

## POST COVID-19: CHALLENGES AND OPPORTUNITIES FOR THE CAMCA REGION

*We asked several experts to briefly comment on what short and long-term impacts they predict the coronavirus pandemic will have on the countries of the CAMCA region. The insights included below reflect a range of opinions from professionals with varying expertise and areas of interest in order to provide as comprehensive of an outlook as possible.*

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### **S. Enders Wimbush**

*President of StrateVarious Inc. and a former Governor of the United States Broadcasting Board of Governors*

One must use the term “post-COVID-19” advisedly. In much of the CAMCA region, the virus is likely to linger, as states’ efforts to contain it fail, perhaps repeatedly. CAMCA’s stark reality is being surrounded by most of the states with a double burden: the world’s worst recorded infection rates and the greatest limitations on their abilities to control it. Russia, at this writing the world’s infection leader, will be hard pressed to ever contain the virus, short of a killer vaccine of some sort. Iran under-reports infection rates and over-controls information about them, leading to a political neurosis of ineffective mobilization and denial. Turkey has conflated problems of national pride and public health while rejecting help at the expense of torpedoing its already challenged economy. And then there is China.

Being surrounded in this way will change CAMCA members’ geopolitical outlooks, preferences, attitudes, and strategies. CAMCA states will prolong restricting access to their states from the unhealthy periphery. Political implosion in Russia, revolutionary explosion in Iran, economic collapse in Turkey, and aggressive outreach by China are more likely than before. This all matters because the natural reaction by states to insulate themselves from future pandemics will be to localize their supply chains, or to create more secure external supply chains. But in most of the CAMCA region, China, Russia, and to a lesser extent Turkey dominate these supply chains. China and Russia are either the first or second place importers for every CAMCA country except Turkmenistan; and the first or second export destination for all CAMCA countries except Kyrgyzstan, Afghanistan, and Azerbaijan. In contrast, CAMCA countries import little from and export little to each other.

What might we anticipate? First, China’s leverage in the region will almost certainly increase as Russia’s engagement there becomes untenable. Second, the search for secure supply chains should accelerate moves within CAMCA for more extensive regional integration and resource sharing. Third, other actors will see an opportunity in the CAMCA region to fill these supply chains while increasing geopolitical leverage to their own advantage, and they will be welcomed by CAMCA countries. India, Japan, and South Korea seem logical candidates. Fourth, the CAMCA region will thus come to be seen less as a landscape over which Silk Roads travel between Europe and Asia, and more as a distinct destination of value in its own right. Fifth, the U.S. and Europe will recede, the former to the near background, the latter into deep shadow.

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### **Paul Joyal**

*Managing Director for Public Safety and Homeland Security at National Strategies*

The world as we knew it is no more, at least for some period of extended time. The economic devastation will take years to recover to the previous economic levels before the pandemic. The virus will continue for some considerable time. The next two years will continue to challenge all nations until a vaccine has been perfected. The developed world will not fully recover for another five to ten years. CAMCA nations will likely take longer. Countries dependent on the hospitality industry will

have extremely slow economic reconstitution. This is because of two factors: the lack of confidence in international travel and diminished disposable income to venture forth.

Let's consider Georgia for this discussion.

Georgia is a pandemic management success story but the challenge to attract a sizable number of tourists is formidable. Georgia, a country of 4 million people has attracted 10 million tourists in previous years. The challenge of attracting even ¼ that amount is significant. Creative approaches of using the Lugar Center to test tourists, hotel and hospitality workers for the virus or the antibodies could be considered and then certifying establishments, staff and resorts. Other considerations include the introduction of new surface long lasting treatments to provide a coating that can kill the virus for extended periods of time.

Another area where Georgia could excel is developing a consulting industry on pandemic management and prevention planning, considering the various implementation strategies that can be developed for different countries and conditions. The Georgian experience is extremely important and full of business opportunities. Leaders, medical personnel and experts can write about their experiences and how they implement a national plan in articles and even books.

Lastly, a more general consideration for all nations. The ability of nations to adapt their educational and trade skills capabilities to meet this challenge with new industrial production must be seriously considered. Georgia, with its geo-strategic and advantageous geo-location, must seek new economic paths for assembly, manufacturing, agriculture and innovation. The industrial and economic gaps uncovered in this crisis, both in the developed and developing world, can show a path forward.

The lessons for the world evolve around remote working, learning and training. Conferences are now becoming virtual events. Countries need to learn from these experiences and reflect on how business and human evolution can take advantage of these lessons by turning the minus into a plus.



### **Dr. Theresa Sabonis-Helf**

*Adjunct Professor of Science, Technology and International Affairs at Georgetown University*

COVID-19 on the CAMCA region will have two major effects in the 5-10 years future. The domestic effect will be a transformation of the expectations of citizens. The regional effect will be either an intensification of regional interaction or a return to isolation for some or all of the countries.

In the years that followed the collapse of the Soviet Union, many states lacked capacity, resources and the will to provide basic services to their people. Eventually, there was a collapse in expectations of what the state should (and could) do. But COVID-19 demands that the state demonstrate what use it is to its people, showing its capacity and the will to protect citizens. In past eras, external threats – real and imagined – caused the states to focus on sovereignty and minimize threats to human security that did not plausibly threaten state power. This threat cannot be credibly minimized. It can only be met. At present, Kazakhstan, Uzbekistan and Georgia have exceeded expectations, and are enjoying renewed legitimacy. Fearful populations may be willing to sacrifice some liberty and control, but in exchange they will expect two things that are difficult for any state to deliver: truth and results. Since some states in the region will do better than others, there will be a demonstration effect.

In many circles, it is expected that regionalism will strengthen as globalization goals recede. For the CAMCA states, in which ties to each other have often been weaker than ties to more distant allies, the great challenge will be to maintain the regional networks that are only now beginning to take hold. Increased control of the movement of people has already taken place. If the states give in to fanning the flames of nationalism and blaming neighbors, and shut down the trade and transit of goods, Central Asia in particular will find itself back in the self-imposed isolation of previous decades. If, by contrast, Uzbekistan's sharing of PPE with Kyrgyzstan

is an example for future relations, COVID-19 could be an event that helps the region move beyond its games of sovereignty.

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### **Dr. Jacopo Maria Pepe**

*Research Fellow, German Institute for International and Security Affairs (SWP)*

The Post-COVID world will not be an entirely new world but a world of accelerated and volatile changes. The pandemic has acted as a catalyst and an accelerator of already existing trends, both at the global and regional level, such as: geopolitical competition among macro-regional blocks, geo-economic redefinition of value and supply chains at more regional-transregional levels and a path toward a decarbonized world economy.

For the CAMCA region, this post-Covid world bears challenges and opportunities. In geopolitical terms, CAMCA will presumably be confronted with an even more volatile and uncertain geopolitical environment as the distrust set in motion by the pandemic outbreak among the great powers will reverberate on their interactions across Eurasia and the CAMCA space. Macro-regional blocks sealed off from each other are expected to be built, leaving CAMCA exposed to difficult choices, as the increased level of reciprocal mistrust among all the major great powers creates a less stable and predictable environment for the CAMCA countries. However, it also reveals the necessity to continue along the path of greater regional cooperation, which will need to include Afghanistan more than ever.

In geo-economic terms, the fragmentation process of global value and supply chains (set in motion long before the pandemic outbreak) will only be accelerated. In the Eurasian transport sector, the lockdown in Iran and Russia has already affected the CAMCA transport space in two ways: contingent increase of the importance of the Middle Corridor and an increased regionalization of traffic. In a post-pandemic world, CAMCA countries will need to build this contingent advantage as competition among routes will increase, as volumes might decrease, and the timeliness-cost factor will be crucial.

In economic terms, post-Covid CAMCA - particularly the energy producing countries - will be faced by the double challenge of reduced oil revenues and migrant remittances and by the need to invest in social, digital and medical infrastructure. In terms of regional energy projects, the Southern Corridor will be mostly and negatively impacted, particularly in Phase 2.

These changes however will also increase the need and the chance to urgently diversify the CAMCA economic model, giving a potential impulse to the service, transport, manufacturing and renewable energy sector.

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### **Dr. Gulshan Sachdeva**

*Professor and Chairperson at the Center for European Studies at Jawaharlal Nebru University*

As COVID-19 arrived late in the CAMCA region and some of its neighbouring countries, the situation on both the health and economic fronts is still unfolding. Conditions differ - from no reported cases in Turkmenistan, to grim numbers in Afghanistan. Apart from broader demand and supply disruptions, decline in commodity prices and remittances will have a negative impact on specific economies. Growth will also be negatively affected due to disruption in value chains, as well as decrease in demand, trade and investment flows. Border restrictions are causing further harm to landlocked Central Asia and Afghanistan.

As agriculture and basic food items are least affected by lockdowns, countries with a relatively large agriculture sector (Uzbekistan, Tajikistan, Afghanistan) will be slightly better placed.

Reduced fiscal space and demand for spending on health will push some countries to increased multilateral funding. Although a few in the region have started easing restrictions (e.g. Kazakhstan), the situation in large

neighbouring countries (Russia, Iran, Pakistan) is still critical. Additionally, the uncertain political and security situation in Afghanistan has the potential to complicate any regional scenario.

COVID-19 has created some new suspicions between China and India and has enhanced China-Pakistan relations. Due to the serious global economic downturn, some of the Chinese BRI projects in the CAMCA region may require redesigning and re-negotiation, which may create new frictions between China and Central Asia.

In the post-COVID-19 world, Chinese and Russian economic performance, commodity prices, along with political and security developments in Afghanistan, will determine the economic and security status for the CAMCA region. The U.S. withdrawal and its continuing obsession with Iran; strengthened China-Pakistan nexus; political changes in Afghanistan; and frozen India-Pakistan relations will make it more difficult for New Delhi to further improve its influence in the CAMCA region.

This can change with dramatic improvement in India-China ties, which is unlikely in the context of growing Indo-U.S. relations and New Delhi's ambition to keep a favourable balance of power in the Indo-Pacific. Meanwhile, strong presence of Indian IT, pharmaceuticals, automobiles and green technology sectors in the post-COVID-19 years will also be a key factor in determining its role in the CAMCA region.



### **Brenda Shaffer**

*Senior Fellow at the Atlantic Council and Adjunct Professor in the Center for Eurasian, Russian and East European Studies at Georgetown University*

Epidemics are not new to the CAMCA region and historical accounts document many of them. In Genghis Khan's main code of laws, *Yasa*, public health infractions, such as polluting or urinating in rivers, are major crimes, underscoring the importance attached to preventing disease. COVID-19, like other epidemics and pandemics, has affected the CAMCA region; still as in the past, the region will rebound, most likely without significant changes.

The same is true of international energy prices. They can be expected to rebound quickly following a pattern more similar to that of the post-9/11 period or after a major natural disaster than the drawn-out recoveries that typically follow economic recessions. This spring's downturn in global energy prices did not result from an economic crisis, but from the decisions by most countries to impose lockdowns. As these restrictions have begun to be lifted, energy demand is recovering. Indeed, China's oil demand is already back to pre-COVID-19 levels. Large volumes of stored oil will help maintain moderate oil prices for the next couple months, aiding the global economic recovery. However, this will not last for long, and prices are likely to increase sharply in the [third](#) and fourth quarters of 2020.

To be sure, the pandemic has impacted energy consumption trends. Coal is a big loser. With the dip in demand for electricity, coal use has been scrapped first, with more power coming from natural gas and renewables. Demand for liquified natural gas (LNG) has been suffering as well from the drop in electricity demand, and delivered cargos are trading at very low prices. The low-price environment threatens many LNG producers, especially in the United States. If American LNG export capacity declines, this will have geopolitical implications for many countries that depended on these supplies for diversification. It will also create greater demand for pipeline gas supplies, such as from the Caspian. The pandemic has had a mixed impact on renewables. As stated, with electricity demand down, the proportion of renewable generation grew in many markets. However, global investment in renewables capacity and infrastructure has dropped during the lockdowns. Yet, European investment in renewables may soon revive thanks to the launching of a stimulus package with significant subsidies for renewable energy projects.

When it comes to oil and transportation trends, driving miles are likely to increase. Demand for public transportation is down and likely to stay there, with lingering fears of crowded areas. The general ability of

people to “work from home” is overstated, since most of those that write the assessments have jobs of that type, unlike the average worker. Most in the CAMCA region cannot conduct their work from home or via Zoom. These trends will lead to continued demand for oil and thus return of much of the same from the pre-COVID-19 world.

The major energy infrastructure and production projects launched in the region will proceed without disruption despite COVID-19. The Southern Gas Corridor should open in late 2020 as planned. Gas flows have already reached the pipeline sections in Greece and Albania and the completion of the Italian sector is advancing. In the coming years, we are likely to see much more development of energy resources for use in the region and not just for export, as the CAMCA region’s GNP and population grows. Energy companies in the region, such as national oil and gas companies, are [becoming investors](#) in the CAMCA region, and are no longer just recipients of foreign investment. This is a major development in CAMCA.

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### Alex Vatanka

*Senior Fellow and Director of the Iran Program at the Middle East Institute*

The impact of the COVID-19 pandemic is likely to be felt across the Caspian Basin for the foreseeable future. In the short term, the broader Caspian region as a whole has not yet stood out as particularly vulnerable to the spread of COVID-19. This has been true even as some governments in the region – particularly Tajikistan and Turkmenistan – were slow to accept the health and economic risks posed by the pandemic.

On an international scale, the states of the South Caucasus region – Armenia, Azerbaijan and Georgia – have performed comparatively better. Still, this region continues to be plagued by a number of frozen conflicts, including that of the breakaway regions of Abkhazia and South Ossetia in Georgia and the Armenian-Azerbaijani conflict over the future of Nagorno-Karabakh. Such frozen conflicts, combined with limited financial resources, make the regions under conflict particularly vulnerable to the impact of a largescale health crisis.

Fortunately, there has been no sign of conflicting parties in the region seeking to exploit the pandemic to advance their respective agendas. For example, officials in Armenia and in Azerbaijan have even increased the level of consultations as a way of making sure the pandemic would not undermine ongoing peace talks between the two sides regarding the future of Nagorno-Karabakh. The government in Tbilisi also took steps to help the local authorities in Abkhazia and South Ossetia. Similar humanitarian gestures have been demonstrated by Russia toward the breakaway regions of Georgia. The Russians clearly did not want to fall behind Tbilisi’s efforts to win the hearts and minds of the populations in Abkhazia and South Ossetia.

In general, there has been a Western fear that not only Moscow, but also Beijing, have a long-term strategy to look for ways to use the COVID-19 pandemic to undermine Western influence in the South Caucasus and in Central Asia. The EU and the NATO alliance has for some time considered its Eastern flank to be a vulnerable spot in the alliance. Both Russian and China are deemed by Western powers to engage in a multi-level campaign of subversion through a host of measures, including military build-up (by Russia) and appealing to the states of the broader Caspian region by offering economic incentives (by China). In short, while the immediate impact of COVID-19 has been manageable by the states of the South Caucasus and Central Asia, it remains to be seen if the pandemic will intensify geopolitical competition for influence in this region by the principal global powers.



## **Eric Brown**

*Senior Fellow, Asian and Middle East Affairs, Hudson Institute*

Even before the COVID-19 pandemic, the many-faceted “Tech War” between the United States and the People’s Republic of China (PRC) was programmed to intensify. Today’s crisis has only sped up the formation of rival “spheres of technological influence,” with one dominated by the PRC, and another led by a more loosely-knit coalition of democracies. This contest for the leadership of future tech has and will impinge on the CAMCA region in far-reaching ways.

China’s ruling Communist Party was first to grasp that control of the next-generation digital infrastructure through which the world’s data will flow would be a major source of geopolitical power. Through massive subsidy of its own data tech sector and IP theft, the PRC and its “national champions” like Huawei have rapidly come to dominate the rollout of 5G networks around the world, including in CAMCA.

America’s quarrel with the PRC’s bid to give the world a new “operating system” is, at its core, about the defense of human governance, dominance of the industries of the future, and international order. Inside China itself, from Xinjiang all the way to Hong Kong, Beijing has harnessed data tech to build the world’s most advanced police state and subjugate its own people. The U.S. also worries that the PRC, via its state-directed export of its tech-wares and know-how, aims to make other nations wholly dependent on it, and to further use its control of other countries’ data for its own geopolitical gain, including through surveillance, espionage, and political manipulation.

As the 2020s begin, the CAMCA countries have set ambitious digital development plans of their own. Success at this will be key for upgrading the region’s governing systems and unlocking its full economic potential. But, in this, the central challenge will be designing strategies of digitization which ensure that behemoths like Huawei play by local rules. In the last century, different railway gauges demarcated the borders between separate Eurasian geopolitical realms. In much the same way, the setting of data governance standards that serve the people of CAMCA will be crucial to maintaining the region’s sovereignties in the tech wars to come.

So far, democratic nations have failed to offer much of a viable 5G alternative to the PRC one, but this is changing. Emerging “Open RAN” and “virtualized networks” have the potential to disrupt the current 5G landscape and create a pathway for CAMCA countries to pursue digitization with a variety of partners in Japan, Korea, Europe, and the U.S. The open nature of these new technologies also promises to help level the commercial playing field, permitting CAMCA’s start-ups to innovate and compete directly with foreign tech giants in the creation of digitized economies that benefit the peoples of CAMCA—not the interests of somebody else.



## **Caroline Elkin**

*Program Officer for Europe and Eurasia at the Center for International Private Enterprise (CIPE)*

The CAMCA region is experiencing profound economic effects from COVID-19, not only a market downturn, but also steep reductions in the price of oil, the volume of remittances sent to the region, and the value of many currencies against the dollar. As the conversation moves from reopening to recovery, it will be imperative to build more resilient economies.

Small and medium-sized businesses, and individual entrepreneurs, are among the hardest hit by COVID-19 worldwide and in the CAMCA region. Yet they and their counterparts in multinational firms active here are key to short-term recovery and long-term resiliency. Today, we see businesses acting individually to provide

essential equipment and collectively, as business associations, to propose approaches to restarting economies. In the longer term, the private sector can play a constructive role in policymaking and as a voice for integrity.

For example, COVID-19 has prompted a [reevaluation of supply chains](#) that will make regional interconnectivity and access to global markets increasingly important for the CAMCA countries. Businesses and policymakers must work together to [enable the digital economy](#) and reduce [bureaucratic obstacles to trade](#). In addition, businesses and government can build long-term resiliency by strengthening [women's economic empowerment](#) and the role of existing and new women entrepreneurs.

There is also the risk that COVID-19 will heighten corruption, as oversight requirements are waived, or governments backslide on their commitments. In this context, the private sector can uphold high ethical and anti-corruption compliance standards in its operations, which will also position the CAMCA countries to be competitive in new global supply chains. [Collective action coalitions](#) can enable businesses to unite to prevent bribery and other corrupt acts in interactions with officials and other firms.

These efforts will not counteract the individual and global consequences of COVID-19, but they will help the CAMCA region to emerge from this crisis more resilient than before.



### Jonathan Elkind

*Fellow and Senior Research Scholar at the Center on Global Energy Policy at Columbia University*

COVID-19 has brought turbulence to the global energy economy – and to geopolitical relations resulting therefrom. The countries of the CAMCA region, which include natural resource-dependent economies, thus face new uncertainty and change.

The COVID-19 pandemic has brought worldwide economic devastation. Sudden drop-offs in economic activity destroyed budgetary revenues, employment and household incomes. The economic hit arising from the pandemic was deeper and more abrupt than any economic recession in history. With many major economies undergoing lockdowns and personal travel virtually stopped, oil demand has been reduced by roughly 25 million barrels per day in April 2020 – 25% of global demand.

This demand shock came on top of the price war between Russia and Saudi Arabia, a reflection of the two key OPEC+ countries' differences over production levels. Widespread disruptions also struck the electricity industry in many major economies, as industrial demand plummeted by 10% or more, thus reducing fuel demand.

For CAMCA energy producers, one of the core unknowns is how long demand will stay depressed. Will energy demand rebound rapidly, following a “V”-shaped recovery? Or will it resemble a slower “U” recovery, or a “swoosh” reminiscent of the logo of the Nike sporting goods company? Worse yet, will there be multiple rounds of the virus – a “W”? An additional factor for consideration by decision-makers is the pandemic's impact on regional geopolitics. The lamentably incompetent response to COVID-19 by Washington shows once more that today's United States is internally pre-occupied, isolationist-oriented, and suffering from deep divisions. Meanwhile, CAMCA's neighbors are comparatively focused: China is already moving toward economic rebound and seeks to bring other countries into its orbit; Russia faces deep threats from the virus but shows no sign of moderating aggressive policies toward neighbors, especially those with aspirations of independent policies.



## Ambassador Hussain Haqqani

*Senior Fellow and Director for South and Central Asia, Hudson Institute*

Most governments in the CAMCA region have been slow or reluctant in sharing data about the prevalence of COVID-19. But it is obvious that the region will not escape the pandemic's impact. The International Monetary Fund (IMF) predicts that all Central Asian economies will contract in 2020. The key question is whether government stimulus packages, combined with support from the IMF and the World Bank, will prove sufficient in helping post-COVID recovery.

Over the last few decades, this region has built trade and energy connectivity with its neighbors. The closure of borders, return of migrant workers, loss of trade and tourism revenue, and loss of revenue from natural resources (like oil and gas, whose prices have fallen) will hurt some countries more than others.

For example, Turkmenistan was facing an economic crisis even before COVID-19, but the low energy prices damage it further. Uzbekistan will suffer with the return of migrant labor and the economic slowdown will benefit from having a diversified economy. The two poorest Central Asian countries, Kyrgyzstan and Tajikistan, that are heavily reliant on remittances (30% of GDP) will suffer further. Afghanistan, still recovering from decades of civil war and conflict, has also been hit hard by the pandemic. Afghanistan's weak health-care infrastructure, and dependence on its immediate neighbors (Iran and Pakistan) both of which have a high rate of COVID cases, has only made the situation worse for the landlocked nation. The economic crisis and loss of revenue for the Afghan government combined with the return of migrants and the potential for social unrest, is combined with the American military withdrawal from Afghanistan.

As the U.S. withdraws, China – the resident power – that has strong economic ties with all the countries and shares borders with many of them, will have a greater incentive to use the crisis to deepen its influence over Central Asia.

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## PERSEPECTVES FROM INSIDE THE REGION

*Commentary from the CAMCA Network*



## Dr. Bakhrom Radjabov

*National Coordinator of Preventing Violent Extremism in Central Asia project at German Agency for International Cooperation (GIZ); CAMCA Network Member, Uzbekistan*

The world will never be the same again. After the Coronavirus crisis we will not be back to normal. We will be “back to normal with Coronavirus.” Central Asia is not an exception from this global trend. In this context, what lessons have the Central Asian republics learned from this crisis? What challenges and opportunities has the region encountered due to COVID-19?

Clearly, the health crisis first hit medical care systems of Central Asian countries. As per the Global Health Security Index score, not a single country in the world was prepared enough for the COVID-19 outbreak. Based on this index, developing and poor countries were placed below the average, having less access to lifesaving health capacities. None of the Central Asian republics scored above the average. Additionally, not all Central Asian governments reacted to the health crisis rapidly enough.

To support health care systems and economies experiencing difficult times, governments started borrowing from IFIs. It was a timely decision, as the amount of monetary remittances from Russia and Kazakhstan is expected to decline by up to 28%, trade and investments have been mostly put on hold, and households and individuals employed in informal sectors have been left without income and savings. Thus, the need for



financial stimulus packages and the governments' support of business enterprises and various economic branches was absolutely required just to "keep the lights on."

Remarkably, Central Asian states have used the coronavirus crisis as an opportunity to intensify regional cooperation. For instance, Uzbekistan is demonstrating exceptional leadership and political will to collaborate with neighbors for the sake of technical and humanitarian support. Therefore, it has been fairly mentioned by ADB that Central Asia can respond to similar crises more efficiently in the future if it has a regional approach to the problem.



### **Iskander Akylbayev**

*Executive Director of the Kazakhstan Council on International Relations; CAMCA Network Member, Kazakhstan*

In 2020, the world entered its new normal. Amidst ongoing geopolitical turbulence in the Middle East, rising tensions between the U.S. and China as well as emerging global high-tech competition, the COVID-19 pandemic became the final element of the "perfect storm." The global lockdown has been challenging the way in which we perceive world politics, foreign investment policies, banking systems, education, daily routines and individual habits. The result of such an unprecedented phenomenon will leave its mark, be it positive or negative. The pandemic has certainly accelerated various processes and the future has come to us earlier than we expected.

The very notion of "people-to-people" exchange has been transforming from physical to digital interaction, which means that the post COVID-19 CAMCA region will be digital. It will require new measures, strategies and skills for the network to operate in this unpredictable environment.

However, standing at the crossroads of a new era, the CAMCA region may come out of this global crisis even stronger. In order to overcome the invisible threat that has already taken thousands of lives around the world, we have to strengthen collaboration and knowledge exchange across many sectors and spheres. The post-COVID-19 world will not be the same, yet, it is up to us to win this battle for our shared future.



### **Anar Jahangirli**

*Advisor at Executive Communications Regional Municipality of Peel, Ontario; CAMCA Network Member, Azerbaijan*

It is no longer a novelty that the world is going through yet another change. This is not an unprecedented time as many have claimed. We have seen similar pandemics and calamities in the past and humans have survived. The magnitude and severity of some of them have been many times larger than that of the current crisis. What we know now, however, is that life will not return to "normal" unless there is a vaccine or a cure. There is one more way to approach it – to change our perception of "normal."

What does it mean for the CAMCA region and are there opportunities to harness the region's potential for its prosperity? Yes, there are, and they lie in lessons learned. This crisis will teach good lessons, but it will be up to us to learn them. Here are some lessons learned, to name a few:

- Planning – Plans are nothing, planning is everything. We will have to learn how to plan for times of crises and how to collaborate during one.
- Prevention – Preventing similar or worse pandemics is important. We will have to direct massive investments to science and research, find cures and develop vaccines.

- Innovation – Unleashing the potential of the region by investing in people. We will have to improve the way innovation is perceived in our societies, so that it is promoted, instead of curtailed.

If the ultimate goal of the countries of our region is defined by the prosperity of its people, then we should be able to learn these lessons and move forward.

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### **Rusudan Mamatsashvili**

*First Deputy Head of Georgia's National Tourism Administration; CAMCA Network Member, Georgia*

The world tourism industry has started to awaken, but it is yet to rise from the ashes amidst the worst crisis since 1950 according to the UN World Tourism Organization. The latest UNWTO study shows that COVID-19 has caused an over 22% decrease in international tourism in the first quarter of 2020. As a result, an annual drop in arrivals could range from 850 million to 1.1 billion in 2020. Loss from international tourism could exceed 1 trillion USD in 2020. To make matters worse, up to 120 million people directly employed by the industry are at risk of losing their jobs. Countries around the world have adopted sweeping measures to contain COVID-19. Most destinations have introduced full lockdowns, and over 70% of them have completely closed their borders. The CAMCA region was no exception.

As CAMCA countries begin easing lockdown restrictions, Georgia will be the first country to open its borders and welcome international tourists. The country is creating travel corridors via bilateral agreements with similar coronavirus risk profiles. Strict safety regulations will be in place for the whole tourism sector, including hotels, restaurants, transportation, travel companies, etc. The Georgian hospitality sector has gained an invaluable experience operating amidst the coronavirus outbreak. Over 85 major hotels in the country received around 22,000 people in 14-day mandatory quarantine starting from mid-March. The international acclaim that the country has received for its successful fight against COVID-19 will serve as a steppingstone in repositioning Georgia as a safe tourist destination.

While it is still uncertain which source markets will be opening first, CAMCA countries could focus on domestic tourism and cross-border travel. However, there is no better time to develop sustainable tourism which will be in high demand once international travel resumes. This is a unique chance for CAMCA countries to capitalize on their rich natural and cultural resources and offer unparalleled travel experiences.

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### **Almas Otyunshiyev**

*Deputy General Director at BDO Outsourcing Kazakhstan; CAMCA Network Member, Kazakhstan*

COVID-19 has suddenly entered our life and is impacting people everywhere. We can firmly state that the virus has had more economic impact rather than epidemiological: borders between countries are closed, people are staying at home, businesses have been halted and some sectors like tourism and entertainment are almost bankrupt. However, the geopolitical crisis between the U.S. and China that began before COVID-19 will have a much more important impact on some regions of the world, particularly for CAMCA countries.

On the surface we can state that COVID-19 has triggered changes in the relationship between the U.S. and China. The latter, being the second economic power in the world - with some experts stating that it is already the first one considering its purchasing power parity - had begun to expand its power to other countries, especially to its neighbors, with the One Belt One Road Initiative as a prime example. Chinese investments in CAMCA countries are wide-reaching and will impact the internal political life in various countries of the region. Financial and economic crises in CAMCA countries, which we have already observed, may lead some of these

countries to seek even more financial support from China. For, who else can offer support during this turmoil - the U.S., Europe, Russia, India, Iran, Turkey? It seems that China is the only one.

But the main element we need to consider carefully: today China faces its own internal economic crisis, not only because of COVID quarantine measures, but primarily due to the country's previous lack of export revenue. Global consumption of Chinese goods has significantly decreased, and Chinese exporters already feel it. The halt of manufacturing and exports has strongly affected the entire economy of China.

Therefore, CAMCA must save its economy on its own. No external power can help. And this unique situation poises an opportunity to demonstrate how countries of the region can rise to the challenge and pass this stress test. While the world becomes less globalized due to the pandemic, regional cooperation for the sake of survival will be the only way forward for CAMCA. United we are strong!

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### **Yernar Zharkeshov**

*Principal and Head of Eurasia Office at Whiteshield Partners; CAMCA Network Member, Kazakhstan*

CAMCA countries' labor markets need to come out of the COVID-19 pandemic resilient and antifragile. But how? Currently, there is a common consensus that the global pandemic will have severe effects on unemployment, at least in the short-term. Kazakhstan's labor market has been facing the shock of a collapse in oil prices and the lockdown of the economy due to the COVID-19 pandemic. According to economic models developed by Whiteshield Partners, a global strategy and public policy advisory firm, Kazakhstan can expect a rise in unemployment in 2020 of between 550-600 thousand people due to COVID-19. This represents a staggering 6-6.5% of the country's official workforce.

Sustaining business operations and employment will be especially tough for SMEs, given the lower levels of cash flow and liquid assets on which they operate compared to larger firms. The self-employed, informal workers and low-income segments of the population are at the highest risk of being marginalized in a fragile labor market.

As CAMCA countries are coming out of lockdown, working remotely has become an integral part of employment for many people and could persist beyond the crisis despite barriers related to IT infrastructure, cost of internet and skills gap. Productivity will be measured based on outputs rather than hours with employees becoming more independent in managing their time.

For CAMCA countries to become resilient, it is time to intensively draw lessons from each other's response measures, as there is no silver bullet or best practice from advanced economies to easily import. Digital CAMCA is now becoming a 'must-have', not a 'nice-to-have.' We need a robust and evidence-based method to make informed decisions. A good case in point is Whiteshield Partner's proprietary [WSP-Navigator™ technology](#) that integrates highly advanced modelling techniques with innovative data visualization tools to support decision-makers when the stakes are highest. It provides a set of measures in economic, social, and technological directions for the system to sustain, recover and grow in the post-Covid19 setting.

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### **Irakli Laitadze**

*Chief Financial Officer at GMT Mtatsminda; CAMCA Network Member, Georgia*

As an unprecedented disaster, COVID-19 requires unprecedented restrictions - any of which implemented in the pre-COVID era in the CAMCA region would likely have drawn harsh criticism from western states. However, COVID-19 has presented a bonanza to the regional would-be autocrats. Public health safety measures are double-edged swords in the hands of strongmen. Pandemics appear as an

impenetrable screen for ostensible government activity in the name of public health protection. Behind this cover, the restrictions of freedom and invasions into the private lives of citizens can go with impunity. Once a state encroaches upon the liberty and privacy of its citizens, it will become rather unwilling to cede its power. In the post-COVID era, CAMCA countries with weak democracies and feeble institutions are in danger to be further locked in the golden cage of their own states.

Amongst many others there is another danger looming: oligopoly. The SMEs are first to be massively damaged due to the absence of cash cushions and tight balance-sheets. The majority of SMEs operate in sectors most heavily hit by the pandemic: hospitality, leisure and retail trade. This vacuum will be filled by bigger players creating the oligopolistic markets, thus further exacerbating already salient economic inequalities in the CAMCA region.

What are the opportunities stemming from the above-mentioned issues? Not many, probably. The claim of wannabe omnipresent states to be successful in the battle against the pandemic can be annulled by successful examples of established democracies (e.g. Germany), thus discarding the necessity of states' omnipresence. This might strengthen the will of CAMCA societies for the need of smaller states based on effective institutions.

The issue of oligopoly is trickier. Perhaps the fury of those who have been left behind will push for more reforms. All of the above-mentioned are yet to be seen. For the moment the tide is moving in an unfavorable direction.



### **Gaukhar Nurgalieva**

*Head of Eurasian Studies at Skolkovo Institute of Emerging Market Studies; CAMCA Network Member, Kazakhstan*

Digitalization of the economy, specifically in trade, is a new necessity for any country in the world to remain competitive. One observable impact of COVID-19 in the CAMCA region is identified vulnerabilities in electronic trade that enables decision-makers to promote policies aimed at removing barriers to e-commerce domestically and internationally as a systemic measure.

Local governments have encountered multiple drawbacks and restraints, ranging from technical issues (overload of traffic and failed servers) to delivery associated problems, and regulatory, both national and supranational. Opportunities in digital trade and adjacent industries evolve out of bottlenecks.

Windows of opportunity are open for entrepreneurs willing to provide IT solutions for businesses, courier services, and legal and financial advisors that can assist in the e-commerce environment. The challenges that are unique to the CAMCA region come from a geographic standpoint: the majority being landlocked countries and having infrastructure restraints. Also, due to vast territories there is a low population density which undermines the economy of scales for any business, including e-business. However, with e-commerce, local businesses can reach more consumers in the global markets after finetuning their operations and building competitive advantages.

Shared challenges with the rest of the world include cybersecurity measures, digital signing of contracts, proving and the protection of digital identity, electronic payment issues, and increased competition to access international markets and competing with all players.

Nevertheless, we should focus on the opportunities as the magnifying effect that digital commerce has on other supporting and adjacent industries such as courier and transportation, telehealth and distant educational services, web and IT technical support, digital business systems, and on the development of a country. These advantages outweigh challenges in the long run. Moreover, perceiving the crisis as an opportunity, CAMCA governments and businesses can upgrade digital development programs and invest in more technical training of employees, explore services that can be offered online and as such, address immediately the existing territorial and infrastructure challenges.



## **Talgat Imangaliyev**

*General Director at WorleyParsons Kazakhstan and Kyrgyzstan; CAMCA Network Member, Kazakhstan*

Less than a month ago the WTI plunged into negative territory: an unprecedented situation for a commodity that had made companies and entire nations extremely wealthy and powerful.

Markets had been moving rapidly toward an extensive oversupply since the Russians walked out of the OPEC meeting. Politics, COVID-19 and the resulting worldwide economic slowdown has created a perfect storm for the oil industry with demands being drastically reduced.

Kazakhstan's oil and gas and related industries began to feel the effects early in the year. Unfortunately, transportation costs remained, and so did the high costs of production, which quickly began to cripple the industry. The spread of COVID-19 and imposing quarantine measures made matters worse as oil workers tend to work "rotations" and are housed in camps, further jeopardizing the wellbeing of workers and production at their facilities. Shrinking margins, calls to cut production and a need to recover multi-billion-dollar investments quickly led to a cut in spending. The immediate impact saw thousands of people on unpaid leave, which will eventually become unemployment for those in the petroleum service industry and eventually the operators.

Regionally this will make matters worse for the seasonal workers from neighboring countries that traditionally relied on the shortage of blue-collar specialists in Kazakhstan, as plenty of Kazakh nationals are now competing for the same jobs. Many cannot even return to their home countries due to closed borders, which also puts a halting stop to any regional trade, further driving the income shortage.

As Kazakhstan has won praise from the WHO for its handling of COVID-19, this will hopefully be replicated through the region. A need for speedy economic recovery will be of utmost importance as well as the balance of measures needed to protect people from the spread of the virus. Joint regional response and combined efforts could be a solution as recognized by the Baltic states – phased, gradual opening-up on the regional level could be a key to further regional cooperation, at least on the Central Asian level.



## **Ambassador Wahid Waissi**

*Ambassador of the Islamic Republic of Afghanistan to Australia, New Zealand and the Republic of Fiji; CAMCA Network Member, Afghanistan*

The response to the current unprecedented global slowdown due to COVID-19 requires an equally unprecedented level of solidarity and economic cooperation among landlocked and developing states in the CAMCA region. Having passed the first stages of fighting the adverse impacts of the outbreak on our public health, the second wave of the global slowdown will entail the risk of significant economic

backlash in the aftermath of the COVID-19 pandemic. This calls for greater geopolitical and economic integration measures.

The impact of globalization on our region in the pre-COVID-19 era was not an unusual phenomenon. The global economy had been pushing hard to define its inter-connectivity as one of the merits of globalization. As a result, the CAMCA region was acting in a more global-oriented fashion rather than regionally-oriented.

The CAMCA region is a respectful community with a shared history and culture. In the face of the outbreak, and given trillions of dollars underground, the path to overcoming the negative impact of the economic aftershock lies within the region's geo-economic sphere. In response to current and future threats, the pandemic has already provided a fresh opportunity for these regional states to act together, reassess their inter-connectivity and strengthen cooperation and communication at all levels. The CAMCA region has a range of opportunities for forming special foreign and political relations for security cooperation and to re-evaluate its

potential to reduce dependency on traditional and particular markets. The region can also explore a variety of paths to remove barriers for the transit and trade of essential goods, keep markets open for new investments and encourage innovative business ideas. Other avenues include accelerating information technology and virtual communication, maximizing agricultural and industrial production, and maintaining food security, strengthening the regional supply chain and developing regional emergency response and coordination.

Regional cooperation is vital in minimizing the impending shocks of the post-COVID-19 era and its socioeconomic impact. There is no time more crucial than now for the region to unify its interests by redefining mutual commitments and enhancing bilateral and regional trade and cooperation. This would support all states in the region in passing through the second stage together successfully, instead of progressing individually, leading to uncertainty.

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### **Ermek Baisalov**

*Editor of Central Asian Bureau for Analytic Reporting (CABAR.asia); CAMCA Network Member, Kyrgyzstan*

We all know that some of the countries of the CAMCA region are heavily reliant on wire transfers from their compatriots working in adjacent countries rich in mineral resources, such as Russia and Kazakhstan. Given the travel ban and restrictions between the countries and overall economic downturn in such countries, partially related to the oil price plunge, we will see significant negative impacts on the income of the population. Such a difficult economic environment has traditionally caused criminal and security issues, which needs to be closely monitored at this time.

Nevertheless, there are also new opportunities created for the local producers of the various goods needed to fight the pandemic and food producers which can help with necessary food security in light of recent shortages.

In terms of the economic situation and the banking sector, the issues are similar to those we observe in western countries. Specifically, there is a likelihood of the deterioration of the quality of the loan portfolio, both in retail and commercial banking, due to the freeze of economic activities during the quarantine period. Additionally, as previously stated, we are observing historically low oil prices which contributes heavily to the economic well-being of some countries within the region such as Kazakhstan and Azerbaijan.

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### **Enerelt Batbold**

*Director of the Finance Department/ Chief Financial Officer at Mongolian Railways; CAMCA Network Member, Mongolia*

Mongolia shut its borders with China on January 27<sup>th</sup>, 2020 and closed all schools, kindergartens and public gatherings as preventive measures against the COVID-19 outbreak. International borders remain closed and only charter flights repatriating Mongolian citizens who were abroad are allowed to land. The first case of COVID-19 was reported on March 10<sup>th</sup> and as of May 18<sup>th</sup>, 136 cases (all imported) of COVID-19 had been confirmed in Mongolia. The State Emergency Commission announced its decision to further extend the current preventive measures until September 1<sup>st</sup>, 2020 by which Mongolia seemed to grasp full control of the virus outbreak since the outbreak began. However, the outbreak is quickly evolving from a health emergency into a full-blown economic crisis, spreading rapidly throughout the financial sector and the real economy.

Mining products make up 87.1% of the total export revenue, making the Mongolian economy extremely sensitive to imports and exports. Reduced demand for raw materials and lower commodity prices caused by the slowdown in the People's Republic of China (PRC), and now the COVID-19 outbreak, has significantly reduced exports of coal, copper, iron ore, zinc, and crude oil, pushing growth down further.

Several downside risks loom on the horizon. Deeper and more prolonged consequences from COVID-19 may cause even lower growth in 2020 than projected, raising unemployment rates, and imposing major pressures on the balance of payments and the fiscal position, investors are now less willing to take on Mongolia's debt and engendering a liquidity problem for the banking system. In addition, household indebtedness has posed a greater risk exposure for nonbank financial institutions. Asset quality in the banking system could be jeopardized, causing a credit crunch with adverse effects on economic activity. The upcoming parliamentary elections are also raising greater uncertainty where preventive policies could be neglected in the foreseeable future.

It presents a menu of possible policy responses based on past episodes of economic distress, as well as a quick scan of interventions recently announced across regions. The initial interventions from the Bank of Mongolia were to lower its policy rate by 1.0 percentage point, and the reserve requirements at banks by 2.0 percentage points. However, taking into consideration the immediate implications of COVID-19 as the outbreak unfolds, as well as challenges that will remain once the pandemic is contained and recovery begins, in terms of economic interventions, the Government of Mongolia has been mostly idle.

Nevertheless, Mongolia has pursued rather unconventional methods with continued financing of large-scale infrastructure projects. Despite the crisis and the slowdown in economic activities, the Government of Mongolia has prioritized a decision to complete the 700 km railway project by the end of this year. Current construction of 267 km railway from the Tavantolgoi deposit to the Chinese border (Gashuunsukhait) and 414 km railway to the Zuunbayan station is now considered to be by far largest-scale railway construction in the world today. Given border closures, it has presented a challenge on the supply side, where international railway construction companies and expatriate workers haven't been able to assist in the project. However, this provided an opportunity for private domestic and state-owned companies to build railway with the help from military, which makes this the very first mega project developed by Mongolians. This in turn has already led to substantial benefits - lowering costs of construction, alleviating unemployment, and building confidence in the economy. The completion of the new railway network is expected to improve the competitiveness of commodities transportation by reviving idle mines in the region to further boost exports.



### **Dr. Roman Vakulchuk**

*Senior Research Fellow at the Norwegian Institute of International Affairs and Co-Founder of the Central Asia Development Institute in Kazakhstan; CAMCA Network Member, Kazakhstan*

After the global pandemic, Central Asia could benefit from accelerating its path towards the adoption of renewable energy and becoming an attractive destination for green energy investment. The region has a significant potential for renewable energy.

The global pandemic has put the economic resilience of Central Asia to the test. It has coincided with a major global disruption of oil markets, exposing the vulnerability and unsustainability of excessive reliance on fossil fuels as the main export commodity. Low oil prices, plummeting demand for fossil fuels, global decarbonization and decreasing costs of renewable energy are already converting oil and gas reserves into stranded assets globally. A European carbon border tax that may soon be adopted will increase the economic costs for countries that use fossil fuels in their industrial production. Regional oil and gas exporters – Kazakhstan and Turkmenistan – can thus no longer rely on hydrocarbon exports as the main source of revenue. Now is the right time for Central Asia to reduce risks by promoting energy diversification and prioritizing *renewable energy*.

According to the International Energy Agency, COVID-19 has become a stress test for power grids and shows how important renewable energy is for power balance. The use of electricity is rapidly growing and is likely to continue after the pandemic is over. In this regard, a severe challenge for Central Asia is the ageing fossil fuel-based power infrastructure that requires modernization and adaptation to green power generation.

After the pandemic, Central Asian governments could promote decarbonization, significantly increase the renewable energy targets in the power mix, streamline feed-in tariff and auction policies for solar and wind energy, and adopt clear and robust fiscal policies. Good governance and effective pro-renewable policies are key factors for joining the global energy transition and becoming an attractive destination for renewable energy investment.

Failure to catch up with the global energy transition also carries geopolitical risks. In the Index of Geopolitical Gains and Losses after energy transition ([GeGaLo Index](#)) for 156 countries, Kyrgyzstan is ranked no. 36, Kazakhstan no. 116, Uzbekistan no. 137, Turkmenistan no. 145. The sooner these countries launch large-scale green energy reforms, the more they can benefit from the energy transition. Only Tajikistan, ranked no. 18, stands out as a clear potential winner. Yet, to achieve this, immediate reforms favoring renewables are required.



### **Zuhursho Rahmatulloev**

*Co-Founder of Alif Bank in Tajikistan and CEO of Alif Moliya in Uzbekistan; CAMCA Network Member, Tajikistan*

The topic of the post-COVID-19 world is arguably going to be the “hottest” intellectual subject as we all go through the crisis that is unfolding before our eyes. If we set aside speculations about the future, for most of us, it should be a time of reflection and potential overhaul of systems that we have some control over.

For example, some of us are in the private sector: we may change the way we do business in the post-COVID-19 world, as we may consider investing more in crisis management instruments to protect our business interests in similar unprecedented events. Following this logic, we should be expecting governments and regional organizations to review their modus operandi in the new world. Therefore, prioritizing measures towards e-government and the digital transformation of regional economies should be on the table for consideration.

In Uzbekistan where I am currently stationed, the government is signaling its commitment to strengthen its digital stance in the face of the onslaught of an offline economy due to forced social distancing policies and the strict country lockdown. The winners turned out to be IT-friendly organizations and those that were quick to adapt to make money while people are locked in their homes. The problem is having a small online economy where effective social distancing is possible. This is arguably the case across the region. Therefore, opportunities will be dependent on the ability of regional countries to effectively and methodically implement necessary reforms to go digital. That said, a fear of similar events in the future can be a powerful trigger for governments to revitalize their economies through investments in information technology. In conclusion, this positive development should lead to improved economic efficiency and resilience.