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Economic Cooperation Of Central Asian Countries - A Guarantee Of Development And Prosperity In The Region

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ABSTRACT

This article examines trade and investment trends in Central Asia in 2024-2025 and the region's new initiatives in 2026. A comparative assessment of national statistics, United Nations data and World Bank evidence identifies three persistent constraints: the low share of intraregional trade, commodity dependence in exports and fragmented border procedures. The study evaluates the opportunities and risks associated with the Middle Corridor, the China-Kyrgyzstan-Uzbekistan railway, the Trans-Afghan route, CASA-1000 and the REMIT program. It proposes practical measures to expand regional value chains, harmonise digital customs standards and evaluate foreign investment through measurable development outcomes.

Keywords:

Central Asia, intraregional trade, foreign direct investment, Middle Corridor, transport logistics, regional electricity market, Trans-Afghan railway, economic integration

Аннотация. Мақолада Марказий Осиё мамлакатларининг 2024-2025 йиллардаги савдо ва инвестиция динамикаси, 2026 йилдаги янги минтақавий ташаббуслар ҳамда транспорт ва энергия боғлиқлигининг иқтисодий самараси таҳлил қилинган. Миллий статистика идоралари, БМТ, Жаҳон банки ва бошқа расмий манбалар маълумотлари қиёсий баҳоланиб, ўзаро савдо улушининг нисбатан пастлиги, экспорт таркибининг хом ашёга боғлиқлиги ва чегара тартибларининг ўзаро мувофиқлаштирилмаганлиги асосий тўсиқлар сифатида аниқланган. Миёна коридор, Хитой-Қирғизистон-Ўзбекистон темир йўли, Трансафғон йўналиши, CASA-1000 ва REMIT дастурларининг имкониятлари ҳамда хавфлари очиб берилган. Минтақавий қиймат занжирларини кенгайтириш, рақамли божхона стандартларини уйғунлаштириш ва инвестиция сифатини натижавий кўрсаткичлар орқали баҳолаш бўйича таклифлар ишлаб чиқилган.

Калит сўзлар: Марказий Осиё, ўзаро савдо, тўғридан-тўғри хорижий инвестициялар, Миёна коридор, транспорт логистикаси, минтақавий электр бозори, Трансафғон темир йўли, иқтисодий интеграция.

ЭКОНОМИЧЕСКОЕ СОТРУДНИЧЕСТВО СТРАН ЦЕНТРАЛЬНОЙ АЗИИ - ЗАЛОГ РАЗВИТИЯ И ПРОЦВЕТЕНИЯ В РЕГИОНЕ

Аннотация. В статье анализируется динамика торговли и инвестиций государств Центральной Азии в 2024-2025 годах, а также новые региональные инициативы 2026 года. На основе сопоставления данных национальных статистических ведомств, ООН и Всемирного банка выявлены ключевые ограничения: низкая доля внутрирегиональной торговли, сырьевая специализация экспорта и несогласованность пограничных процедур. Рассмотрены потенциал и риски Среднего коридора, железной дороги Китай-Кыргызстан-Узбекистан, Трансафганского

маршрута, CASA-1000 и программы REMIT. Предложены меры по развитию региональных цепочек стоимости, совместимых цифровых стандартов и системы оценки качества инвестиций.

Ключевые слова: Центральная Азия, взаимная торговля, прямые иностранные инвестиции, Средний коридор, транспортная логистика, региональный рынок электроэнергии, Трансафганская железная дорога, экономическая интеграция

Introduction

Central Asian countries (Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan) have developed rapidly in recent years in trade and investment attraction. The region's geostrategic location, as a bridge between East and West and North and South, is particularly important for the development of international trade corridors. Therefore, the issues of achieving common development through economic liberalisation, modernisation of transport infrastructure and strengthening international cooperation are considered by the governments of this region as a priority task and goal of national economies.

In 2017-2024, the region's gross domestic product (GDP) grew by almost two and a half times, reaching \$520 billion in 2024. During this period, foreign trade volume more than doubled, reaching \$253 billion, and intra-regional trade reached \$10.7 billion. Uzbekistan's trade with neighbouring countries increased from \$2.4 billion in 2016 to \$7.2 billion in 2024.¹ This dynamics indicates that political dialogue is turning into practical trade, industrial cooperation, and infrastructure projects.

As is known, the Central Asian region does not have direct access to the world's oceans, the share of raw materials in the export structure is high, and national transport systems often do not work well together. Border queues, non-recognition of certificates, high cost of bank settlements and slow data exchange, in turn, increase the costs of small and medium-sized businesses entering the regional market. As a result, the natural advantage of geographical proximity does not always translate into cheap and reliable logistics services.

It is worth noting that several important changes have taken place in 2024-2026. In particular, great attention has been paid to the development of **the Trans-Caspian international transport corridor - the "Middle Corridor"- which runs through the Caucasus to Turkey.** *The Middle Corridor* starts from the Chinese port of Lianyungang, reaches the port of Aktau through Kazakhstan, from where it goes across the Caspian Sea to Baku in Azerbaijan, and then connects to Turkey and Europe through Georgia. This route is approximately 3,000 km shorter than the traditional northern routes through Russia and Iran, and serves as a strategic alternative in the context of geopolitical risks. At the same time, the volume of use of *the Middle Corridor* is rapidly increasing: in 2021, 350 thousand tons of cargo passed through this corridor; by 2024, this figure reached 4.1 million tons and is projected to reach 11 million tons by 2030. The construction of the China-Kyrgyzstan-Uzbekistan railway has begun, a trilateral agreement on the feasibility study for the Trans-Afghanistan route has been signed, and **the CASA-1000 project was launched in 2018, under which Kyrgyzstan and Tajikistan will export electricity to Pakistan via Afghanistan. The REMIT program**, aimed at creating the first regional electricity market, is also underway. confirmed. As a result of these initiatives, it is inevitable that Central Asia will become a hub connecting East-West and North-South routes in the future.

The purpose of the article is to provide a comparative assessment of the dynamics of trade and foreign direct investment in Central Asian countries, to determine the impact of transport and energy corridors on regional

¹ Ўзбекистон Республикаси Президенти.
Central Asia on the verge of a new era. 2025.
<https://president.uz/en/lists/view/8653>

value creation, and to substantiate priority economic policy directions until 2030.

Literature review

In the contemporary literature on regional economic cooperation, transport infrastructure is interpreted as a necessary but not sufficient condition for trade. 2UNCTAD's World Investment Report 2026 shows that it is not enough to assess investment flows solely in terms of annual net inflows. 3Given that the bulk of new projects in Central Asia are in metals, energy, and transport, the task of diversification remains urgent for the region.4

According to the World Bank's study on the Middle Corridor, if infrastructure, port operations, and border procedures are coordinated, cargo volume could triple and delivery times could be halved by 2030. 5This conclusion implies that, along with capital construction, tariffs, schedules, data, and accountability should be managed as a single service along the corridor.

The UN Economic Commission for Europe emphasises that when it comes to digitising trade, it is not the number of national platforms, but their semantic and legal interoperability that is decisive.

While existing literature and official reports provide detailed coverage of individual corridors or country indicators, it is rare to assess trade, investment, transport, and energy connectivity as a single outcome system.

Research methodology

The study used methods of comparative statistical analysis, dynamic series comparison, institutional analysis, and project assessment based on risk-opportunity criteria. The analysis of the region's foreign trade turnover for 2024-2025 used data from national statistical offices

and UN reports. Foreign direct investment was studied based on UNCTAD data, and transport and energy projects were studied based on official government documents and the World Bank. Also, in the process of scientific analysis, theoretical and methodological systematisation principles, comparative analysis, systematic analysis of statistical data to identify trends in economic processes, and monographic research methods were used.

Analysis and results

Table 1 below shows the differences in international trade between the countries of the region based on the results of 2025. While foreign trade grew rapidly in Uzbekistan and Tajikistan, this indicator was moderate in Kazakhstan, and in Kyrgyzstan, a decrease in exports reduced overall trade turnover.

Uzbekistan's foreign trade turnover increased from \$67.24 billion in 2024 to \$82.76 billion in 2025, with exports amounting to \$34.25 billion and imports to \$48.52 billion. It is worth noting that the negative balance of \$14.27 billion indicates a high demand for imported equipment and technology for industrial modernisation and insufficient diversification of domestic production and exports. China, Russia, and Kazakhstan, as the largest foreign trade partners, accounted for more than 43 per cent of the total turnover in 2025.6

Kazakhstan remains the largest foreign trade economy in the region. In 2025, turnover reached \$143.89 billion, while exports decreased by 3.2%, imports grew by 7.4%, and total turnover expanded by 1.3%. The fact that 50.5% of exports are products from petroleum and bituminous minerals remains sensitive to prices and external demand. Uzbekistan became the sixth largest market in Kazakhstan's exports, with a 4.5% share.7

2 Ўзбекистон Республикаси Milliy statistika kўmitasi SIAT. Volume of foreign trade turnover, annual, 2025. <https://siat.stat.uz>

3 UN Trade and Development. World Investment Report 2026: International Investment in a Turbulent Era. <https://unctad.org>

4 The Astana Times. Kazakhstan Dominates Central Asia's FDI Stock as Uzbekistan Gains Ground. 23 July 2026. <https://astanatimes.com>

5 World Bank. Middle Trade and Transport Corridor: Policies and Investments to Triple

Freight Volumes and Halve Travel Time by 2030. 2023. <https://worldbank.org>

6 National Statistics Committee of the Republic of Uzbekistan SIAT. Volume of foreign trade turnover, annual, 2025. <https://siat.stat.uz>

Committee of the Republic of Uzbekistan. Annual export and import data on foreign economic activity, 2025. <https://stat.uz>

7 That source.

Table 1.
Foreign trade of Central Asian countries, 2025, billion US dollars⁸

Uzbekistan	82.76	34.25	48.52	-14.27	+23.1%
Kazakhstan	143.89	79.04	64.85	+14.19	+1.3%
Kyrgyzstan	15.83	2.85	12.97	-10.12	-10.2%
Tajikistan	10.79	2.49	8.31	-5.82	+20.5%
Turkmenistan	15.55	11.20	4.35	+6.85	-4.0%

Foreign and mutual trade in Kyrgyzstan in 2025 amounted to \$15.83 billion, with exports decreasing by 44.5% to \$2.85 billion, while imports increased by 3.9% to \$12.97 billion. ⁹Trade turnover with the EAEU countries amounted to \$5.92 billion, or 37.4% of the total.

Tajikistan's foreign trade grew by 20.5% in 2025 to \$10.79 billion, with exports increasing by 27.7% and imports by 18.5%, but a negative balance of \$5.8 billion remained. In Turkmenistan, export revenues decreased by 7.2% to \$11.2 billion, and the trade balance also decreased to \$6.85 billion. It is worth noting that the growth in gas volumes ¹⁰could not fully compensate for the decline in prices, thus once again demonstrating the weaknesses of the commodity-dependent export model.

The practical effectiveness of transport corridors. The Trans-Caspian International Transport Corridor, or Middle Corridor, connects China and Central Asia with Europe via Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, and Turkey. In 2024, freight traffic along this corridor increased by 60 per cent to 4.5 million tons; Kazakhstan plans to increase freight traffic to 10 million tons by 2030.

In February 2026, the World Bank approved an \$846 million guarantee for Kazakhstan's Middle Corridor railway project. It is expected to leverage \$1.4 billion in long-term commercial finance. This demonstrates the potential for combining the state budget, international financial institutions, and private capital. However, the outcome should be measured not by the size of the loan or guarantee, but by actual transit times along the corridor, service reliability, and the integration of local businesses into the logistics chain.

The construction of the China-Kyrgyzstan-Uzbekistan railway officially started on December 27, 2024. The total length of the road from Kashgar to Andijan is 526 km, with the part in Kyrgyzstan covering more than 304 km, and its project cost is estimated at \$4.7 billion.

A trilateral agreement on the preparation of a feasibility study for the Uzbekistan-Afghanistan-Pakistan railway was signed in Kabul on July 17, 2025. The selected route will include Termez-Naybobabad-Maidanshahr-Logar-Kharlachi. In February 2026, the leaders of Uzbekistan and Pakistan agreed to support the route and jointly finance the feasibility study.

⁸ Ўзбекистон Республикаси Миллий статистика қўмитаси SIAT . Volume of foreign trade turnover annual, 2025. <https://siat.stat.uz>

Қозоғистон Республикаси Миллий статистика бухгалтерии. Foreign trade turnover, January-December 2025. <https://stat.gov.kz>

Foreign and Mutual Trade in Goods, January-December 2025. <https://stat.gov.kg>

Tozhikiston Respublikasi Prezidenti Huzuridagi Agent League Statistics. Socio-economic situation, January-December 2025. <https://stat.tj>

⁹ Foreign and Mutual Trade in Goods, January-December 2025. <https://stat.gov.kg>

¹⁰ Tozhikiston Respublikasi Prezidenti хузуридаги Statistika agentligi. Socioeconomic situation, January-December 2025. <https://stat.tj>

Energy trade and regional connectivity. The summer hydropower of Kyrgyzstan and Tajikistan, the thermal power of Kazakhstan, Turkmenistan and Uzbekistan, and the growing solar and wind power in all countries create a complementary system. Currently, intra-regional electricity trade accounts for about 3 per cent of total demand. In January 2026, the World Bank approved **the REMIT program, which aims to create the first regional electricity market.** \$143.2 million has been allocated for the first phase; over ten years, it is planned to increase annual trade to at least 15,000 GWh, increase transmission capacity to 16 GW, and add up to 9 GW of clean energy to the system.¹¹

The CASA-1000 project will connect Central Asia with South Asia through a power

grid. The \$1.2 billion system is designed to transmit more than 1,300 MW of hydroelectric power from Kyrgyzstan and Tajikistan to Afghanistan and Pakistan during the summer months. The World Bank expects the project to be fully completed by the end of 2027.¹² This experience demonstrates the feasibility of using offshore billing, independent monitoring, and targeted financial safeguards in high-risk areas.

Foreign investment flows. According to UNCTAD's World Investment Report 2026, net foreign direct investment inflows to Central Asia are expected to grow by 12.1 per cent in 2025 to \$4.97 billion (Table 2). This is significantly lower than the peak of \$9.8 billion in 2022. FDI stock in the region grew by 3.6 per cent to \$235.5 billion.¹³

Table 2.
Foreign direct investment flows, 2025

Uzbekistan	\$4.40 billion.	A source of regional growth
Turkmenistan	\$0.70 billion	UN rating
Kyrgyzstan	\$0.64 billion	Double growth in one year
Tajikistan	\$0.09 billion	70% drop in one year
Kazakhstan	-0.86 billion dollars	Repatriation effect
Total for Central Asia	\$4.97 billion.	12.1% more than in 2024

Source: UNCTAD World Investment Report 2026.

Kazakhstan accounts for almost two-thirds of the capital stock; although annual flows fluctuate, the country's productive and investment base remains the largest in the region.

Uzbekistan is expected to be the main source of regional recovery, receiving nearly \$4.4 billion in net foreign investment in 2025. In Kyrgyzstan, this figure increased to \$642 million; in Turkmenistan it was estimated at around \$701 million, and in Tajikistan it fell to \$86 million. In Kazakhstan, the net flow of -\$861

million does not mean that large projects have stopped: this figure also includes profit repatriation, debt repayment, and intercompany transactions.¹⁴

About 45 per cent of the value of new projects announced in the region fell on metals and metal products. Next in line are energy, transport and warehousing, chemicals, food industry, and information and communication technologies. The optimal path for the region is not to sell more raw materials, but to process them, connect local suppliers to large projects,

11 World Bank. Central Asia Regional Electricity Market Interconnectivity and Trade Program. 22 January 2026. <https://worldbank.org>

12 World Bank. Updated Q and A on CASA-1000 Resumption in Afghanistan. 15 January 2026. <https://worldbank.org>

13 UN Trade and Development. World Investment Report 2026: International Investment in a Turbulent Era. <https://unctad.org>

14 The Astana Times. Kazakhstan Dominates Central Asia's FDI Stock as Uzbekistan Gains Ground. 23 July 2026. <https://astanatimes.com>

and increase the share of technology and services in exports.

Conclusions and suggestions:

The results of the analysis indicate that in 2024-2026, economic cooperation between the countries of Central Asia is moving from the stage of statements to real processes, that is, the stage of creating practical infrastructure and introducing market mechanisms: mutual trade reached almost \$11 billion; in 2025, foreign trade between Uzbekistan and Tajikistan grew rapidly; in 2026, new financing decisions were made for the Middle Corridor and the regional electricity market, and the construction of the China-Kyrgyzstan-Uzbekistan railway was launched.

Practical suggestions include:

First, introduction of mutual recognition of customs procedures, uniform cargo identifier and certificates;

Second, manage rail, road, port, and ferry services as a single corridor based on a coordinated schedule and predetermined fares;

Thirdly, direct joint industrial funds and cross-border centres to the export of finished products;

Fourth, strengthen market mechanisms for water and energy exchanges based on REMIT and CASA-1000.

In conclusion, increasing trade and transit volumes in Central Asian countries will lead to increased incomes, job creation, and expansion of high-value-added production in the region.

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