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## **Central Asia, China, and Russia: a three-way partnership of reason**

**Located on two branches of the New Silk Road (Belt and Road or B&R), Central Asia is both a trading partner and gateway for China and Europe; Russia's long-standing influence in the region through expatriate transfers, its military bases, and culture is also of note. For the moment, China and Russia find reasons for rapprochement in their opposition to Western ideas and their fight against the spread of radical Islam. However, the balance of power could soon change as China is the largest provider of funding for corridor development in the region.**

In early 2019, China's B&R initiative involved 130 countries representing 41% of world GDP and 49% of trade. In Central Asia, this took the form of direct investments and loans in the research, exploitation and transport of hydrocarbons, mineral mining, generation and transmission of electricity, including hydro-power; construction and modernisation of roads and railways, logistics centres, telecommunications, agriculture; and tourism. However, most of the investments went to pre-existing projects that have taken advantage of the B&R label. The infrastructure built in the region to-date is relatively limited: Central Asia (excluding Afghanistan and Mongolia) only includes five countries, and only two of the six main land corridors and none of the two sea routes listed by the B&R go through it. In addition, as the quality of governance is decisive in the choice of projects, the business environment, considered as failing, in these countries presents a risk, which is exacerbated by the lack of transparency as China is not a member of the Paris Club of public creditors. China's increasing influence in Central Asia is also accompanied by increasing anti-Chinese sentiment fuelled by the privileges granted to workers, businesses, and imports from China. Moreover, since FDI and grants are very much in the minority compared to loans, the projects lead to an increase in the external debt of the countries in the region.

China arrived on the Central Asian landscape in the 1990s; Russia's cultural and military presence is much older. Russia has military bases in Kazakhstan, Kyrgyzstan, and Tajikistan, in particular, to fight Islamic terrorism, and hosts about four million Central Asia expatriates explaining the high volume of remittances and transfers (36% of Tajikistan's GDP, 37% for Kyrgyzstan, and 13% for Uzbekistan in 2018).

While Russian influence remains significant, it is increasingly supplanted by China in economic matters. The Chinese economy is eight times the size of Russia's. Russia could therefore take umbrage at the Chinese rail road project of a European gauge across Kyrgyzstan, Uzbekistan and Turkmenistan (then Iran and Turkey) as well as the development of the Caspian route which will provide two alternatives to passing through Russia. The growing interest of Westerners and Gulf countries in the region, to which China is open, could also be detrimental.



P R E S S R E L E A S E

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