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Review
U. D. C.: 656.025.4(575)
Accepted: Feb. 12, 2001
Approved: Feb. 26, 2001

TRANSPORT ISSUES IN POST-SOVIET CENTRAL ASIA

ABSTRACT

After the collapse of the Soviet Union the Central Asian producers have been actively and partly successfully looking for compensating markets. However, the transport infrastructure was built to serve interests of the Soviet state. New transport corridors to the west, east and south are being constructed or planned reducing in the long run the transport costs of Central Asian products, which still today partly use traditional and longer Soviet time outlets (pipelines, railways, ports). For both economic and geopolitical reasons Central Asian states wish to find alternative transport routes. The EU and geopolitical rivals of Russia, the USA and China, are helping in this, also Iran has vested interests in the issue. Still long haulage remain a constant problem for landlocked Central Asia and the high cost of many projects planned (Transcaspian or Chinese pipelines) is likely to postpone them to a distant future.

KEY WORDS

Transport, Middle/Central Asia, Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan, Turkmenistan

1. INTRODUCTION

Landlocked Central Asia was integrated into the Soviet regional economy as a supplier of fuels, raw materials and other low value added products, which in market conditions are sensitive to transport costs. The communists solved this problem by subsidising freight rates especially railways, which carried most of the commodities supplied from the region. Also pipelines were built to carry oil from Kazakhstan and gas from Turkmenistan and Uzbekistan. The Caspian Sea route was also used to a certain extent. Commodity flows from Central Asia went mainly to the north, to the industrial centres of Russia.

Kazakhstan and Central Asian republics delivered mainly bulk products to other parts of the Soviet Union. Kazakhstan supplied coal and ferrous metals to the Urals and southern Siberia, oil and grain to most parts of the Union. Uzbekistan delivered cotton to Central Russia and to exports (through Russian and Baltic ports), fruit and non-ferrous metals to the Russian engineering industries mainly. Tajikistan deliv-

ered cotton, aluminium and agricultural products, Kirgiziya metals and agricultural products. Land routes, mainly rail were normally used for these transports, except for in Turkmenia, where the Caspian Sea route was extensively used.

The dissolution of the Soviet Union in December 1991 changed a lot. It seemed to have come as a surprise for the ruling elite of Central Asian republics, among which there were no real separatist tendencies, as was the case in the Baltic States and Western Ukraine. The dissolution caused serious problems, of which the most immediate was the break of old supply-delivery chains and subsequent fall in total output. The collapse also brought about drastic decline in total demand with serious consequences for most of the former Soviet republics. Curtailment of state subsidies was felt in most spheres of post-Soviet economies accelerating the decline. In Central Asia the situation was further complicated by the civil war in Tajikistan.

Table 1 - Central Asian countries

	Population	
	million	density pers./km
Uzbekistan	24.5	55
Kazakhstan	14.9	5
Tajikistan	6.3	44
Turkmenistan	5.4	11
Kyrgyzstan	4.8	24
Total	55.9	

This all has strong implications for the transport system and commodity flows in the region. Serious decline of economic activity, which lasted for most of the 1990s in the region (except for in Uzbekistan, whose economy started to grow in 1996) has meant overall decline in commodity flows accompanied by a change of regional structure:

Russia and other post-Soviet states lost shares, compensating markets had to be found elsewhere. These changes were rather drastic in the early 1990s. In Uzbekistan the share of former Soviet republics in

total exports declined from 60% in 1994 to 26% in 1998, when the share of Russia was 15%.

It is obvious that companies of Central Asia have not yet made full use of the market potential offered by such regions as Western Europe or East Asia. One reason for that is the transport infrastructure, which was destined to serve contacts with Russia mainly. The new geo-economic situation requires new solutions. Before going into that let us have a look at the transport situation within Central Asia following 1991.

Abolition of subsidised freights typical of the Soviet period revealed the vulnerable position of the Central Asian producers. Traditional routes to world markets over the Russian railways and ports are too costly. Besides, access to the prosperous Asian markets needs new outlets.

2. EXISTING TRANSPORT ROUTES

The transport infrastructure was built in view of integrating Central Asia and Kazakhstan into the Soviet economy. Boundaries of the Soviet republics, which were drawn in the late 1920s did not take transport infrastructure into consideration. Considering all-union interests and physical constraints meant, that transport routes were often drawn irrespective of the interests of individual republics. This was not a big problem as long as Central Asia was one economic region integrated into the whole Union. The situation was complicated after the region split up into five national states.

Take railways for example. New state boundaries cause problems for railway connections in Uzbekistan and Tajikistan. In Uzbekistan the capital Tashkent is rather conveniently connected with Samarkand and other major cities of the centre although the railway partly passes by the Kazakhstan territory. However, connections to the North-West and East are more problematic. To reach Urgench, Khiva and Nukus one has to cross Turkmenistan territory. The Fergana valley in the East can be accessed by train from the west only by passing by the Tajikistan territory, which is not without risks (in 1998 the connection was occasionally blocked due to political problems between the countries). Also Tajikistan is plagued by similar problems. The railway from Dushanbe, the capital, to Khojent, the industrial centre in the North, passes by Uzbekistan territory.

In both countries train connections from the capitals to important economic centres are practically non-existent. Road connections are not without problems either. Mountain ranges separate both capitals from the major centres in the Fergana valley, which are accessed by one road only respectively. This is a risky situation as such and especially in winter, when mountain roads are occasionally blocked by snow and ice.

In mountainous Kyrgyzstan transport problems are similar to those of Tajikistan. The capital Bishkek is connected only by one road with the other core area, the Fergana valley. The three short railway lines (one in the Chui valley and two in the Fergana valley) are not interconnected, they are the south-eastern tails of the former Soviet railway network. The southern Osh – Kok Yangkak line crosses the Uzbek and Tajik parts of the Fergana valley. Tensions between Tajikistan and the neighbouring countries have occasionally blocked this railway.

3. NEW CHALLENGES

The collapse of the Soviet Union changed radically the economic prospects and the orientation of the Central Asian republics. Political freedom meant new chances of freely selecting target markets and business partners. The cost of this freedom was high, however, as Central Asian producers lost much of their former customers in Russia and other former Soviet republics. This compelled them to find new markets in a situation for which both structures and mentalities were poorly prepared.

The Central Asian states are unfavourably located in terms of both international trade and geopolitics. These landlocked states are far from ports and lucrative markets. Geo-politically they seemingly gained more freedoms after the Moscow tutelage ended. More chances to cultivate national traditions and Islam suppressed under Soviet rule emerged. Islam is strengthening but the Central Asian peoples had been accustomed to more modern and secularised lifestyles than their southern and south-western neighbours. Militant Islam penetrating from Afghanistan and potentially Iran is considered a threat, which the new states are not able to deter by their own means only. Russian army had already been present in Tajikistan and Kyrgyzstan to guard the frontiers against Afghanistan but also Uzbekistan asked for the Russian military help as demonstrated by the treaty concluded in May 2000 between presidents Putin and Karimov.

Opening up new markets requires competitive products and suitable logistic systems to reach the markets. The Central Asian states are in a favourable position in the sense that they have been specialised in primary and semi-finished products which are relatively easy to sell. On the other hand these rather low priced goods are sensitive to transport costs, which is a problem to Central Asian producers being isolated from world markets and ports by political frontiers and long distances.

However, the former Soviet-focused orientation of the transport infrastructure has so far prevented the full utilisation of the potential of many lucrative markets. Also the geopolitical situation has been an

obstacle. Important regional shifts have taken place in the foreign trade of the Central Asian countries as shown by the data from Uzbekistan and Kazakhstan.

Table 2 - Regional structure of exports

Destination	1996	1998	1999
	%		
Uzbekistan			
Russia	12	15	10
Central Asia	8	9	10
EU	20	23	24
Switzerland	8	10	11
South Korea	6	7	4
China	3	1	1
Others	43	35	40
Kazakhstan			
Russia	45		21
Central Asia	5		3
EU	18		22
Switzerland			
China	7		12
USA	1		1

The share of Russia, which rapidly declined in the early 1990s plummeted further after the August 1998 crisis, when the ruble strongly depreciated. Intra-Central Asian trade is sluggish but it has shown some signs of revival in Uzbekistan although trade barriers and non-convertible currencies act as deterrents. In Turkmenistan intra-Central Asian trade was very small while in Tajikistan the opposite is the case, most trade is conducted with Uzbekistan. Efforts to create a Central Asian integrated market have not given any results so far. Trade with Western Europe has continually increased in the region. Kazakhstan has also been able to expand exports to the neighbouring China, in Uzbekistan there was a reverse trend.

4. DEVELOPMENT NEEDS OF TRANSPORT INFRASTRUCTURE

The transport routes of Central Asia were built to serve the needs of the centralised Soviet state. New economic and geopolitical realities compel the leaders of the region to reconsider also the development of transport infrastructure.

The main items in Central Asian exports are fossil fuels, metals, cotton and some other agricultural products and chemical products. Kazakhstan and Turkmenistan have traditionally been major suppliers of

fuels. Oil and gas have been delivered through the all-union pipeline network, of which also Uzbekistan's gas pipelines have been part. Kazakhstan also delivered coal from the Ekibastuz fields to South Siberia and the Urals. These deliveries dwindled as Russian demand plummeted and railway freight subsidies were curtailed. In long haul deliveries railways dominate but in intra-Central Asian trade road transports have gained in importance.

What implications do shifts in trade flows and geopolitics have for Central Asian transports? Reorientation of trade from Russia toward other markets has continued almost ten years now requiring improvement of transport outlets to other directions. The seriousness in the transport problem is evident as the distance from Tashkent to the Black Sea is about 3000 km, to Persian Gulf 3730 km and to Chinese Pacific ports over 6000 km by railway. Geopolitics however limits the options of Central Asian states in choosing transport outlets.

South is problematic as militant Islam from Afghanistan and Pakistan presents a constant threat preventing also common infrastructure development. Also Iran, a gateway to the Persian Gulf and Turkey, which has tried to increase its influence in the area, are regarded with suspicion and relations have been cool so far, as shown by the low level of trade with this country. The main directions to develop transport infrastructure at present are the West and the East.

As geopolitical problems discourage the development of transport infrastructure to the South preferred directions are West and East Europe and East Asia. In Soviet times European markets were accessed through the Russian railways and the Baltic and Black Sea ports. At the moment a new transport corridor Europe-Caucasus-Central Asia (TRACECA) is being developed, partly financed by the European Union (Taxis programme). This project sometimes referred to as a restoration of the ancient Silk road connects Central Asia to Georgia's Black Sea ports through Turkmenbashi and Baku and to the Chinese traffic network through Kyrgyzstan. Earlier e.g. Uzbekistan's trade with China was conducted by rail through Kazakhstan but new outlets will shorten the distance considerably. At present, roads are being improved and the feasibility of a railway is being studied. The "new" Silk road is not identical with its historical parallel, which passed through Iran and Baghdad while the new Traceca connection runs through the Caucasus.

This outlet shortens the distance from e.g. Tashkent to Eastern Black Sea ports to 3000 km while the distance to traditional export ports of Novorossiisk is 3400 km and to the Baltic ports nearly 4000 km. Transports are gradually shifting to the new route but changes have not yet been radical. For instance,

Uzbekistan's cotton shipments over Latvian ports (mainly Riga) are still rather important.

Transition of Uzbek cotton over Latvian ports

	1996	1997	1998	1999
1000 tons	145	223	295	234

(source: Latvian Ministry of Transport)

In comparison all Uzbekistan's exports over the Traceca amounted to 285,000 tons (double the volume of 1996).

As for the Chinese market Kazakhstan has both a good railway and road connection to China. The new railway opened in 1990 between Druzhba and Urumchi now competes with the Transsiberian in Eurasian transports. It is obvious that also in the foreseeable future the only railway access to China from Central Asia will pass by Kazakhstan although Uzbeks and Kyrgyz have plans of building a railway from Andijan over Osh to Kashgar. This Chinese city lacks railway connection so far. In the southern direction Turkmenistan opened a railway connection Tejen-Seraks to Iran in 1995, which will serve the whole Central Asia.

5. GEOPOLITICAL IMPLICATIONS

Central Asia has always played an important geopolitical role in Eurasia either as a power centre (khanates, nomadic empires), a gateway between Europe and China or India or as a buffer zone between rivalling empires, especially the Russian and the British. Rivalry regarding control of the region was called the Great Game but it never erupted into war. Ultimately the southern limit of the Russian empire became also the frontier between present Central Asia and Iran and Afghanistan.

After Moscow lost control over Central Asia the Great Game began again. The key arena is fuel resources, their production and transportation. The Soviet State made important capital outlays in tapping the deposits of oil (Kazakhstan) and gas (Turkmenistan, Uzbekistan) and in building extensive pipeline networks to integrate the use of these resources in the Moscow-led economy. The shortcomings of this system became obvious after the Central Asian republics gained independence. Russians still controlled the access of Kazakhstan's oil and Turkmenistan's gas to world markets, where they now competed with Russians. It became a necessity to find new outlet bypassing Russia, which caused some problems after the collapse of the Soviet Union. This became even more evident as new rich oil deposits were found in Western Kazakhstan (Tengiz and Kashagan off the Caspian shore) and foreign investors are strongly involved in the business.

The Tengiz field is developed by a consortium led by Chevron corp., also joined by the Russian Lukoil in 1995. The Kashgan deposit is being explored by a consortium of nine companies: Philips Petroleum and Exxon (USA), BG and BP Amoco (UK), Royal Deutch/Shell (Netherlands), Agip (Italy), Total Fina (France), Statoil (Norway) and Inpex (Japan).

The other fuel giant in the region is Turkmenistan, which used only 2% of the gas it produced. Traditionally it delivered considerable amounts to other Soviet republics (esp. Ukraine, Central Asian neighbours) but their irregular payment or failure to pay compelled Turkmen to look for more solvent buyers.

Both commercial and geopolitical interests make it necessary to find alternative outlets bypassing the Russian pipelines (for Turkmenistan, also bypassing Uzbekistan). The transport corridors mentioned are available also for pipelines: Transcaucasus, China and also the south. In the west, Central Asian choices will be influenced by Azerbaijan, which also has important reserves on the Caspian shelf. In this direction two options are open: a Transcaspian pipeline over Azerbaijan to a Georgian Black Sea port or over Turkey to the Mediterranean port of Ceyhan. The latter variant is backed by the US and Turkey. In the long run also pipelines connecting Central Asian fuel to Chinese, Japanese and Korean markets may become a reality.

Turkmenistan is also interested in an access to the southern seas, over Iran in the first place. In 1995 the countries signed an agreement to construct a 140 km long gas pipeline from Turkmenistan to join the Iranian pipeline. It remains to be seen how the co-operation between rivalling gas exporters develops. Discussions have been also led about the construction of pipelines from Central Asia to Karachi, Pakistan but their realisation will most probably be delayed.

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