

Central Asia from the Perspective of Hungarian Economic Diplomacy

Péter Bárkányi

Széchenyi István University, Hungary
barkanyi.peter@gmail.com

Abstract: The spring of 2022 marked the beginning of a new geopolitical era, the like of which last occurred in the last decade of the 20th century, and which has since brought about a drastic and fundamental structural transformation never before expected. The “Middle Corridor” - multimodal transport route includes Central Asia - between China and Europe has become more prominent. In an economic sense increasingly open, rich in resources Central Asian countries are increasingly important foreign trade partners also for Hungary. There is much criticism of this Hungarian “Turkic relationship building“, often identifying it with obliterated Turanic sympathies, however in today's crisis, competitive advantage must be exploited of the fact that in Central Asia Hungary is considered “the most eastern of the Western and the most western of the Eastern related folk“. This study aims to analyse the economic relations between Central Asia and Hungary by presenting the typical economic performances of Central Asian countries, with a view to contextualize in a Hungarian economic diplomacy sense.

Keywords: Central Asia; Uzbekistan, Hungary, economic diplomacy, foreign policy, commercial diplomacy

1 Introduction



Figure 1

States of Central Asia (www.vectorstock.com)

Central Asia is the region east of the Caspian Sea, with Russia to the north, China to the east and Iran and Afghanistan to the south. This four million square kilometre area includes five former Soviet republics: Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan and Kyrgyzstan.

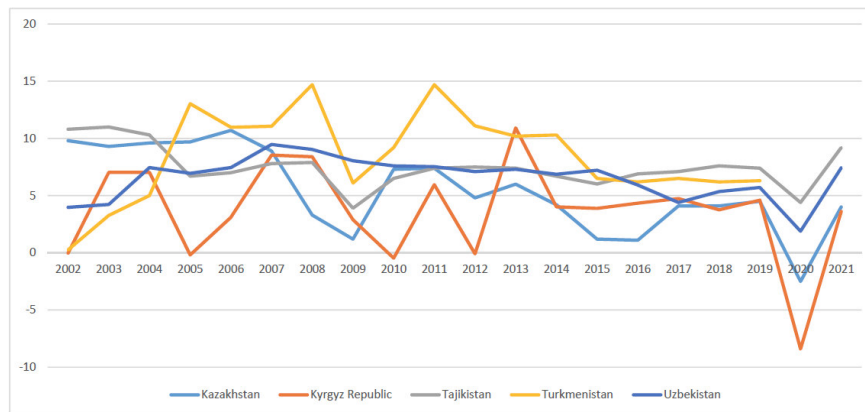


Figure 2

GDP growth in States of Central Asia 2002-2021 annual %: (www.data.worldbank.org)

As of 24 February, 2022, 95% of rail freight traffic between China and Europe was through the northern transport corridor, i.e. through Kazakhstan, Russia and Belarus. However, in the wake of Western economic and financial sanctions imposed on Russia, the Russian freight and logistics sector has come under an increasingly difficult situation, and international carriers are looking for transport routes that bypass Russia. One potential alternative is the so-called Middle Corridor, the Trans-Caspian International Transport Route (TITR), which has been operating since 2017 (Bernek, 2022).



Figure 3

The “Middle Corridor” (Koishibayev, 2022)

The Middle Transport Corridor is not yet competitive compared to the northern transport corridor, despite the huge infrastructure improvements.

Theoretically this may change in the near future, as the EU has a significant interest in developing new transport routes linking China and Europe (Bernek, 2022). However, in reality, the EU should have a clearer and more realistic strategy focusing on Central Asia, i.e. focusing on economic diplomacy instead of classical diplomacy. (Vasa, 2020). In the meantime the in an economic sense increasingly open, rich in resources (Table 1) Central Asian countries are since 2010 increasingly important foreign trade partners for Hungary (Figure 3).

Table 1
Hydrocarbon reserves and renewable energy reserves in the countries of Central Asia
(Statistical data sources of Central Asian countries)

	Uzbekistan	Turkmenistan	Kazakhstan	Kyrgyzstan	Tajikistan
Petroleum (barrel)	600 million (2019)	600 million (2019)	30 billion (2019)	5 million (2020)	12 million (2019)
Natural gas (cubic metres)	1.2 trillion (2019)	19.5 trillion (2018)	2.7 trillion (2019)	6 billion (2020)	5.663 billion (2018)
Carbon (billion tonnes)	1.375 (2019)	No data	26.6 (2019)	1.3 (2020)	4.5 (2019)
Hydroelectric potential (TWh/year)	88.5	24	199	163	527
Solar energy potential (GW)	593	655	3760	267	195
Wind energy potential (GW)	1.6	10	354	1.5	2

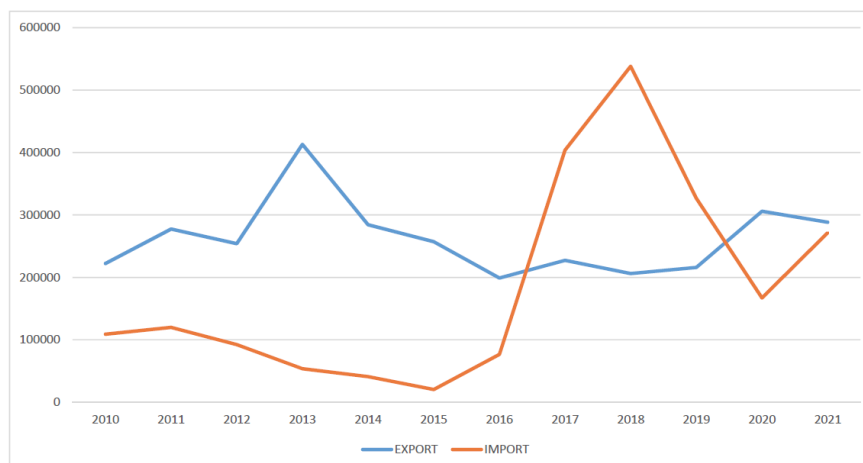


Figure 3
The evolution of Hungarian trade with the countries of Central Asia 2010-2021 Unit : US Dollar thousand (www.trademap.org)

2 Background to the study

In Central Asia Hungary is considered “the most eastern of the Western and the most western of the Eastern related folk“. In connection with this seemingly interesting finding, it is worth reviewing what this might mean for Hungary on the basis of the relevant literature, and how this can be turned to advantage:

By the beginning of the 21st century, many traditional trade barriers have been reduced or eliminated, perhaps the best example of this is the creation of an internal and unified market between all member states of the European Union, and it may give the impression that this trend will continue in the future. We can define four categories of foreign trade barriers (Van Veenstra, Yakop, Van Bergeijk, 2010):

- lack of export knowledge (e.g.: informational barriers);
- internal resource constraints (e.g.: financial or human resources);
- exogenous barriers (e.g.: licensing procedures);
- procedural barriers (e.g.: cultural differences).

In all cases, entry into new foreign markets requires a good knowledge of foreign legislation, cultural differences and local preferences.

Firms need diplomacy to gain foreign market access and to negotiate in foreign market environments, and governments need diplomacy to get foreign firms investing in their home states and to protect their home firms operating abroad. Whereas in the world of diplomacy, commercial diplomacy is a known concept, the concept of economic diplomacy may not be so common. Commercial diplomacy has been with the world of diplomacy probably since the days of bi-lateral international commercial relationship for the purpose of expanding trade and business between themselves. Economic diplomacy is much broader than commercial diplomacy. Its primary objective is to develop policies for economic relations between sovereign States and to make the bases for inter-State economic relations fair and equitable.

Economic diplomacy is primarily concerned with policy-making for economic security of a country by diplomacy and through diplomatic negotiations. These negotiations can take place at bilateral and multilateral bases. Whereas bilateral negotiations which take place between two States, for example, for securing private foreign investment opportunities, or technology transfer or for any other venture between the two States concerned, economic diplomacy at a multilateral platform, such as regional bodies or the UN agencies, aims at developing new rules of State conduct or what should be achieved by the members of the international community for international development in the proper sense of the term. (Chatterjee, 2020).

We can state that in overcoming procedural obstacles, Hungary can gain a competitive advantage over other countries with non-Turkish roots.

In 2010 was the new Hungarian foreign trade strategy defined. One of the prominent parts of which is the so-called “Opening to the East“ strategy, the main goal of which is to expand exports as much as possible to emerging Central Asian countries that are achieving rapid economic growth (Figure 2).

3 Methodology

The focus of international relations (IR) as an academic discipline primarily expand to various issues. Globalization becomes the key term to describe that dynamic, a complicated process that involves multiple aspects of life connecting and exchanging economy, culture, politics, and technology (Campbell, MacKinnon, Stevens, 2010). Using the Decision-making Theory (Chatterjee, 2010) seeks to focus on the decision-making aspects for analyses of IR of nation-states. The subjects of enquiry in this theory mainly relate to issues like how and why ruling elites of states behave in certain ways in IR.

One of the key assumptions of the theory holds that political actions follow ways which the decision-makers as “actors” want them to follow. Therefore, the “how” and “why” of a foreign political action, and the reasons behind it, are the preferred areas of study in decision-making theory. In other words, the setting or background in which policy decisions are made is studied by the theory. Therefore, basic research was carried out in this study, examines the operation of processes or concepts, the data in order to reveal the unknown by satisfying the sense of curiosity.

4 Economic relations between Central Asia and Hungary

Figure 3 clearly illustrates that as a result of the new foreign trade strategies. The most significant in Hungarian exports are the pharmaceutical products, followed by live animals exports and Machinery, mechanical appliances. It is worth examining the reasons for these results (www.trademap.org). The Hungarian “Opening to the East“ strategy announced in 2010 was renewed in 2012.

Within the framework of the Kálmán Széll Plan 2.0 adopted the strengthening of economic diplomacy, i.e. the establishment of a network of foreign trade diplomats, as well as closer cooperation between the export financing state banks, the Ministry of National Economy and the National Foreign Trade Office was emphasized (Government of Hungary, 2012).

The product structure of exports must be diversified, focusing on the following areas: health industry; pharmaceutical industry; agriculture; food industry; vehicle industry; electronics industry; creative-innovative industries; green industries; services.

The relational activity of economic diplomacy must be increased, i.e. the network of foreign trade diplomats must be strengthened, the development of specific business and cooperative relations must be supported in the activities of foreign representation, consultations for strategic partnership cooperation agreements must be conducted in order to create and sign partnership agreements.

I try illustrate the effectiveness of Hungarian economic diplomacy in Central Asia between using the example of Uzbekistan:

In the growth of Hungarian-Uzbek trade in 2017-2021, Hungarian exports increased by 25%, while imports increased by 70%. It deserves special attention that in Hungarian exports, by 270%, commodity group 76 (aluminum and articles made from it), commodity group 70 (glass and glassware; optical glass) by 270%, commodity group 38 (various products of the chemical industry) 167% increased by. In imports, the turnover of commodity group 8 (food-grade fruit and nuts), commodity group 84 (nuclear reactors, boilers, machines and mechanics) and commodity group 52 (cotton) increased by 65%.

The above results could have been facilitated by the strengthening economic diplomatic cooperation, especially if we take into account what happened after (Barkanyi, 2022):

- March 2021 (Tashkent) meeting (Viktor Orbán and President Savkat Mirziyoyev)
- March 2021 (Tashkent) businessman and ministerial meeting
- June 2021 (Tashkent) Foreign Minister Agreement
- June 2021 (Tashkent, Szamarkand, Bukhara) 1st Uzbek-Hungarian Rector's Forum (attended by heads of more than ten prestigious educational institutions in Hungary)
- September 2021 (Tashkent) meeting (Viktor Orbán and President Savkat Mirziyoyev)
- October 2021 (Budapest) customer loan agreement
- April 2022 telephone meeting (Viktor Orbán and President Savkat Mirziyoyev)

- May 2022 (Tashkent) 7th Hungarian-Uzbek Intergovernmental Committee meeting (Deputy Prime Minister Péter Szijjártó and Sardor Umurzakov, Minister responsible for investment and foreign economic relations)
- May 2022 Online meeting: ("Uztoqimaliksanoat" association and Global Faktor Zrt.)
- August 2022 (Budapest) meeting (Ambassador of Uzbekistan Abat Fayzullaev and Miklós Lengyel, Deputy State Secretary responsible for scientific and educational cooperation of the Ministry of Foreign Affairs and Trade)
- October 2022 (Kaposvár) Agricultural fair and the rural development conference (Minister Aziz Voitov and Csaba Gyuricza, Rector of the Hungarian University of Agricultural and Life Sciences)
- October 2022 (Budapest) official visit (President of Uzbekistan Shavkat Mirziyoyev and Ambassador of Uzbekistan Abat Fayzullaev; Deputy Prime Minister Sardor Umurzakov is the head of the presidential administration, Minister of Investment and Foreign Trade Dzhamsheed Hodzhaev is the co-chairman of the intergovernmental committee and 4 other ministers, as well as representatives of the leading business circles)
- October 2022 (Budapest) business forum
- November 2022 (Samarkand) business forum (representatives of more than 50 large Hungarian companies operating in various fields)

The development of Hungarian-Uzbek economic relations in 2021:

- Compared to 2020, the trade turnover of Hungary and Uzbekistan increased by 38% in 2021
- In 2020-2021, despite the negative consequences of the epidemic, it showed growth dynamics
- Richter has been on the Uzbek market for 25 years and is already the 13th largest player
- work plan for the development of Uzbek and Hungarian agriculture, food supply and animal husbandry
- four Hungarian investments can start (vegetable oil factory, vegetable production plant, cattle farm)
- water management framework agreement
- the Uzbek-Hungarian Potato Research Center was inaugurated

- inter-parliamentary friendship and cooperation groups were established in the Hungarian Parliament and the Oliy Majlis of Uzbekistan
- Strategic Partnership Joint Declaration
- Hungarian-Uzbek startup program can start (budget amount of HUF 700 million)
- Hungarian-Uzbek Business Council was established, bringing together 27 Hungarian and 58 Uzbek companies: (chairman: OTP Deputy CEO Wolf László, co-chairman: Adkham Ikramov, President of the Chamber of Commerce and Industry of Uzbekistan; Sectors: agriculture, food industry, food processing technology, health industry, construction technology, water affairs, tourism, ITC, banking and financial services)
- signing of a statement of intent to purchase a majority share by OTP Bank
- (Ipoteka Bank, 5th largest bank, nearly 9% market share, more than 1.2 million retail customers)
- 5-year loan agreement between Mikrokreditbank and EXIM
- the Uzbek Mikrokreditbank buys 300 ATMs from NCR Hungary (EXIM customer loan)
- Interregional Cooperation Agreement

The development of Hungarian-Uzbek economic relations in 2022:

- In the framework of the Hungarian-Uzbek Startup and Research Development Program (February 10): KÜRT Information Security and Data Backup Zrt.'s own developed software (30% deductible, the software can become part of Uzbek university cyber security training)
- in the last 4 years, the volume of bilateral trade has tripled, bilateral trade increased by 48% in the first half of 2022
- the Hungarian Eximbank opened a credit line of 105 million euros
- specific project proposals of branch managers: 2022-2023 industrial cooperation joint programs
- Regional cooperation working groups (Tashkent-Navoi-Jizzakh and Pest-Veszprém-Fejér)
- preliminary agreements for the implementation of joint investment projects:
- high-tech enterprises, production of products with high added value

- Cooperation memorandum: customs, justice, environmental protection, Horticulture, greenhouse, viticulture investments, the Academy of Public Administration of Uzbekistan and the National University of Public Service, the Samarkand region and Hajdú-Bihar, the International Relations Information and Analytical Center of Uzbekistan and the Hungarian Institute of Foreign Trade and Foreign Affairs, the Tashkent State Agricultural University and the Hungarian University of Agriculture and Life Sciences.
- Uzbekistan opens a diplomatic mission in Hungary
- Uzbekistan has appointed an extraordinary and plenipotentiary ambassador to Hungary (Austrian Ambassador Abat Faizullaev)
- defining the program steps of interregional cooperation (joint exhibitions, business forums, trade missions)
- development of joint educational programs
- tourism cooperation agreement
- agreement on the establishment of direct relations between textile enterprises
- The Hungarian study quota in Uzbekistan was increased to 170 (100+50+20= separate scholarships in the fields of medicine, sports and ICT and for PhD studies)
- Agreement on scientific cooperation (Hungarian University of Agricultural and Life Sciences and Tashkent State University of Agricultural Sciences)
- Signing 15 documents:
 - Industrial Cooperation Development Joint Program 2023-2024
 - Scientific and Technological Cooperation Development Action Plan
 - Science Development Cooperation Agreement
 - Action plan for the expansion of agricultural cooperation

Conclusion

Hungary has an extensive foreign representation network that fully – excluding Turkmenistan due to its specific policy – covers – the Central Asian countries:

- In Kazakhstan in Almaty between 2010 and 2014, Hungary opened a consulate general, and a consular office and embassy in Astana.
- In Kyrgyzstan, the Hungarian honorary consulate was opened in Bishkek, then, after 2014, an embassy, consular office and honorary consulate general, and an honorary consulate in Os.
- In Tajikistan in Dushanbe honorary consulate.
- Consular office and embassy in Tashkent, Uzbekistan.

The above are also extremely important strategic steps, because the economic and trade relations with the countries of Central Asia differ from those usual in Europe (Dawisha, Dawisha, 2015):

- Particular emphasis is placed on the development of personal bonds and trust, which can be achieved and nurtured by an active, personal representative with a meaningful presence.
- More active foreign trade with countries outside the member states of the former Soviet Union actually became "available" in Central Asia from the second decade of the 21st century.
- First of all, the Turkish countries have "activated" themselves and are striving to create a unified geopolitical, geo-economic and cultural area, while preserving their national characteristics.

The Organization of Turkic States is of outstanding importance in this, in which Hungary has been participating as an active observer since 2018 and in 2019 was open Turkic Council Office in Budapest.

In the study, I tried to show that Hungary chose the right strategy due to the specifics of Central Asian countries. It is true that, compared to other European countries, it started utilizing the competitive advantage of “the most eastern of the Western and the most western of the Eastern related folk” a little late. However, in today's changing geopolitical situation, the timing does not seem late, because the countries of Central Asia increasingly count on Hungary's support in their opening to the countries of European Union.

Taking into account the growing importance of economic diplomacy in Eurasia, I think it is worthwhile to continue what was formulated in the “Opening to the East” strategy, so that in the long term Hungary does not come out as a “loser” in today's geopolitical reorganization.

References

- [1] Barkanyi P. (2022): A magyar-üzbec gazdasági kapcsolatok fejlődése napjaink válságában. "How do we deal with today's crisis?" – Scientific conference on the occasion of the Hungarian Science Festival, Eger 2022.11.17.
- [2] Bernek Á. (2022): Az eurázsiai középső közlekedési folyosó, vagyis a Transz-Kaspi Nemzetközi Közlekedési Útvonal jelentőségéről. *Eurázsia Központ Elemzések*, EK/2022/23.
- [3] Chatterjee A. (2010): *International Relations Today*. Arete Publishing, pp.35.
- [4] Chatterjee C. (2020): *Economic Diplomacy and Foreign Policy-making*. Palgrave Macmillan, pp.67.
- [5] Campbell P. J. – MacKinnon A. – Stevens C. R. (2010): *An Introduction to Global Studies*. Global Studies, pp. 4.
- [6] Dawisha A. – Dawisha K. (2015): *The Making of Foreign Policy in Russia and the New States of Eurasia*. The International Politics of Eurasia, pp. 4.
- [7] Government of Hungary (2012): Széll KálmánTerv 2.0. *A következő lépés*, pp. 193
- [8] Koishibayev Y. (2022): Speaker 4. Kazakhstan Railways. *Round table in Brussels 15.06.2022. "Transit and Transport Cooperation between Kazakhstan and the European Union: Prospects for the Development of the Middle Corridor"*. <https://middlecorridor.com/en/press-center/news/the-prospects-for-the-development-of-middle-corridor-were-discussed-in-brussels>
- [9] Statistical data source of Kazakhstan: stat.gov.kz
- [10] Statistical data source of Kyrgyzstan: stat.kg
- [11] Statistical data source of Tajikistan: tajtrade.tj
- [12] Statistical data source of Turkmenistan: rus.azathabar.com
- [13] Statistical data source of Uzbekistan: data.gov.uz
- [14] Statistical data source of Central Asia: www.trademap.org, www.data.worldbank.org
- [15] Van Veenstra M. – Yakop M. – Van Bergeijk P. (2010): *Economic diplomacy, the level of development and trade*. *Clingendael Discussion Papers in Diplomacy*, No. 119. pp. 1-31
- [16] Vasa L. (2020): Az Európai Unió Közép-Ázsia-stratégiájának kritikai elemzése. *Európai Tükör*, Évf. 23 szám 1. pp. 53-67
- [17] Central Asia map: www.vectorstock.com