementation of the major construction projects. It has realized dozens of projects, such as the Independence Monument of Turkmenistan, the Neutrality Arch, the Main flag of Turkmenistan and others.<sup>149</sup> In January 2013, this company received a major contract for the construction of an international airport in Ashgabat worth USD 2.2 billion<sup>150</sup>, which is the biggest construction project trusted to Turkish company abroad.

There are no serious trade disputes between Turkey and the countries of the Central Asian region.

All countries of Central Asia, except Kazakhstan, have a surplus employable population, so apart from the traditional routes of labour migration to Russia, there is a tendency of increasing the flow to Turkey. There are about 100,000 Turkmen migrants and the overwhelming majority are illegally in the country.<sup>151</sup> Currently, about 300,000 Uzbek migrants work in Turkey, most of them are illegal migrants who are in Turkey without the availability of documents for temporary residence and work.<sup>152</sup>

## 2.5. Iran

Trade agreements (more than 60) between Iran and Kazakhstan have been signed on the road and air traffic, on the transit procedure, on the basics of customs relations, on the creation of the Kazakhstani-Iranian Chamber of Commerce and Industry, on avoiding double taxation,<sup>153</sup> maritime merchant

<sup>146</sup> “Ocherednoe zasedanie tadjikosko-turetskogo delovogo soveta v Stambule,” *TopTJ.com*, last modified July 10, 2007, [http://www.toptj.com/news/2007/7/10/ocherednoe\\_zasedanie\\_tadjikosko\\_tureckogo\\_delovogo\\_soveta\\_v\\_stambule](http://www.toptj.com/news/2007/7/10/ocherednoe_zasedanie_tadjikosko_tureckogo_delovogo_soveta_v_stambule)

<sup>147</sup> “Türk Yurtdışı Müteahhitlik Hizmetleri,” Türkiye Müteahhitler Birliği, last modified March 2018, [http://www.tmb.org.tr/doc/file/YDMH\\_Nisan-2018.pdf](http://www.tmb.org.tr/doc/file/YDMH_Nisan-2018.pdf)

<sup>148</sup> “Turtsiya i Kazakhstan – dva tyurkskikh kryla Evrazii,” *Kazakhstan*, no. 1 (2006), <http://www.investkz.com/journals/46/165.html>

<sup>149</sup> “Polimeks Construction. With all its projects...,” Polimeks, accessed June 18, 2018, <http://polimeks.com/ru/polimeks-construction-ru>

<sup>150</sup> Natalya Mur, “Ezhenedelnyĭ analiz novosteĭ Turkmenistana,” Eurasianet, last modified February 28, 2013, <https://russian.eurasianet.org/node/59909>

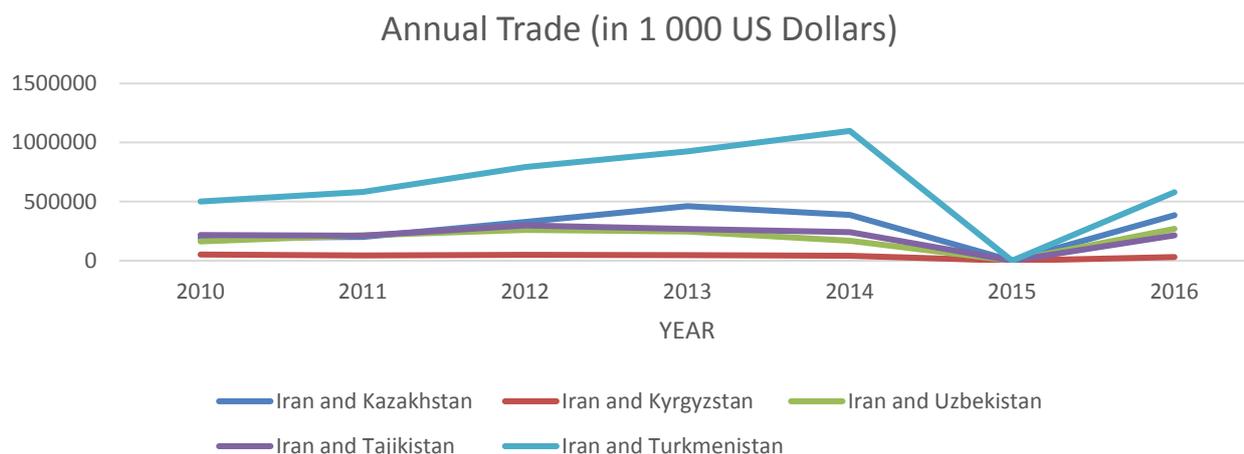
<sup>151</sup> “Turkmenskikh migrantov v Turtsii obunyayut v krazhe dragotsennosteĭ ha USD900000,” *Radio Azattyk*, last modified February 26, 2018, <https://rus.azathabar.com/a/29062973.html>

<sup>152</sup> “V ėtom godu okolo 2,5 tysyach uzbekiktantsev budut obespechenyĭ rabotoĭ v Turtsii (video),” *Ozodlik*, last modified March 20, 2018, <https://rus.ozodlik.org/a/29109906.html>

<sup>153</sup> “Islamskaya Respublika Iran. Stranovyĭ obzop,” Kazanex Invest, last modified 2011, [http://www.export.gov.kz/public/files/analyt-ics/countryReview/2011/%D0%98%D1%80%D0%B0%D0%BD%20%D1%81%D1%82%D1%80%D0%B0%D0%BD%D0%BE%D0%B2%D0%BE%D0%B9%20%D0%BE%D0%B1%D0%B7%D0%BE%D1%80\\_2011.pdf](http://www.export.gov.kz/public/files/analyt-ics/countryReview/2011/%D0%98%D1%80%D0%B0%D0%BD%20%D1%81%D1%82%D1%80%D0%B0%D0%BD%D0%BE%D0%B2%D0%BE%D0%B9%20%D0%BE%D0%B1%D0%B7%D0%BE%D1%80_2011.pdf)

shipping in the Caspian Sea.<sup>154</sup> Iran and Kyrgyzstan have signed agreements on cooperation in agriculture, providing mutual administrative assistance for the implementation of customs legislation.<sup>155</sup> Iran and Tajikistan have signed agreements (more than 150) on trade and investment facilitation,<sup>156</sup> on expansion of trade, investment, energy, transportation, agricultural and industrial cooperation.<sup>157</sup> Iran and Turkmenistan have signed agreements (more than 150) on cooperation in energy, oil and gas, electricity generation, mutual legal assistance to citizens of both countries.<sup>158</sup> Iran and Uzbekistan have signed (more than 55) agreements in the political, trade, economic and cultural spheres.<sup>159</sup>

All five Central Asian countries and Iran are members of the Economic Cooperation Organization (ECO).



**Figure 5:** Bilateral trade between India and Central Asia. Sources: Trade Map – International Trade Statistics, International Trade Centre. <sup>160,161</sup>

Kazakhstan is the main partner of Iran in Central Asia measured in absolute numbers. The trade between Iran and Kazakhstan surpassed USD 550 million (0.7 percent).<sup>162</sup> The share of Iran in the

<sup>154</sup> "O podpisanii Soglasheniya mezhdou Pravitel'stvom Respublikii Kazakhstan i Pravitel'stvom Islamskoj Respubliki Iran o morskome trgovom sudoxodstve v Kaspijskom more," Postanovlenie Pravitel'stva Respubliki Kazakhstan, no. 836 (December 2016), [https://ten-grinews.kz/zakon/pravitelstvo\\_respubliki\\_kazahstan\\_premier\\_ministr\\_rk/mejdunapodnyie\\_otnosheniya\\_respubliki\\_kazahstan/id-P1600000836/](https://ten-grinews.kz/zakon/pravitelstvo_respubliki_kazahstan_premier_ministr_rk/mejdunapodnyie_otnosheniya_respubliki_kazahstan/id-P1600000836/)

<sup>155</sup> "2.2.4. Osnovnye etapj kyrgyžsko-iranskikh otnoshenij," Textbooks.Studio, accessed June 19, 2018, <https://textbooks.studio/uchebnik-mejdunarodnie-otnosheniya/osnovnyie-etapyi-kyrgyzsko-iranskikh.html>

<sup>156</sup> "Tajikistan-Trade Agreements," Export.gov, last modified April 17, 2016, <https://www.export.gov/article?id=Tajikistan-Trade-Agreements>

<sup>157</sup> "Tajik president receives visiting Iranian foreign minister," *Asia-Plus*, last modified November 08, 2017, <https://www.news.tj/en/news/tajikistan/politics/20171108/tajik-president-receives-visiting-iranian-foreign-minister>

<sup>158</sup> Vladimir Mesamed, "Irano-Turkmenskie Otnosheniya v Epokhu Peremen," *Tsentralnaya Asziya i Kavkaz* 52, no. 4 (2017): <https://cyberleninka.ru/article/n/irano-turkmenskie-otnosheniya-v-epokhu-peremen>

<sup>159</sup> "Cooperation of the Republic of Uzbekistan with Near East, Middle East and African Countries," Ministry of Foreign Affairs of the Republic of Uzbekistan, accessed June 19, 2018, <https://mfa.uz/en/cooperation/countries/376/>

<sup>160</sup> The data for 2015 and 2017 is not available.

<sup>161</sup> "List of products imported by Germany," International Trade Center (ITC), accessed June 19, 2018, [https://www.trade-map.org/tradestat/Product\\_SelCountry\\_TS.aspx](https://www.trade-map.org/tradestat/Product_SelCountry_TS.aspx)

<sup>162</sup> Ministry of National Economy of the Republic of Kazakhstan, Committee on Statistics, accessed June 19, 2018, [http://stat.gov.kz/faces/wcnav\\_externalId/homeNumbersCrossTrade2017?\\_afLoop=1466729810326286#%40%3F\\_afr-Loop%3D1466729810326286%26\\_adf.ctrl-state%3Dg4fi466xa\\_47](http://stat.gov.kz/faces/wcnav_externalId/homeNumbersCrossTrade2017?_afLoop=1466729810326286#%40%3F_afr-Loop%3D1466729810326286%26_adf.ctrl-state%3Dg4fi466xa_47)

trade turnover of Central Asian countries is mostly very limited. The largest is the share of Iran in the Tajik trade volume (5 percent, 5<sup>th</sup> position).<sup>163</sup>

International sanctions against Iran impeded it from acting as a serious investor in the countries of the region.

The visit of the Iranian President Muhammad Khotami in 2004 in Dushanbe was the starting point for the construction of a series of hydroelectric power stations with colossal potential in Tajikistan. However, only around seven percent of them have been implemented. Then, Teheran's decision to invest USD 250 million at Sangtuda hydro power plant led to the connection of Russia to the energy projects of Iran. As a result, Sangtuda HEPS-one (Russia, 2009, USD 450 million) and Sangtuda HEPS-two (Iran, 2014, USD 180 million) were built by these countries. Completion of the construction of these hydrosystems led to the beginning of the construction of the giant Rogun hydroelectric complex in Tajikistan.

According to the Ministry of Finance and Economy of Turkmenistan, on February 1<sup>st</sup> of this year (2018), there have been registered 89 investment projects with the participation of Iranian companies and the total value of USD 310.95 million. In total, 142 enterprises of various forms of ownership with participation of Iranian capital are currently registered in Turkmenistan.<sup>164</sup>

When the sanctions against Iran were annulled in 2016, the swap operations on the Kashagan field had again resumed and Iran received Kazakh oil in its ports on the Caspian coast and sent it to its nearest refineries. In return, Iran sends the same amount of its oil from its ports in the Persian Gulf. If the level of prices for oil products and oil production increases, prospective plans in Kazakhstan are to increase capacity for processing deliveries within the planned swap operations more than ten times – from 129 thousand barrels to 1.5 million barrels per day.<sup>165</sup> However, at present, the U.S. plans to renew sanctions against Iran and the unwillingness of large Western oil companies to lay an oil pipeline through Iran to the ports of the Persian Gulf are the main obstacle to large-scale cooperation between the two countries in transporting Kazakh oil to the world markets through the Iran's territory. Iran cooperates also with Turkmenistan in the gas sector. The commission of the Korpeje-Gurtgui gas pipeline (1995, with capacity of eight billion cubic meters of gas per year)<sup>166</sup> and the second Dovletabad-Serakhs-Hangeran gas pipeline (2010, with capacity of 20 billion cubic meters of gas per year)<sup>167</sup> began to cover five percent of Iran's needs for gas.

International sanctions against Iran hampered the activities of major Iranian companies in the countries of Central Asia.

At the end of 2016 between Iran and Turkmenistan a trade dispute arose, after Turkmengaz demanded from the neighbouring country to pay a debt of USD 1.8 billion for the use of Turkmen gas.<sup>168</sup>

International sanctions against Iran, a difference in the forms of state administration (a rigid Islamic form of government in Iran and a secular form of government in the Central Asian countries), and

<sup>163</sup> "Tajikistan, Trade with World," European Commission Directorate-General for Trade, last modified April 16, 2018, [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113453.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113453.pdf)

<sup>164</sup> "Delovye krugi Turkmenstana i Irana soglasovali podxody k diversifikatsii sotrudnichestva," Turkmenistan Zolotoi vek, last modified March 27, 2018, <http://www.turkmenistan.gov.tm/?id=15944>

<sup>165</sup> Marat Elemesov, "Troistvennyi neftyanoi soyuz," Liter, last modified August 26, 2016, <https://liter.kz/ru/articles/show/23096-troistvennyi-nefityanoi-soyuz>

<sup>166</sup> The Official Site of the Union Industrialists and Entrepreneurs of Turkmenistan. accessed June 28, 2018, [http://tstb.16mb.com/?mod=news&news\\_id=6](http://tstb.16mb.com/?mod=news&news_id=6)

<sup>167</sup> "Turkmenistan vvel v stroi gazoprovod Dovletabat-Serakhs-Khangeran," Forbes, last modified January 06, 2010, <http://www.forbes.ru/news/36960-turkmenistan-vvel-v-stroi-gazoprovod-dovletabat-serakhs-hangeran>

<sup>168</sup> "Iran gotov podat' novuyu zhalobu v Arbitrazhnyi sud protiv Turkmenistana," Khronika Turkmenistana, last modified January 30, 2018, <https://www.hronikatm.com/2018/01/iran-zayavil-o-nalichie-novoy-zhaloby-v-gazovom-spore-protiv-turkmenistane/>

especially the confessional difference between them (Shiism in Iran and Sunnism in the countries of Central Asia) hamper wide migration between them.

The Tejen-Serakhs-Mashhad railway, constructed in 1996, was the first railway linking the railway system of Central Asia to the Iranian one. The opening of the Kazakhstan-Turkmenistan-Iran railway in 2014 (skipping the capacity of ten million tons per year), allowed to increase transit cargo and passenger traffic, reduce transportation costs, and cause economic growth in the region. The Caspian railroad's commission (Kazakhstan-Turkmenistan-Iran) at the end of 2014 allowed Kazakhstan to come out through Turkmenistan and Iran to the world ports of the Persian Gulf.

The railroad project "Iran-Afghanistan-Tajikistan-Kyrgyzstan-China" was agreed upon by the ministers of transport of the five states in 2010. The road should have a "European" track and provide "uninterrupted" cargo transit between China and Iran,<sup>169</sup> but because of the unstable situation in Afghanistan and the choice of gauge standards, this major infrastructure project of the region has not yet begun.

On April 25, 2011, the Agreement on the establishment of an international transport and transit corridor between the Governments of Iran, Oman, Qatar, Turkmenistan and Uzbekistan was signed in Ashgabat, which creates the best route for the countries of the region through Iran to the ports of the Persian and Oman Gulfs.<sup>170</sup> In 2013, Qatar left the project, but the remaining project participants signed a memorandum (2014). The parties suggest that the Central Asia-Persian Gulf's transport-transit corridor will entail a railroad linking Uzbekistan, Turkmenistan and Iran, as well as the sea route from the ports of Bandar Abbas and Chabahar in Iran to the ports in Oman.<sup>171</sup>

### 3. Conclusion

Economic ties between the five Central Asian countries and Japan, India, Iran, South Korea, and Turkey are shaped by dominating hydrocarbons trade, labour migration and developing trading and investment framework in the region. Turkey has the most balanced relationship with the Central Asian countries, based on the bilateral trade dimension and an understanding of regional investment circumstances by Turkish investors. Iran's relations with the region have been dominated by policy of international economic sanctions for years, disadvantaging Iranian potential of influence in terms of trade. Because of that fact, as well as the problematic character of economic cooperation with Iran in the international context, caused by negative changes in the US policy according to JCPOA agreement, Iran's economic relations with Central Asia remain under-developed. South Korea, Japan and India have formulated their own visions of economic cooperation with the region of Central Asia, however, those ideas largely remain devoid of real actions. Despite this, their economic relations with the region are subject of gradual evolution and development, mainly due to the involvement of key corporations and private investors, appreciating the regional potential of Central Asia.

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<sup>169</sup> Kirill Sokov, "Iran vñnashivaet planñ edinoñ seti zheleznñkh dorog so stranami Tsentral'noñ Azii," Mir Peremen, last modified January 12, 2017, <http://mirperemen.net/2017/01/iran-vynashivaet-plan-edy-noj-seti-zhelezn-nyx-dorog-so-stranami-centralnoj-azii/>

<sup>170</sup> "Realizuetcya transportnñj proekt uzbekistan-turkmenistan-iran-oman," Norma, last modified September 05, 2014, [https://www.norma.uz/nashi\\_obzori/realizuetsya\\_transportnyy\\_proekt\\_uzbekistan-turkmenistan-iran-oman](https://www.norma.uz/nashi_obzori/realizuetsya_transportnyy_proekt_uzbekistan-turkmenistan-iran-oman)

<sup>171</sup> "Iran nameren uvelichit' tovarooborot s Uzbekistanom za schet postavok 1mln tonn/god iranskoñ nefti," Neftegaz.RU, last modified September 15, 2015, <https://neftgaz.ru/news/view/141468-Iran-nameren-uvelichit-tovarooborot-s-Uzbekistanom-za-schet-postavok-1-mln-tonngod-iranskoy-nefti>

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0.3	09.08.2018	Revision by A. Gussarova (CAISS)
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