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## HIGHLIGHTS

- Political Developments
- Economic Developments
- India-Central Asia Relations

## Political Developments

**Kazakhstan** has stated that Russia, Turkey, and Iran have agreed to restart Syria peace talks in Astana at the end of August. The fifth round of negotiations on 4-5 July, 2017 ended without an agreement. In spite of failure of negotiations, Moscow said that the basic framework had been “essentially agreed”. Moscow said that details of proposed zones, such as the territory covered by them and what forces would participate still “need finalising” because Turkish officials had asked for more time to coordinate their participation in the zones designed to separate rebel fighters and government troops of Syrian President Bashar al-Assad. Both Turkey and Russia want to pull themselves out of the fighting. Russia has called on member countries of Moscow-led Commonwealth of Independent States including Kazakhstan, to consider providing military observers for the potential de-escalation zones. While Russia has pushed the Collective Security Treaty Organisation (CSTO) in an interventionist direction to boost its international credibility as a peacekeeping force, Kazakhstan has argued that the CSTO should refrain from military involvement in Syria. Astana’s support for a neutral CSTO is mainly due to serious internal opposition to Kazakh military deployment in conflict zones.

Russia’s intelligence service, the FSB, detained seven individuals of **Central Asian origin** on suspicion of plotting terrorist attacks at St. Petersburg’s railway transport and public places. Russia has stepped up security since a suicide bomb attack in the Saint Petersburg subway killed 15 and injured dozens on April 3, 2017. Jihadists including Islamic State have repeatedly threatened to attack Russia over its intervention in Syria in support of the Syrian government. Citizens of Central Asia are prominent among foreign fighters who headed to Syria and Iraq to fight for jihadist groups. Russia hosts large populations of mainly migrant workers from Central Asia. They face frequent harassment and discrimination in the country.

On July 26, 2017, **Tajikistan** co-hosted a meeting of the C5+1 Security Working Group with representatives from Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan, and the United States in Dushanbe. The group discussed regional cooperation in counterterrorism and threat of Foreign Terrorist Fighters in Central Asia. C5+1 is a format for dialogue and a platform for joint efforts to address common challenges faced by United States and five Central Asian states. At the first C5+1 ministerial, held in Samarkand, Uzbekistan in November 2015, the foreign ministers of five Central Asian

countries and the US agreed to focus on three sectors of common interest – security, economics, and environmental challenges.

**Kyrgyz President** during his recent visit to Moscow offered to President Putin to construct a second base in the south of Kyrgyzstan in view of increasing instability and growing power of Taliban in Afghanistan. Putin had stated that Russia does not covet Kyrgyz territory and that Russia would be prepared to shut its “Kant base” if Kyrgyzstan no longer needed it.

The first Low Enriched Uranium Bank (LEU Bank) will be inaugurated in **Kazakhstan** under the auspices of the International Atomic Energy Agency (IAEA) on 29th August, 2017. This date also marks International Day against Nuclear Tests as designated by United Nations. Idea to establish LEU bank was initially put forward in 2006. IAEA authorized the initiative in 2010 and Kazakhstan volunteered the following year to host the bank. USA, EU and other countries have appreciated this initiative by Kazakhstan to promote non-proliferation and nuclear security.

Troops from 22 countries participated in annual **International Army Games in Russia**. Around 1,200 troops from Russia, China, India, Iran and others took part in the 14 day event, the third in the series. The tank biathlon—an obstacle course race with a shooting accuracy round—was one of the most popular disciplines. The Indian Army team has been participating in this competition for past three years and stood sixth in the previous year. For the first time, the Indian team participated with its own T-90 tanks. The Tank Biathlon competition involves firing of tanks on the move by conventional machine guns and anti tank projectiles at a range of two kms whilst negotiating rugged obstacles. The competition simulates actual battle field conditions involving driving at high speed and entails switching from one mode of operation to another at a fast pace. Indian T-90 tanks were eliminated in the penultimate round because of technical snags although they performed exceedingly well in the earlier rounds.

59 candidates will contest the next presidential election in **Kyrgyzstan**. 48 out of these are self-nominated and eleven have been nominated by political parties. Next presidential election will be held on October 15, 2017. Nominations can be submitted by 31st August, 2017. In last presidential election in 2011, applications were filed by more than 80 people, and 16 candidates took part in the election. The incumbent President Almazbek Atambayev won over 60 percent of the votes. Atambayev has repeatedly stated that he will stay in power one way or another after his tenure, prompting speculation of having reached some understanding with the leading candidates. While there is no clear leader in the race, former Prime Minister Omurbek Babanov, with his financial resources, and current Prime Minister Sooronbay Jeenbekov, with his administrative resources, are thought to be ahead of the rest.

**Uzbek President Shavkat Mirziyoyev** met visiting Turkish National Defense Minister in Tashkent and discussed prospects for cooperation in military-technical sphere and establishment of practical partnership between defense ministries of Uzbekistan and Turkey, including implementation of joint programs in field of military education. The two sides signed several documents in this regard.

Over 3,000 people suspected of terrorism and extremism are wanted by **Regional Anti-Terrorist Structure of Shanghai Cooperation Organization (RATS SCO)**. The list includes alleged criminals put on international wanted list by law enforcement agencies of SCO member states. Organisation maintains a register of more than 100 banned terrorist and extremist groups. In particular, the register includes Islamic State, Hizb ut-Tahrir, Jabhat al-Nusra, and East Turkestan Islamic Movement prohibited in Russia.

**Uzbekistan** confirmed that ex-president Islam Karimov’s elder daughter Gulnara Karimova is in prison. For the first time in three years, Uzbekistan officials disclosed details of high-profile corruption committed by her. The Prosecutor-General’s Office said she was a member of an organised criminal group that controlled assets worth more than US\$1.3 billion in 12 countries. These included London properties worth £22.9 million (US\$29.95 million) and hotels in Dubai worth US\$67.4 million. She has been charged “with crimes including fraud, money laundering and concealing foreign currency” and “held behind bars”. She was once tipped to succeed her father and served as Ambassador to Spain and Uzbekistan’s permanent representative to United Nations in Geneva. She was reportedly under house arrest in the country since 2014. She did not attend her father’s funeral. She was unpopular in Uzbekistan, not only with ordinary people who hated her excesses and opulence, but also with powerful

members of the Uzbek government who conspired to undermine and humiliate her. They wanted to stop her taking over the presidency and colluded when her father started weakening from 2014.

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## Economic Developments

Moody has **raised Kazakhstan's** sovereign rating to Baa3 and improved its prognosis from negative to stable. It cited the economy's increasing adaptiveness to low oil prices as a decisive factor for the decision. Kazakhstan has used funds to help lenders with huge bad debt portfolios address their liabilities before international creditors. The country's low debt burden and accumulation of financial reserves has permitted the government to apply effective measures to stimulate the national economy and thereby avoid a recession. Moody believes that Kazakhstan will be able to stabilize the assets of National Fund at around \$60 billion, provided oil remains within the \$40-60 corridor.

The **EXPO 2017** exhibition site in **Astana** will be transformed into Astana International Finance Center (AIFC) by the end of the year. At the core of the AIFC will be a stock exchange and a finance hub for companies doing business under an independent court system based on English common law. Businesses that relocate to AIFC will pay lower rents and be exempt from income tax for 50 years. Several analysts are skeptical of AIFC's chances of success pointing out that infrastructure is just a part of what is needed to create a global financial center. There will be questions about corporate governance and safety of foreign investments.

**Uzbekistan's** gross domestic product (GDP) growth slowed to 7% in first half of this year from 7.8% rise in same period a year ago. International Monetary Fund has forecast Uzbekistan's GDP growth at 6% in 2017-2018.

The Higher Education Commission (HEC) of Pakistan has decided to set up a University of Central Asia Pakistan (UCAP) to provide higher education to students of **Central Asian states**. Classes are scheduled to begin from September 2018. The varsity would be temporarily housed in the building of Commission on Science and Technology for Sustainable Development in the South (COMSAT) Institute established in Pakistan in 1994.

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## India-Central Asia Relations

**General Bipin Rawat, Chief of Indian Army Staff** (COAS) visited Kazakhstan & Turkmenistan from 01-06 Aug 2017 with a high level military delegation.

In **Kazakhstan** from 01-03 August 2017, General Rawat met Defence Minister, Chairman of the National Security Committee, Vice Minister of Defence and Aerospace Industry along with Commander-in-Chief of Land Forces of Kazakhstan. He also visited the elite Air Assault Brigade and National Defence University at Astana where he inaugurated the Indian Military Art Room. Both sides agreed to take forward the joint exercise which is to be held at Bakloh, Himachal Pradesh in November 2017. Gen Rawat conveyed Indian support for deployment of Kazakhstan in UN peacekeeping operations. Kazakhstan further sought assistance for capacity enhancement in areas of counter insurgency operations, military education and training of cadets in India. COAS assured them of whole-hearted support. He complimented Kazakh Army for its professionalism.

Visit **to Turkmenistan** from 04-05 August 2017, was particularly significant as General Rawat became the first Chief of Indian Army to visit the country. He met Minister of Defence & Secretary, National Security Council, First Deputy Minister & Chief of Gen Staff along with Commanders of Land, Naval, Air & Air Defence Forces of Turkmenistan. The delegation visited the prestigious Military Institute & Military Academy of Turkmenistan which train officers of the Turkmenistan Armed Forces for higher/ senior appointments in various services. He appreciated the excellent infrastructure of the institute and offered all possible assistance in further adding value to the establishment. The visit was designed to enhance cooperation in pursuance of Defence Cooperation Agreement signed between the two countries during the visit of Prime Minister Modi in July, 2015.

This visit was another outreach initiative to engage **with India's extended neighbourhood**, strengthen existing defence cooperation with the two nations and explore possibilities of India expanding its strategic footprint in Central Asia. India aspires to create a market for its defense equipment in Central Asian countries including Kazakhstan after the Chabahar port becomes operational in the near future.

India is keen on developing **Chabahar Port in** Iran and is hopeful of starting operations by 2018 as it seeks to speed up the project to get strategic connectivity to Central Asia and beyond, bypassing Pakistan. India stated that civil construction work had already started with support of Indian and foreign contractors. Government of India had allocated Rs 6 billion for development of the port. Out of this, tenders worth Rs 380 crore for equipment have already been finalised. New Delhi last year agreed to provide provision and operationalisation of credit of \$150 million from EXIM Bank for development of Chabahar Port. India will equip and operate two berths in Chabahar Port Phase-I with capital investment of \$85.21 million and annual revenue expenditure of \$22.95 million on a 10-year lease.

A delegation from **Federation of Indian Chambers of Commerce and Industry visited Kazakhstan** to hold discussions with Kazakh entrepreneurs to expand cooperation.

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*(The views expressed are personal)*

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