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Russia's War in Ukraine and Its Impact on Central Asia

The Russia-Ukraine war created a great deal of geopolitical turbulence and a host of problems in the global economy. Since the war began, prices for energy and agricultural products have started to rise. Instability in the global economy has different effects on different regions. One of the most important regions affected by the Russia-Ukraine war is Central Asia.

Generally, the attitudes of Central Asian people toward the Russia-Ukraine war are mainly negative. For example, one question in the Central Asian Barometer (CAB) Survey Wave 11, which was conducted in May-June of 2022, asked: "Do you think the situation in Ukraine will have a positive impact on our country, a negative impact, or no impact at all?"

Among respondents from Kyrgyzstan, 36 percent and 34 percent answered that war will have a somewhat negative or very negative impact on their country, respectively. In addition, 35 percent and 20 percent of responders from Kazakhstan also answered that the war will have a somewhat negative or very negative impact on Kazakhstan.

People are mainly concerned about that how war will affect their daily life and purchasing power. High prices in Central Asia have already impacted the public opinion of Central Asian countries. According to the CAB Survey Wave 11 question, "Would you say that you were very concerned, somewhat concerned, somewhat unconcerned, or very unconcerned with high prices in our country?" 32.4 percent and 29.3 percent of the respondents from Uzbekistan said they were very concerned or somewhat concerned about the high prices, respectively. Similarly, 68.7 percent and 25.2 percent of respondents from Kazakhstan say they are very or somewhat concerned about high prices.

The main concern for the people of Central Asia is related to increasing prices of basic necessitates, such as food, clothing, gas, and so on. According to the CAB Survey Wave 11,

18.6 percent and 24.8 percent of respondents from Uzbekistan and Kyrgyzstan think that one of the negative consequences of war will be an increase in the prices of basic necessitates.

People's opinions about rising prices reflect reality. Since the start of the war, the cost of living in the region has risen due to inflation. According to the European Bank for Reconstruction and Development (EBRD), the regional inflation rate remains up at 16 percent.

nergy and food constitute a large part of household consumption. Prices of agricultural products rose after the Kremlin imposed a ban on grain exports to members of the Eurasian Economic Union. In addition to food prices, high gas prices negatively affect households and increase living costs. Gas plays an important role in the energy mix of Central Asian countries, especially Uzbekistan and Turkmenistan, where high prices directly affect people's well-being and purchasing power.

The recent dramatic influx of Russians into Kazakhstan and Tajikistan, in particular, generates mixed effects for locals. On the one hand, Russians generally have significantly higher incomes than local people, and they can contribute to economic growth; on the other hand, they may cause further inflation and lead to additional increases in the price of food, real estate, and rent that have a negative affect on locals.

Remittances are a particular concern. Seasonal migration to Russia provides a major lifeline to the households of Central Asian people because of the more competitive incomes in Russia. In this context, Russia is the first choice of Central Asian people for seasonal migration. According to the CAB Survey Wave 11, 40 percent and 56.6 percent of respondents from Uzbekistan and Kyrgyzstan find Russia the most attractive country for labor migration. Out of all the Central Asia republics, remittances contribute to the economy in Kyrgyzstan and Tajikistan most significantly, amounting to 31.3 percent of GDP in Kyrgyzstan and 26.7 percent in Tajikistan in 2020.

According to the latest EBRD report, Uzbekistan, Kyrgyzstan, and Tajikistan continue to receive remittances from Russia. The volume of remittances made to Uzbekistan in January-June 2022 reached $6.5 billion, two times more than the same period last year. However, despite the increasing foreign exchange flow to Central Asian countries, the large-scale war in Ukraine and the sanctions against Russia lead to uncertainties and complicate forecasts, which may cause unexpected risks for the Central Asian economies in the future. After sanctions, the deterioration of the business environment resulted in instability for labor migrants and caused an unbalanced flow of remittances. With the ongoing war, the reality resonates with people's fear. The World Bank released an estimate that the flow of remittances is expected to decline by 33 percent in Kyrgyzstan, 21 percent in Uzbekistan, and 22 percent in Tajikistan.

Finally, according to the CAB Survey Wave 11, growing uncertainty in international business has different impacts in Central Asian countries. The increasing price of oil and gas in the international energy market generated increasing revenue for Kazakhstan and Turkmenistan and the re-export of Chinese goods to Russia has been a boon for small and medium Kyrgyz businesses. However, despite these positive effects, there is also a range of negative effects. Due to Russia's large-scale war in Ukraine, most Russian projects are expected to remain suspended or be canceled, which will have an impact on employment rates. In addition, rising production costs challenge local businesses. Since February, companies from Uzbekistan, Tajikistan, and Kyrgyzstan have been facing growing production costs or import problems from Russia or Ukraine. As a result, this situation affects their competitiveness, increasing uncertainty, and leading to closures, and further job losses.

To sum up, despite a few positive surprises, the war's negative impacts on regional economies outweigh any incidental benefits. The consequences of war and economic problems mainly overlap with Central Asian people's economic concerns. In the short term, rising energy commodity prices may be a cushion for some Central Asian countries to

decrease the negative effects of the war. However, in the medium term, growing uncertainty in the global economy and new sanction waves on Russia foresee challenges for Central Asian economies and unexpected external shocks.

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