



## THE EFFECTS OF GLOBALISATION ON GEOECONOMICS OF CENTRAL ASIA

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### Introduction:

Mercantilism is an economic strategy spanned from the 16th Century to 18th Century, intended to increase a nation's economic exports while minimizing its imports. With the end of the Cold War and the evident success of liberal democracy fueled by capitalism, export oriented market economies are taking control of the global system. Capitalism is increasingly forming a NeoMercantile group, and Former Soviet Republics are no exception. The former Soviet States were undergoing economic change as capitalism was a

recent concept there. The upshot of this widespread agreement is an increase in global economic activity. These economic shifts have been so profound that Luttwak (1990) predicted geo-economics would replace geopolitics as the dominant framework for global analysis. Since Central Asia is located between Europe and Asia, the two current top energy-consuming economies it offers much more than hydrocarbon resources. Because of its central, yet landlocked, location in Eurasia, the area serves as a land link connecting cultures, communities, and most notably economics.

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The Great Power Rivalry between Russia and Great Britain in the 19th century was centered in Central Asia. It arose as a Soviet Union's backyard in the 20th century. Following the independence of these republics, the concept of a New Great Game has resurfaced. The new Central Asian market is establishing into an economic battlefield for major powers. As many regional powers are also engaged in the new great game, Central Asian states have broadened their socioeconomic and political relations. Geographically, Central Asia is located between two Asian powers, notably India, China, and Russia, who account for a sizable portion of global exports in the twenty-first century. "For the rapidly expanding intercontinental Eurasian commerce and financial

flows, Central Asia has the potential to transform into a reliable transit route. With the region's great natural and human resources and its central location in the rapidly integrating Eurasian economic space, all neighboring countries, but also Europe and the US, share a common interest in seeing Central Asia develop as a stable and prosperous group of countries. But interests also diverge."<sup>1</sup> "Being linked to global markets through their neighbors is a top priority for the Central Asian authorities. The region is not forced to exclusively sell raw materials. It could be – and indeed is gradually becoming – a transit channel for goods moving from East Asia to the European Union and vice

<sup>1</sup> Linn 2007.



versa.”<sup>2</sup> Leaders in Central Asia are aware of how crucial it is for trade channels to remain open. However, there are significant differences in the development prosperity, strategic goals, and political objectives of these countries. Therefore, their integration, which is frequently imposed by outside actors, hardly covers the ground and also creates economic hurdles for them. Kazakhstan is a favoured location for foreign trade and investment despite being a landlocked neighbour of Russia in Central Asia. Energy-rich nations like Uzbekistan and Turkmenistan have long drawn interest from Western and increasingly Asian customers. However, Tajikistan and Turkmenistan, who are downstream, possess water, while these upstream nations do not. The key factor influencing Central Asian transnational political and economic scenarios is water. Consequently, Tajikistan and Kyrgyzstan are significant players in the New Great Game because of adequate water resources and their geographical situation bordering with China even though they are weak at advancing their energy resource-related agendas.

“Massive Industrial nationalization under Communist Party after the October revolution included oil refineries and gas fields of Central Asia. However, local infrastructure was devoted towards the Moscow’s two major interests in the region i.e., cotton production and energy exploitation”.<sup>3</sup> “Throughout the Soviet Union, the road and rail skeletons as well as oil and gas pipeline networks in Central Asia were built northward.”<sup>4</sup> “The recently established countries, after a period of state consolidation, realized they had no choice but to maintain neighborly relations along their borders in order to unlock the regional transport

arteries.”<sup>5</sup> Even now, the political and socio-economic scenarios in the central Asian states are significantly influenced by Russia.

Nursultan nevertheless made an effort to end Russia's hegemony. One of the longest oil linkages in the world, the first pipeline spans over 2300 km from the Caspian Sea to China's Xinjiang province. “China in fact controls around 20 percent of Kazakhstan’s oil production and is its key trade partner.”<sup>6</sup> “Central Asia is a significant raw materials and market place for China.”<sup>7</sup> “Recently, Chinese Huawei has signed around one billion deal with Uzbekistan for digitalization of the country.”<sup>8</sup> This demonstrate that China has made every effort to establish a solid presence in all areas of the Central Asian republics, primarily in order to further its Belt Road programme. For two main factors, China is seen favourably in Central Asia. First and foremost, China upholds the legitimacy of the autocratic regimes in the area, in contrast to the western agenda, and secondly, to protect China's massive financial investments and infrastructural development in Central Asian States. Additionally, Chinese services support Central Asian leaders in addressing their own domestic difficulties. For instance, China provides digital monitoring systems to assist Kazakhstan and Uzbekistan in creating smart cities.<sup>9</sup>

In the era of globalization, the United States is another significant international player in Central Asia. This Major power is interested in central Asia for three key reasons: energy, security, and democracy. “A key U.S. national security concern is the diversification of energy sources, and the Caspian region is a significant alternative source of fossil fuels. To put things in

<sup>2</sup> Romanowski 2015.

<sup>3</sup> Thite 2020.

<sup>4</sup> Romanowski 2015.

<sup>5</sup> Ibid.

<sup>6</sup> Romanowski 2014.

<sup>7</sup> Hu and Cheng 2008.

<sup>8</sup> Janes Intel Trak 2019.

<sup>9</sup> Jardine 2019.



perspective, however, it must be noted that while the Caspian Sea's production levels are considerable, with peak production comparable to that of Iraq and Kuwait combined, they are much smaller than total Organization of Petroleum Exporting Countries (OPEC) output.”<sup>10</sup> “The region has great energy potential and is strategically important, but it is land-locked, which complicates U.S. access and involvement there.”<sup>11</sup>

Nonetheless, geoeconomically, Central Asia is one of the world's most strategic locations. “United States has provided over \$9 billion in direct assistance to support peace and security, democratic reform, and economic growth, as well as meet humanitarian needs.”<sup>12</sup> “The U.S. private sector, meanwhile, has invested over \$31 billion in commercial ventures in the region, generating thousands of local jobs and building human capacity.”<sup>13</sup> The United States is partnering with the Central Asian states through joint military and non - combatants collaboration programmes in order to comprehend, identify, prevent threats from foreign terrorist and enhance the ability of police and other law enforcement facilities to safeguard frontiers and thwart terrorist infiltration and human smuggling into and out of Central Asia.

According to US Strategic Expert Cohen, “one way for the U.S. to play a more influential role in the region is through the use of partners, such as India. As India is a U.S. strategic partner, a stable democracy, and a growing economic power, a greater Indian presence in the region may be beneficial for U.S. interests.”<sup>14</sup> Freight can be transported by sea, railway, and roadway along the International North-South Transport Corridor (INSTC), which connects India, Russia, Iran, Europe, and Central Asia. After only nine years of

Central Asian Republics' independence, Russia, India, and Iran announced the INSTC project in St. Petersburg in September 2000. This agreement was formally signed on May 16, 2002. In 2014 new government was constituted in India and interest in Central Asia grew again. The fact that India has become a full member of the Shanghai Cooperation Organization (SCO), as well as PM Modi's historic trip to the five Central Asian nations, are proof of this. In relations between India and Central Asia, the INSTC is given special consideration, demonstrating the region's importance for India's geopolitical and economic interests.

INSTC, which was developed prior China's Belt and Road Initiative (BRI), would not only reduce the time and expenses required to transport commodities from India to Russia and Europe via Iran, but would also offer a different connectivity strategy to nations in the Eurasian region. TAPI Pipeline is another significant project that plans India's position in Central Asia. The Asian Development Bank is collaborating with the Galkynysh - TAPI Pipeline Company Limited to build the Turkmenistan-Afghanistan-Pakistan-India Pipeline (TAPI). The TAPI pipeline is anticipated to foster harmony and security between the four countries as well as a high level of commerce, connectivity, cooperation and coordination throughout the area.

Several more independent actors entered the Central Asian commercial competition following independence in addition to these three major players. “With the continuing Western “polycrisis” and growing Chinese and Russian assertiveness in Central Asia, the EU has begun to reconsider its foreign policy direction, taking into account the differences of the states in the region.”<sup>15</sup> “This led to the adoption of the New Strategy on Central Asia in 2019, which shifted EU foreign

<sup>10</sup> Cohen 2006.

<sup>11</sup> Ibid.

<sup>12</sup> DOS USA 2020.

<sup>13</sup> Ibid.

<sup>14</sup> Cohen 2006.

<sup>15</sup> Komilov 2022



policy from a Brussels-centric normative power to principled pragmatism and resilience.”<sup>16</sup> “Second, the EU aims to intensify cooperation with Central Asia in order to attain its geoeconomic ambitions to increase Euro-Asian connectivity — physical and non-physical infrastructure via which goods, people, ideas, and services can move freely. Although the EU has not introduced its own BRI in Central Asia, it has been deeply involved in the sphere of connectivity.”<sup>17</sup> Additionally in March 2020, the Enhanced Partnership and Cooperation Agreement (EPCA) went into effect to promote trade between Kazakhstan and the European Union. Very first Central Asian nation to sign an EPCA with the EU is Kazakhstan.

In summary the major reasons why many international players are active in Central Asia are energy and geostrategic position, as it offers a transit route to Europe and is advantageous for economic concerns. Also, it is a new market for capitalist goods and has a sizable customer base. While Halford Mackinder first proposed the idea of the Eurasian heartland in the 19th century with an eye toward geopolitical advantages, we now know that Eurasia is at the point of becoming the world's heartland, albeit for geo - economic reasons.

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<sup>16</sup> Winn and Ganzle 2022.

<sup>17</sup> 17 Komilov 2022.



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