

**Impact of COVID- 19 Crisis on Central Asian Countries with Some Developments in Post
Pandemic Phase
(major trends and observations)**

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The epidemic wave of Covid-19 has drastically changed our political, economic, cultural life, as well as the ordinary life of human beings, putting all in one restricted and extra regulated environment... Naturally it has covered the life of many nations of the world, forcing them to find out the ways of the fundamental resolution of this Global crisis. The countries of Central Asia, located at the crossroads of the Western and Eastern trade-economic cooperation, are not an exception in this respect. In addition, the current situation in the neighboring Afghanistan has substantially increased the potential risks for the region's stability.

The region becomes a stage for the updating of the global interests of the global players, where the United States, China, Russia, the European Community and others play a key role with their diplomatic, security and economic enhanced field activity here.

Alongside with the Chinese „Belt and Road Initiative,, a number of new initiatives of Global Cooperation announced in 2021 by the United States and European Union also open the door for further economic development of Central Asia, as well as bring certain challenges on this way. Obviously this trend needs a comprehensive study and elaboration of the new Agenda of International Cooperation for the countries of the region.

No doubt, the mentioned topic is a complex one and requires a deep multidimensional analysis, we will limit ourselves by brief overview of the updated situation in Central Asian countries (mostly economic aspect) with the abovementioned challenges in mind by dividing them into country, regional and global risk factors.

Current risks at country level

In our opinion, the key element of the current Agenda for the countries of Central Asia is to continue a complex of measures aimed at securing the positive trend of the economic recovery based on effective partnership of the state and private sectors in order to minimize the risks, particularly in the context of weakness of the private sector and relevant business regulations; A balance between strict anti - crisis measures and flexible regulating policy will provide a favorable basic operational environment for business community. But this approach is equally important for many regions of the world.

The pandemic crisis has affected the economic growth. In general, the economy of the region has decreased by 1, 7% as to 2020, but according to the countries status, the rates are different (as an example - decline of the Kyrgystan economy by 12,6% and growth of the economy of Turkmenistan by 1,8% in 2020)

We witness a shortage of the income from trade, that is one of the main tools of the economic progress and social conditions for the population. Particularly it hit the border trade exchanges presenting vital importance for low - income countries, like Kyrgyzstan and Tajikistan.

Substantial shortages of the remittances took place from abroad, particularly for some countries, including Kyrgystan, where 30% of the GDP goes to the remittances flows. As to the WB predictions, the remittances inflows in Central Asian countries fall by almost 30% in 2020.

One of the huge regional problems remains poverty of population, although this indicator is different as to countries economic status. According to international organizations estimates, currently 1, 4 million citizens of the Central Asia live in poverty, that is 58% of the total number of this vulnerable group of people from Europe and Central Asia.

Alongside with poverty headache, some countries suffer from heavy external debt burden, particularly Tajikistan and Kyrgystan, due to high volume of the loans borrowed mostly from China and secured by national natural resources. Without so – called „debt holidays,, the mentioned countries will likely face a „financial tsunami,, with negative consequences on regional overall stability and their state sovereignty.

The intensive return of national citizens working abroad (mainly on CIS labor market) on seasonal and permanent basis as a new group of unemployed labor force, which needs extra social package of assistance, presents potential risk for internal political and financial stability.

The other interesting aspect. Some countries of the region accelerate their economic policy reforms at the expense of new priorities focusing on restructuring of the industrial and service sectors of the economy based on an increase of non oil industry share in national incomes (tourism industry, as a case relating to Kazakhstan and Uzbekistan). Despite the current favorable situation on the world market on oil and gas (as to October 2021), it is likely, that the mentioned transformations will create additional financial budgetary problems in the nearest run, but, we think, this a move in a right direction.

Regional risks

First of all it is a disruption of intra regional trade due to pandemic crisis and relevant restricted measures, which led to food supply decline, in particular for the countries heavily dependent on border trade exchanges, including Kyrgyzstan and Tajikistan. But the frozen food and basic consuming goods shipments from China had a decisive negative impact.

Alongside with economic problems originated by Covid-19, the security concerns rise drastically primarily due to well-known developments in the neighboring Afghanistan and uncertainty in this respect. All the countries of the region now seem to agree, that Afghanistan is a crucial integral part and a matter of long standing problem, but there is no common clarity how to manage this crisis and what measures will be effective ones in this regard. The potential threat of regional stability in combination with pandemic crisis creates a new reality and can force the countries of the Central Asia to allocate extra resources for response to the mentioned challenge. This possible turn will also affect the implementation of the social assistance programmes for the population of the region. If we take into account the increased return of low income labor migrants to their homes, this problem becomes more alarming. Despite of a number of preventive measures, the risk of flow of the Afghan refugees (at least crossing the region's territory for further destinations) will likely create a challenge for the region, provoking the tensions inside the society and a basis for political instability and potential ethnic clashes.

Much depends on the recognition of the current Afghan authorities by international community, although such important players as China and Russia seem to have established constructive and working relations with them. But without their effective partnership with other leading countries of international community the prospects for stability remain unclear;

It is well-known, that Central Asian countries are closely cooperating within some regional and intraregional structures with the advanced role of China and Russia, like Shanghai Cooperation Organization, Euroasian Economic Union, Agreement on Collective Defense Cooperation and etc, as well as in the frame of the Chinese „ One belt-One Road „ Initiative, where Russia is traditionally interested in security contribution and China takes the leading position as a huge investor of the infrastructural and other projects. In this respect, the further activities and cooperation of these countries towards their regional priorities by fields of involvement in future should be a matter of special interest - are they going to be corrected or retained? What will be the dominating approach of China and Russia – bilateral or multilateral, economic or security towards Afghanistan and how it will impact the cooperation with the countries of Central Asia, when such countries like Tajikistan and Kyrgyzstan are highly dependent on debt obligations before China and share close military cooperation with Russia simultaneously?

The recent Chinese dispatch (dated 9th of September 2021) of 31 million US Dollars volume humanitarian aid to Afghanistan has manifested the start of concrete cooperation with the country's new authorities. This step is likely indirectly involve the countries of Central Asia in this process.

In a broader regional context, we have some arguments to consider, that there will be an enhanced role of Turkey and Pakistan in cooperation of Central Asian countries with Afghanistan.

Due to change of the situation in Afghanistan some field offices of international organizations are relocated to other destinations. The recent relocation of the UN Mission Headquarters on Afghanistan to Kazakhstan demonstrates the increased role of the region, especially Kazakhstan in international security cooperation agenda. This decision is also remarkable in the context of enhanced importance of Central Asia for international community.

Global Risks

Aggravated global confrontation in the world between major powers: United States, European Union, China and Russia for recent years as a result of the change of the balance of power, rise of the Asian economic power and other factors can be considered as a key global risk. This trend particularly has an impact on Central Asia located at the crossroads of the Western and Eastern partnership and their strategic interests. The countries of the region have determined their own foreign policy priorities, but, despite some specifics, all of them actively cooperate with major global leaders and recognize the importance of this cooperation for national and regional needs.

It is likely that because of the mentioned confrontation, and in combination with the weakness of global international institutions (United Nations, WB, IMF and others), the epicenter of international activities will be moved to the regions. The case of the recent developments in South Caucasus over Nagorno-Karabakh conflict with decisive participation of Russia, Turkey and others will prove this fact. In this context, the involvement of Central Asia in post conflict development of Afghanistan, as regional participant, will be realistic one.

We should take into our account the fact, that uncertainty of the world's development until the pandemic crisis is over and expected systemic changes in political, economic, humanitarian and international life in addition to dramatic fall of trade, investments, exchange of services and consumers demand will also be impactful for the region

The Chinese „Belt and Road,, Initiative for Central Asian countries remains one of the priorities for the region due to practical implementation of the mentioned project and better access of the Chinese commodities and services to distant European marketplaces. On top, this collaboration serves the interests of domestic agenda of China. But pandemic crisis, Afghanistan case and home affairs challenges, in our opinion, will make some corrections in realization of the BRI project towards less infrastructural projects and more post pandemic rehabilitation activities („Health Silk Road,,) The trend in certain way will lessen the economic activity of China in Central Asia due to lack of funding (in terms of infrastructural projects), but not so decisively, since China and Asian region still show a good record of economic growth and ability to manage effectively the crisis stories (example a decision of China to nullify the debts for Tajikistan and Kyrgyzstan by the end of 2020). The slow - down of the Chinese investments into regional economy can not be explained by transportation restrictions only. The reason is also connected with the decline of the rate of economic development of China due to pandemic crisis and not at the expense of diminishing of the importance of Central Asia for China.

The other trend reflects the appearance and activation of new formats of cooperation of the global players with Central Asian countries: „China plus 5,, „United States plus 5,, (Tashkent Conference of 2020 at foreign ministers level),, Russia - within regional structures, US-Uzbekistan regional potential grouping (Afghanistan-Pakistan-US-Uzbekistan). Do these formats contribute to the stability and economic benefits for the region or not, in particular, in the context of the updated situation in Afghanistan? It depends on many factors...The mentioned schemes of cooperation also demonstrate, that the model „, global player and region,, substantially replaces the international institutions in decision making process in favor of bilateral and regional approaches. From the other side, the pandemic crisis, threat of international terrorism and possible flow of refugees to the region require the mobilization of multilateral managerial and financial resources... So, it is still a huge dilemma of balancing policy.

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