Exploring the Driving Factors towards Greater Engagement between Central Asia and Southeast Asia

by Dr Paradorn Rangsimaporn

EXECUTIVE SUMMARY

Amidst China's expanding economic influence in Central Asia, one of the challenges facing the region's countries is the need to diversify their foreign relations and economic partners to avoid overdependence on one country. Southeast Asian countries and their regional organization – the Association of Southeast Asian Nations (ASEAN) – is increasingly seen as one such potential partner. This brief examines the driving factors towards greater engagement between Central Asia and Southeast Asia. Firstly, strengthening relations with Southeast Asian countries is consistent with the Central Asian states' multi-vector foreign policy and their desire to diversify economic partners. Secondly, the Eurasian Economic Union's (EAEU) eastward shift towards Asia, following Western sanctions on Russia, has added impetus to strengthening Central Asian-Southeast Asian relations. Thirdly, Central Asia's key landbridge role in China's Belt and Road Initiative (BRI) has attracted Southeast Asian countries' attention as they seek to gain access to the markets of Central Asia and Europe. Fourthly, rising Central Asian concerns regarding China have prompted some to propose strengthening relations with Southeast Asia as one possible counterweight. Recommendations on how to further strengthen and sustain this engagement are provided at the end of the policy brief.

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Introduction

Relations between the countries of Central Asia and Southeast Asia has been an underexplored research area.\(^1\) Within Asia, apart from China, focus has been more on Central Asia’s relations with Japan, South Korea, India and Iran.\(^2\) However, due to both regions’ growing global importance and potential connectedness, their relationship deserves closer examination, particularly how Southeast Asia can help Central Asia to diversify their economic partners and avoid overdependence on China, which is steadily expanding its presence in Central Asia.\(^3\) The ten Southeast Asian countries that are members of ASEAN have a combined population of nearly 650 million, a GDP of US$ 2,986 billion and a steady GDP growth of around 5 percent annually.\(^4\) ASEAN is also evolving into a regional community and has played a leading role in Asia-Pacific regionalism. Central Asia has long been a strategically important region for the great powers with global implications due to its central location in Eurasia and possession of vast energy and natural resources. With a total population of about 72.5 million and a combined GDP of around US$ 286 billion, Central Asia also represents a relatively large untapped market for Southeast Asian countries.\(^5\) Likewise, Central Asian countries view Southeast Asia as a potential large market for its goods and alternative investor and economic partner. Nonetheless, economic ties have been the weakest link. While Central Asia-ASEAN trade has been steadily increasing since 2015 (US$ 554 million) reaching US$ 1.1 billion in 2018, this still represents only around 0.05 percent of ASEAN’s total trade with the rest of the world in 2018 (US$ 2,174.5 billion).\(^6\) The main obstacles have been their physical distance, transport and logistical problems, and the lack of a mutual will to engage with each other. But there has been increasing momentum in recent years towards greater engagement between the two.

Diversifying Economic Partners and the “Southeast Asia Vector”

Some Central Asian states have recognized the growing significance of Southeast Asia and have identified the need to strengthen relations with the region as part of their multi-vector policy. The Central Asian states have been committed to pursuing some variant of a multi-vector foreign policy, especially in energy politics and security, by diversifying their partners in order to provide some strategic balancing and leverage with regards


to the great powers. Kazakhstan’s new foreign policy concept mentions the strengthening of relations with Southeast Asian countries and ASEAN as priorities. Tajikistan’s foreign policy concept similarly stressed the need to strengthen relations with Southeast Asian countries to “penetrate the emerging markets of capital, technology, raw materials and industrial products,” mentioning Indonesia, Malaysia, Singapore, Thailand and Vietnam. Turkmenistan’s Foreign Policy Concept for 2017-2023 outlined strengthening relations with Asia-Pacific countries in general, while Kyrgyzstan’s broadly noted the development of cooperation with the countries of near and far abroad. Uzbekistan is drafting a new foreign policy concept, so meanwhile the Strategy of Actions on five priority directions of development of Uzbekistan in 2017-2021 defines its foreign policy priorities and tasks. One such task is to enhance cooperation with partner countries in Southeast Asia, namely Indonesia, Malaysia, Singapore and Vietnam.

Southeast Asian countries are therefore seen as potential alternative trade and investment partners, as well as new sources for technology and expertise. The foreign ministries of Kazakhstan and Uzbekistan have recently refocused on economic diplomacy, seeking more foreign investment and new markets. Kazakhstan singled out greater economic cooperation with Vietnam on agricultural and livestock products, learning from the experiences of Singapore and Indonesia on diversifying and modernizing the economy, and tapping Malaysia’s halal food expertise. Uzbekistan’s President Mirziyoyev stressed the search for new economic partners in his speech to the Uzbek diplomatic corps in January 2018. Uzbekistan emphasised the growing role of Malaysia, Singapore and Indonesia as economic partners. The Turkmenistan President’s first state visit to Singapore in August 2019 likewise focused on the expansion of economic ties and foreign investment, in the fuel and energy sector, chemical and textile industries, and transport and communications.

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The EAEU’s Eastward Shift

The importance of Southeast Asian countries and ASEAN as alternative economic partners grew following Western sanctions imposed on Russia after its annexation of Crimea in 2014. The sanctions severely affected Russia’s economy and that of the other EAEU members, including Kazakhstan and the Kyrgyz Republic, who all looked to Asia for alternative economic opportunities to mitigate the sanctions impact.\(^{16}\) In this regard, Russia recognised the importance of forging EAEU-ASEAN relations and pushed towards this.\(^{17}\) At the 2016 EAEU summit in Astana, Kazakhstan’s then President Nazarbayev likewise proposed that cooperation with ASEAN be pursued.\(^{18}\) ASEAN and its members have also shown growing interest in the attractive EAEU market, with a population of nearly 184 million and a combined GDP of approximately US$ 1.9 trillion.\(^{19}\) ASEAN has been examining the potential for an ASEAN-EAEU free trade agreement (FTA). In November 2018, a Memorandum of Understanding on cooperation was signed between the Eurasian Economic Commission (EEC), the EAEU’s executive and regulatory body, and the ASEAN Secretariat. Vietnam and Singapore have already signed an FTA with the EAEU in 2015 and 2019 respectively. Indonesia, Cambodia and Thailand have signed a Memorandum of Cooperation with the EEC, with the hope of concluding an FTA later. Trade between the EAEU and ASEAN has been on the rise, reaching US$ 35.7 billion in 2017, a 40 percent increase from 2016, primarily due to Vietnam’s FTA with the EAEU.\(^{20}\)

China’s BRI

Central Asia’s role as a landbridge in China’s BRI has attracted the attention of Southeast Asian countries who have begun to explore ways to connect to Central Asia in a single economic corridor.\(^{21}\) Kazakhstan has attracted the greatest attention due to its central location and its “Nurly Zhol” (Bright Path) infrastructure program that is closely connected to the BRI and helps position Kazakhstan as a transit and trade bridge between Europe and Asia.\(^{22}\) Kazakhstan’s attraction is further due to its Khorgos transport and logistics hub on the border with China, which is connected by railway to its logistics terminal in China’s Lianyungang port that can then transport goods by sea to Southeast Asia. The transportation of goods between Europe and Southeast Asia through this route is at least twice as fast as via the Indian Ocean, saving both time and money.\(^{23}\) This is a particular advantage for the transport of foodstuff and other perishable goods which are one of Southeast Asian countries’ main exports. In addition to this route, since March 2019, Vietnam had started to use the railway route through China and Kazakhstan


\(^{19}\) EAEU Website, “About the EAEU,” http://www.eaeunion.org/?lang=en#about.


to transport its goods to Europe. Starting from Hanoi and ending in Duisberg, Germany, the journey took 22 days. Other Southeast Asian countries have begun to explore using the Lianyungang-Khorgos route as well. The Thai Embassy in Kazakhstan launched a project in August 2019 to explore this possibility to overcome the logistics and transport obstacles Thai exporters to Central Asia currently face. The Philippines is also interested in utilizing the BRI to gain access to the Central Asia market and beyond that Europe, especially for its tropical fruits exports.

Southeast Asian countries, therefore, stand to benefit from a faster and potentially cheaper route to transport their goods to Europe while also gaining access to the Central Asian market. The Central Asian countries, especially Kazakhstan due to its central role, would benefit from increased transit revenues and would attract private logistics providers to set up shop for transportation services such as rolling stock renting, logistics solutions, and cargo transportation. Transit operations would generate by far the most income per ton/km for its railways company – Kazakhstan Temir Zholy. Moreover, Kazakhstan would benefit from greater and cheaper access to new export markets. However, whilst China’s BRI provides opportunities for greater economic interaction between Central Asia and Southeast Asia, it could also pose obstacles as the possible transport routes all go through China, thereby exposing them to Chinese whims. For example, Thai exporters and Kazakhstani importers who have used the route through Khorgos on the Kazakhstan-China border have often experienced problems with Chinese paperwork irregularities that caused delays in their shipments, affecting Thai exports which are often perishable goods like fruit and vegetables. The Central Asian and Southeast Asian countries therefore have an interest in finding alternative routes to connect their regions, such as the proposed North-South route through India which could be extended to connect Central Asia with Southeast Asia, while bypassing China. As one Uzbekistani expert observed, the network of land roads and railways from Southeast Asia to India, which New Delhi was trying to develop as an alternative to the BRI, could be extended through the territory of Pakistan and Afghanistan and further to Central Asia.

Concerns Regarding China

Chinese economic expansion, including through its BRI, is causing concern amongst some Central Asian countries, prompting some to view enhanced engagement with Southeast Asia and ASEAN as a possible counterweight. Such concerns have been particularly marked in Kazakhstan and Kyrgyzstan where there have been several anti-China protests, with concerns ranging from an influx of Chinese migrants that might take away jobs and land, perceived lack of transparency in Chinese business dealings and investments, and China’s treatment of its Muslim minorities in Xinjiang, mainly Uighurs but also Kazakhs and Kyrgyz. However, elite perceptions of China are generally more

28 Kerdplanant, “Kazakhstan.”
favorable than the general public’s due to the benefits from Chinese investment and business. Their governments have also been more reluctant to raise contentious issues, including on Xinjiang, with their Chinese counterparts. This reflects a policy dilemma for Central Asian governments, as they would like to maintain positive relations with China, but also to avoid appearing as “vassal states” in the eyes of their public. Moreover, China’s BRI has yet to change Central Asian views of China to a more positive stance. Chinese investment has also caused concern regarding the risk of Central Asian states being caught in a “debt trap.” Kyrgyzstan and Tajikistan are most at risk as 45 percent of Bishkek’s external borrowing (around US$ 1.7 billion) is from China and 52 percent of Dushanbe’s foreign debt (US$ 1.2 billion) is to China. From the Chinese perspective, however, they believe that it is the responsibility of local governments themselves to make judgments regarding loans since they should have better understanding than China of their own domestic economy and capacity.

According to one Kazakhstani expert, concerns regarding China had prompted the EAEU countries to look towards the ASEAN countries in order to help balance Beijing’s growing economic influence. He proposed that Central Asia and ASEAN cooperate to develop a FTA as one alternative to Chinese dominance. Kazakhstani experts also noted that Southeast Asian countries, though not as well known, tend to have a more positive image in Central Asia and would be more welcomed. Another Kazakhstani expert opined that Kazakhstan can benefit from the “rivalry” between China and Southeast Asian countries to “penetrate” the market of Kazakhstan. In this respect, “ASEAN could serve as a useful tool” for more active participation in Kazakhstan’s economy. Southeast Asian countries therefore have an opportunity to play a greater economic role in Central Asia to help them avoid overdependence on China. For example, Mirziyoyev’s aim to create an export-oriented industrial base by attracting technology transfer from Asian countries opens up the possibility for Southeast Asian countries to assist Uzbekistan in its less-advanced technological needs and to develop its industries in areas such as textiles, agriculture, halal food, and tourism. Furthermore, Turkmenistan’s high dependence on exporting its gas to China has exposed its vulnerability to fluctuations in Chinese demand due to the COVID-19 virus crisis. It has, therefore, tried to diversify its export market, by promoting the Turkmenistan – Afghanistan – Pakistan –  


32 Roman Vakulchuk and Indra Overland, “China’s Belt and Road Initiative through the Lens of Central Asia” in Fanny M. Cheung and Ying-yi Hong (eds.) Regional Cooperation under the Belt and Road Initiative. The Prospects for Economic and Financial Cooperation (London: Routledge, 2019), 127.

33 Umarov, “China looms large in Central Asia.”


35 Amrebayev, “Eurasia’s Economic Union and ASEAN.”

36 Author’s interviews with experts in Almaty, September 16, 2019, and Nur-Sultan, November 1, 2019.


India pipeline project (TAPI). Turkmenistan’s President raised the possibility of TAPI providing gas onwards to the Southeast Asian market during his meeting with Singaporean business leaders, although it was not made clear how this would actually proceed.40

Conclusions

There have been four driving factors towards greater Central Asian-Southeast Asia engagement. Firstly, the aim of Central Asian states to diversify their foreign relations and economic partners, whereby Southeast Asian countries and ASEAN are identified as one such partner. Secondly, the EAEU’s eastward shift towards new partners in Asia, including Southeast Asia, following the sanctions on Russia. Thirdly, China’s BRI through Central Asia has attracted the interest of Southeast Asian countries to use this faster and potentially cheaper route for transporting their goods to Europe and Central Asia. The Central Asian states could likewise use the BRI for exporting their goods to the Southeast Asian market. Fourthly, increasing Central Asian concerns regarding China has prompted some to consider Southeast Asian countries as one possible counterweight to Chinese influence. The “Southeast Asian vector” could therefore help address the challenge facing Central Asian states of the need to diversify their foreign partners to avoid overdependence on one power and provide greater balance in their foreign relations, particularly vis-à-vis China.

Recommendations

- As the “Southeast Asian vector” could help Central Asian states in managing the challenge posed by expanding Chinese economic influence and the need to diversify their economic partners, the momentum towards greater engagement between Southeast Asia and Central Asia should be maintained and intensified. This can be done by institutionalizing their engagement through establishing a C5+1 dialogue mechanism between the five Central Asian states and ASEAN, which encompasses nearly all of the Southeast Asian countries. The Central Asian states already have such a dialogue with Japan, the US, South Korea and India. ASEAN too has similar formats with its dialogue partners so both sides are well familiar with such a mechanism.41 This format has also been proposed by then President Nazarbayev, experts in Central Asia, as well as by the then ASEAN Secretary-General Ong Keng Yong.42 This could start at the senior officials’ level to work on the agenda and test its feasibility, and perhaps move

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41 In fact, the first C5+1 dialogue format established by Japan in 2004 was modelled on the ASEAN+3 (Japan, Korea, and China) format and reapplied to Central Asia. Dadabaev, Japan in Central Asia, 15 and 146.

upwards to the foreign ministers’ level. A business council could also be established within this framework to help advance economic ties.

• Both sides should strengthen their economic engagement through enhanced connectivity between the two components of China’s BRI (land, which involves Central Asia, and sea, which involves Southeast Asia) as well as between the BRI and the Master Plan for ASEAN Connectivity 2025. They should also seek alternative routes for connectivity to avoid “putting all their eggs in the Chinese basket.” For example, India’s proposed North-South transport corridor that could potentially connect Central Asia with Southeast Asia, without going through China, should be further explored.

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