

Written evidence submitted by KSC Group Europe (ECA0004)

Introduction

1. KCS Group Europe is a leading risk & intelligence company operating worldwide and offering due diligence, Know Your Customer, sensitive investigation and cyber-support services to high-net-worth individuals, corporate firms and governments. The group has operated for over twenty years in some of the most difficult and challenging business environments, and is ideally placed to comment on the Committee's enquiry into Central Asian affairs as a result.

Key regional challenges and implications for UK foreign policy

2. Although Central Asia encompasses a broad spread of political and economic variances and there is danger in assuming homogeneity, it is safe to state that the region's primary challenge arises as a prisoner of geography. The 'monoliths' of the global west (Europe and, particularly, America) to the west, Russia to the north and China to the east all view Central Asia as a key economic & political ally, and the assorted nations will be unable to keep all three titans happy.
3. It is argued that this focus on Central Asia – by all three groups – is less out of altruism and a genuine desire to help the region than it is to 'play politics' and ensure that the other two's ability to project power and influence in, and through, Central Asia is lessened.
4. The UK is comparatively 'behind the curve' in terms of engagement with Central Asian nations. The region has never been a priority for British interests since the collapse of the Soviet Union and there is a lot of ground to make up.
5. Economically, the Central Asian region remains extremely poor by developed standards, with the primary wealth of all five nations being tied up in natural resources and which serve to only really enrich the elite. The abundance of oil, gas and precious metals (uranium, gold and so on) means therefore that not only does the region become extremely attractive to outside interests (both national and corporate) willing to adopt an 'any means necessary' attitude to share in this wealth, the enormous amount of money involved, and the corruption that results, means that all are locked in a spiral of domestic corruption and international bad actors.
6. The region is tempestuous politically. There is rising discontent in Kazakhstan over rigged elections and growing protests have been matched by repression and crackdowns – it is possible that the situation will reach fever pitch and not out of the question that Russia might incite and exploit this for its own ends.

Tajikistan and Kyrgyzstan are locked in a border dispute which has seen sporadic violence over the past two years and which may yet erupt into full-on ethnic conflict. The latter is also underdoing a democratic backslide of media suppression and government dictation of narrative, while Turkmenistan slides ever-further into repression due to the family 'cult' of the ruling Berdimuhamedows and Uzbekistan is the subject of intense efforts by China to pull it firmly and solely into the Beijing sphere of influence.

7. The Central Asian region is therefore extremely challenging due not only to its status as the 'prize' in the latest Great Power Struggle, but through negative in-country perceptions that they are a means to an end for the monoliths and fears that Russian aggression, already witnessed on the eve of the war in Ukraine via 'peacekeeping' troops dispatched to quell election violence in Kazakhstan, may be the start of something bigger.
8. The risk is therefore not that the UK may embroil itself in a proxy war with at least two other serious interests (with all the concomitant risks) but that this is unavoidable from the start.

Opportunities and risks of a deepened UK-Central Asian partnership in areas of mutual interest

9. The UK has historically prided itself on a commitment to assisting developing nations (in both the economic and the democratic senses) and Central Asia represents a relatively untouched 'market' to spread mutual economic benefit, and respect for human rights and the rule of law, thus increasing British soft power and esteem on the global stage.
10. Opportunities:
 - a. *Trade*. The UK's relationship with Central Asia is founded almost exclusively on trade and there is significant opportunity to deepen, and broaden, this. For instance, trade with Kazakhstan tops £2bn GBP and while the natural resource extractive industry dominates (both in terms of tenders and part machinery trade), Astana has designs on becoming a technological and financial hub of Central Asia. Both are areas of UK expertise. Uzbekistan has committed over the past half-decade to extensive market reforms aimed at liberalising and safeguarding the activities of private companies and has designs on being the region's 'economic powerhouse'. Uzbek-British trade doubled in 2021 (even accounting for the pandemic) and the government has indicated its belief that it can be doubled again in the coming year. However, there is little evidence of joined-up thinking or strategy on the part of the UK.

- b. *Infrastructure.* All five Central Asian countries are cognisant of the need to improve their transportation and social infrastructure as a vital element of economic uplift. Again, a handful of examples. The UK and Kazakhstan are already collaborating on New Silk Road and Eurasian transit corridor infrastructure and the Gobi Framework, concentrating on development and infrastructure at the crux of society and industry, has been running in Kyrgyzstan since 2019. Additionally, UK universities are fostering closer links with comparable institutions in Kazakhstan and Uzbekistan, building 'mental infrastructure' that is just as important as the physical.
- c. *Human rights.* As a leading voice for human rights and the rules-based international order, and a suitable political/economic partner for at least three of the Central Asian states, the UK has a golden opportunity to ensure that development and human rights are inseparable – for instance, making FDI or trading deals dependant on human rights standards being met, or an ongoing process of scrutinising reforms and freedoms during the course of an arrangement and not being afraid to publicly criticise governments for failure to uphold the standards.

11. Risks:

- a. *Foreign powers.* Moscow views everything through the 'zero-sum' prism of Friend vs Foe with no nuance. A deeper political and economic engagement across Central Asia will put UK citizens, companies, and institutions at increased risk of retaliatory attacks, whether these be in-country via intimidation and violence, or remotely through cyber-attacks. Beijing sees itself (perhaps correctly) as the pre-eminent power broker in the region and, similar to the view taken by Moscow, pursuing an independent political & economic path will be taken as actively working against Chinese interests.
- b. *Corruption.* This is widespread across all of Central Asia, with Transparency Index scores for the five fluctuating between 110th (Kazakhstan) and 169th (Turkmenistan). Corruption is endemic and top-down, with contracts & deals often being decided by bribes/backroom fixes and public sectors riven with vested interests. Lip service is frequently given to the need to combat corruption but domestic efforts are lacking (weak legislative frameworks, institutional bias and ongoing repression against those that speak out) and there is little realistic prospect of removing a practice so entrenched. The government and corporates alike, need to be highly aware that to deepen the UK-Central Asian relationship, necessarily means to be exposed to a greater risk of being subject to, or complicit in, corruption.

- c. *Human rights*. The records of Turkmenistan, Uzbekistan etc on human rights are shaky at best. Without safeguards, the UK risks further accusations of being happy to break bread with autocrats & dictators. The ongoing arms sales to repressive Turkmenistan is a case in point.
12. The greatest opportunity is that there is no unarguable hegemon at the moment. The greatest risk is that everybody wants to be.

Relations between Central Asia, China and Russia – challenges/opportunities for UK foreign policy

13. China and Russia both view Central Asia as their own 'backyard' and will view any deepening of relations with Western powers as at best, unwarranted intrusion and at worst, actively undermining Russian or Chinese sovereignty.
14. Prior to the Ukraine invasion, Central Asian powers aligned to Russia 'by default' – this was a legacy of the Soviet years, with the Central Asian 'old guard' of political and economic elite both naturally wedded to accepting Russian oversight and inculcated against the possibility of divergence. This sentiment has long run deep and allowed Russia outsized influence when compared to what, in reality, it deserves.
15. Central Asia is now (in broad terms) attempting to pull away from dominant Russian influence, with Moscow's pariah status resulting from the war in Ukraine acting as the final nail in the coffin, although this is not the only contributing factor. A younger, more socially engaged population without the memories of Soviet rule-as-standard is pushing for greater engagement with the West and a concomitant acceptance of human rights and freedoms. Kyrgyzstan, Kazakhstan and Uzbekistan have been the most successful in attempting to withdraw from the Russian sphere of influence and embrace democratic norms, albeit that Kyrgyzstan is undergoing an alarming reversal and Uzbekistan risk being exclusively drawn into China's orbit. Of course, Russia will not let its former territories dismiss it so lightly and disinformation, intimidation campaigns and political manoeuvring via the corporate medium should be taken as standard, posing a threat to UK foreign policy in its political and economic forms.
16. China is attempting to fill this gap, made larger by the widening disagreements between Russia and Central Asia over the invasion of Ukraine. The Shanghai Cooperation Organisation has long provided a well-established medium by which Beijing can exert influence, but whereas Russia has always expected political control through post-Soviet entitlement, China has plumped for economic direction through engagement with the Belt & Road Initiative, imposition of debt-trap diplomacy on the

governments and corporates alike, and spending \$127bn USD in regional assistance and loans for infrastructure and development. Put simply, China is attempting to buy its way into Uzbek and Kazakh hearts and minds.

17. UK foreign policy therefore is fighting on at least two fronts, through two mediums. Russia still holds sway among certain sections of the political elite, and certainly through extensive use of the Kazakh and Uzbek markets for shell companies, money laundering fronts and so on – Moscow still has her defenders. Meanwhile, while Beijing is far from the ‘young upstart’, the virtually limitless money being plunged into Central Asia means that Chinese foreign policy could be given first refusal on the international stage.
18. It may be unpalatable, but in an era of increased polarisation where both Russia and China have shown themselves unwilling to subscribe to moral and democratic norms, pouring economic and political support into Central Asia – and moreover, doing so visibly and unashamedly – offers the chance for the UK to assert both itself, and its ideals, on the world stage. However, it must have the confidence to openly set itself against Russia and China in this regard, and the commitment to not back down should either of those, or domestic lobbies within Central Asia, begin to fight back.

Government activity to maximise soft power influence in Central Asia

19. The glib answer to this is ‘not enough’. Activity while in the European Union was minimal, given the EU’s broad categorisation of Central Asia as ‘neighbours of neighbours’, and not given a high priority (an institutional failing that the UK could, and perhaps should, have challenged). EU strategy changed in 2019 to become more assertive but the UK was already in the throes of departure and did not engage on this basis.
20. Trading relationships can be described as solid, but unspectacular. Kazakhstan has already been an economic focus through export growth, although this lags significantly behind other European ratios, e.g., Germany. As previously highlighted the UK is essentially being outspent by China and, while trading and infrastructural developments are being pursued across Kazakhstan, Uzbekistan and Kyrgyzstan, these cannot be matched by Chinese capabilities.
21. UK-Uzbek Cooperation Agreement of 2019 conferred Most Favoured Nation trading status on Uzbekistan as the culmination of three years of creeping democratisation and economic liberalisation following death of Islam Karimov. However, Uzbek trade has decreased over the last two years, proving that the success has been a mixed bag at best; while experts doubt that Uzbekistan’s political system (and by extension its economy) will truly evolve to the standards required.

22. The government needs to face criticism of massively increased arms sales to the repressive government of Turkmenistan since 2017. Implicit in soft power influence is being worthy of said power & influence by peers and this is an acid test for whether the UK can be taken seriously as an influential, democratic voice in Central Asia whilst arguably contributing to repression and human rights abuses.

Multilateral opportunities to promote the rules-based international order

23. The UK's ability (in both theory and practicality) to project the rules-based international order has been diminished by departing the EU. Losing the ability to both present a united democratic front, and be accepted as a key voice within said front, damages UK prospects. Absence at both October's CA-EU Leader's Summit, and November's Samarkand Connectivity Conference was glaring.
24. In order to position itself in the foreground of establishing Central Asia within the international order, the UK urgently needs to get itself 'on the inside'. At an absolute minimum, a cohesive plan (whether unilaterally or a multilateral UK-US deal if one accepts European cohesion is off the table) to match the EU's New Strategy on Central Asia (promoting resilience, trade and connectivity) needs to be put forward.
25. In the longer term, practical measures such as independent trade deals and a UK-led forum allowing for deeper developmental and economic conversations and scrutinising Central Asian performance against political, economic and human rights criteria and offering incentives/deeper cooperation the more each nation meets these standards. This can be as multilateral as you like so long as the UK creates and leads. A crucial factor may be using the UK's historic ties to India and Pakistan to create a third Central Asian bloc to rival those informally led by Russia and China.
26. As part of any strategy, the UK must come to terms with its own role as a facilitator of Central Asian money laundering – for instance Uzbek oligarch Alisher Usmanov, under sanction in the UK but arguably too late – and how the oligarchal class across Kazakhstan, Uzbekistan and Turkmenistan have used the UK property market and corporate system extensively for their own criminal ends. Promoting a rules-based international order, in a region where it is sorely needed and where the UK can be a genuine force for good, means little if London does not face up to its own failings – and its effectiveness will be lessened as a result.

Conclusions & Recommendations

27. The UK must accept that it is a backmarker in the scramble for Central Asia. Russia has long exercised political influence and China is looking to buy itself a compliant and indebted region, while the UK – whether in or out of the EU – has considered Central Asia a third-rate priority at best.
28. It will be impossible to compete with China financially, and while there is a growing regional movement to step away from Russian political influence, this will not be an easy or quick process. The UK needs to consider in practical terms what is feasible and possible, and act accordingly, as opposed to going for broke and pursuing numerous avenues on the basis that one of them has got to work out.
29. This strategy should select uncontroversial industries (such as technology and developmental finance) in the comparatively more palatable markets (so, Kazakhstan and Uzbekistan rather than Turkmenistan) and ensure that the UK is at the forefront of sharing knowledge, developing infrastructure and economic opportunity and defending human rights. A highly selective, targeted approach will not only be more likely to bear fruit but allow the UK to stake out a clear claim when set against the behemoths of Russia and China.
30. Above all, the UK needs to offer a credible path that puts political affairs (not least human rights and respect for the rule of law) and economic development on equal footing. Moscow is losing its influence at least in part because of a refusal to allow the Central Asian countries their own political path, and Beijing's debt diplomacy is only worsening the economic depressions. The UK has the ability to genuinely make a difference through targeted and dedicated support, but only if it does so on the realistic understanding that to go up against entrenched corruption and the twin might of Moscow and Beijing is an extremely delicate, and dangerous, matter.

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