

Central Asia, Caucasus Briefing

Economics, Politics & Commercial Environment

- ❑ **Adapting to the conflict.** The major economies are balancing some benefits from the Russia-Ukraine conflict (cheap energy and greater investment from Russia) with destabilizing risks, such as currency volatility, inflation pressures, and political pressures
- ❑ **Balancing act between Russia and the West.** Russia is the largest (non-commodity) trade partner with most countries in Eurasia. But there is growing pressure (secondary sanctions) from the U.S. and EU to curtail trade and transit trade with Russia. The risk is of Moscow retaliating
- ❑ **China is expanding slowly but with determination.** Beijing has set up the C+5 Group and has promised up to US\$50 bln of additional regional investment. But China is also being careful not to disrupt its relations with Russia and is moving slowly (but with determination)
- ❑ **GCC states are investing heavily.** Saudi Arabia will host GCC and Central Asian leaders in Jeddah (July 19th) as several GCC states plan bigger investments across the region
- ❑ **Iran is pushing north.** Tehran is taking full advantage of the Russia-Ukraine conflict to expand its trade and political influence in Central Asia and in the Caucasus
- ❑ **Caucasus remains a threat.** The main regional threat is in the Caucasus, despite continuing efforts for a peace deal in Nagorno-Karabakh. Georgia is also heading for political instability as the friction between the pro-EU President and the government grows
- ❑ **Water scarcity is a major threat.** Many countries are facing increased scarcity of water resources. Proposed remedial actions could eventually lead to military confrontations

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- ❑ **Ruble weakness.** The Russian Central Bank has lowered the value of the ruble to help reduce the budget deficit – this is because of the lower monthly oil export receipts, which started to be impacted with the EU import ban, starting December 5th and expanded February 5th
- ❑ **Limited impact in Eurasia – so far.** Kyrgyzstan, Tajikistan, and Uzbekistan are the most impacted because of remittances. Kazakhstan has the biggest trade volumes with Russia
- ❑ **Inflation is more of an immediate priority.** Regional Central Banks are waiting to see where the ruble settles (before adjusting their currencies) and, meantime, their stronger currencies help reduce inflation due to food and energy imports from Russia

Eurasian Currencies v US%, YTD*			
	Spot Rate*	YTD, % *	From Dec 1 '22
RUB/US\$	90.4	-20.9%	-32.5%
RUB/EUR	101.4	-18.0%	-37.5%
Afghanistan Afghani/US\$	86.0	3.6%	2.6%
Armenia - Dram/US\$	386.8	1.6%	1.9%
Azerbaijan - Manat/US\$	1.7	0.0%	0.0%
Belarus - Ruble/US\$	2.5	0.0%	0.0%
Georgia - Lari/US\$	2.6	4.9%	4.7%
Iral - Rial (Toman)	48,900.0	-18.3%	-26.0%
Kazakhstan - Tenge/US\$	445.2	3.8%	4.8%
Kyrgyz Republic - Som/US\$	87.8	-2.9%	-3.8%
Mongolia - Tugrik/US\$	3,442.1	0.1%	-1.3%
Tajikistan - Somoni/US\$	10.9	-6.1%	-7.2%
Turkmenistan - Manat/US\$	3.5	0.0%	0.0%
Turkmenistan - Manat/US\$ - Commercial	19.0	5.3%	5.3%
Ukraine - Hryvnia/US\$	37.0	-0.1%	-1.0%
Uzbekistan - Som/US\$	11,578.9	-2.9%	-3.1%
Source: Bloomberg			
* as at close July 14th			

Eurasia: Growth Indicators & Forecasts

	Population*	GDP, \$bln	GDP/Cap US\$	PPP, \$, Capita	Upside, %	GDP, % Change		
	mln	2023E	2023E		to PPP	2022	2023E	2024E
Armenia	2.8	\$23.6	\$8,420	\$16,042	91%	12.6%	5.5%	5.0%
Azerbaijan	10.4	\$77.0	\$7,397	\$15,045	103%	5.6%	5.0%	3.7%
Georgia	3.7	\$29.4	\$7,869	\$17,034	116%	10.1%	4.0%	5.0%
Kazakhstan	19.3	\$206.7	\$10,712	\$26,111	144%	3.2%	4.7%	4.5%
Kyrgyzstan	6.8	\$10.8	\$1,640	\$4,813	194%	7.0%	3.5%	3.8%
Mongolia	3.4	\$15.6	\$5,136	\$11,668	127%	4.8%	5.5%	5.0%
Russia	146.1	\$1,933.5	\$13,234	\$27,584	108%	-2.1%	2.0%	1.9%
Tajikistan	10.1	\$10.5	\$1,039	\$3,309	219%	8.0%	5.5%	5.0%
Turkmenistan**	6.3	\$67.1	\$12,579	\$14,993	19%	6.2%	5.6%	5.3%
Uzbekistan	34.8	\$87.5	\$2,514	\$7,735	208%	5.7%	5.5%	5.5%

Source: Respective National Statistics Services, Worldometers, Macro-Advisory Ltd estimates

* As at July 1st 2023

**using the official exchange rate v the US dollar

* for detailed macro trends and forecasts, refer to Caspian Region Monitor, Central Asian Monitor and individual Country Updates

Regional Issues

- ❑ **Peace talks continue.** The leaders of Armenia and Azerbaijan have been meeting regularly in Washington, Brussels, and Moscow, and both made clear their desire for a permanent deal to settle the Nagorno-Karabakh issue. Armenia has offered more concessions than Azerbaijan
- ❑ **Azerbaijan is in the stronger position.** Brussels and Washington want to engage more with Azerbaijan because it can supply gas to Europe and because of its critical location on the western side of the Caspian. Baku has a “hands off” position with Moscow
- ❑ **Turkiye is increasingly assertive.** President Erdogan appears determined to use his “last” term to pursue his vision for a greater Turkic World. Ankara will be more active in the Caucasus-Caspian
- ❑ **Iran has declared several “red lines.”** Tehran has a close political and trade relationship with Armenia, and an increasingly fractious relationship with Azerbaijan. President Raisi has said that any attempt to build the Zangezur Corridor will be a “red line” and lead to military intervention
- ❑ **Europe needs a stable Caucasus** for its gas supply, for electricity to eastern Europe, and for transit routes to by-pass Russia. The Armenian diaspora is also very powerful and politically engaged in France
- ❑ **Is Georgia heading for instability?** The friction between the President and Parliament is growing and evidence suggests that the country is not far away from protests emerging on the streets

- ❑ **Larger number of radical groups emerging in Afghanistan.** At the meeting of the Shanghai Cooperation Organization (SCO), held virtually in late June, Tajikistan said it is “very concerned about the concentration of different terrorist groups [in Afghanistan] next to our borders that we've never had before [and it] is increasing day by day”
- ❑ **Tajik response.** Tajik representative said, “According to our information, terrorist groups such as al-Qaida, Hizb ut-Tahrir, the Islamic Movement of Eastern Turkistan, the Islamic Movement of Uzbekistan, TTP, and Jamaat Ansarullah are all currently present in Afghanistan and pose serious threats to neighboring countries”
- ❑ **Russia’s view.** Russia’s Minister of Defence Sergei Shoigu has recently addressed how the Taliban's return to power in Afghanistan has bolstered terrorist organisations operating in the country. That is seen by many observers to be the case even though terrorist groups like al-Qaeda are foes of the Taliban
- ❑ **China’s view.** China continues to try to constructively engage with the Islamist Taliban regime. “Afghanistan is at a critical phase of transitioning from chaos to order,” according to Zhang Jun, the Chinese permanent representative to the UN

- ❑ **Taking advantage of Moscow's distraction.** The evidence is clear that while China supports Russia in its "conflict" with NATO (as it shares this view of the situation), Beijing has significantly stepped-up its actions to engage more (trade and politics) with most Eurasian states
- ❑ **Focused on Central Asia.** Beijing appears to take the view that the Caucasus is "in the west" and is mostly focused on investment in, and trade with, Central Asia and Mongolia
- ❑ **Patience and investment.** The inaugural C+5 Summit in Xian (which excluded Russia) is significant. China promised up to US\$50 bln of additional investment and declared areas of mutual interest for the region. The next summit will take place in two years as China is in no rush
- ❑ **Will be very reluctant to engage militarily.** Beijing only has a very small military presence in eastern Tajikistan. It is very reluctant to expand that presence in case of being targeted by Islamic militants or getting dragged into regional conflicts (e.g., between Tajikistan and Kyrgyzstan)
- ❑ **Part of China's effort to make its economy more secure.** China does not have colonial ambitions. It appears more interested in "securing" its borders and also creating land-based trade and supply routes, which will be safer in the event of a conflict with the U.S.
- ❑ **Yuan settlement is growing.** The use of ruble and yuan in bilateral settlement accounts for 80% of trade between Russia and China. Both countries said they are planning to expand the use of national currencies in bilateral trade with other states

- ❑ **Ukraine conflict has greatly helped Iran.** Tehran has been much more visible across the region since the start of the conflict. Trade with Central Asia and the Caucasus has increased and there are more JVs and deals (in the energy, auto-manufacturing, and equipment making sectors) with Russia. China is also more engaged
- ❑ **Member of the SCO.** Iran was formally admitted as a member of the SCO on July 4th
- ❑ **Free-trade deal with EaEU.** Iran has a temporary free-trade deal with the Eurasian Economic Union (affects 80% of goods traded) and this is expected to be made permanent later this year
- ❑ **Joint development deals with Russia.** Gazprom has committed to a US\$30 bln JV to help Iran develop its gas (LNG) production and to expand chemicals production
- ❑ **Asserting its priorities.** Tehran is also making clear its ambition is to have a political voice in the region, especially in the Caucasus. This may risk a future conflict with Azerbaijan and Turkiye
- ❑ **Improving relationship with Gulf states and India.** Part of Iran's "opportunistic" engagement with Central Asia is the growing trade and investment with India...the INSTC rail link is very important for Mumbai and Moscow. The improving relations with Saudi Arabia is at a very early stage – far too early to say whether it will expand or stall

- ❑ **Water scarcity threat.** The threat level for water supply shrinkage is now at an elevated level in Turkmenistan, Uzbekistan, Iran, and in the eastern regions of Kazakhstan. All governments in the region are looking at remedial investment and IFIs (such as the World Bank and ADB) are committing more financial aid to help prevent a future catastrophe
- ❑ **Partly environment changes.** One of the main problems is the changing environment – the shrinking Pamir glaciers in Kyrgyzstan and the prolonged draught affecting an area covering Turkmenistan, Iran, Afghanistan, and western Uzbekistan
- ❑ **Partly a legacy of Soviet engineering.** Another cause of the current problem were the water management (i.e., water diversion) projects built by the Soviet Union. The issue is there is now no central body (Moscow) to manage the projects and the old system is failing
- ❑ **Every country for itself.** The Taliban is building the Qosh Tepa Canal which will draw water from the Amu Darya river and reduce flow into Turkmenistan and Uzbekistan. Iranian and Taliban forces are close to conflict over the management of the Helmand River. Turkmenistan's plan to restore the Karakum Canal (badly affected by drought and poor maintenance) would finally kill the Aral Sea and affect water supply in Uzbekistan
- ❑ **Prospects for regional cooperation are slim.** There has been a regional conference to discuss joint actions, but nothing is agreed or is imminent. Conflict is more likely

- ❑ **China and Europe are investing.** China continues to invest heavily in several major rail projects which would expand its trade and supply-chain capacity on the safer land routes (in the event of a seaborne blockade by the U.S.). The EU is investing in new trans-Caspian routes as an alternative to Russia transit
- ❑ **BRI.** The main rail lines across Central Asia transit Kazakhstan to Baku (by ferry). China is now investing in a new route via Kyrgyzstan and Uzbekistan. These could branch to the Caspian via Turkmenistan or, later, more directly to Iran's gulf ports via Afghanistan
- ❑ **TRACECA.** The EU is funding an upgraded route from eastern Europe, via the Black Sea, the Caucasus, the Caspian and into Central Asia and China via Kazakhstan
- ❑ **INSTC.** Russia and India are building the rail line from St. Petersburg to the Iran port of Chabahar (and by ferry to Mumbai). This line can connect with BRI lines and TRACECA
- ❑ **Caspian Hub.** The Caspian is now an increasingly busy and critical transport hub. The Littoral States are also more important for regional and continental trade. Currently the major problem is scarce capacity and long bottlenecks
- ❑ **Will they survive the peace?** The China to EU route via Russia will always be the fastest and cheapest. This may restrain investment into alternatives

- ❑ **Moscow's vision has changed.** In the 1990s and 2000s, Moscow talked about Eurasianism, i.e., a vision of a Russia dominated (politics, language, culture, religion) Central Asia and Caucasus. Today, the discussion is about creating a Greater Eurasia Region which would have several influences and where member states would share some common geopolitical and trade goals
- ❑ **Larger geography.** The ambition is to bring together a region from northern Russia, through Central Asia, Iran, India, and down the east African coast. Bringing in the Arabian Peninsula and (possibly) Turkiye
- ❑ **Ambition to create a region with common goals.** A shared view of a multi-polar world, with much greater trade and development connectivity (to reduce vulnerability to both China and the West) and which would have a greater voice in global institutions (e.g., World Bank and the UN) and which would defend their interests and position in, e.g., environment actions
- ❑ **Using cheap resources to incentivize cooperation.** Russia is currently trying to create relationships with cheap energy deals (to Central Asia, India, Turkiye, UAE) and cheap food and fertilizers (to North and Eastern African states). It is also proposing joint development in engineering, manufacturing, technology, etc., as an alternative to western supply
- ❑ **Expanding rail links help.** The expanding transport networks (slide 11) are helping expand regional trade in the Greater Eurasia region. This will be an increasingly important feature

Country Summaries

- ❑ **Pragmatism over politics.** Despite the headlines about political disagreements and threats of disruptions, it is reported that the Turkmenistan-Afghanistan-Pakistan electricity system is progressing without disruption. Part of the deal is that power will be supplied “at a big discount” to local areas in Afghanistan via the Serhetabat-Herat-Towrgondi and Rabatkashan-Kalainu links. This may prove a model for the long-awaited rail links (China-Uzbekistan-Iran) and gas pipelines, while providing subsidized energy, transport options, and transit fees for Kabul
- ❑ **Anecdotal evidence says the economic situation is worse.** There is sparse economic data from government agencies. But anecdotal evidence shows the situation to be worse with higher inflation, unemployment, and poverty rates. The UN said the Taliban requires US\$4.6 bln in 2023 to assist more than two-thirds of the population, most of whom are living in extreme poverty
- ❑ **The threat of internal power split is growing.** There is some evidence of a growing rift between different factions within the Taliban. This was also recently shown with the disagreement over women’s rights and about support for the Pakistan Taliban
- ❑ **China is starting to invest for long-term.** China has agreed a US\$600 mln deal to develop oil and gas assets and is positioning itself to have a central role in developing the country’s US\$1 trln mineral assets when the security situation improves. Beijing also recently agreed with Pakistan to expand the BRI rail network into Afghanistan and appears satisfied it can deal with security threats

- ❑ **Talks with Azerbaijan continue.** There have been several meetings between the Foreign Ministers of Armenia and Azerbaijan in recent weeks. While progress has been reported, there is no real evidence that an agreement over the border, or concerning corridor access to Nagorno-Karabakh/Artsakh is imminent
- ❑ **Economic growth.** Despite last year's over 12% YoY headline GDP growth, which led to concern that this year's YoY growth will be a low single-digit, most agencies are now raising expectations for growth to between 6.5 and 7.0%. The services sectors and trade expansion with Russia are key drivers
- ❑ **Concern over secondary sanctions.** The surge in trade with Russia – which doubled last year to US\$5 bln and which continues to grow strongly in 2023 – has raised concern that the country may be subject to secondary sanctions from the U.S. and EU. However, because the country's lobbying position is very strong in both, any action is expected to be minor and will not affect the economy in any material way
- ❑ **Central Bank remains cautious.** Despite the steep decline in inflation (deflation reported in June) the Central Bank only cut the policy rate by 25 bps, to 10.5%, at the June meeting. It remains fearful of the impact of the surge in Russian migrants and wage growth on prices
- ❑ **Visa free travel agreement with Georgia.** Armenia and Georgia have signed an agreement that allows their citizens to travel cross their shared border without a visa

- ❑ **Oil still dominates ...** Although the government is pushing ahead with programs to diversify the economy, the oil and gas sector still dominates. In 2022 the value of non-oil & gas exports totalled US\$3 bln while hydrocarbon exports were almost US\$20 bln
- ❑ **... and will drag growth lower this year.** The oil & gas sector contracted by 9% YoY in 2022 and looks set to fall further this year as oil volumes decline. Growth in the non-oil sectors will be high-single-digit figures but, overall, GDP growth is expected to be close to only 2.0% in 2023
- ❑ **Energy trade with EU grows.** Azerbaijan is increasing gas exports to Europe and is hosting a growing volume of Kazakh oil trades via the BTC pipeline. The country has signed several bilateral energy deals with Eastern European states
- ❑ **Inflation is high, but declining.** Food inflation was a big concern in 2022 but is now starting to decline. The CBA said it may start cutting the policy interest rate from 2H23, provided the declining inflation trend continues
- ❑ **In a strong position regionally.** The government has strong public support because of the improving economic situation and because of the military gains in Nagorno-Karabakh. Baku can afford to take its time and wait for any peace terms that suit it best

- ❑ **Russia trade grows ...** In 1Q23, trade with Russia grew 74%. to US\$666 mln. Russia is set to overtake Türkiye as Georgia's largest trade partner this year
- ❑ **... despite sanctions risk.** Officials in Tbilisi warn of the danger of secondary sanctions from the EU and U.S. but are unable or unwilling to do anything to reduce the trade. This is another example of the split in the country between those who favor a greater alliance with Europe (led by the president) and those who favor greater engagement with Russia (parliament)
- ❑ **Visa free and resumed air travel with Russia.** Russia has approved visa-free travel for Georgians. Moscow has also approved 284 flights per week between Russian cities and Georgia. These are also issues causing a rift between the pro and anti-Russia factions
- ❑ **EU encourages but remains critical of Georgia.** EU officials and governments are playing hot and cold with Georgia over any commitment to establish closer economic and political ties. One current issue is the refusal of Georgia's government (and despite calls from the President) to release former President Mikheil Saakashvili to receive medical treatment in Europe. The EU is also critical of Tbilisi's decision to again postpone the liberalization of the country's electricity market to mid-2024
- ❑ **Economy is expanding.** GDP looks set to grow by 5% this year, despite last year's over 10% growth. Inflation is still a concern and is one reason why the National Bank is taking action to devalue the Gel, to match the ruble decline

- ❑ **Joins the SCO and expands regional trade.** Iran continues to engage with China, Central Asian and Caucasus states, and with India. Most recently it was admitted as a full member of the SCO and is reporting several new investment deals with China. Russia and Iran are also increasing trade – facilitated with the INSTC rail link – and are planning several energy and technology JVs
- ❑ **Trade and investment deals with Africa.** President Raisi completed a trip to several African states and signed trade and investment deals with Uganda, Zimbabwe and Kenya. All three countries signed JV and trade deals in contravention of U.S. sanctions. Iran and Sudan also announced the restoration of political and trade ties
- ❑ **Deadly clashes with Afghanistan over water.** The dispute over access to water from the Helmand River continues to worsen. Military forces from both countries clashed in late May and further clashes are expected as Afghanistan continues to divert water from the shared river
- ❑ **South Pars production set to increase.** Iran has completed the final phase of the South Pars gas field development project and production from Phase 11 is anticipated to commence by August, beginning at 15mn cubic metres per day and eventually rising to 50-57 mcm per day
- ❑ **All quiet – for now.** The country has been more stable this year, with no major reports of protests. But it is acknowledged, the situation remains fragile and could again erupt

- ❑ **Delicate balance between Russia and the West.** Tokayev is managing the balance between not crossing any Russian “red lines” and maintaining geopolitical neutrality very well. Moscow is allowing more Kazakh oil, coal, and other products to cross Russian territory to Europe and investment from Europe continues to grow. Kazakh Prime Minister recently said that over 100 projects, worth US\$22 bln, are currently being implemented with Russia
- ❑ **But the U.S. Treasury is watching.** Kazakhstan has agreed to much stricter monitoring of trade flows and financial transactions with Russia and for routes using Kazakh transit. So far, this has not caused any criticism from Moscow – but another case of delicate balancing
- ❑ **The economy is set to grow faster.** GDP expanded by over 4.5% in the first five months of this year and, if trade flow disruptions can be avoided (CPC disruptions cost the economy last year) then growth should be at between 4.5 and 5.0% this year. Inflation is still in high double-digits, although it should fall in 2H23. The tenge has not devalued to match the ruble decline and is now trading at KZT4.9/RUB. The long-run average is KZT5.8/RUB
- ❑ **Emphasis on several industries and on exports.** President Tokayev’s reform plan focusses on industries which can add jobs and export diversification. Agriculture, machinery, chemicals, and value-added processing are key sectors. Several big RES projects (solar and wind) have been signed as part of the plan to diversify and make more secure energy supply

- ❑ **Growth is expected to slow.** Headline growth is expected to be lower than last year because of the diversion of budget funds to border area infrastructure, a decline in remittances (because of the weak ruble), and the impact of sanctions enforcement on trade. Inflation is expected to remain in double-digits and the currency is weaker to reflect the Russian ruble devaluation
- ❑ **Budget deficit jumped four times due to border clashes.** The budget deficit was four times higher than planned for last year and will stay high this year. Partly this is due to increased spending in the power sector, as well as higher costs of security and infrastructure repairs along the border with Tajikistan
- ❑ **Authoritarianism is on the rise.** The government has imposed a ban on advertising energy-drinks and may follow with a ban on sales of “sugary drinks.” There is also a much greater use of internet restrictions and news agency controls. The UN reports that over 33% of people now live below the poverty line. The country also has one of the highest growth rates in the world.
- ❑ **Greater focus on renewable energy projects.** Two major solar power projects have been agreed (the first in the country) and major investment is now being allocated to HPP projects. Some of these are being co-funded by neighbors Kazakhstan and Uzbekistan as they will get some additional power but mostly improved water management

- ❑ **2023 is designated anti-corruption year.** Last year, the country was rocked by the so-called “coal-mafia” scandal. This involved dozens of senior past and current government officials stealing “billions of dollars” from the coal industry. In response to this, and other scandals, the government has initiated several programs aimed at dealing with corruption. This was also the theme of the Mongolia Economic Forum, held in Ulaanbaatar on July 9-10th
- ❑ **Risk of further social and political instability.** Almost 30% of people live below the poverty line and another 15% are close to it. This, plus poor environment management, are expected to be big issues ahead of next summer’s planned parliamentary election
- ❑ **Underground phase of Oyu Tolgoi has started.** The underground mining stage has started (March 13th) and should add 3 mln additional tons of copper concentrate to exports. The estimated value is US\$5 bln annually
- ❑ **Central bank warns of higher wages and social spending.** Mongolbank raised the policy rate to 13% (it was 6% this time last year) and warned about higher state social spending and the still expanding food inflation rate
- ❑ **Default risk has eased considerably.** The government issued new debt in January and swapped Eurobonds maturing in 2023 and 2024 for new bonds maturing in 2028. This greatly reduces the risk of default or any need for further restructuring

- ❑ **Warning about irrigation.** A recent study from the International Red Cross shows that glaciers have shrunk by over one-third since the 1930s and, unless addressed soon, there will be more incidents of flooding and less arable land for agriculture. Water flow is also now a key issue causing tensions with neighboring Kyrgyzstan
- ❑ **External factors will influence growth trend.** The economy was one of the strongest growing in the world last year and inflation ended just above 4%. The key drivers were the recovery in exports to China (as the latter opened its borders) and a big rise in remittances, especially from Russia. These factors will again be the main drivers in 2023, with concern now growing about the value of remittances because of the ruble devaluation
- ❑ **Big focus on Hydro Power projects.** Tajikistan is currently working on 20 HPPs with a combined project cost of US\$1.7 bln. The biggest is the Rogun Dam which is progressing slowly and helped with grants from IFIs
- ❑ **Iran trade and relations are improving.** Tajikistan and Iran are the only two Persian speaking countries in the world so it is no surprise that Tehran is targeting an increase in trade, investment, and political contacts with Dushanbe
- ❑ **Pamiris clashes.** The conflict between Dushanbe and the mountain dwelling Pamiris remain very tense and has brought a lot of criticism from western countries

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- ❑ **New city opened.** The new city of Arkadag was officially opened to mark the former president's 66th birthday. Named after him, the cost is estimated close to US\$5 bln and it is not yet finished. It will be home to 77,000 residents when complete
- ❑ **No major changes.** Apart from former President Gurbanguly Berdymukhamedov taking back control of foreign policy and engagements, it is business as usual in the country. There are no plans to adjust the dual-currency system or to ease currency restrictions
- ❑ **Line D appears more likely than TAPI.** Although, officially, the government still hopes to build the TAPI gas line, in reality it appears dead. Instead, the focus is on working with Moscow to build Line D to China and to eventually supply gas to India via Russia's planned pipeline
- ❑ **Increasing gas sales to Turkiye and Pakistan.** The volume of gas sold to Turkiye and Azerbaijan via a gas swap with Iran is increasing. The first shipment of LPG gas to Pakistan, via Kandahar, has taken place. Volumes will remain low, at least over the medium term
- ❑ **Ban on tobacco.** The government is pushing ahead with plans to ban the sale and consumption of tobacco products – people are paraded nightly on TV admitting their “addiction”
- ❑ **Sketchy information about coup attempt.** There are reports about an attempted armed coup in June. The leaders, including the son of a former minister, are reportedly detained. News of the attempt is given some credibility by the fact the government has officially denied it happened

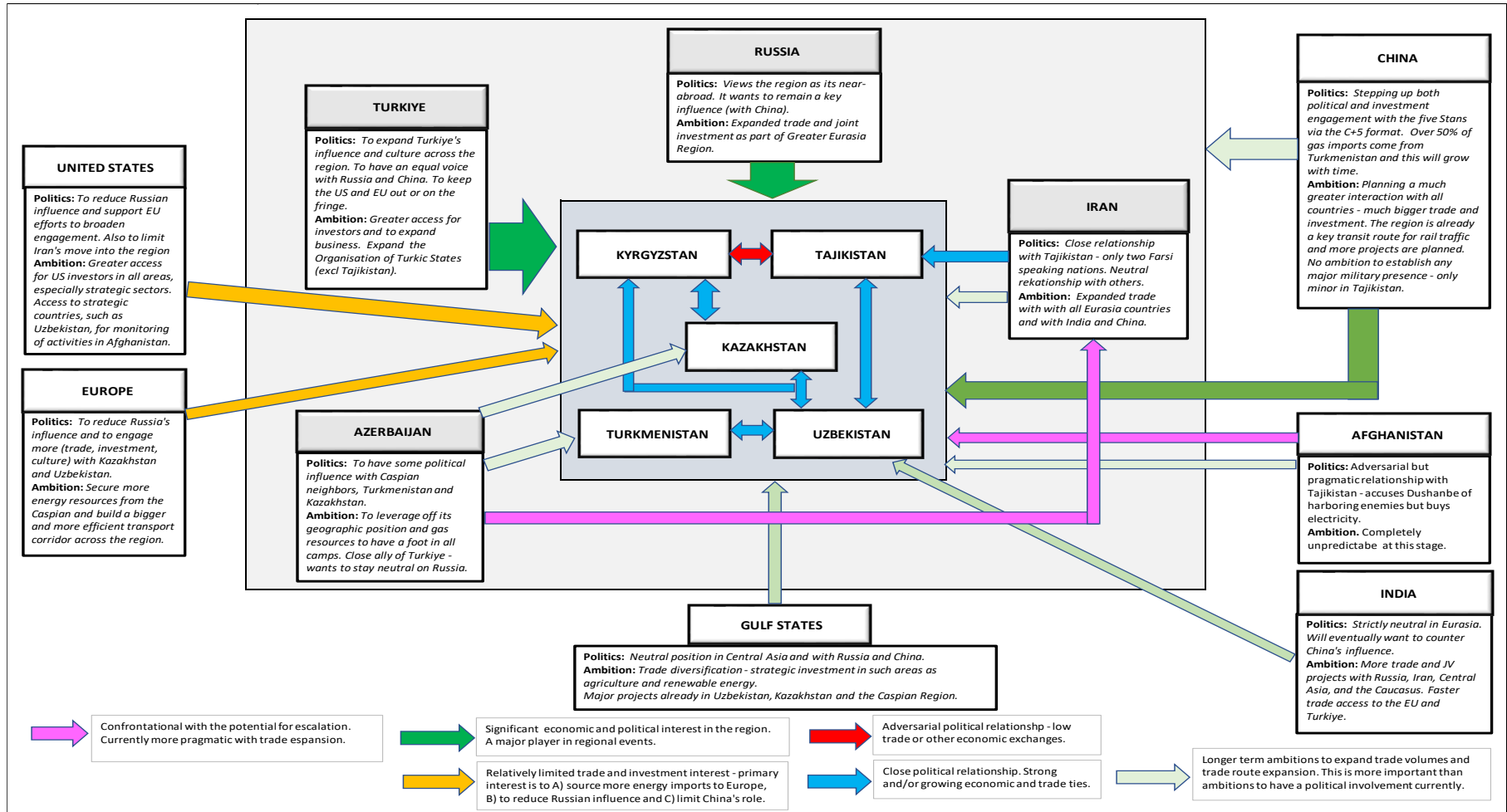
- ❑ **Major new investment plans.** Shortly after his reelection on July 9th, President Mirziyoyev instructed the government to prepare plans to attract US\$30 bln in new investment to accelerate growth and create new employment. A new innovation is that each foreign investor will be assigned an “investment manager” to help them deal with the bureaucracy. Reform of the civil service is a key priority for this year
- ❑ **Growth continues with few red flags.** The economy looks set to grow between 5.0% and 6.0% this year and next, with key drivers being domestic consumption and export growth in such areas as textiles and extractive industries. The only question mark is about the level of remittances, which was a big factor driving real incomes in 2022. Another stage of tax reform is also in place
- ❑ **Textiles, Technology and Transport.** There is a major push to boost investment in, and provide support for, the textile and technology sectors. The transport and logistics sectors are also growing but the key prize will be the ability to build rail lines across Afghanistan when security improves
- ❑ **Gas and oil deal with Russia.** Uzbekistan has agreed to import gas, and oil products, from Russia to help secure the domestic supply and, presumably, resume exports to China. This also suits Moscow as it looks for new markets having lost Europe
- ❑ **Tashkent is the world’s 10th cheapest major city for expats.** The Mercer Survey looks at housing, transportation, food, clothing, household goods and entertainment. It was 7th cheapest last year

Appendices

MACRO-ADVISORY Power and Influence in Central Asia

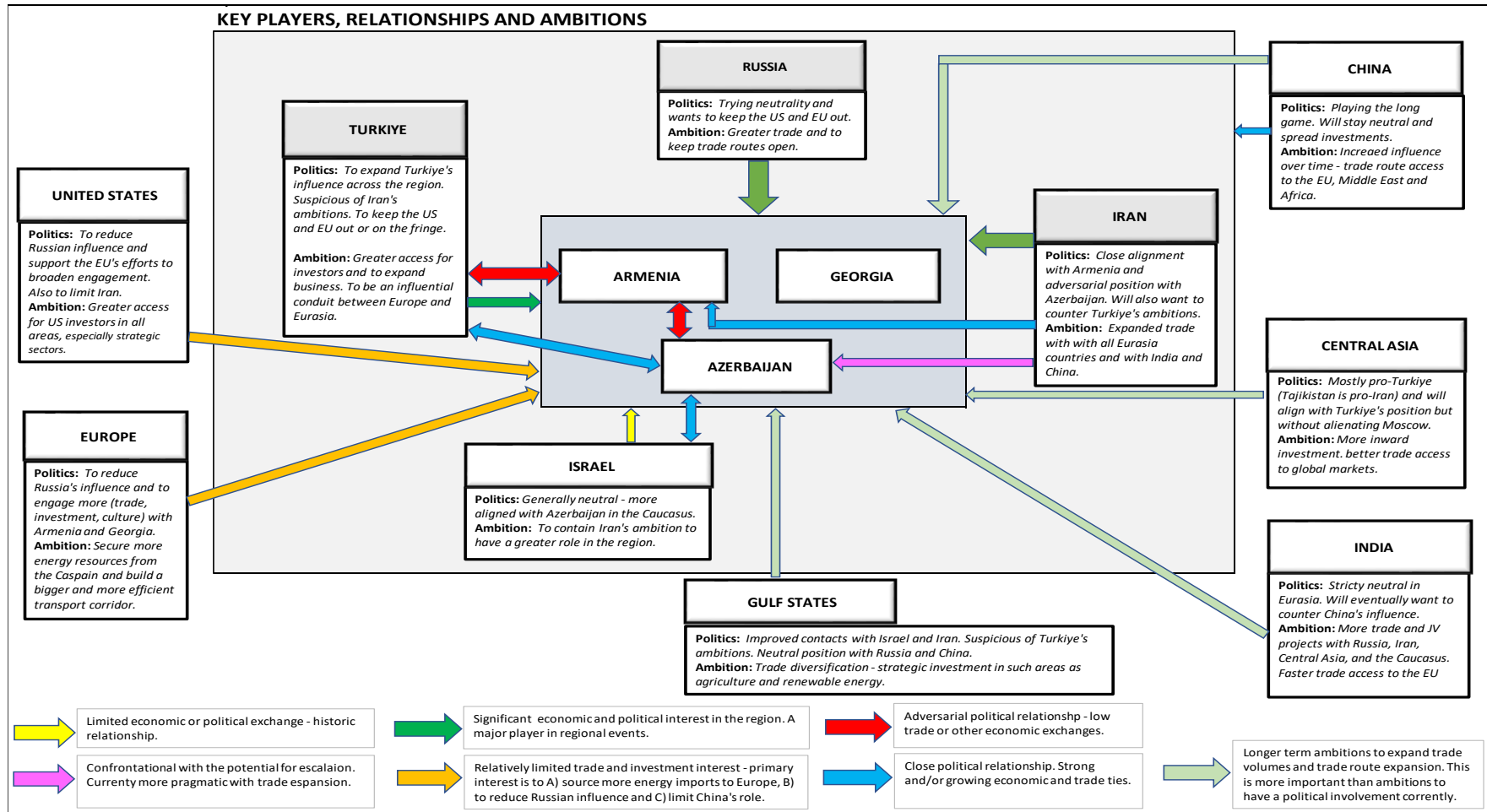
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Regional and Geopolitical



Source: Macro-Advisory Limited

Power and Influence in Caucasus Regional and Geopolitical



Source: Macro-Advisory Limited

Political Leadership

Country	Political Power	Position	Age (Years)	First elected	Next Election	Majority Party	Majority	Next Election
Afghanistan	Hibatullah Akhundzada	President	61 (TBC)	August 2021*		Taliban**	100%	
Armenia	Nikol Pashinyan	Prime Minister	48	2018	Jun-26	Civil Contract	66%	Jun-26
Azerbaijan	Ilham Aliyev	President	61	October 2003	2025	New Azerbaijan Party	55%	Feb 2025
Georgia	Irakli Garibashvili	Prime Minister	41	Feb-21	2024	Georgian Dream	52%	Oct-24
Iran	Sayyid Ali Hosseini Khamenei	Supreme Leader	84	June 1989	N/R	Principilists	82%	2024
Kazakhstan	Kassym-Jomart Tokayev	President	70	June 2019***	November 2029	Amanat****	71%	Jan 2026
Kyrgyzstan	Sadyr Japarov	President	54	January 2021	2026	Coalition	60%	Nov-26
Mongolia	Luvsannamsrain Oyun-Erdene	Prime Minister	43	January 2021	Jun-24	Mongolian People's Party	82%	Jun-24
Russia	Vladimir Putin	President	70	March 2000*****	March 2024	United Russia	84%	Sept. 2026
Tajikistan	Emomali Rahmon	President	70	Nov. 1994	2027	People's Democratic Party	76%	Apr-25
Turkmenistan	Serdar Gurbangulyýewiç Berdimuhamedow	President	41	March 2022	March 2027	N/R	N/R	Mar-23
Uzbekistan	Shavkat Miromonovich Mirziyoyev	President	66	Sept. 2016	July 2030	Liberal Democratic Party	35%	Dec-24

Source: Macro-Advisory Ltd

* Refer to individual country updates and the Central Asian and Caspian Monitors for greater detail and analysis of local and regional politics

July 17th:	End of Current Russia-Ukraine Grain Extension Deal
July 19th:	GCC and Central Asian Leaders Summit in Jeddah
July 27-28th:	Second Russia-Africa Economic Summit – St. Petersburg
August 22-24th:	BRICS Summit, Durban, South Africa.
September 9-10th:	G20 Summit, New Delhi
September 12-15th:	Eastern Economic Forum in Vladivostok
October (TBC):	Summit of Organization of Turkic States – Turkistan, Kazakhstan
October 11-13th:	Russia Energy Week, Moscow

Central Asia, Caspian and Russia Region

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