

# Silk Road opens Central Asia to European pro AV

By Adrian Pennington

Originally published by AV Magazine, 8<sup>th</sup> May 2018

China's new Silk Road vision is helping transform the region from 'land-locked' to 'land-linked' between Asia and Europe, says Adrian Pennington.



The group of countries unlocked from the Soviet Union and collectively known as the 'Stans' could be the most potent market for AV growth in the next couple of decades.

Yet they hardly register today on the sales network of most vendors. This is unsurprising if you consider that Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan and Turkmenistan only gained independence in 1991 following the dissolution of the Soviet Union.

Considered another way though, the massive landlocked area straddling Istanbul and Beijing has always been a driving force for trade symbolised by the traffic of silk fabric from China to Europe's elite by way of Venice beginning around 114 BC.

Time for reassessment

The region demands to be reassessed from the standpoint of the west's skewed political and culture perspective. Historian Peter Frankopan, for one, persuasively argues that the rise and fall of empires for centuries and the wealth of Europe and (the

new world of the Americas) is entirely founded on the flow of goods and ideas from the east.

It helps that travel restrictions have been eased in Iran following the international agreement in 2015 on the future shape of Iran's nuclear programme and the ceasing or reduction of hostilities and tension in neighbouring Iraq, Afghanistan and Pakistan. The pro AV market in Iran has been on the rise since EU trade sanctions were lifted in 2016.

In its most recent report into the state of the world's AV economy, InfoComm/AVIXA cuts the region out almost entirely. Its global Outlook and Trends Analysis (IOTA) considers Asia Pacific including China and the Indian sub-continent but stops short of anything further west. The Stans, though they are not explicitly mentioned, are bracketed under East Europe. In its analysis, Central Europe includes Turkey and anything to the East, principally Russia, is given a Eastern Europe section.

### **Fast growing segment**

With that caveat, this region is considered Europe's smallest market, generating a mere \$2.9 billion in 2016, but "because of its relative immaturity" it also represents Europe's fastest growing AV segment. Through 2022, the report anticipates that the region's value will increase by nine per cent on average, year-on-year.

"The region's principal headwinds are most likely to form in its single-largest territorial market: Russia," it states while noting that the Russian economy as a whole remains mired in near-zero growth, inflation remains a few percentage points north of healthy, and wages are stagnant.

The next report may look a little different as China's 'Belt and Road' initiative ploughs through Central Asia and the Caucasus. This is an infrastructure project expected to significantly accelerate and reduce the cost of goods delivery overland from China to Europe.

### **A New Silk Road**

Chinese president for life Xi Jinping wants to build a New Silk Road, in large parts along the old trade route. Many of his recent speeches on the subject have included

references to “yi dai yi lu,” or “a belt, a road.” It is a gigantic project, and China envisions about 60 countries being involved, or about half of humanity.

Specifically, Beijing has earmarked \$40 billion (€36 billion) as well as using a U\$100 billion fund from Asian Infrastructure Investment Bank. This is being invested in building new roads and in railroads, pipelines and ports. Two railroads, for example, lead to Germany, one from Zhengzhou to Hamburg and the other from Chongqing to Duisburg.

All routes pass through the Stans and the chief beneficiary appears to be Kazakhstan. As an example, take the barren wilderness close to the Kazak border with China. This abuts the Pythonesque sounding ‘Eurasian Pole of Inaccessibility’, meaning that nowhere on the landmass of Europe and Asia is more distant from the sea. Since passing through here is also the shortest route as the crow flies from Beijing to Europe the site is set to a new frontier of global commerce.

## **Transport hub**

Chinese state-owned shipping firm COSCO has invested heavily in the spot to create transport hub, the Khorgos Gateway, a ‘dry port,’ for handling cargo destined for train transport over Kazakhstan’s new U\$20 billion rail network.

By 2020 Khorgos aims to have handled 500,000 containers – more than five times the amount it handled in 2017, even if that target is only around one per cent of the volume of goods that travel from Asia westward by sea.

“The main demand we are seeing is from Kazakhstan and Turkmenistan and in these countries we see the impact of major government infrastructure projects in airports and transport links trickling down to the private sector,” says Myriam Calaber, European sales director at Exterity.

Exterity began its attempt to build business in the region six years ago and this investment has started to bear fruit. A key reference is the outfitting of a major hotel in Ashgabat, capital of Turkmenistan, with its IPTV system. It’s a sign of the region’s international business and tourism potential.

The (hotel project) is a sign of the willingness of this country and across the region to open to tourism,” says Calaber hinting at a forthcoming new project in the hospitality sector.

The company partners with Turkish-based distributors and integrators and says such partnerships are nigh on essential for anyone thinking of doing business there.

“Our partners have to be established in each country whether Turkmenistan or Uzbekistan. It’s mandatory for developing business in the region. You must be aware of local business rules. There are countries where product need to be approved by government for import. The best way is to rely on local partners with this knowledge and local relationships.”

Dataton works with partners in CIS, Dubai and Turkey, as well as directly through local partners.

“We think it is important, long-term, to raise the level of technical expertise in every market, so that local teams are up-to-date on our technology, even if the main contact is in a different country,” says Michael Engström, key account manager, Dataton. “It’s a vast region and there are huge differences between countries. The key is to locate good local partners who both know what they are doing and have a clear understanding of how the system in that country works.”

He adds, “The greatest challenges are in the cultural differences, both regarding business practices and what customers want to show. In some of the more remote – and even less remote – regions, there are also infrastructure challenges that can affect projects. If a site is very inaccessible, or you can’t ensure a stable power supply, you need to be aware of that and factor it in from the start.”

While the AV channel within each country is emerging, Calaber believes there are local Kazakh resellers “who are skilled and with whom we might start working very soon. Once trained with our solutions they could be a very relevant partner for us.”

### **Fierce competition**

Competition from Chinese AV brands is fierce but she says price is not usually the deciding criteria. “We don’t necessarily have the cheapest solution and Chinese

competition is strong but we find that the end user and reseller is looking for reliable solutions and often high tech ones. They do want a good price but they also want rugged and futureproofed equipment as well as solutions that integrate with third parties.”

The region is flexing its muscles on the international sports stage too, with potential AV contracts to outfit new build or refurbished stadia.

After hosting the 2017 Winter Universiade on which it lavished nearly \$1billion on two ice rinks, an athlete village and airport upgrades, Kazakhstan city Almaty narrowly lost to Beijing in a bid for the 2022 Winter Olympics. Almaty and capital city Astana had previously joint hosted the 2011 Asian Winter Games. After mulling a bid for the 2026 FIFA World Cup the country is reportedly targeting the 2030 Winter Games. Incidentally, European soccer body UEFA group Kazakhstan as part of its confederation, rather than an Asian one.

### **Positive progress**

Turkmenistan meanwhile has spent over \$5 billion since 2010 on the Ashgabat Olympic Complex, despite never having hosted or bid for an Olympic tournament. It did though hold the Asian Indoor and Martial Arts Games there last September. “There are a number of major events in and around the region that influence growth, creating a knock-on effect, as clients are made more aware of what is possible,” says Engström. “Overall, the market is progressing positively. The potential is there. The opportunities outweigh the risks.”