

## UZBEKISTAN'S FOREIGN POLICY SETS OBJECTIVES FOR THE DEVELOPMENT OF CENTRAL ASIA

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### ABSTRACT

**S**ince Uzbekistan had gained independence, it has been pursuing an active foreign policy, laying claim to a leading position in Central Asia and simultaneously developing its relations with Russia and the U.S. However, the lack of progress in the resolution of the key regional problems with Central Asian countries, the exacerbation of differences with Western countries and Russia have led Tashkent to reconsider its foreign policy priorities. As a result, Uzbekistan's main attention was turned to the implementation of trade, economic and transportation projects within Central Asia, limiting cooperation with extra-regional states.

Since the late 2016, Uzbekistan's foreign policy began to undergo significant change. The change was linked to the victory in the elections secured by Shavkat Mirziyoyev, who had set the new national foreign policy priorities. First and foremost, the major changes affected the relations with Central Asian countries. Tashkent's conflicts with its regional neighbors became a thing of the past. Uzbekistan restored bilateral relations with Central Asian countries, initiated the expansion of trade and economic cooperation and the development of regional interaction.

The need for alterations in foreign policy was dictated by the increase in the number of unresolved issues in the relations with Central Asian states, most significantly, in the water energy sphere. For Uzbekistan, which depends heavily on water resources that enter the country via trans-border water courses, it is crucial to resolve water-related issues. The new head of Uzbekistan decided to avoid resolving this problem with a confrontational approach to its regional neighbors. He proposed a number of integrative initiatives aimed at developing interaction mechanisms in the water energy sphere, which would take the interests of all the parties involved into account. In addition, Uzbekistan expanded the interaction in the transportation sphere, which determines the country's prospects in regard to entering external markets.

The changes in Uzbekistan's foreign policy were related to the need for economic development and resolution of regional problems. Ambitious tasks are only attainable if an export-oriented economy is created, and the products of this economy should gain additional opportunities to enter external markets. Uzbekistan's plans to liberalize the foreign trade regime and modify the cur-

rency regulation sphere were linked to the above.

Uzbekistan expanded its interaction with extra-regional actors, establishing a new mode of relations with Russia, the U.S., the EU and China. The new foreign policy course is aimed at resolving economic problems, attracting Western countries' investments and obtaining access to external markets for Uzbekistan-made products. Uzbekistan's ambitious plans have already affected

the political climate in Central Asia. Multilateral meetings of the heads of regional states, discussion of integration initiatives aimed at resolving regional problems testify to the interest invested by all of the region's countries in a new approach to establishing relations. Uzbekistan's foreign policy vector creates additional conditions for resolving regional problems and may lead to the formation of an entirely new balance of power in Central Asia in the future.

**KEYWORDS:** *Uzbekistan, Central Asia, foreign policy, integration projects, water resources.*

## *Introduction*

Following the disintegration of the U.S.S.R., Uzbekistan's foreign policy was aimed at reinforcing independence, resolution of regional problems, and expansion of contacts with the Western states. One of the key directions of the country's foreign policy was regional cooperation and development of bilateral relations with other Central Asian states. For instance, in 1994 the presidents of Kazakhstan and Uzbekistan signed a cooperation agreement. Subsequently, in December 1996, an agreement On Eternal Friendship was signed with Kyrgyzstan. Despite the signing of this agreement, the countries were unable to resolve the arguments that centered around the terms of natural resource supplies or to develop a water issues-related interaction mechanism.<sup>1</sup>

Uzbekistan's foreign policy began changing in the mid-1990s. Resolution of regional problems, first and foremost, in the water energy sphere, was complicated by the disparity of the Central Asian countries' interests. It led to the aggravation of relations with neighboring countries. Of all the Central Asian states, Uzbekistan's relations with Turkmenistan were the most convoluted. The countries were unable to negotiate the development of the Kokdumalak oil and gas condensate deposit field, which was located on the border between the two countries. The issue on the ownership of the water bodies that played a significant role in servicing agriculture was not resolved.<sup>2</sup>

Nonetheless, Uzbekistan attributed great significance to regional integration, seeing it as an additional opportunity to resolve its own problems.<sup>3</sup> Uzbekistan aimed to realize its own model of economic transformation, which would reflect its economic potential and the need to establish new economic ties.<sup>4</sup>

In 1994, Uzbekistan, Kazakhstan and Kyrgyzstan created the Central Asian Union (since 1998—Central Asian Economic Union, Tajikistan joined in the same year). Uzbekistan intended to strengthen its positions in the region and was hoping that the participation in the integrative alliance

<sup>1</sup> See: L. Livitin, *Uzbekistan. Epokha Karimova*, Vagrius, Moscow, 2003, p. 373.

<sup>2</sup> See: *Postsovetskaia Tsentralnaia Azia. Poteri i obreteniia*, Vostochnaia literatura RAN, Moscow, 1998, pp. 112-113.

<sup>3</sup> See: I.A. Karimov, *Uzbekistan po puti uglubleniia ekonomicheskikh reform*, Lenizdat, St. Petersburg, 1995, 246 pp.

<sup>4</sup> See: I.A. Karimov, *Stabilnost i reformy*, Paleia, Moscow, 1996, pp. 88-89.

will allow to improve the economic situation.<sup>5</sup> However, many agreements that were concluded within the framework of regional integration were not implemented in reality. The contradictions in the water energy sphere, which the countries were unable to resolve, impeded the process. It could be attributed to the increasing competitiveness among them in the trade/economic cooperation and transportation spheres.<sup>6</sup>

Despite the complicated relations with neighboring countries, the position maintained by the Uzbek leaders stated that Central Asia's development was possible exclusively in case of maintaining regional stability and geopolitical equilibrium. This fully reflected the interests of Uzbekistan, which in the early 1990s supported the idea of regional integration.<sup>7</sup> It was not accidental that in the Law on the Main Principles of Foreign Policy Activities of the Republic of Uzbekistan,<sup>8</sup> adopted in December 1996, the role of Central Asia was emphasized as a foreign policy priority. Uzbekistan's vital interests were linked to this region.<sup>9</sup>

A heightened level of attention to regional interaction did not get in the way of Uzbekistan pursuing a policy aimed at establishing political contacts with Western countries. Germany, the U.K., and the U.S. were promising partners. Cooperation with them was considered an opportunity to receive economic assistance and political support, which was important for Uzbekistan to resolve internal problems. In 1994, Uzbekistan joined the NATO Partnership for Peace program, and in 1996, it signed a partnership and cooperation agreement with the EU. Contacts with the U.S., which heeded a lot of attention to Uzbekistan, were actively developing. The June 1996 visit of the Uzbek president to the U.S. had significant influence on the U.S.-Uzbekistan bilateral relations. The visit resulted in the expansion of trade and economic cooperation and attraction of investments in Uzbekistan's economy. The U.S. side was especially interested in the oil and gas and mining industries. The U.S. considered Uzbekistan to be a state through which it could promote its interests in Central Asia and pursue a policy aimed at limiting Russia's influence. Washington believed that the country is one of the key U.S. interests in Central Asia.<sup>10</sup>

The competition between Russia and the U.S. in Central Asia, which unfolded after the disintegration of the Soviet Union, allowed to speak of the beginning of the "new great game."<sup>11</sup> Unlike the 19th century, when the interests of Russia and the U.K. collided in the Central Asian expanses, modern geopolitical competition is unfolding with an increased number of extra-regional states. After the disintegration of the Soviet Union, Central Asia was drawn into the focus of attention of the Western states and China, while the interest on the Russian side temporarily subsided. In turn, the countries of the region, including Uzbekistan, searched for balance in the relations with various centers of power.<sup>12</sup>

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<sup>5</sup> See: J. Kakharov, "Regional Cooperation in Central Asia as Seen from Uzbekistan," *Central Asia and the Caucasus*, No. 6 (48), 2007, pp. 110-116.

<sup>6</sup> See: S. Zhiltsov, "Political Processes in Central Asia: Peculiarities, Problems, Prospects," *Central Asia and the Caucasus*, Vol. 17, Issue 1, 2016, pp. 21-29.

<sup>7</sup> See: I.A. Karimov, *Uzbekistan na poroge XXI veka: ugrozy bezopasnosti, usloviia i garantii progressa*, Uzbekiston, Tashkent, 1997, p. 315.

<sup>8</sup> See: I.A. Khamedov, M.M. Khakimov, *Mezhdunarodno-pravovye otnosheniia Respubliki Uzbekistan*, World Economy and Diplomacy University, Tashkent, 2003, pp. 42-43.

<sup>9</sup> See: B. Ergashev, "Politika Uzbekistana v otnoshenii Afganistana v kontekste obespecheniia regionalnoi bezopasnosti v Tsentralnoi Azii," *Rossii i musulmanskii mir*, No. 5, 2014, pp. 90-95.

<sup>10</sup> See: M.S. Gafarli, A.Ch. Kasaev, *Uzbekskaiia model razvitiia: mir i stabilnost—osnova progressa*, DROFA, Moscow, 2000, pp. 28-29.

<sup>11</sup> E. Kavalski, "Coming to Terms with the Complexity of External Agency in Central Asia," *Journal of Eurasian Studies*, No. 2, 2011, pp. 21-29.

<sup>12</sup> See: S.S. Zhiltsov, I.S. Zonn, *Strategiia SShA v Kaspiiskom regione*, Edel-M, Moscow, 2003, 200 pp.

In 1997, Uzbekistan continued to expand the cooperation with Western countries and a number of states of the post-Soviet territory, which advocated the growing rapport with the EU and the U.S. This led to Uzbekistan entering GUAM (Georgia-Ukraine-Azerbaijan-Moldova), and in May 1999—to the refusal to continue its membership in the Collective Security Treaty.

Afghanistan's geographic proximity increased Uzbekistan's interest in resolving the conflict in this country. In 1997, the "6+2" format came into effect under the U.N. auspices (Pakistan, Iran, China, Turkmenistan, Tajikistan, Uzbekistan and the guarantor countries—Russia and the U.S.). The negotiations resulted in the signing of the Tashkent declaration On the Basic Principles of Peaceful Conflict Resolution in Afghanistan. In 2001, Uzbekistan began expanding its cooperation with the American side, offering the U.S. its assistance in conducting the operation in Afghanistan. In October of the same year, a bilateral agreement was concluded with the United States, which received the right to use the air space and the airbase in Khanabad. In March 2002, Uzbekistan and the U.S. signed a Strategic Partnership Declaration.

Despite the progress attained in bilateral U.S.-Uzbekistan relations, after 2003, signs of a cooldown in the cooperation between the two states became apparent. The reason for the change in Tashkent's position was the refusal of the United States to make lease payments for using the Khanabad military base, a lack of increase of U.S. investments in Uzbek economy, as well as the hard correlation established by the U.S. between the provision of assistance to the country and the state of affairs with democratization and observance of human rights. In addition, in 2004, the U.S. did not accede to the country's request to increase economic aid.<sup>13</sup> As a result, Uzbekistan amended its foreign policy priorities, growing its rapport with Russia and China. First and foremost, the Uzbek side was interested in expanding cooperation in the energy sphere.

Uzbekistan heeded great attention to the development of economic interaction with Afghanistan. Since 2002, the Uzbek side realized a number of transportation projects, having built bridges on the Mazari-Sharif-Kabul section and participated in the construction of a 220-kW 442-km high-voltage power line. The line extended from Kabul towards Uzbekistan. During that period, plans emerged to link the power grids of Uzbekistan and Afghanistan—from the Surkhan substation to the Khairaton substation. In June 2003, Uzbekistan, Iran and Afghanistan signed an agreement on creation of the Trans-Afghan transportation corridor, which stipulated the construction of a motor road network and the development of railroad communications. Subsequently, in 2009-2010, Uzbekistan constructed the 75-km Khairaton-Mazari-Sharif section of the railroad. This section was intended to become a part of a larger-scale transportation project—a 2000-km railroad covering the Mazari-Sharif-Kabul-Kandahar-Herat route.

Tashkent found it very important to expand cooperation with international financial institutions. The latter were considered a potential source of investments, which the Uzbek economy needed so desperately. In 1991-2007, the European Bank for Reconstruction and Development (EBRD) took part in projects totaling \$820 million. However, active cooperation with international financial institutions in the first decade of the 21st century has practically ended. The EBRD has declined to implement new projects, criticizing Uzbek authorities for their lack of readiness to reform the economy and the authoritative governance style. After 2007, the bank pursued practically no active operations in Uzbekistan.

In the early 21st century, Uzbekistan furthered its cooperation with Turkmenistan in the energy sphere, since the Turkmenistan-China gas pipeline, built in 2009, passed through Uzbek territory. In addition, in 2011 a discussion began regarding the Central Asia-Near East transportation corridor via the Uzbekistan-Turkmenistan-Iran-Oman route.

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<sup>13</sup> See: E.F. Troitskii, "Vneshniaia politika Uzbekistana v 2004-2007 gg.: ot strategicheskogo partnerstva s SShA k soiuznicheskim otnosheniiam s Rossiei," *Vestnik Tomskogo gosudarstvennogo universiteta*, No. 3, 2008, pp. 93-97.

Tashkent's attempts to establish cooperation with Central Asian countries were unsuccessful, since the countries had different foreign policy strategies. Despite the contradictions in the interstate relations with its regional neighbors, in 2012 Uzbekistan has concluded a strategic partnership agreement with Kazakhstan. Tashkent considered Astana a promising and key regional partner. Meanwhile, Uzbekistan continued to avoid any integrative alliances.<sup>14</sup> For instance, the foreign policy concept, approved by the parliament in 2012, stated that the country is adhering to the principle of equidistance from China, Russia and the U.S., and refuses to participate in multilateral integrative alliances. As a result, the Uzbek side pursued a foreign policy in Central Asia based on bilateral agreements. This primarily concerned the hydro-energy sphere, where Tashkent and Dushanbe could not find a compromise solution for the problem. In November 2015, Uzbekistan had approved a Water Power Development Program for 2016-2020. Uzbekistan planned to modernize the old hydroelectric power plants and build new hydroelectric power facilities. In turn, Tajikistan made unilateral decisions related to the completion of the Rogun hydroelectric power plant. In July 2016, Tajikistan signed an agreement with the Italian company Salini Impregilo on the completion of the Rogun power plant. The disparity between the positions of Uzbekistan and Tajikistan exacerbated the problems in the bilateral relations of the two countries.

Generally, prior to President Mirziyoyev's rise to power, the relations between Uzbekistan and other Central Asian states were strained and conflict-ridden. The greatest number of problems emerged in the sphere of using hydropower resources, which became one of the main regional problems.<sup>15</sup>

## Cardinal Change in Foreign Policy

Shavkat Mirziyoyev's rise to power following the late 2016 elections led to cardinal changes in Uzbekistan's foreign policy. The changes were largely related to the problems that have accumulated in the Uzbek economy, as well as to the need to resolve regional problems and the need for transport communications, the lack of which limited the opportunities of Uzbekistan's economic development. These tasks were reflected in the Action strategy adopted in February 2017. Five priority directions of the country's development up to 2021 were determined. One of them was linked to foreign policy, which was intended to create a belt of stability and good-neighborliness around the country. Meanwhile, projects in the transportation sphere were intended to be the foundation for the development of Uzbekistan's cooperation with states like Kazakhstan and Turkmenistan.<sup>16</sup>

Judging by Uzbekistan's stated foreign policy goals, it had begun to establish new interstate relations with its regional neighbors. First and foremost, Uzbekistan began to restore its relations with Central Asian countries. The main attention was focused on Kazakhstan and Turkmenistan, with whom Uzbekistan intended to implement joint economic and transportation projects. One of Mirziyoyev's first visits was to Turkmenistan in March 2017. As a result, a Strategic Partnership Agreement was signed and a discussion of key cooperation issues ensued. In the course of the return visit of the President of Turkmenistan, which took place in April of the same year, the countries signed a number of bilateral agreements on the development of economic cooperation, expanding interaction in the transportation and oil chemistry spheres, as well as in agriculture. A transportation sphere co-

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<sup>14</sup> See: D.B. Malysheva, "Prezidentskie vybory v Uzbekistane i Kazakhstane," *Rossia i novye gosudarstva Evrazii*, No. 2, 2015, pp. 20-36.

<sup>15</sup> See: St. Blank, "Whither the New Great Game in Central Asia?" *Journal of Eurasian Studies*, No. 3, 2012, pp. 147-160.

<sup>16</sup> [<https://ia-centr.ru/publications/kak-menyaetsya-vneshnyaya-politika-uzbekistana/>], 18 September, 2018.

operation program for 2018-2020 and the scientific and technological cooperation program for 2019-2020 were signed. Regional cooperation prospects and the idea of establishing an Advisory Council of the heads of Central Asian states were discussed.

Subsequent visits of the Uzbek president to Turkmenistan, which occurred in May and September of the same year allowed to elaborate the previously negotiated agreements. The discussion centered mainly on the issues of interaction in the transportation sphere, which holds key significance for the development of Uzbekistan's economy. Tashkent's heightened attention to the transportation sphere was determined by the role of Turkmenistan, wherein lie the shortest transportation routes that allow Uzbekistan to enter external markets.

Uzbekistan has been paying much attention to the energy sphere. In May 2017, the National Oil & Gas Company Uzbekneftegas and the State oil & gas consortium Turkmenneft have signed a memorandum about the participation of the former in conducting prospecting surveys in Turkmenistan. Besides, the Uzbek side has expressed an interest in the implementation of the TAPI gas pipeline (Turkmenistan-Afghanistan-Pakistan-India). This position was duly appreciated by Ashkhabad, which had attempted to implement this project over the last decade. In addition, the parties discussed the prospects of electric power supplies from Turkmenistan to Uzbekistan, and then further to Tajikistan, Afghanistan and Pakistan, as well as the Central Asia-Near East transportation corridor project. The agreement on its creation was signed in 2011. Tashkent was interested in creating a transportation corridor that would pass through Turkmenistan to Iran.

Thus, Uzbekistan aimed to initiate projects with neighboring countries that it found to be of particular interest. For Uzbekistan, Turkmenistan's territory is the shortest route for entering the external markets. In order to further develop its relations with Ashkhabad, Uzbekistan has signed an agreement on the junction point of the three states with Turkmenistan and Kazakhstan in November 2017.

In April 2018, the president of Turkmenistan paid an official visit to Uzbekistan. The negotiations focused on the implementation of two projects, namely, the China-Central Asia-Near East transportation corridor and the joint development of deposit fields in the Turkmen section of the Caspian Sea shelf.<sup>17</sup>

In March 2017, practically simultaneously with the visit to Turkmenistan, the President of Uzbekistan visited Kazakhstan. A Declaration on Further Deepening of the Strategic Partnership and Strengthening Good-Neighborliness was signed in the course of the visit. In addition, the countries signed agreements on economic cooperation for 2017-2019, as well as on regional economic partnership. Documents related to the military and military technology spheres were also adopted. In March 2018, the countries continued to expand their trade and economic cooperation. Documents on the establishment of joint enterprises in the construction, auto and railroad machinery industries. Much attention has been paid by Uzbekistan and Kazakhstan to the transportation sphere. This led to the sides restoring bus communications, which was halted in the 1990s. It led to the countries setting a goal of increasing the volume of trade to \$3 billion in 2018, and to \$5 billion in 2019.<sup>18</sup>

Generally, Uzbekistan's negotiations with Kazakhstan and Turkmenistan concerned the issues of trade and economic cooperation, which up until 2016 experienced certain difficulties, the restoration or expansion of transport communications, as well as the energy sphere. The absence of topical border issues in the bilateral relations allowed the countries to positively assess their cooperation prospects.

<sup>17</sup> See: V. Panfilova, "Tashkent i Ashkhabad vzialis za globalnye proekty," *Nezavisimaia gazeta*, 21 April, 2018.

<sup>18</sup> [<https://www.ritmurasia.org/news--2018-09-13--uzbekistan-i-kazahstan-ot-skrytoj-konkurencii-k-vzaimovogodno-mu-sotrudnichestvu-38498>], 27 September, 2018.

## The Hydropower Factor

The task of normalizing the relations with Tajikistan and Kyrgyzstan was a more complex task for the President of Uzbekistan, since these countries' interests did not coincide with Uzbekistan's approach to the resolution of the hydropower problems. Uzbekistan was committed to resolving the issues that the country faced in the hydro-energy sphere, however, it was rather difficult. Nonetheless, in March 2018 the President of Uzbekistan visited Tajikistan. Twenty-seven documents related to trade and economic cooperation were signed. The presidents stated their plans to increase the trade volume between the countries to \$1 billion in the coming years, since it amounted to merely \$240 million in 2017. Uzbekistan had stated its readiness to increase the supply of its goods to the Tajik market. In order to promote its products on the external market, Uzbekistan began to actively use the new mechanisms of stimulating trade with Central Asian countries. In particular, intergovernmental agreements with Kyrgyzstan and Tajikistan were concluded in regard to extending credit lines in the amount of \$100 million.<sup>19</sup>

In February 2017, air travel was restored between the countries, and border checkpoints began to open. In that same year, new railroad and auto bridges over the Amu Darya were constructed along the Turkmenabad-Farab route.<sup>20</sup> These bridges are very important transportation links between Uzbekistan, Turkmenistan, Iran, and Oman. Uzbekistan restored gas supply to Tajikistan, which was halted in 2012. In addition, Uzbekistan and Tajikistan decided to abolish visas for the citizens of their countries, conducted joint military maneuvers and expanded military and technological cooperation.

The discussion of the problems in the hydro-energy sphere was complicated compared to the rather successful resolution of the trade and economic issues. The Uzbek side considered the possibility of expanding regional cooperation and establishing interaction with its Central Asian neighbors to be one of the potential ways to proceed. However, the countries were unable to reach a compromise, postponing it to the future.

The most acute contradictions between Uzbekistan and Tajikistan were related to the construction of the Rogun hydropower station. Over the course of a long time, Uzbekistan opposed its construction. In its turn, Dushanbe attempted to realize the project both independently, as well as engaging Russian and European capital. Tajikistan invested major hopes in the World Bank, which initially supported Tajikistan's policy. Subsequently, however, World Bank declined to support the project. Nonetheless, this did not affect Tajikistan's plans to build the Rogun hydropower plant. The first block was supposed to be launched into operation in late 2018, and the second one—by mid-2019. Tajikistan intends to supply electric power via Afghanistan to Pakistan and India. The implementation of this case scenario, however, is only possible after the construction of the high-voltage power line, which is a part of the regional CASA-1000 project, as well as other infrastructural projects, is completed. The launch of these facilities is slated for 2022.<sup>21</sup>

Making Uzbekistan one of the shareholders of the Rogun hydropower plant may be one of the options for the resolution of the disputable situation; this would allow the country to participate in its operation. However, even in this case environmental issues would not have been eliminated from the agenda.<sup>22</sup> Nonetheless, despite the accumulated contradictions and the disparity with Tajikistan's

<sup>19</sup> [<https://podrobno.uz/cat/economic/tovarooborot-uzbekistana-so-strana/>], 2 October, 2018.

<sup>20</sup> [<https://ia-centr.ru/publications/v-tsentrnoy-azii-sozdadut-edinyy-mezhdunarodnyy-transportnyy-khab/>], 23 September, 2018.

<sup>21</sup> See: V. Panfilova, "U Rogunskoi GES zakonchilis dengi," *Nezavisimaia gazeta*, 26 June, 2018.

<sup>22</sup> [<https://ia-centr.ru/publications/rogun-zarabotaet-uzhe-osenyu-no-ostayutsya-voprosy-i-voznikayut-novye/>], 26 August, 2018.

position, Uzbekistan managed to take one of the most topical issues in the bilateral relations off the table, namely, that of construction of the Rogun hydropower plant. In March 2018, Shavkat Mirziyoyev stated that Uzbekistan is committed to developing the electrical energy sphere of Tajikistan. The joint statement of the presidents of the two countries stated that “the Uzbek side expressed its readiness to multilaterally consider the possibility of participating in the construction of hydropower facilities in Tajikistan, including the Rogun hydropower plant, among others, with regard to established international norms and standards for the construction of such facilities.”<sup>23</sup>

Uzbekistan’s shift away from its stern antagonism towards the construction of the Rogun hydroelectric plant, is explained not only by Tashkent’s revision of its foreign policy vector. The Uzbek side is interested in purchasing Tajik electric power and transfer of energy-intensive enterprises to the neighboring state’s territory. The implementation of this scenario will allow the countries to obtain significant economic benefits.

In June 2018, a meeting of the Uzbek and Tajik presidents took place, where they discussed the prospects of cooperation in the trade and economic spheres. Uzbekistan is interested in increasing the volume of goods delivered to Tajikistan. Subsequently, in August of the same year the president of Tajikistan visited Uzbekistan. The sides signed a Strategic Partnership Agreement.<sup>24</sup> In addition, an agreement was reached to construct a hydropower plant on the Tajik part of Zarafshan River.<sup>25</sup> However, the construction of the Rogun power plant is the crucial issue for the two countries, an issue in regard to which they are still attempting to find economic and political solutions.

The most poignant issue in the Uzbek-Kyrgyz relations was border demarcation, unlike Kazakhstan, Turkmenistan and Tajikistan, with whom Uzbekistan had accumulated numerous problems in the trade and economic spheres in the last decades of the 20th century. Although the relations between the two countries were also complicated in the spheres of joint water usage, trade and economic cooperation and transport communications, the issue of enclaves (which were located in adjoining countries, as well as their own in neighboring Central Asian countries) was still one of the critical ones for the region. In December 2017, the countries signed an appropriate agreement, and in August Uzbekistan and Kyrgyzstan established that Barak, a Kyrgyz enclave located in Uzbekistan, will be transferred under Uzbek authority. In that case, a part of a territory that belongs to one country will cease to exist within another country. In exchange, Kyrgyzstan will receive a part of Uzbek territory.<sup>26</sup>

The countries of the region are investing certain hopes in international organizations that are engaged in the resolution of hydropower problems. In 2017, the U.N. Regional Center of Preventive Diplomacy for Central Asia, located in Ashgabad, presented the draft of a convention on water resource distribution in Central Asia.<sup>27</sup> The project, directed to the governments of Kyrgyzstan, Kazakhstan, Tajikistan and Uzbekistan, discussed the Syr Darya and Amu Darya river basins. These trans-border water flows play a key role in water relations among Central Asian countries. Meanwhile, it is apparent that the intensification of water withdrawal by Afghanistan may lead to an aggravation of water issues and have a negative effect on the economic and political development of Turkmenistan. All in all, the normalization of relations with Kyrgyzstan and Tajikistan in the water sphere was regarded by Uzbekistan through the prism of resolving economic development issues and the attainment of social stability.

<sup>23</sup> V. Panfilova, “Rakhmon i Mirziyoyev pobratilis,” *Nezavisimaia gazeta*, 12 March, 2018.

<sup>24</sup> [<http://eurasia.expert/emomali-rakhmon-v-tashkente-itogi-strategicheskogo-vizita/>], 15 August, 2018.

<sup>25</sup> [<https://ia-centr.ru/publications/tadzhikistan-i-uzbekistan-strategicheskie-partnery/>], 29 September, 2018.

<sup>26</sup> [<http://www.fergananews.com/article.php?id=10127>], 2 October, 2018.

<sup>27</sup> [[https://www.gezitter.org/politic/59293\\_rekomendatsiya\\_oon\\_po\\_resheniyu\\_vodnogo\\_voprosa\\_v\\_tsentralnoy\\_azii\\_/2017.19.aprilya](https://www.gezitter.org/politic/59293_rekomendatsiya_oon_po_resheniyu_vodnogo_voprosa_v_tsentralnoy_azii_/2017.19.aprilya)], 23 September, 2018.

## The Role of Extra-Regional States in Uzbekistan's Policy

After 2016, Uzbekistan expanded its cooperation with extra-regional states, namely, Russia, the U.S., the EU and China. The Uzbek side counted on engaging foreign investments in the economy, and joint implementation of infrastructural projects.

Uzbekistan began to increase its cooperation with the U.S., which, in turn, was interested in restoring the C5+1 format (five Central Asian states plus the U.S.). Tashkent considered the U.S. a partner in the resolution of regional problems, and was hoping for investments from American companies. In its turn, the U.S. saw Uzbekistan as a country that can be used to put pressure on China, Russia and the EU. In addition, Washington highly valued the geographical position of Uzbekistan, which had a direct railroad connection to Afghanistan—towards Mazari-Sharif and Khairaton. In May 2018, the Uzbek president paid an official visit to the U.S. In the course of the visit, joint projects estimated at \$4.8 billion were discussed. Besides, Tashkent was keen on training its military personnel in U.S. educational institutions and equipping its army with modern technology.

Uzbekistan has altered the nature of its relations with Russia. In the course of negotiations held in 2017-2018, an agreement was reached on the construction of two nuclear power blocks in Uzbekistan by Russia. They are valued at \$13-14 billion. Russia is expected to provide Tashkent with various options for the financing of these facilities. As a result, Uzbekistan will obtain the opportunity to generate electrical energy that would be sufficient for the countries of the region. Meanwhile, it is still unclear how Uzbek and Tajik electric energy will compete in this case. Besides, Russia must purchase 4 billion cubic meters of Uzbek gas in 2018 for an amount of \$2.5 billion.<sup>28</sup>

Uzbekistan has expressed a heightened interest in expanding its cooperation with China. As a result, the visits of the Uzbek leader to Moscow and Beijing have concluded with signing investment agreements, valued at \$16 and 20 billion, respectively.<sup>29</sup>

Having concluded an agreement on trade and economic cooperation with Russia, the U.S. and China, Tashkent was concerned with expanding its interaction with the EU. In 2015 and 2017, the European Union adjusted its strategy in regard to Central Asian states and intends to develop a new document in 2019. A number of Central Asian countries have already signed or are discussing the signing of an agreement with the EU, Kazakhstan and Kyrgyzstan among them. Similar discussions with Uzbekistan are scheduled to begin in late 2018/early 2019, at least in June 2018 the EU held negotiations with Uzbekistan on the draft of a new strategy. All in all, the EU had invested over \$7.6 billion in Uzbekistan.<sup>30</sup>

## Integrative Initiatives

If we do not take the Action strategy adopted in February 2017 into account, the initiatives proposed by the Uzbek leader in the fall of 2017 at the 72nd U.N. General Assembly can be considered the first ones aimed at the rapprochement of Central Asian states. The president of Uzbeki-

<sup>28</sup> [<https://www.rimneurasia.org/news--2018-10-03--kak-vyshlo-chto-tashkent-operedil-astanu-v-jadernoj-sdelke-s-rossiej-38839>], 4 October, 2018.

<sup>29</sup> See: V. Panfilova, "SShA obeshchait Uzbekistanu investitsii v ekonomiku i armiiu," *Nezavisimaya gazeta*, 15 May, 2018.

<sup>30</sup> [<http://www.fergananews.com/article.php?id=9902>], 5 October, 2018.

stan drew attention to the need to develop mutually beneficial connections among neighboring countries.<sup>31</sup>

The pivotal event in the development of Central Asia and the creation of conditions for further implementation of integrative initiatives was the informal summit of the heads of regional states, which was conducted in Astana on 15 March, 2018. The presidents of four Central Asian countries and the speaker of the Turkmen parliament discussed a wide range of issues related to new grounds for interaction.<sup>32</sup> Subsequently, in August 2018 the heads of founding states discussed the problems of the Aral Sea. The meeting of the presidents of Central Asian states took place after an almost ten-year break and was aimed at the resolution of the environmental catastrophe that struck the Aral Sea. Uzbekistan takes an active part in resolving this problem, having adopted a state program on improving the conditions and quality of life in the Aral Sea region for 2017-2021 with a budget of \$1.08 billion.<sup>33</sup>

Uzbekistan aimed to overcome the geographic isolation of the country and the region in general. That was the purpose of the meeting of the regional counties' representatives in the framework of the *Central Asia in the International Transportation Corridor System: Strategic Perspectives and Unrealized Opportunities* conference, which took place in September 2018. The Uzbek side remarked that the integration of the regional countries' efforts with the goal of speeding up the region's integration in the international transportation corridor system acquires a special significance. Tashkent proposed a number of initiatives that were aimed at expanding Central Asian regional transportation corridors, as well as establishing a Regional Council for Transport Communications of Central Asian Countries, which should become the coordinating structure for the resolution of problems in the transportation sphere. Generally, Uzbekistan is keen on implementing the transportation corridor that will ensure access to the Iranian, Pakistani and Indian railroads. For this reason, Uzbekistan pays special attention to the development of transport communications with Afghanistan, in particular, to the Khairatn-Mazari-Sharif railroad line. It was built by Uzbekistan in Afghanistan. Uzbekistan is currently offering Kabul to build a 750-km railroad line between Mazari-Sharif and Herat. The implementation of this project will provide Uzbekistan with new opportunities to transport the products it manufactures to the sea and, subsequently, to new markets. This issue was discussed in late 2017 during the visit of the President of Iran to Uzbekistan, and in 2018—by the Ministries of Transport.

The Uzbek side is counting on the implementation of the Uzbekistan-Kyrgyzstan-China railroad line construction project, which has been discussed for quite some time. Considering the fact that the project cannot be financed by Kyrgyzstan and Uzbekistan, since its cost amounts to \$2 billion, its implementation will depend on China's position. In turn, in exchange for the financing, Beijing expects to obtain assets in Uzbekistan and Kyrgyzstan. Central Asian states are attempting to find alternative project financing options. For instance, Turkmenistan was invited to join the project. A corresponding agreement was signed in August 2018 between Bishkek and Ashgabad.<sup>34</sup> However, Turkmenistan's financial capabilities are also limited.

Basically, Uzbekistan is focusing on the North-South and West-East transportation projects, the participation in which should provide Uzbek economy with new opportunities. In addition, Uzbekistan is devoting particular attention to promoting tourism. With this goal in mind, the Silk Road International University of Tourism was established in Uzbekistan in 2018. As part of the initiative to

<sup>31</sup> [<https://ru.sputniknews-uz.com/politics/20180717/8908354/Konsolidatsiya-i-razvitie-ili-Kak-OON-smotrit-nanovuyu-Tsentrالنuyu-Aziyu.html>], 7 October, 2018.

<sup>32</sup> See: V. Panfilova, "Tsentrالنوaziatiskii sammit proidet bez Rossii," *Nezavisimaia gazeta*, 15 March, 2018.

<sup>33</sup> [<http://theopenasia.net/articles/detail/uzbekskiy-plan-po-spaseniyu-arala/>], 23 September, 2018.

<sup>34</sup> [<http://www.ca-irnews.com/ru/breaking-news/49254-туркменистан-пригласили-строить-железную-дорогу-от-кнр-до-узбекистана>], 20 September, 2018.

develop tourism in the region, Uzbekistan proposed to cultivate the concept of development of Central Asian tourist hubs.

Ultimately, according to the U.N. estimates, cooperation of Central Asian countries will allow to increase regional GDP twofold.<sup>35</sup> Similar evaluations were made by World Bank experts. They have noted that trade, attracting foreign investments, as well as the joint use of communications and transportation infrastructure are especially significant for Central Asian countries.<sup>36</sup>

## Cooperation with International Financial Institutions

In the last year and a half there has been a breakthrough in the relationship between Uzbekistan and international financial institutions. Following Mirziyoyev's rise to power, they have expressed a heightened interest in expanding their cooperation with Uzbekistan. As early as in November 2017, the European Bank for Reconstruction and Development (EBRD) opened its office in Uzbekistan, and credit agreements for an amount of \$120 million were signed.<sup>37</sup> Ultimately, the EBRD investment portfolio should increase to \$4.6 billion by 2022.

Within the last year, Uzbekistan signed Agreements with international financial institutions and certain foreign banks regarding provision of loans. For instance, Uzbekistan has been actively expanding its cooperation with the European Investment Bank. A partnership agreement was adopted in October 2017, and endorsed by the President of Uzbekistan in January 2018. The funds in the amount of €400 million will be funneled towards irrigation and agricultural projects.<sup>38</sup> Subsequently, in July 2018 the National Bank of the Republic of Uzbekistan for Foreign Economic Activity concluded an agreement with the Deutsche Bank for an amount of €500 million. Financing should be directed to the realization of energy and transportation projects, into the agricultural, metallurgical and petrochemical industries.

In May 2018, the World Bank had allocated \$940 million for power efficiency improvement and agricultural development projects. The World Bank is implementing projects in Uzbekistan that amount to a total of \$2.8 billion.<sup>39</sup> The China Development Bank intends to allocate \$250 million to develop entrepreneurship. A corresponding agreement was signed on 5 June, 2018. In September of the same year, the EBRD adopted a new strategy for Uzbekistan for the next five years. This decision was made by the EBRD based on the evaluation of reforms being implemented by the country's president since 2017. In turn, the bank is committed to supporting projects related to using alternative power sources, promoting the implementation of transportation and power projects that Uzbekistan will be engaged in.

## Conclusion

The activity of Uzbekistan, which in 2017-2018 in fact reset its foreign policy priorities in an entirely different manner, has already significantly affected the development of Central Asia. Tashkent restored the relations with its regional neighbors, which had been stagnant and confrontational

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<sup>35</sup> [<http://www.gazeta.uz/ru/2018/09/20/transport/>], 26 September, 2018.

<sup>36</sup> [<https://nuz.uz/ekonomika-i-finansy/35363-vsemirnyy-bank-proanaliziroval-mezhgosudarstvennye-svyazi-v-regione-centralnoy-azii.html>], 4 October, 2018.

<sup>37</sup> [<http://www.fergananews.com/news.php?id=33030>], 26 September, 2018.

<sup>38</sup> [<http://www.fergananews.com/news.php?id=30062>], 5 October, 2018.

<sup>39</sup> [<http://www.fergananews.com/news.php?id=30348>], 3 October, 2018.

for a significant amount of time. The first steps that aimed to restore these relations have improved regional trade and economic indicators. Central Asia has been declared a priority of Uzbekistan's foreign policy. The latter hopes to significantly improve the situation in the region and establish new political relations. For the time being, the Uzbek side is limiting itself to the initiatives in the transportation sphere, some of which have already been realized and others are intended for the long-term. In any case, Uzbekistan and its neighbors have benefitted from the restoration of transport communications.

Uzbekistan's activity is shaped by the resolution of clearly defined tasks. First and foremost, it is the formation of good neighborly relations with Central Asian countries. Tashkent considers them key partners in the resolution of current economic issues and the creation of a regional security belt. Accordingly, the initiatives proposed by Uzbekistan are aimed at altering the political climate, which should ultimately assist in resolving a wide range of bilateral and regional problems.

The Uzbek president has improved the relations with extra-regional states and international financial institutions. Uzbekistan's foreign policy tasks include the creation of conditions for foreign investments and the expansion of possibilities for Uzbek economy. Shavkat Mirziyoyev's calculations are based on the attraction of additional investments in Uzbek economy, which desperately needs additional funds. Negotiations with the U.S. and the EU, and the signing of political, trade and economic agreements with Russia and China have opened up a new phase in the relations with extra-regional players. A similar situation is observed in the relations with international financial institutions. In response to the Uzbekistan's realignment of its approaches and its readiness to cooperate and implement changes in the economy and the social sphere, financial institutions have resumed their cooperation with Tashkent.

Uzbekistan has initiated the reexamination of the cooperation between the region's countries. Central Asian states are demonstrating new approaches to establishing relations in the region, which differ greatly from those in place since the 1990s.<sup>40</sup> Meanwhile, despite the positive attitude towards Tashkent's initiatives, its foreign policy activity does evoke a certain apprehension in its regional neighbors: the large-scale economic reforms that Tashkent intends to pursue and the new foreign policy course may potentially exacerbate the fight for regional leadership.<sup>41</sup>

In the years to come, much will depend on the successful implementation of multilateral projects and the resolution of regional issues. If the Central Asian states manage to overcome national egotism and find compromise solutions for the most acute regional problems, it will not only strengthen regional stability, but also increase the interest in it on the part of extra-regional states.

Cardinal changes that have occurred in Uzbekistan's foreign policy over the last two years have established a foundation for the formation of a new geopolitical landscape in Central Asia. Adherence to this course may make Uzbekistan a regional leader in the years to come and lead to a deepening of integrative processes in Central Asia.

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<sup>40</sup> See: M. Rakhimov, "Internal and External Dynamics of Regional Cooperation in Central Asia," *Journal of Eurasian Studies*, No. 1. 2010, pp. 95-101.

<sup>41</sup> See: A. Ivanov-Vaiskopf, "V borbe za regionalnoe liderstvo," *Kursiv* (Kazakhstan), 4 October, 2018, pp. 1, 2.