

## The Promise & Potential Of the Central Asia Five

With all that is going on in the world right now, Central Asia is occasionally overlooked. But the region is taking on increasing importance as a market; as a place Russia may move on; as a set of countries that are clearly on China's radar, and as an untapped market for Western companies.

Central Asia, as its name implies, occupies an important geographic position. Situated deep in the heart of the Eurasian land mass, it consists of Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan, and Tajikistan. One handicap these nations share in common: a lack of access to the ocean.

Over many centuries, the inhabitants of this area led nomadic lifestyles, primarily engaged in activities such as cattle breeding and hunting. That is all changing now because of the new interest in the region.

Among the oldest known states were the kingdoms of Bactria, Khorezm, and Sogdiana, all of which were established in the 6th century BC or earlier. The capital city of Sogdiana, originally known as Marakanda, was founded around 700 BC. These sites are among the world's most ancient and now have protected status on the UNESCO World Heritage List.

From the 2nd century BC to the 15th century AD, the Great Silk Road played a pivotal role in shaping the region's development. That extensive caravan route served as a vital link connecting East Asia to the Mediterranean world.

Following the dissolution of the Soviet Union in 1991, each of the five republics attained national sovereignty.

A key part in the region is Kazakhstan, covering a landmass exceeding 4 million square kilometers. Within this vast expanse are

some of the world's least densely populated areas, hosting a diverse population of approximately 76 million individuals representing more than 100 ethnic groups, from Germans and Austrians to Tibetans and Koreans.

### *Moving to Diversify*

All these nations are engaged in various efforts to broaden their economic bases. They are shifting away from conventional sectors like natural resources to a new emphasis on technology, manufacturing, agriculture and tourism. Several Western companies have realized this and have invested in Central Asia.

As a result, the region has experienced significant economic expansion since 2000. Look for more improvements in areas such as public administration, trade and transportation, as well as the overall business environment.

### *Developing Regional Connectivity*

The CASA-1000 project, representing the largest energy endeavor within Central and South Asia, will establish a cross-border high-voltage transmission line that will connect the grids of Kyrgyzstan and Tajikistan with those of Afghanistan and Pakistan. This will create a unified electricity market to facilitate year-round trade and economic development.

Look for the emergence of more frameworks designed to foster greater cooperation among Central Asian countries. Simultaneously, however, each nation is defining its unique objectives and perspectives, which could complicate matters.

### *Political Transition & Stability*

In the three decades-plus since the dissolution of the Soviet Union, the Central Asian nations have successfully bolstered their status.

Far from remaining under Moscow's thumb as many observers expected, they have emerged as self-reliant international entities.

Despite their relatively weak starting positions in the aftermath of the Soviet era — which was marked by the collapse of social and administrative systems and the turbulence of the 1990s — the Central Asian nations have embarked on essential reforms. They have adeptly navigated the complexities of globalization and, with varying degrees of success, harnessed their natural advantages to stabilize and advance their economies.

It is true that several of them have experienced shifts in leadership or political transitions. But efforts to preserve stability are currently in progress, and while anything could happen, the outlook at the moment is encouraging.

### *What Lies Ahead*

The prospects for Central Asia are, therefore, promising. It is likely that by capitalizing on the emerging opportunities, they will evolve into an even more significant and integral component of the global economy over the coming decades.

Central Asia stands at an intersection, a time and place where economic diversification, regional interconnectedness and geopolitical considerations will shape events. By maneuvering through these currents with skillful diplomacy, well-rounded development strategies and a steadfast dedication to regional collaboration, the five nations can unlock their potential for a future of prosperity and stability.

It is especially encouraging that the concept of regional identity continues to gain momentum. Central Asian nations are increasingly acknowledging a shared identity, both at home and on the global stage. Leaders believe that acting as a unified entity will allow them to exercise increased leverage in their interactions with the wider world.

IMPLICATIONS FOR BUSINESS: This could be a place to consider for investment. But proceed carefully, since the leadership there is still not fully tested and — as is true in so much of the developing world — subject to sudden change.