CAPS unlock

CENTRAL ASIAN
POLICY STUDIES

# FOREIGN TRADE OF CENTRAL ASIAN COUNTRIES: TRENDS, BARRIERS, AND PROSPECTS

## PART 1

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# 1. Introduction and Research Objectives[1]

This study examines foreign trade dynamics in Central Asia, understood as Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. The research aims to analyze trends, identify opportunities and constraints, and provide recommendations for enhancing regional trade and economic integration.

## 1.1 Key Issues in Central Asian Foreign Trade

Central Asian countries face several critical challenges in their foreign trade:

1. **High Dependence on China and Russia:** The region's foreign trade is heavily dominated by Russia and China, leading to substantial economic and political dependence on these countries. This dependency, coupled with the broader geopolitical environment, introduces considerable risks. It is further exacerbated by three additional factors:
   - Heavy reliance on remittances from labor migrants working in Russia (particularly for Uzbekistan, Kyrgyzstan, and Tajikistan);
   - High share of Russia and China investments;
   - Dependence on transportation routes passing through Russia.
2. **Limited Export Diversification**: the region predominantly exports raw materials such as hydrocarbons, metals, and textile production inputs. High value-added (HVA) goods constitute only a small fraction of exports, although some locally produced HVA products have found demand in global markets. Identifying these goods, pinpointing potential target markets, and understanding the factors limiting the competitiveness of local HVA products are all crucial steps for enhancing export performance.
3. **Low Levels of Intraregional Trade**: Relatively limited trade within Central Asia constrains the potential for intra-regional division of labor and production cooperation. It is imperative to analyze predominant trends shaping trade dynamics, identify untapped potential, and assess possible obstacles to greater trade integration.

## 1.2 Research Objectives

To address these challenges, the study pursues the following objectives:

1. Analyze foreign trade trends and structures within Central Asia, focusing on:
   - Exports and imports across individual countries and country groups;

[1] The second part of the policy brief will be prepared in 2024, following the publication and analysis of the necessary trade statistics for 2023. The second part will analyze changes in the region's foreign trade flows in 2022-23.

- Commodity categories;
- Interactions with major trade partners;
- Intraregional trade dynamics.

2. Identify opportunities, constraints, and significant barriers impacting:
    - Further expansion of intraregional trade.
    - Diversification of goods exports from Central Asian countries.
    - Expansion of the range of trade partners.

Barriers may include administrative, tax-related, infrastructural, and socio-cultural factors.

3. Provide actionable recommendations to governments, businesses, and donor organizations operating in Central Asia to enhance regional trade and economic integration.

# 2. Research Methodology

This study employs a mixed-methods approach:

## 2.1 Quantitative Data Analysis

Primary export and import data were sourced from Trade Map. Detailed guidance on working with the site data, including their categorization and groupings, is provided in Annex E.

## 2.2 Qualitative Research

In addition, expert interviews were conducted with specialists, entrepreneurs, and civil servants in the region.

Desk research involved the collecting and analyzing secondary information from mass media and previous studies.

# 3. Results of Trade Statistics Analysis[2]

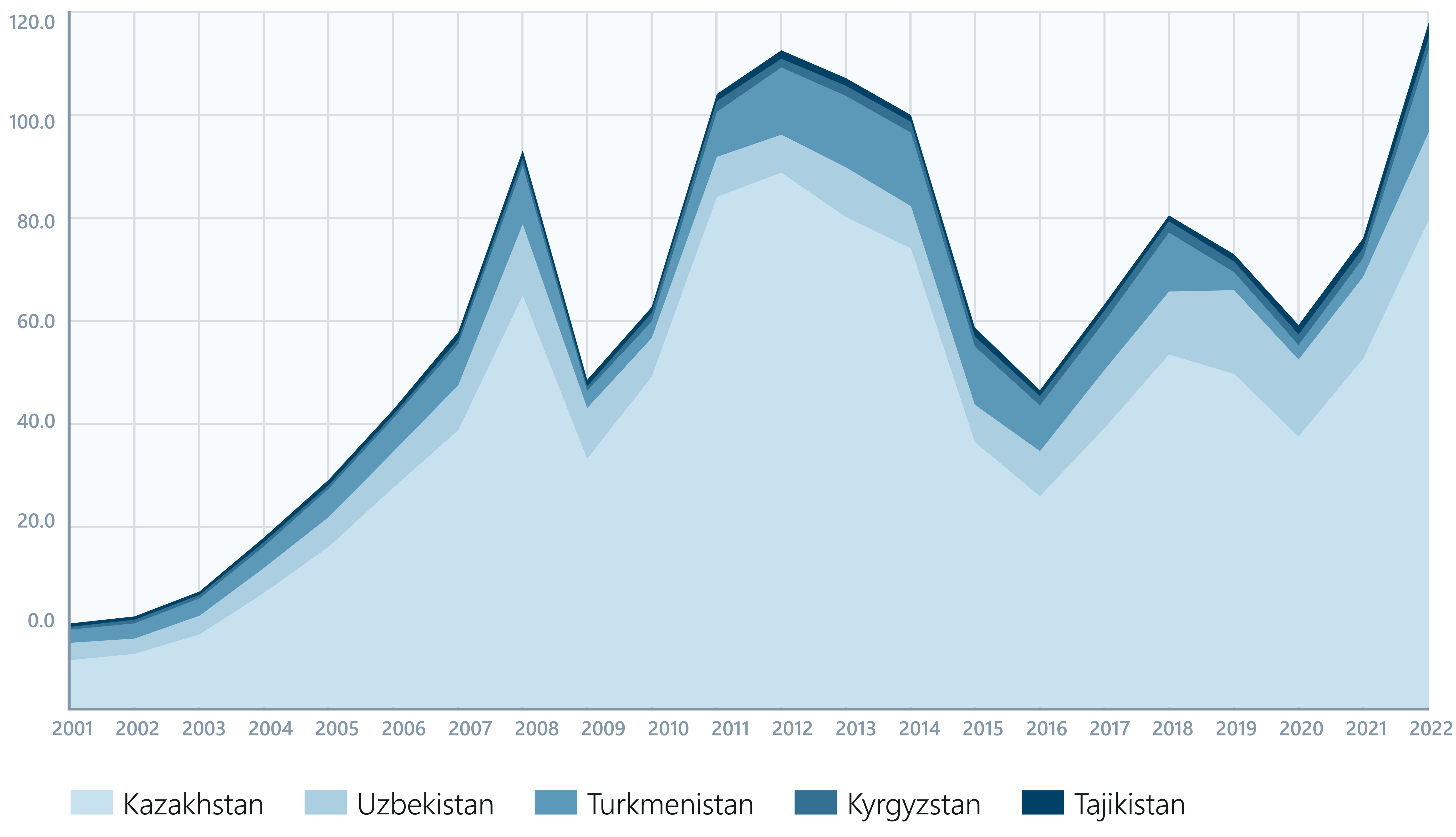
## 3.1 Exports

Central Asian nations experienced significant fluctuations in the value of their **total goods exports** between 2001 and 2022, primarily due to volatile commodity prices, particularly for hydrocarbons, which account for most of the region's exports in monetary terms.

Kazakhstan dominates the region's exports, accounting for 72% of total export value from 2001 to 2022. This is followed by Uzbekistan (15.6%), Turkmenistan (8.4%), Kyrgyzstan (2.3%), and Tajikistan (1.7%). The disparity in export revenues stems from the unequal reserves and production of minerals that are in high demand in international markets.

The region's exports are heavily concentrated among a few key trading partners. European countries, China, and Russia collectively represented 75% of the region's total export sales from 2006 to 2022. Notably, intraregional grew from 3.1% ($1.6 billion) in 2006 to 9% ($10.7 billion) in 2022, indicating increasing, but still limited, economic integration within Central Asia. Meanwhile, Europe's share has steadily declined, while China's role has grown, albeit with fluctuations. Russia and Belarus maintained a relatively stable share of Central Asian exports, ranging from 7% to 12% over this period.

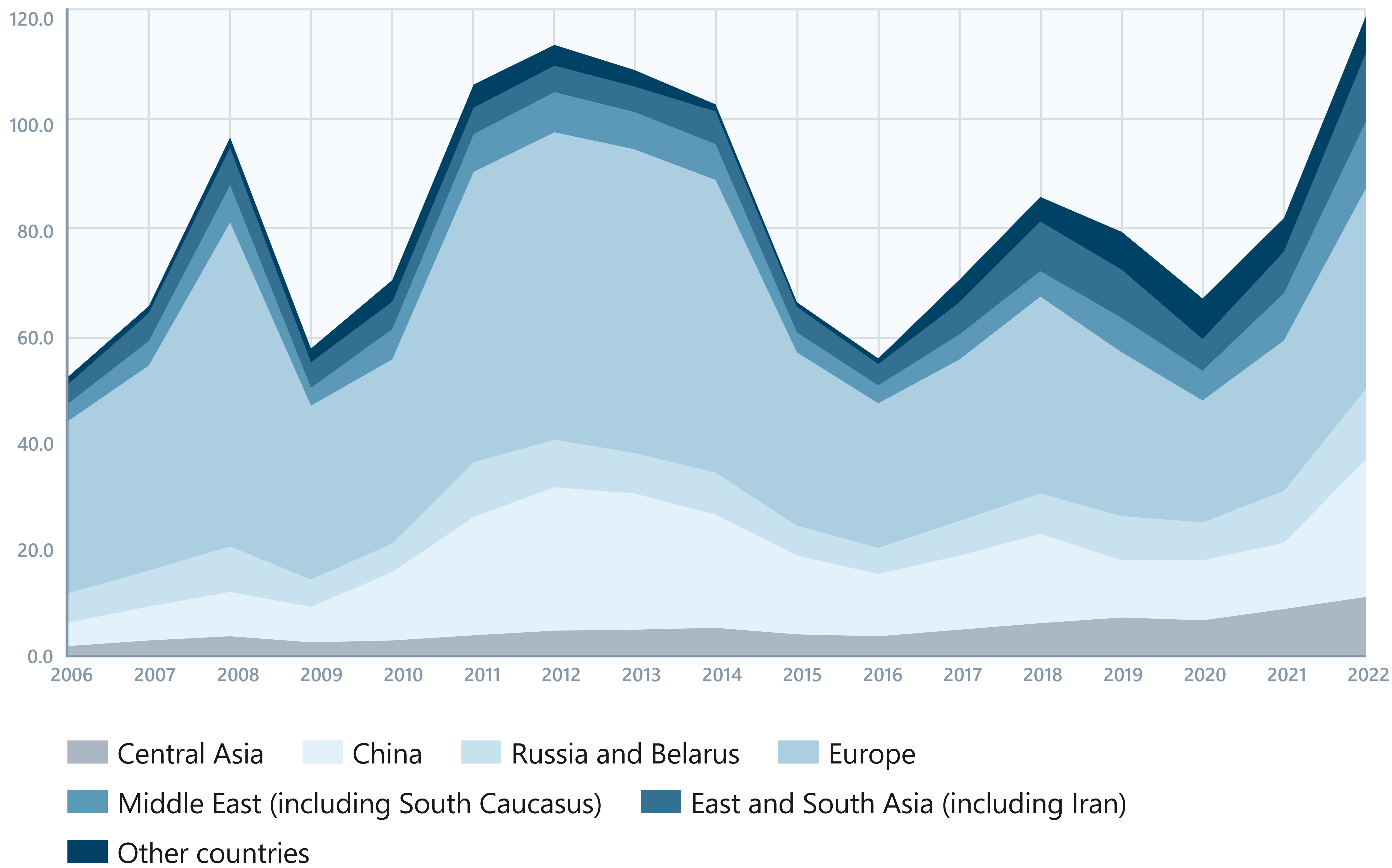
**Graph 1.** Dynamics and distribution of total exports by Central Asian countries (in billions USD).




[2] All quantitative data in this section are from Trade Map, International Trade Centre, accessed [insert access date], https://www.trademap.org/. More detailed data analysis is presented in Appendices A, B, C.

Mineral exports accounted for 79 to 86% of total exports from 2017 to 2022. Specifically, fossil fuels represented 54.1% of goods exports, followed by ore minerals (16.9%) and precious metals (7.9%). **The main export goods** include crude oil, refined oil products, natural gas, uranium, zinc, aluminum, silver, coal, and sulfur, as well as gold, iron, copper, and their respective alloys.

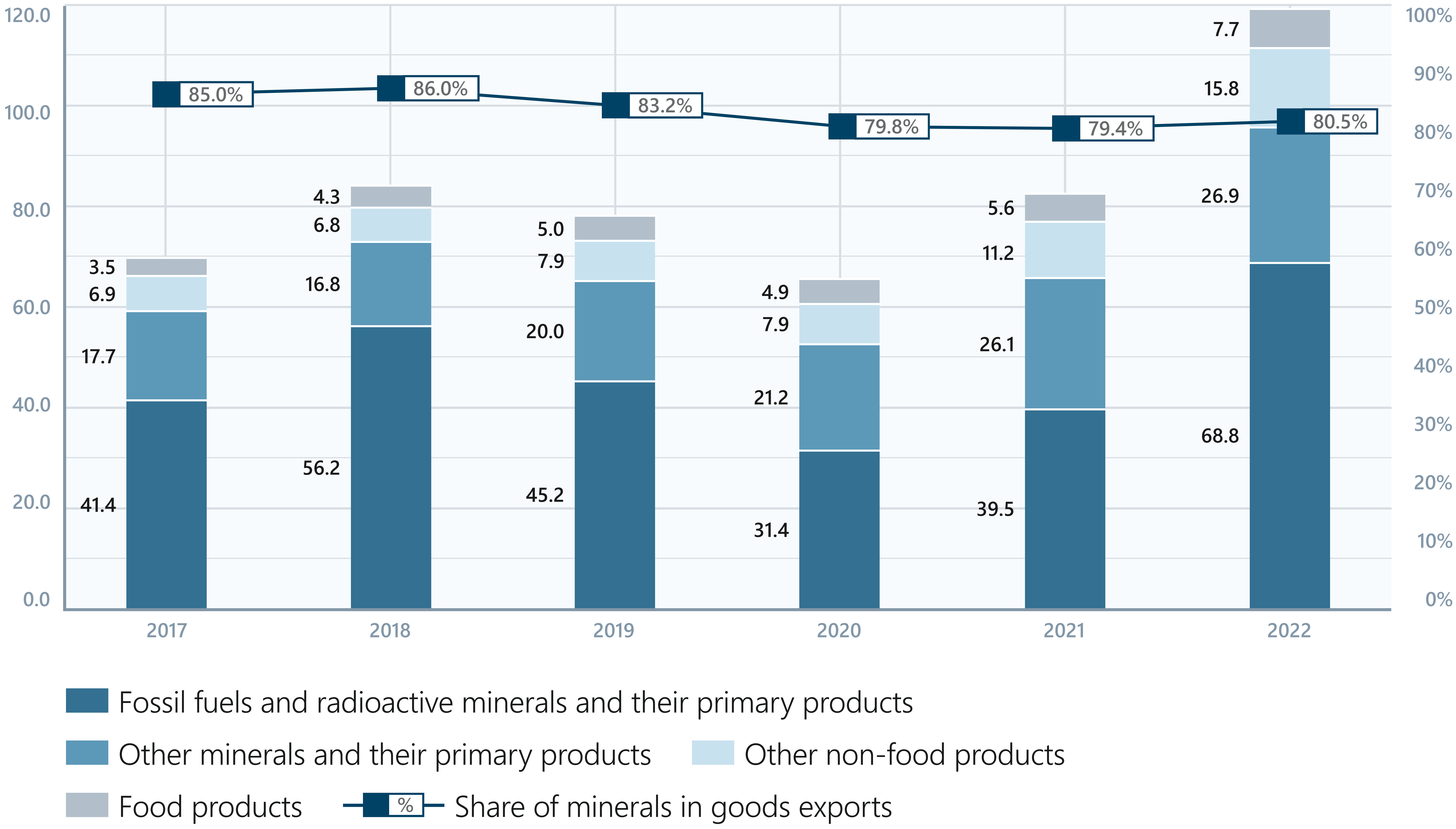
**Graph 2.** Dynamics and geographical distribution of total exports by Central Asian countries (in billions USD).




**Non-food exports**, while smaller in share, showcase considerable diversity. Industrial products include cigarettes, electricity, cement inorganic and organic chemical products, fertilizers, polymers, and plastic raw materials. Raw materials for export comprise animal skins and inputs for textile production, primarily cotton. Finished goods exports include textiles, glass and glassware, copper products, precious and ferrous metal products, various types of machinery, electrical equipment, and vehicles.

Central Asian **food exports** also encompass a diverse range of products. These include meatfish, dairy, and eggs; oilseeds such as flax and sunflower, and plant extracts derived from licorice and hops; vegetable and animal oils and fats, including sunflower oil and margarine; cereals (primarily wheat and barley) and their derivatives; confectioneries, fruit and vegetable products; and beverages.

**Graph 3.** Structure of goods exports from Central Asian Countries (2017-22, in billions USD).



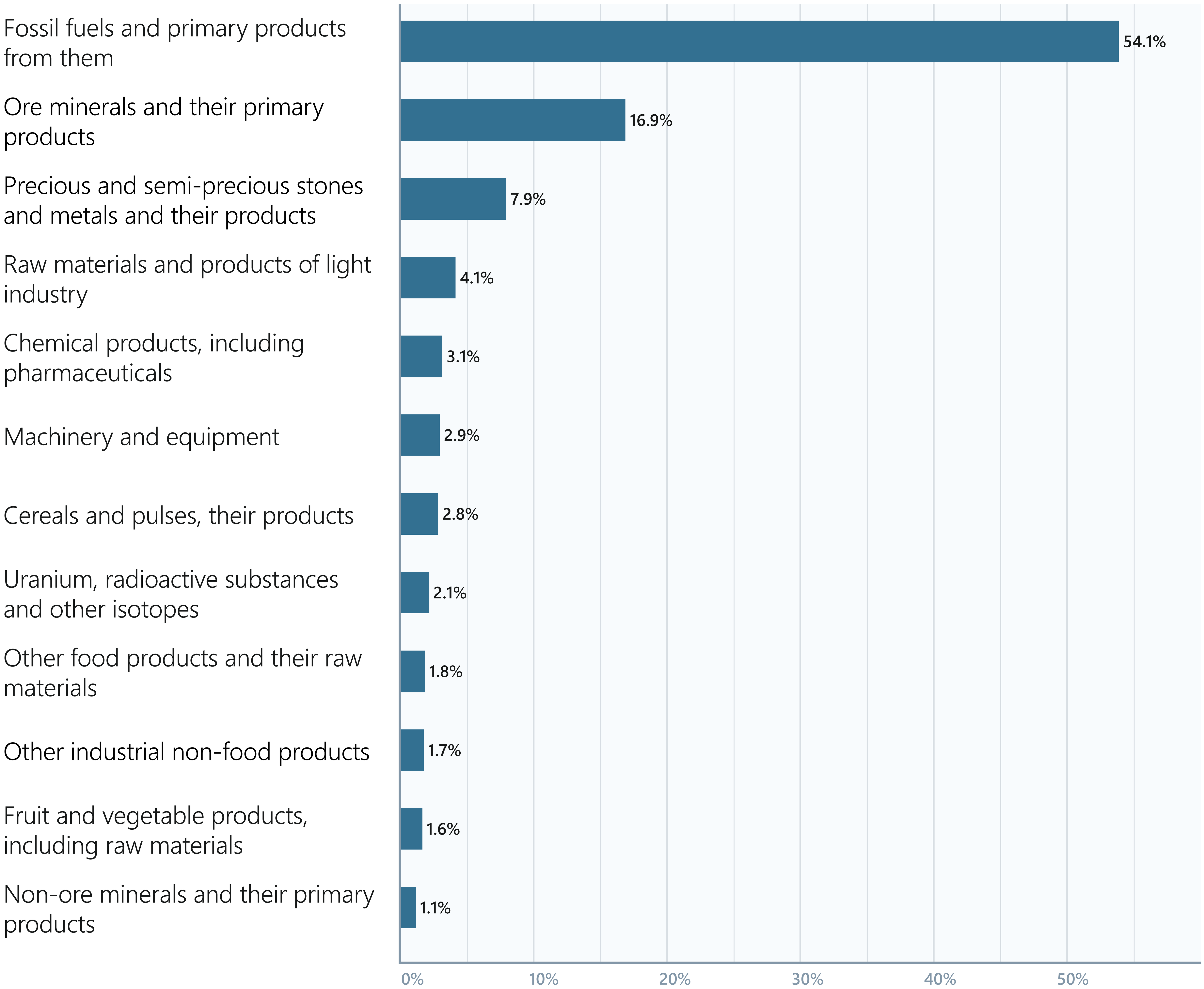

Minerals account for the highest concentration of goods exports from Kazakhstan, Turkmenistan, and Tajikistan, representing between 80% and 90% of total exports. Uzbekistan and Kyrgyzstan also had significant shares, though slightly lower at approximately 55% to 60%.

**Europe-bound exports** are overwhelmingly made up of raw commodities, accounting for 96% of total exports to the region. Key export commodities to Europe include hydrocarbons, gold, and other metals, alongside chemical and light industry products, primarily raw materials, and food products.

**Exports to China** are similarly concentrated, with raw materials constituting about 95% of its commodity imports from Central Asia. These primarily consist of fossil fuels, ore minerals, and uranium, along with raw materials for light industry and food products.

The structure of exports to **Russia and Belarus** is notably more diversified, with commodities representing 61% of merchandise exports. These included various metals, hydrocarbons, uranium, and raw materials for light industry, alongside fruit and vegetable products, food products, textiles, plastics, chemical products, and machinery.

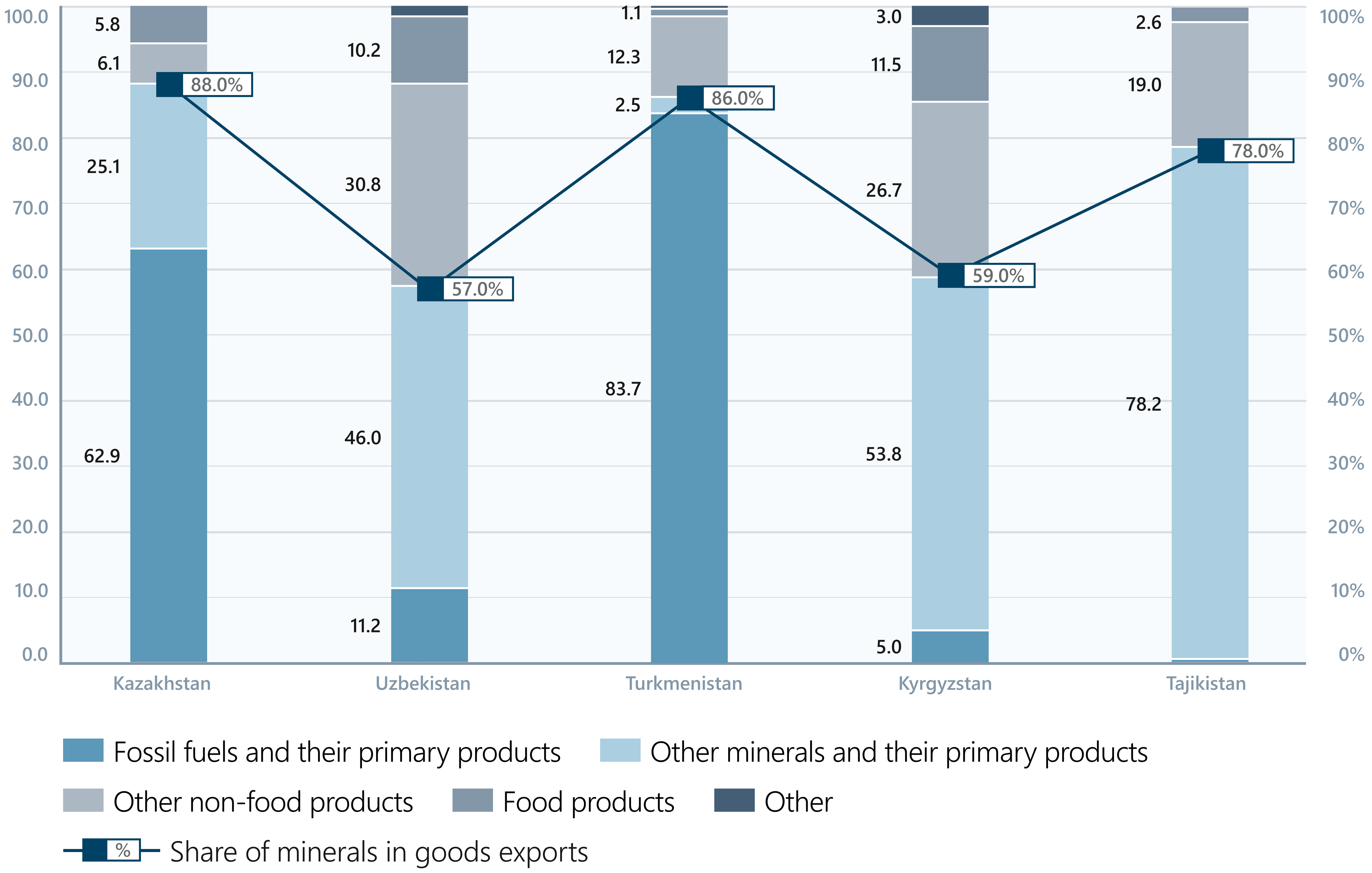
**Graph 4.** Total goods exports by category for Central Asian countries (2017-22, % of total export value).




Commodities constitute a relatively modest 40% of total exports **between Central Asian** countries, primarily consisting of non-precious metals, hydrocarbons, and their derivatives. Intraregional trade is characterized by a significant presence of cereals, pulses, fruits, and vegetables. Additionally, countries within the region engage in notable trade of non-food products such as machinery, chemical and light industry products, and electricity.

Exports to **East Asia and Turkey** are heavily concentrated in raw materials, accounting for 96% and 88% of total exports to these regions, respectively. Key export commodities include hydrocarbons and various metals and their derivatives. Turkey also imports raw materials for its textile industry, chemical products, and foodstuffs from Central Asia.

**Graph 5.** Composition of goods exports from Central Asian countries (2017-22, %).




## 3.2 Imports

**Central Asian countries' import volumes** fluctuate significantly from year to year, driven primarily by changes in export earnings. Only Kazakhstan and Turkmenistan maintained positive trade balances, which implies that other countries relied on remittances from labor migrants foreign loans, and investments to fund their trade deficits.

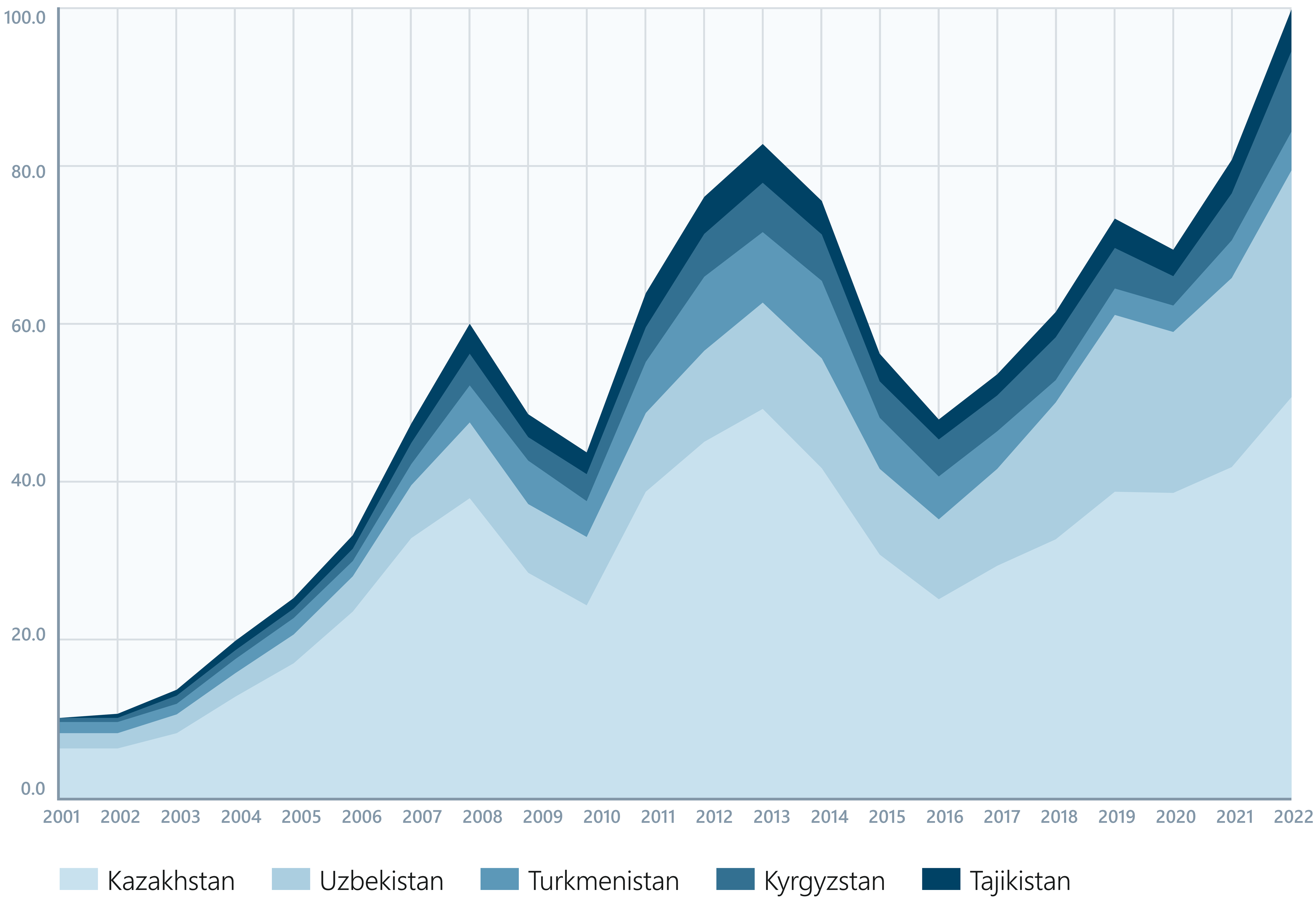
**Kazakhstan dominates regional imports, accounting for 53.2% of the total from 2017 to 2022.** Uzbekistan follows with 28.5%, then Kyrgyzstan (7.7%), Turkmenistan (5.5%), and Tajikistan (5%).

**Russia, China, and European countries** are the main exporters to Central Asia, collectively representing over 68% of the region's imports in 2020-22. However, important shifts have occurred since 2006-08: Europe's share decreased from 27.6% to 16.7%; Russia and Belarus' share declined modestly from 34.2% to 31.7%; and China's share, grew significantly from 12.6% to 20.9%. During this period, the share of intraregional trade grew, with the share of total imports rising from 5.5% to 9.6%.

The region's **main import categories** include machinery and equipment, along with other non-food products.

**Primary goods imports** include ferrous metals and their derivatives, other ore minerals and their derivatives, petroleum and petroleum products, and textile industry inputs.

**Graph 6.** Dynamics and distribution of total imports to Central Asian countries by importing country (in billions USD).

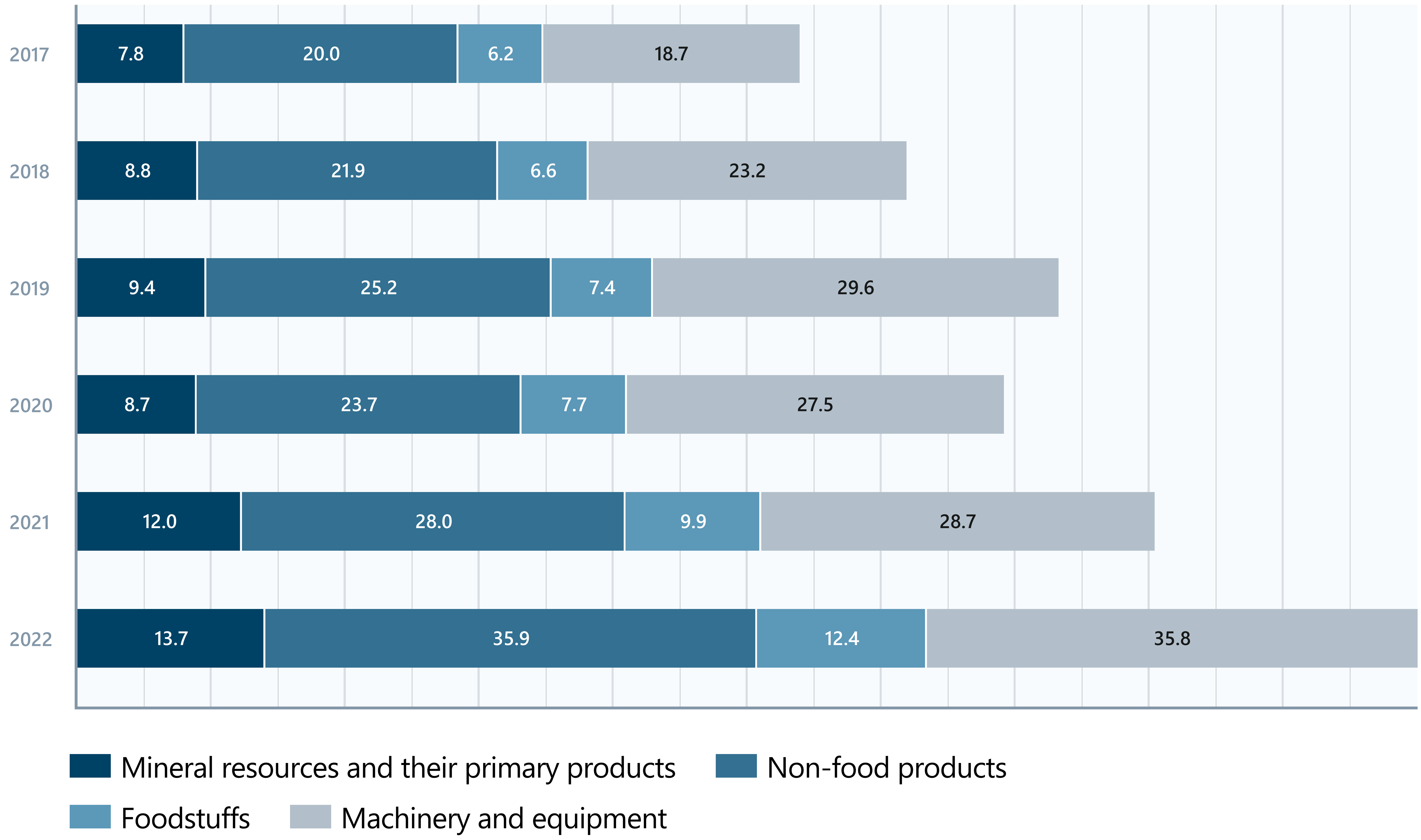



Among **non-food products**, the largest share is chemical products, including plastic and rubber products, fertilizers, and pharmaceuticals; followed by finished textile and clothing, footwear; wood and wood products (including paper, cardboard, and furniture); non-metallic material products; and tobacco products.

**Machinery and equipment import** predominantly include vehicles; equipment for lifting and moving; engines; boilers; batteries and other similar equipment; equipment used for production operations in metallurgy, agriculture, textile, and chemical industries; communication equipment; pumps and air conditioners; computing machines; refrigerators and freezers.

Among **food products**, cereals (primarily wheat) and derived products composed the largest share, followed by meat and dairy, fruit and vegetables, sugar and cocoa products, vegetable oil and margarine, and beverages.

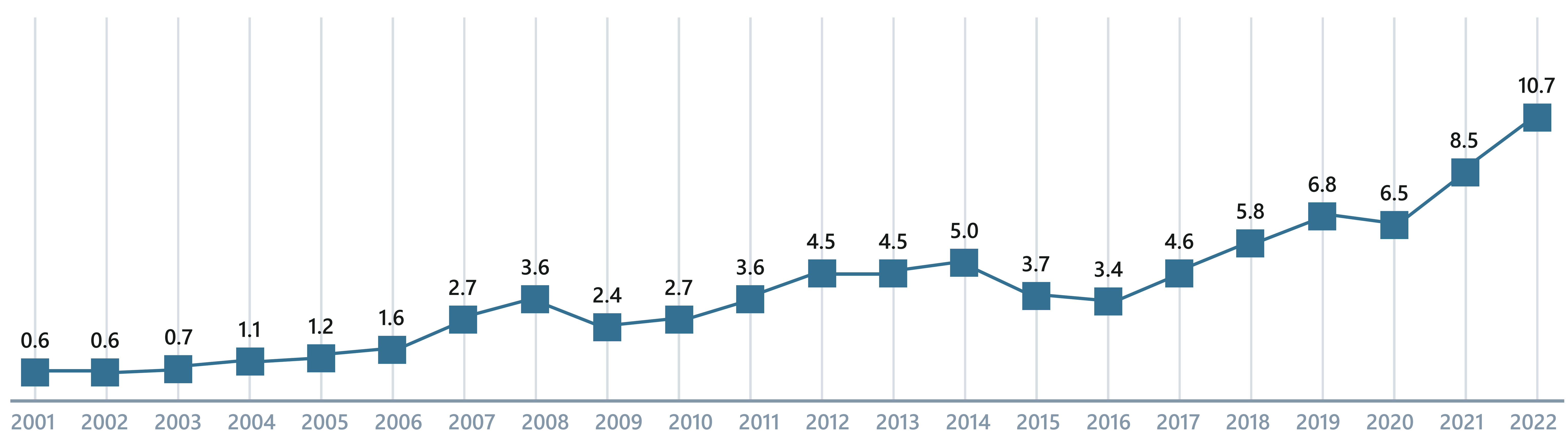
**Graph 7.** The structure of goods imports to Central Asian countries (in billions USD).




## 3.3 Intraregional Trade

Intraregional trade in Central Asia has **grown significantly**, particularly since 2017, largely because of the liberalization of Uzbekistan's foreign trade regime.

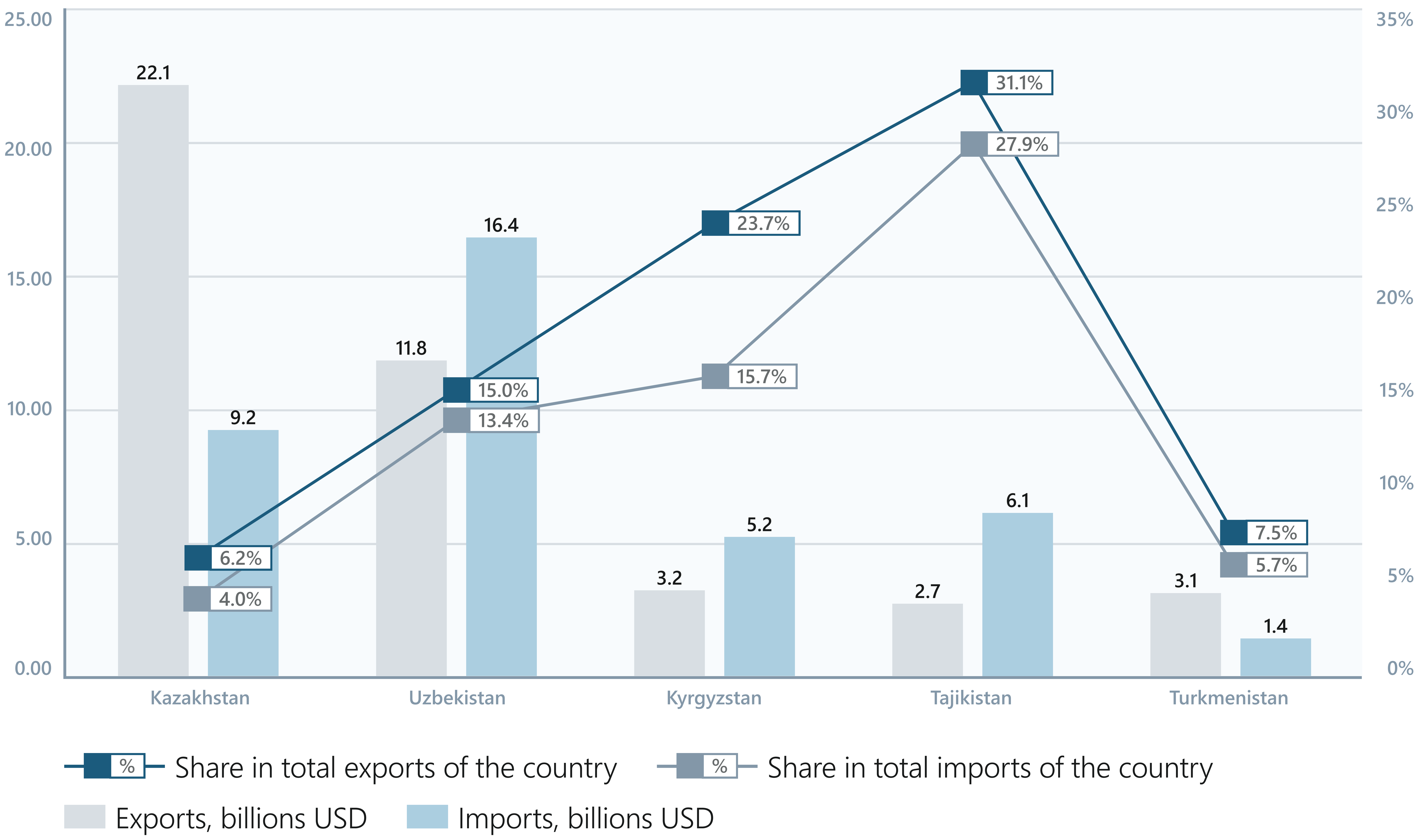
**Graph 8.** Volumes of intranational goods exports within Central Asia (in billions USD)



From 2017 to 2022, **Kazakhstan led regional exports**, totaling $22.1 billion and representing 51.5% of all intraregional merchandise exports. However, intraregional trade only accounts for 6.2% of Kazakhstan's total exports. Uzbekistan ranked second with $11.8 billion (15% of the country's total exports), followed by Kyrgyzstan with $3.2 billion (23.7%), Turkmenistan with $3.1 billion (7.5%), and Tajikistan with $2.7 billion (31.1%).

**Uzbekistan emerged as the leading importer of goods originating from Central Asia**, with imports totaling $16.4 billion in 2017-22, (13.4% of its total imports). Kazakhstan followed with $9.2 billion (4% of its total imports), then Tajikistan with $6.1 billion (27.9%), Kyrgyzstan with $5.2 billion (15.7%), and Turkmenistan with $1.4 billion (5.7%).

**Graph 9.** Key indicators of intraregional trade of Central Asian countries for 2017-22.




The **structure of intraregional exports between 2017-22, excluding minerals, reveals several patterns**:

1. Food Products: Kazakhstan and Uzbekistan are major exporters. Kazakhstan focuses on grain, flour, and flour products, while Uzbekistan specializes in fruit and vegetable products.

2. Machinery, Equipment, and Chemical Products: Both Kazakhstan and Uzbekistan lead in these sectors.

3. Light Industry: Uzbekistan dominates this category.

**Niche Markets:**

Kyrgyz producers have carved out niches in regional markets, focusing on meat, dairy products, textiles, non-metallic materials, plastics, rubber, and other food products.

Turkmenistan specializes in fruit, vegetable products, plastics, and rubber, while Tajikistan's exports are centered around horticultural products and textile raw materials. Notably, Turkmenistan and Tajikistan play significant roles in exporting electricity to their neighbors.

# 4. Barriers and Potential for Expansion of Foreign Trade[3,4]

The analysis identified four primary barriers to country and product diversification in the foreign trade of Central Asian countries. Each of these barriers presents challenges but also opportunities for improvement and expansion.

## 4.1 Tariff and Non-Tariff Trade Barriers

While progress has been made through free trade agreements, significant challenges remain. This section examines the current state of tariff and non-tariff barriers to trade in the region.

1. **Regional Trade Agreements**. Most countries in the region participate in free trade agreements:
    - Commonwealth of Independent States Free Trade Area (CIS FTA): All Central Asian countries except Turkmenistan are members. This agreement exempts customs and excise duties on imports within mutual trade.
    - Customs Union of the Eurasian Economic Union (EAEU): Kazakhstan and Kyrgyzstan are members, which significantly facilitates foreign trade within the region.

2. **Tariff Barriers**. Despite progress on regional integration, substantial customs duties remain on specific commodity categories for third countries. These tariffs restrict the possibility of import country diversification and increases dependence on Russia and Belarus, which are also members of the CIS FTA and EAEU customs union.

3. **Non-Tariff (Administrative) Barriers**. Various non-tariff barriers complicate foreign trade in Central Asian countries:
    - Privileges and subsidies for local producers, including tax and customs exemptions, subsidies for raw materials and electricity, and advantageous positioning in government contracts.
    - Costly and labor-intensive foreign trade procedures, especially at border crossings.
    - State standards and regulations related to environmental, sanitary, and veterinary norms; packaging and labeling requirements; product certification rules and procedures; and various sanitary and phytosanitary measures.

[3] See OECD, "Trade Facilitation in Central Asia," December 13, 2023, https://www.oecd.org/publications/trade-facilitation-in-central-asia-80ed999c-en.htm.

[4] Lyaziza Sabyrova and Roman Mogilevskii, "Trade Flows and Transport Routes in the CAREC Region Amid External Shocks" (2024).

4. **Causes of Non-Tariff Barriers**. These barriers may stem from **deliberate protectionist policies** or from **inefficient public services**, including limited information dissemination, inadequate digitalization and automation of processes, and weak cooperation between agencies within and between countries. In addition, barriers are often created artificially by officials to extract corrupt rents **from officials**.

5. **Perspectives from Foreign Economy Activity Participants**[5]. Foreign economic activity (FEA) participants from the regionh ighlight several key challenges in regional trade. The main issues include:

   - **Complex customs and bureaucratic procedures**

   The primary concern of FEA participants is the need to simplify customs and related bureaucratic procedures, many of which are seen as redundant and duplicative, with significant potential for optimization.

   An Uzbekistan business representative stated:

   > *"I believe that the main task of today is to remove barriers to the traditional flows of goods from region to region... it is necessary to simplify customs procedures. For example, Kazakhstan and China managed to create a unified customs declaration, even though China is not part of organizations such as the EAEU and CSTO. But we, the five Central Asian countries, still have not been able to agree and create a unified customs declaration, even though we are historically close countries."*

   A Kazakh participant noted:

   > *"We export to almost all CA countries, and we work with all of them. We calculated that in export and import, I believe, there were 68 operations that could be reduced."*

   - **Corruption and Informal Payments**

   Corruption at border crossings is a significant issue, often resulting in delays and increased costs for businesses.

   An Uzbekistani entrepreneur shared:

   > *"There are still cases where trucks at customs are held up for 2 weeks or 10 days. And what do we do after that so as not to lose our client - we give bribes and move to the fast lane. Therefore, the main barrier today is corruption. And this problem is not only between Kazakhstan and Uzbekistan, but also at customs between Kazakhstan and China."*

[5] Ibid.

Entrepreneurs from Tajikistan face particular challenges with corruption due to prolonged inspection procedures stemming from increased risks of smuggling banned substances across the border with Afghanistan.

- **Non-transparent Certification Requirements**

Excessive and opaque certification requirements, including those within the EAEU regulations, significantly increase business costs and create uncertainty:

A Kazakh business representative explained:

> *"Some things are related to the Customs Union and its regulations, and so on. And, on the one hand, it sounds like caring for citizens, that 'children's tights can only be purchased if certified. But, on the other hand, it is all so opaque and unclear that even players who have been in the market for years find it difficult to predict what document will be required tomorrow. You need to constantly monitor what orders and where they are issued."*

- **Political Interference in Trade**

Ad hoc political decisions often negatively impact logistical, transport, and other aspects of business activity.

A Kazakh participant noted:

> *"Yes, there are times when countries have political disagreements. They start nitpicking at each other. Someone bans the transport of tomatoes, or something else. These are purely political things that should not affect business. Business is business, politics is politics."*

Another Kazakh entrepreneur described:

> *"The Kyrgyz shut off water to Kazakhstan, and now many trucks are standing idle. Our Kazakhstani trucks are loaded, but they are currently just standing there. So, there is political influence as well."*.

Short-term political decisions aimed at curbing price growth can have long-term negative effects on businesses and market stability.

One Kazakh entrepreneur shared how government intervention in potato imports undermined local farmers' ability to profit from their crops by selling them during periods of higher demand:

> *"The longer you store potatoes, the more expensive they become. So, the local entrepreneurs stored them until January or February. But the Ministry of Trade released Pakistani potatoes into the market, which are much cheaper than ours. They were about 90 tenge, I think. Ours wanted to sell them for at least 120. That's it! They couldn't make any profit because the government suddenly decided to import Pakistani potatoes to keep prices from rising. No one warned them. Now the potato farmers say: 'We'll sell everything at the very beginning.' What does this mean? It means we will be without potatoes in the winter."*

- **Disruptions due to Geopolitical Events**

The war in Ukraine has significantly affected exports from the region', forcing the rerouting of goods and creating additional uncertainty.

An Uzbekistani participant noted:

> *"Markets in Southeast Asia are opening up through Pakistan now. I mean to say that markets are opening up, but the corridors are unstable."*

Another entrepreneur from Uzbekistan elaborated:

> *"Goods from Europe and the USA used to pass freely through Ukraine and Russia. Now this is impossible. Everything is going through roundabout routes, which significantly increases both the cost and time of delivery. In addition, a significant share of equipment, spare parts, materials, and raw materials used to come from Ukraine, Belarus, and Russia. Now, for most of these positions, this has become impossible. A very slow and rather painful reorientation towards producers from other countries (China, Turkey, India, etc.) is underway".*

Together, these perspectives from FEA participants highlight complex challenges facing businesses engaged in regional trade in Central Asia, including complex customs and bureaucratic procedures, corruption and informal payments, non-transparent certification requirements, political interference in trade, and disruptions due to geopolitical events.

6. **OECD Trade Facilitation Indicators**. The Organization for Economic Co-operation and Development (OECD) has developed **Trade Facilitation Indicators (TFIs) to assist governments in improving their border procedures, reducing trade costs, increasing trade flows, and gaining greater benefits from international trade**[6]. These indicators help identify areas where progress has been made in simplifying trade procedures and where further reforms are needed. OECD researchers have identified several key challenges and areas of progress in Central Asian countries:

[6] Ibid.

- **Contradictory Legislation and Limited Information Dissemination**

"Trade legislation is often ambiguous and inconsistent, and information is not disseminated well enough." However, there has been progress: "governments are developing feedback mechanisms for customs and other border agencies on trade issues and publishing laws before they come into force".

- **Insufficient Digitalization and Automation**

Each government in the region has made strides in developing its own "single window," and "the region has begun to make progress in developing a regional platform with the launch of the Central Asia Gateway Info-Trade Portal in 2023," launched under the EU-funded Ready4Trade project. The Central Asia Gateway Portal provides direct access to step-by-step guides on licenses, pre-clearance permits, and customs clearance formalities for most goods traded within, into, and out of Central Asia. The Central Asia Gateway automatically extracts information from national trade facilitation portals, which describe step-by-step national export, import, and transit procedures by type of transport.

- **Areas for Improvement in Information Provision and Digitalization**

Further efforts are needed in harmonizing and making trade-related rules accessible. There are opportunities to improve the provision of comprehensive and user-friendly information on penalties, appeals procedures, court decisions, and trade agreements. This includes the availability of trade-related legislation online, with a special emphasis on the harmonization of pre-publication of regulations before they come into force — a gap observed in Tajikistan and Uzbekistan. Kyrgyzstan, Tajikistan, and Uzbekistan face challenges in the digitalization and automation of trade procedures.

The time costs associated with completing complex documentation and the need to send original documents still hinder the foreign trade activities of small and medium-sized enterprises (SMEs). The situation is exacerbated by inadequately equipped IT systems for border management and the limited adoption of digital certificates and signatures, as well as electronic payment systems.

- **Poor Inter-agency Cooperation**

Domestic and cross-border inter-agency cooperation are two other areas that are challenging in terms of progress and implementation and demonstrate the need for regional-level cooperation. Governments should consider improving the practical operation of interagency coordination platforms, including through already established National Trade Facilitation Committees (NTFCs).

The analysis from the OECD highlights significant progress but also major challenges still inhibiting trade across Central Asian countries. Addressing these issues will be critical to improving the region’s trade efficiency and economic integration.

## 4.2 Underdeveloped Transportation and Trade Infrastructure

**Central Asian countries face significant challenges due to** their geographic location and infrastructure limitations:

1. Geographical Challenges: Central Asian countries are characterized by their **remoteness from key Eurasian markets and lack of direct access to seaports**. The region's mountainous landscape further hinders the development of transport connections both internally and with the rest of the world.[7] Expert estimates highlight the substantial impact of these geographical factors: without the development of effective transit transportation systems, Central Asian countries are projected to lag countries with direct sea access by an average of 20% in terms of market integration.[8] Furthermore, due to higher transportation costs, the GDP of landlocked countries grows 1.5% slower, and their trade turnover is 30% less than that of countries with access to the sea.[9]

2. High Costs of Transportation and Logistics Services: In addition to geographical location, **insufficient industry competition raises costs and reduces the quality of transport and logistics services**. Additionally, difficulties in crossing borders[10] and the underdevelopment of trade and financial infrastructure impede the expansion of foreign trade flows in the region, including intra-regional trade, and hinder the use of Central Asia as a transit hub. Underdeveloped air connectivity further limits tourism and business contacts.

3. Infrastructure Barriers. FEA participants[11] highlight several key infrastructure barriers:

> *"If we talk about integration, infrastructure plays a big role here. If the railway had already been built, the level of integration would be completely different. God willing, it will be built. Now there are negotiations about building a road with Kazakhstan: from Almaty to Issyk-Kul through Kemin with ADB financing... But whether the countries will implement this project is another question, because most of it depends on Kazakhstan. There is a desire, but there are also challenges" (Kyrgyzstan).*

> *"We have a problem with infrastructure... We still have a single-track railway, if we're talking about rail. Because of this, we've had traffic jams for the third year now" (Kazakhstan).*

[7] Starr, S. Frederick. "The New Silk Roads: Transport and Trade in Greater Central Asia." Washington, DC: Central Asia-Caucasus Institute, 2007.

[8] United Nations, "Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014–2024" ["Венская программа действий для развивающихся стран, не имеющих выхода к морю, на десятилетие 2014–2024 годов"], 2014 https://www.un.org/ru/documents/decl_conv/conv_development.shtml.

[9] Yaroslav Lisovolik, "Paradoxes of Integration," Vedomosti, November 1, 2017.

[10] Das, Ram Upendra. "The Central Asian Republics." In The Asia-Pacific Trade Agreement: Promoting South-South Regional Integration and Sustainable Development, edited by Jeong-Wan Cho and Rajan Sudesh Ratna, 209-264. United Nations ESCAP, 2018. https://doi.org/10.18356/24f1ac70-en.

[11] OECD, "Trade Facilitation in Central Asia."

Among infrastructure issues, representatives from Tajikistan highlighted problems with power outages and unstable internet connections in border areas, which slow down the work of corresponding border points:

> *"There is often no constant electricity. This means untimely registration of goods, delays in the inspection of goods being exported or imported. Recently, we have witnessed endless queues at the border with trucks and passenger cars. Poor internet access is a big disadvantage for any trade, especially in border areas. They suffer from the lack of normal stationary base stations" (Tajikistan).*

Another issue for Tajikistan is the low level of digitalization at border points, where paper-based documentation still plays a major role:

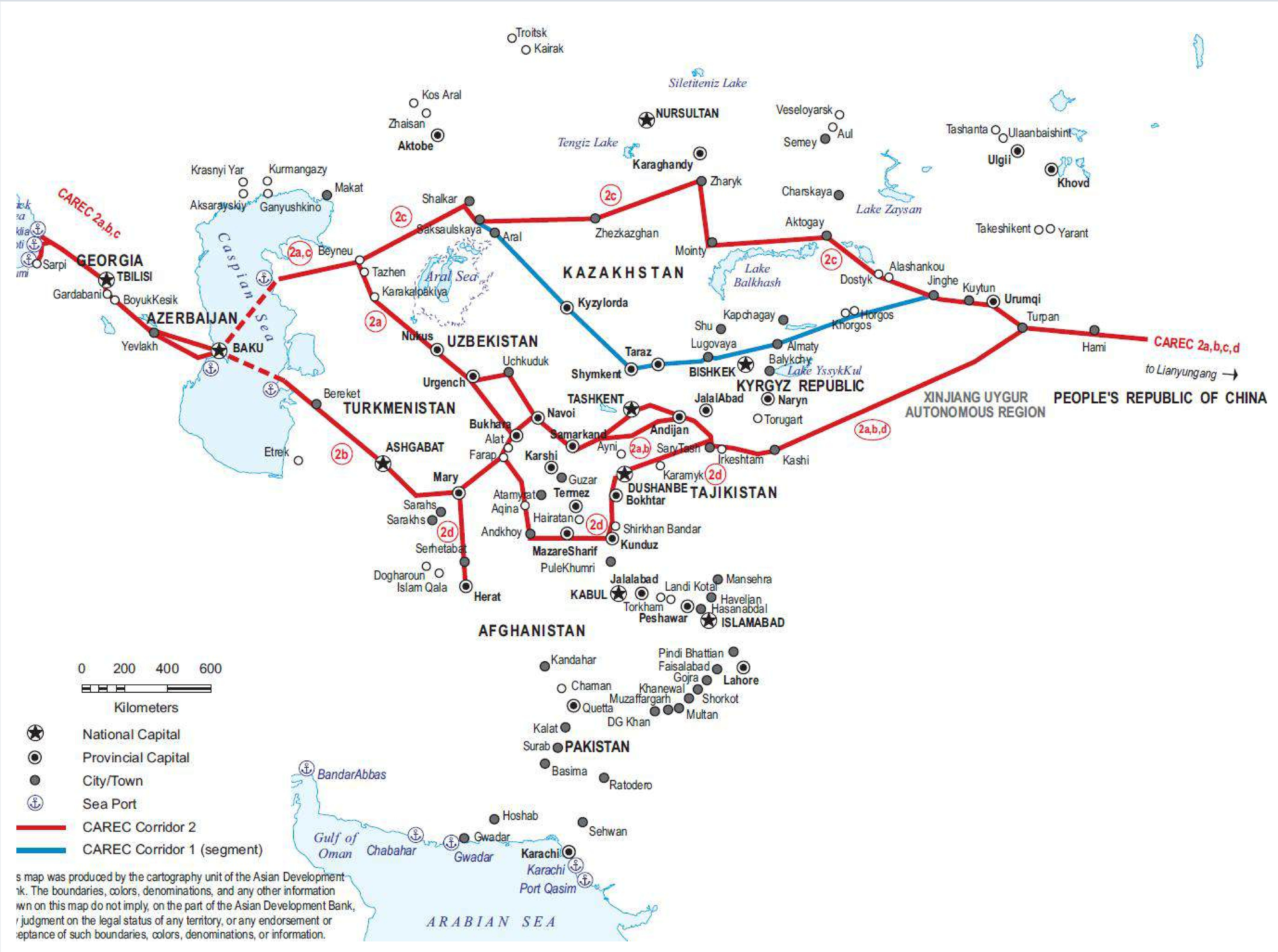
> *"Compared to other countries, we still use a lot of paper" (Tajikistan).*

4. Dependence on Russian Transport Corridors: **Central Asian countries heavily depend on transport corridors passing through Russia**, which carries significant risks. Recent OECD studies assessing the business climate in Kazakhstan and Uzbekistan revealed that 97% of respondents in Kazakhstan and 85% in Uzbekistan[12] faced logistical problems due to disruptions in supply chains. Moreover, despite sanctions increasing the cost of trade in the region, Russia remains a crucial transit country for Central Asia. For example, in 2022, over 80% of Kazakhstan's oil exports passed through Russia, despite repeated interruptions in its transit.
5. Impact of the war in Ukraine and International Sanctions: The war in Ukraine and international sanctions have raised the cost of shipping goods via the Northern Corridor, which runs from China through Russia to the European Union (EU), leading to significant delays in deliveries and increased freight tariffs. This situation is pushing East Asian and European countries to develop alternative transport corridors, including those through Central Asia, particularly the Trans-Caspian International Transport Route (TITR, also known as the Middle Corridor), which crosses Central Asia and the Caucasus. One of the largest projects in this context is the Trans-Asian Railway (TAR) project, which envisions the construction of a railway network from Europe to Asian countries.[13]
6. Middle Corridor Challenges: The Middle Corridor presents both advantages and disadvantages related to infrastructure, capacity, and logistics organization, according to Sabyrova and Mogilevskii. They write, that “the multimodal route, which spans several countries, includes the vulnerability of the Caspian Sea segment to weather and climate changes. The corridor suffers from bottlenecks in maritime, rail, and road infrastructure.

[12] Ibid.

[13] Mirboboev, Rahmatulo Madaubovich. "Роль торгово-экономической интеграции в развитии Центральной Азии." [The Role of Trade and Economic Integration in the Development of Central Asia]. Vestnik TGUPBP 2, no. 95 (2023): 94-103.

**Image 1.** Middle Corridor Map.[14]




In the short and medium term, the main challenges are burdensome transit and trade procedures and suboptimal logistics organization. For example, difficulties arise because multiple logistics operators are involved on the route, compared to a single company managing all rail transport along the Northern Corridor between China and the Polish border. There are also issues with the compatibility of different transport modes. Digitalization is lacking. Without addressing 'soft' infrastructure issues, costly investments in 'physical' infrastructure may prove ineffective.[15]

7. Other Alternative Corridors: Central Asian countries are interested in other alternatives to the Northern Corridor, particularly those that provide access to maritime freight transportation. One such alternative could be the Southern Corridor — through Afghanistan and Pakistan — to the ports of the Indian Ocean. However, the main barrier to realizing this

[14] Sabyrova, Lyaziza, and Roman Mogilevskii. "Trade Flows and Transport Routes in the CAREC Region Amid External Shocks." Central Asia Regional Economic Cooperation Program, May 2024. https://www.carecprogram.org/uploads/ADB-Middle-Corridor-Paper-ENG_Final-SOM2024.pdf.

[15] Ibid.

project is the political instability in Afghanistan. Another route to the "southern seas" could be through Iran. However, the key challenge here is the international sanctions against this country.

From this, it follows that the region needs to develop and improve road and rail infrastructure, foster competition in transport and logistics services markets, create and reduce the costs of alternative transport corridors, and reduce various tariff and non-tariff trade barriers, as discussed in the previous section. Addressing these infrastructure and logistics challenges will help enhance the region’s economic integration and trade potential.

## 4.3 Low Competitiveness of Local High-Value-Added Goods and Services

Central Asian countries face significant challenges in developing competitive high value-added (HVA) industries. In particular, the region’s trade balance is heavily skewed toward raw material exports and imports of finished goods. Furthermore, substantial portions of foreign currency inflows come from the sale of raw materials and through remittances from labor migrants, with the latter being particularly significant for Tajikistan, Kyrgyzstan, and Uzbekistan. This economic structure, characterized by a high dependence on primary commodity exports and external remittances is both a key feature and a critical problem of the region’s economies.

The reliance on raw material exports exposes these economies to the volatility of global commodity prices, while dependence on remittances makes them vulnerable to economic conditions in migrant-receiving countries, primarily Russia. This dual exposure to external factors creates significant macroeconomic instability.

The low competitiveness of HVA goods and services from Central Asian countries is, in our view, linked to three key factors:[16]

- **Overvalued Real Exchange Rates**: The national currencies in Central Asia tend to be overvalued, leading to higher costs for local products compared to foreign alternatives. This overvaluation is associated with large volumes of raw material exports, a phenomenon referred to as "Dutch disease," as well as significant inflows of remittances from labor migrants abroad.
- **Relatively High Business Costs**: The high cost of doing business is due to relatively large tax, debt, and administrative burden on national economies, coupled with weak protection of property rights, which reduces the competitiveness of local products in both domestic and international markets.

[16] A systematic analysis of the causes of the low competitiveness of high-value-added goods in Central Asian countries goes beyond the scope of this study. The factors mentioned below are more like working hypotheses based on the principles of economic science and observations of the region's economies, which help to explain the phenomenon of low competitiveness being examined.

- **Low Attractiveness of HVA Sectors for Foreign Direct Investment (FDI)**: Sectors that could help create competitive industries are less attractive to FDI due to unfavorable investment conditions, including high costs and business risks as mentioned above. Additionally, the small size of internal markets in the region, which are not yet integrated into a single economic space, makes investments in individual countries less appealing to foreign investors. Given that the most promising direction for intra-regional trade and export diversification outside the region is the trade of high-tech goods, attracting foreign investment in HVA sectors and involving national companies in global value chains, is crucial. Therefore, **improving the investment climate** and **fostering intra-regional integration**, which would expand the size of internal markets, are **key factors in enhancing the competitiveness and diversification of the region's economies**.

## 4.4 Investment Climate Challenges Through the Eyes of SMEs in Central Asian Countries

A survey conducted by the M-Vector team among SME representatives in Central Asia reveals critical insights into the perceived barriers to regional economic integration and foreign investment attraction[17]. While not necessarily representative, the survey highlights significant issues related to the investment climate in the region. The study's authors emphasize that the main barriers stem from underdeveloped institutional and legal frameworks.

1. **Regulatory Framework Issues**. The first group of barriers relates to **inconsistent, complex, and** unstable **regulatory frameworks**. Officials are often reluctant to take responsibility for interpreting contradictory regulations, which is further aggravated by the insufficient capacity and lack of interest among government officials in harmonizing conflicting laws and regulations, as well as the delegation of legislative powers by parliaments to executive bodies. These conditions reduce the the stability and certainty of important regulatory frameworks, increasing risks of contradictions.

2. **Ineffective Enforcement System**. The second group of barriers involves an **ineffective enforcement system**. The main issue lies within the judicial system, particularly the lack of uniformity in legal enforcement and the poor execution of court decisions. There is a weak rule of law, including an absence of commercial arbitration systems and insufficient protection of property rights and investments. Respondents' statements include:

   > *I know of precedents where companies won in the Supreme Court, there is a Supreme Court decision, but it is not enforced, for example, by tax authorities" (Kazakhstan).*

[17] Center for International Private Enterprise. "Reconnecting Central Asia through Trade and Investment." February 14, 2024. https://www.cipe.org/resources/reconnecting-central-asia-through-trade-and-investment/.

> *"There is weak trust in the judicial system, low qualifications of judges, meaning it's unclear how a court decision is made. There is no trust at all from investors or the public in the judicial system. Despite multiple announcements of judicial reforms, nothing has changed. This is a big weak point because everything else is tied to it; when an investor looks, the first thing they consider is the judicial system, whether they can protect their rights...*

> *"Today, there are very few investments in our country because there are no independent courts to protect investors' rights" (Uzbekistan).*

The resulting distrust in the law enforcement and judicial system by both society and businesses negatively impacts the investment climate in Central Asian countries.

3. **Underqualified Government Officials and SMEs**. Another issue affecting the investment climate is **the level of qualification and competence of both government officials and SMEs.** The lack of qualification among officials is evident at the local level in their interactions with investors. In these cases, the problem of incompetence often overlaps with too much freedom in decision-making. The insufficient competence of business representatives complicates their communication with foreign investors and leads to an inability to meet their requirements regarding the level of business management and overall operations. A lack of deep understanding of the core aspects of their business and poor foreign language skills are also significant problems for entrepreneurs.

4. **Monopolistic Industries**. Another problem affecting the investment climate is **the trend toward monopolization in certain sectors of the economy**. Low market competitiveness characterizes Kazakhstan's IT sector in particular, e-commerce as well as large retail chains. At the same time, as respondents noted, the authorities do not strive to preserve a competitive environment. This may be related to the assumption that these monopolies are controlled by individuals affiliated with the country's top leadership, and the system does not change despite the change in specific personnel.

5. **Inefficient Public Administration**. Another set of issues is related to **the insufficient efficiency of public administration**, including poor implementation of adopted decisions, laws, strategies, and programs. The lack of strategic vision for the development of certain sectors, industries, and the absence of political will were also mentioned.

6. **Corruption**. Corruption nullifies any attempts to create a favorable institutional environment.

7. **Excessive Regulatory Pressure**. Respondents also emphasized the need to reduce **excessive regulatory pressure**, including various types of inspections. Insufficient measures to simplify trade procedures, a complicated and non-transparent process of licensing/certifying goods, and difficulties in customs clearance were also pointed out. The costs of an unstable and repressive tax environment (compliance with tax legislation is complex and difficult to follow) were underscored.

The low quality of public administration affects many aspects. One of the negative manifestations, critically important in the context of ensuring a favorable investment climate, is working with statistics. In certain cases, it is either distorted, at all levels of the state hierarchy, or concealed.

## 4.5 Causes of Low Investment Attractiveness

- Weak protection of property rights and transactions.
- Excessive and inefficient regulatory and fiscal pressure on businesses.
- Widespread informal economy.
- Unstable legal and regulatory environment.
- Financial instability (high inflation and exchange rate fluctuations).
- Lack of qualified personnel

Additionally, the competitiveness of the region's national economies is hindered by their **insufficient integration into the global financial system**, and u**nderdeveloped financial markets**, with the exception of Kazakhstan. These factors limit the inflow of foreign capital into Central Asian countries, hinder the mobilization of domestic savings for investment, and lead to higher costs for financial resources.

**The increasing strain on water resources poses yet another significant risk to the region’s investment attractiveness**. This global issue is especially dangerous for Central Asia, as its countries heavily rely on agricultural production and are highly vulnerable to climate risks, suffering from the drying up of water bodies and the melting of glaciers.

## 4.6 Persistent Barriers to Intra-Regional Trade

The countries of Central Asia share long-standing cultural and economic ties. Their geographical proximity also fosters a natural inclination toward economic integration.

Meanwhile, deepening integration processes in Central Asia could lead to:

- Expansion of markets for goods (especially finished products) and services produced locally, thereby enhancing their competitiveness through economies of scale and specialization;
- Intensification of competition in domestic markets of the region, which would create additional incentives for improving the competitiveness of local goods and services, as well as better saturating regional markets, benefiting consumers;
- Increased attractiveness of the region for investors, as it would be viewed as a single economic space, making investments in its countries more appealing.

Nevertheless, as our research has shown, intra-regional trade within the region remains limited. According to expert assessments, one of the key reasons for the insufficient level of regional economic cooperation is the **resource-based orientation of the region's**.[18]

Production focused on foreign markets for raw materials explains the low level of product diversification in both production and exports, and consequently, the weak intensity of cooperation among the region's countries.

Another important factor is **unresolved border disputes**. A prime example is the Fergana Valley, where unresolved issues of delimitation and demarcation of the Kyrgyz-Tajik border regularly lead to conflict situations.

Additionally, the **mountainous terrain requires** significantly higher investments to create reliable and convenient transport infrastructure, and there are **underdeveloped transport-logistics and financial services**.

Lastly, the **lack of harmonization in regulatory environments, customs procedures, and other tariff and non-tariff barriers to free trade play a significant role in hindering regional trade.**

## 4.7 Challenges of Economic Integration for SMEs in Central Asia

1. **Survey Findings on SME Integration and Export Orientation**.
   - A survey conducted by the M-Vector[18] team among small and medium-sized enterprises (SMEs) in Central Asia revealed the following: Surveyed SME representatives showed low export orientation, with only 38% engaged in exports, including 30% exporting to other countries in the region. The level of integration within the business environment in Central Asia is also low, as only 26% have long-term partners abroad. The maturity level of the business environment is not very high either, with only 36% being members of business associations and chambers of commerce in their respective countries.

[18] Eurasian Development Bank. "The Economy of Central Asia: A Fresh Perspective [Экономика Центральной Азии: новый взгляд]." November 10, 2022. https://eabr.org/analytics/special-reports/ekonomika-tsentralnoy-azii-novyy-vzglyad/.

[19] Center for International Private Enterprise, "Reconnecting Central Asia." https://www.cipe.org/wp-content/uploads/2024/02/Reconnecting-Central-Asia-through-Trade-and-Investment_2024.pdf.

- A factor contributing to the integration of SMEs in Central Asia is the positive sentiment among current exporters: the majority of them view the business environment in partner countries as favorable.
- Regarding market entry, 35% of respondents noted that it is easiest to enter the market in Uzbekistan, and 30% held the same opinion about Kazakhstan. On the other hand, Turkmenistan (2%) and Tajikistan (6%) were considered the most challenging markets to enter. Kyrgyzstan (19%) falls somewhere in the middle of this informal ranking.

**Table 1.** Responses to the question "Which Central Asian country's market is easiest for companies in your industry to enter?" (% of all respondents)

| | Kazakhstan | Kyrgyzstan | Tajikistan | Uzbekistan | Turkmenistan |
|---|---|---|---|---|---|
| In Kazakhstan | 0% | 51% | 12% | 51% | 40% |
| In Kyrgyzstan | 56% | 0% | 4% | 17% | 12% |
| In Tajikistan | 4% | 3% | 0% | 19% | 2% |
| In Uzbekistan | 37% | 33% | 64% | 0% | 42% |
| In Turkmenistan | 2% | 0% | 0% | 6% | 0% |
| None of the Above | 0% | 4% | 10% | 1% | 2% |

- More than half of Kyrgyz respondents (51%) and Kazakh respondents (56%) view Kazakhstan and Kyrgyzstan, respectively, as the easiest markets to enter. Similarly, companies from Kazakhstan and Uzbekistan consider each other's markets the most accessible, with 51% of Uzbek and 37% of Kazakh respondents holding this view.

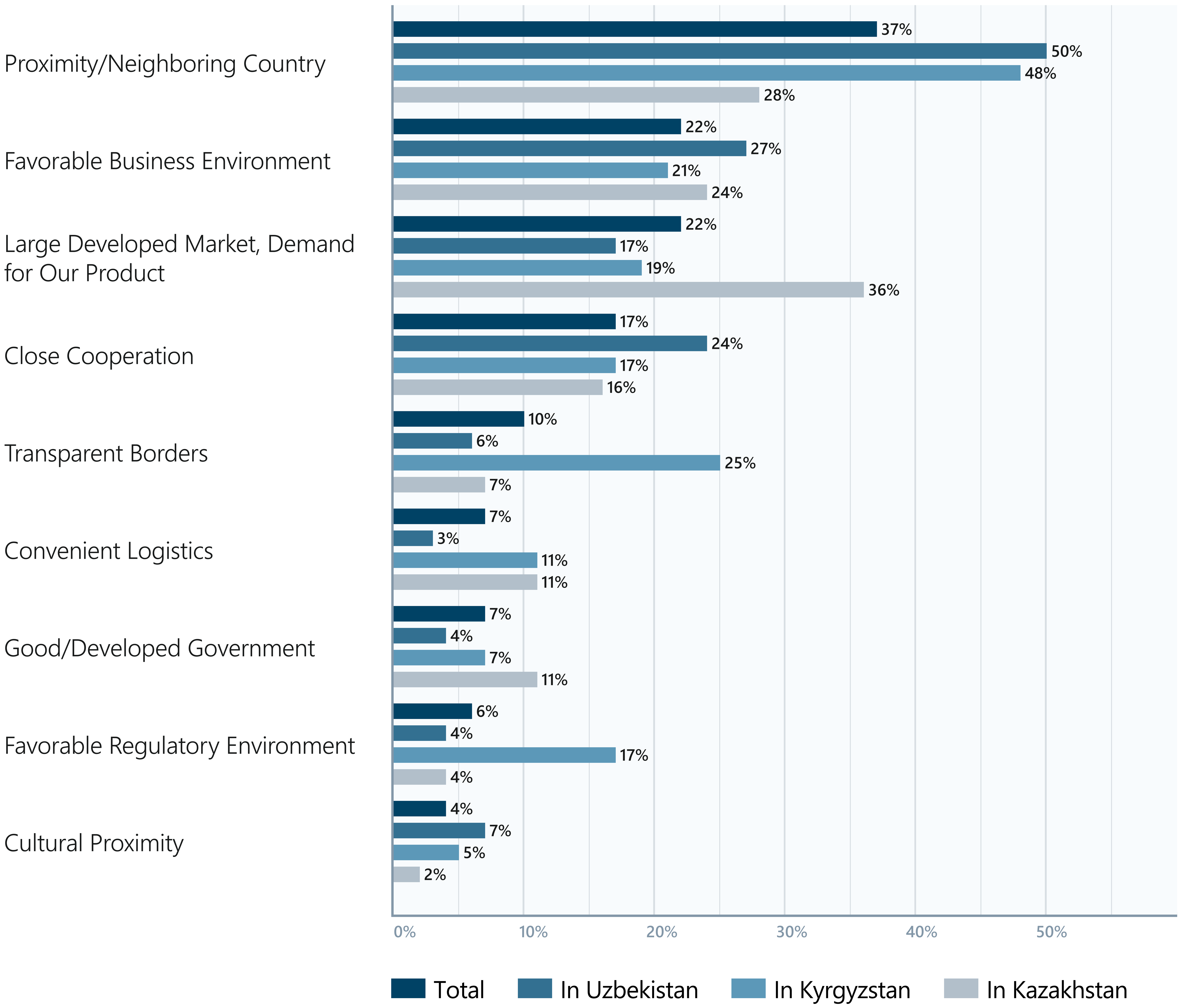
2. **Factors Influencing Market Entry and Integration**. The primary factor influencing the evaluation of cooperation prospects with a country in the region is geographical proximity: the closer the country, the more optimistic the respondents' assessments. Other important drivers of integration, according to respondents, include a favorable business environment, market capacity, and prior cooperation experience.

3. **Barriers to Entering Neighboring Markets**.
   - Among the barriers to entering neighboring countries' markets, respondents most frequently cited the following: "Corruption, bribery, and lack of security for property

rights," "Lack or limitation of trade agreements and/or customs unions," "Compliance measures with tax and regulatory legislation," "Restrictive currency and financial regulations," and "Unstable and changing regulatory norms."

- Surveyed exporting companies identified trade and customs regulations (such as complex trade and customs procedures at border crossings and difficulties in obtaining licenses and permits) as the most significant barriers to regional economic and business integration. Challenges in entering neighboring countries' markets can stem from artificially high barriers for foreign firms (particularly in Turkmenistan and Tajikistan) and generally unfavorable business conditions. Another important barrier is the low capacity of national markets.

**Graph 10.** Reasons for Ease of Market Entry, % of respondents who believe that their industry's companies find it easiest to enter the corresponding country's market



4. **Country-Specific Barriers**. For companies primarily exporting to Uzbekistan, issues in the financial and economic spheres (e.g., unstable and changing trade regulations) play a significant role. For those exporting mainly to Kazakhstan, the primary barriers are related to border crossings and customs clearance. In the case of Kyrgyzstan, "regional cross-border tensions" significantly reduce the country's attractiveness for integration. This reason was cited by 40% of those who consider the Kyrgyz market the most difficult to enter, with the majority being companies from Tajikistan.

5. **Internal Business Environment Shortcomings**. There are also internal business environment shortcomings that hinder exporters' access to other countries' markets. First, issues related to informal payments and weak property rights guarantees. Second, the absence or insufficiency of trade and customs agreements. Kazakhstani companies more often cited factors related to unstable regulations and the weak, underdeveloped economic potential of potential export countries. Turkmen entrepreneurs frequently pointed to restrictive measures in currency and financial regulation. Kyrgyz entrepreneurs were more concerned with political instability and frequently changing legal regulations. Despite these challenges, most respondents view the business conditions for exporting companies in their own countries as generally favorable.

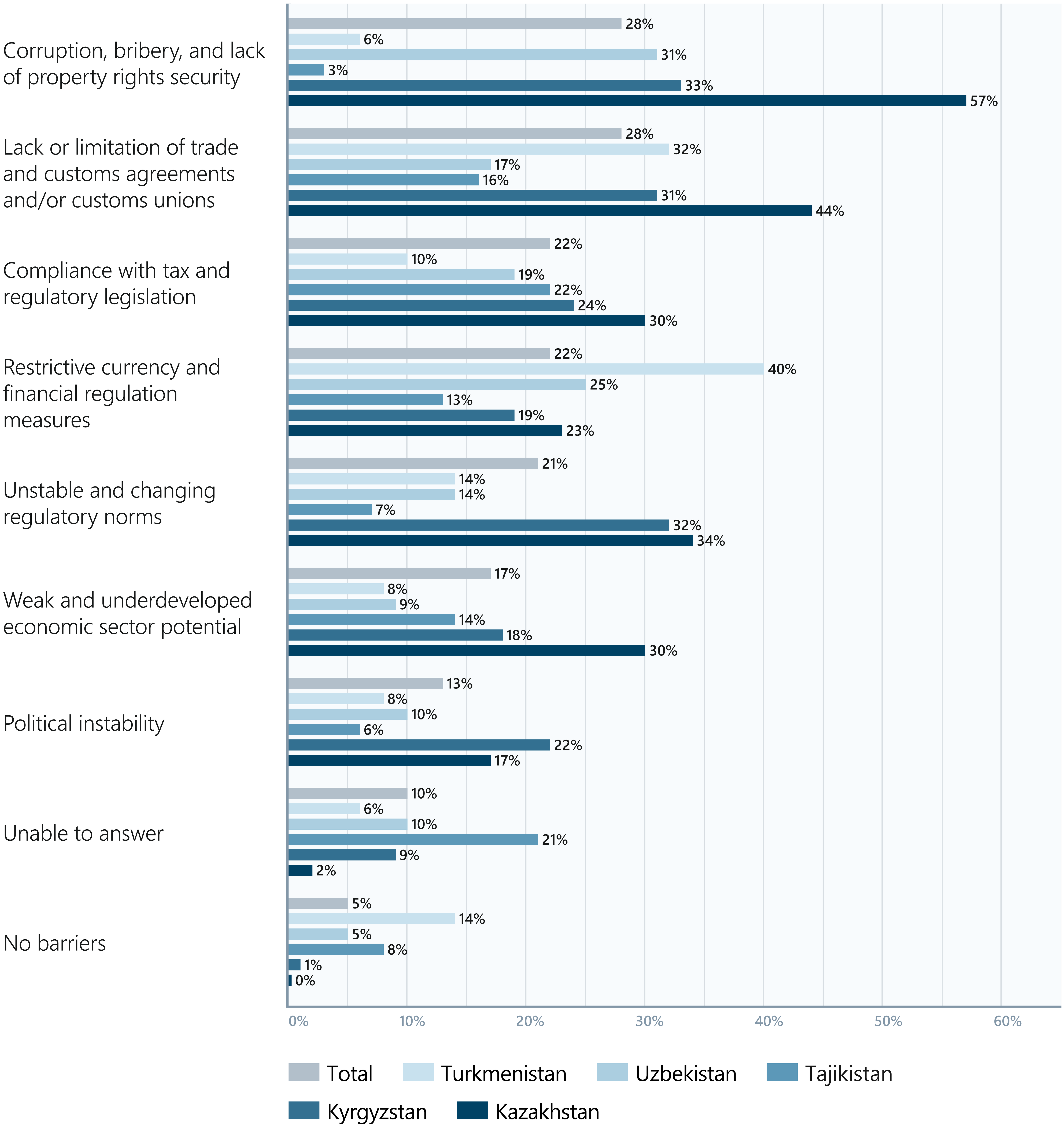
6. **Information Gaps**. When asked about insufficient information on countries for market entry, respondents from Kazakhstan identified Tajikistan (70%) as the most information-deficient country, followed by Turkmenistan (56%). For Kyrgyzstan-based

**Table 2.** "Which Central Asian Country Does Your Company Have Insufficient Information About for Market Entry?" % of Groups, Multiple Responses Allowed

| | Kazakhstan | Kyrgyzstan | Tajikistan | Uzbekistan | Turkmenistan |
|---|---|---|---|---|---|
| About Kazakhstan | 0% | 28% | 31% | 29% | 56% |
| About Kyrgyzstan | 2% | 0% | 31% | 25% | 54% |
| About Tajikistan | 70% | 20% | 0% | 27% | 50% |
| About Uzbekistan | 35% | 34% | 21% | 0% | 32% |
| About Turkmenistan | 56% | 29% | 37% | 52% | 0% |
| About all | 4% | 21% | 41% | 31% | 12% |

entrepreneurs, Uzbekistan (34%) was the most information-deficient, followed by Turkmenistan (29%) and Kazakhstan (28%). Turkmenistani respondents noted a significant information gap regarding Kazakhstan (56%), Kyrgyzstan (54%), and Tajikistan (50%), with Uzbekistan being relatively better informed (32%).

**Graph 11.** Barriers to Entering Other Countries' Markets, % of All Respondents (multiple choices allowed, up to three options):



7. **Integration Efforts and Business Networking**. Business associations play a minor role in integration efforts. Businesses rely more on government and private networks to establish connections. Most companies surveyed (58%) have never sought services or information from business associations.

   Potentially strong integration elements, such as international exhibitions and fairs, are underutilized by businesses. Only 20% of respondents participated in exhibitions within Central Asia, and 16% participated outside the region.

   The universal tool for international business contacts — online platforms — is not used by nearly half of the companies (47%), representing a significant barrier to business integration in Central Asia.

8. **Barriers for Non-Exporting Companies**. For companies not currently exporting but planning to do so, the main barrier is the lack or insufficiency of financial resources. A slightly lower percentage of respondents mentioned the need for more qualified personnel and government support. Only 6% of respondents cited low production capacity as an obstacle to exporting. Among regulatory barriers, non-exporting companies noted complex trade and customs procedures, as well as obtaining licenses and permits (5% each). In terms of financial-economic barriers, the most frequently mentioned issues were low competitiveness against foreign (7%) and local (5%) companies; limited/insufficient financial resources in the host country (7%); instability in trade regulation; restrictions in supply chains and value creation (4%); and lack/limitations of financial resources in the importing country (3%).

9. **Expert Opinions and Regional Integration**. Discussions with experts and representatives of business associations reveal a shared recognition of the need for regional integration.[20] However, the mixed evaluation of the EAEU (Eurasian Economic Union) experience by surveyed experts has led to doubts about adopting a similar intergovernmental model for integration and has introduced a degree of skepticism towards the idea of integration at the state level.

   On one hand, there is an understanding of the need to unify interaction rules, at least to reduce customs barriers. This is crucial both for trade within the region and for a unified approach to external markets when exporting goods beyond Central Asia. On the other hand, countries are hesitant to relinquish their freedom in external trade relations with other nations.

10. **Potential Sectors for Effective Integration**. The sectors where integration could be most effective were identified as tourism and IT. These sectors are less dependent on customs barriers and have significant potential for various forms of cooperation and division

[20] Ibid.

of labor. Proposed mechanisms for implementation include, in particular, the creation of regulatory sandboxes in participating countries and, based on their work, the establishment of regional associations for specific industries. Another suggestion was the organization of an independent and politically neutral Central Asian Chamber of Commerce, which would provide recommendations to governments based on pragmatic considerations for synchronizing actions in the interest of regional integration. Regardless of the realization of these ideas, there is a recognized need for interaction, at least informational, between business associations in Central Asia.

## 4.8 Examples of Regional Integration Formats: Prospects for Trade and Investment between Kazakhstan and Tajikistan

According to government information, Kazakhstan's Prime Minister Olzhas Bektanov met with Tajikistan's President Emomali Rahmon in Dushanbe. During the meeting, the parties discussed the possibility of joint exploration of mineral deposits and the implementation of projects in Tajikistan.

The Aktobe plant is ready to cooperate on the supply of rail and beam products. There is also potential to increase the export volumes of locomotives, diesel engines, switchgear, transformers, agricultural machinery, batteries, and automotive vehicles produced in Kazakhstan.

The governments have been tasked with doubling trade turnover to $2 billion. Kazakhstan has expressed its readiness to increase exports of 85 product positions worth approximately $190 million. Promising joint projects include flour milling production, livestock processing, and others.

Kazakhstan has also begun assisting Tajikistan in deploying its national e-government systems, such as Smart Bridge, EPIP (Unified Platform for Internet Resources), and Smart Data Ukimet.[21]

[21] Source: Telegram SosediAsia

# 5. Conclusions and Recommendations

The development of intraregional trade and export diversification in Central Asian countries **hinges on attracting foreign direct investments (FDI) and integrating local companies into international value chains**. This strategy will enable the adoption of modern technologies and the creation of competitive, high-tech production of goods and services. However, **the narrowness of internal markets presents a significant** hindrance **to** attracting **FDI**. Removing the barriers to intraregional trade and forming unified regional markets **will be necessary to overcome this challenge.**

Regional integration and enhancement of local production competitiveness are mutually reinforcing:

- Expanded markets increase competitiveness through economies of scale and specialization.
- **Intensified competition within national markets** business development.
- **Opportunities for intraregional cooperation are created**.
- **The region becomes more attractive to foreign investors as a unified economic space**.

For **export and import diversification by country**, it is important to remove trade barriers, modernize the region's transport and logistics infrastructure, develop competition in the transport sector, and facilitate the development of new transport corridors. To **attract investment and develop competitive high-value-added production** in the region's countries, it is necessary to improve the business climate, and reduce costs and risks for businesses. Additionally, governments should implement special **industrial policies** to ensure the development of export-oriented high-tech sectors of the economy.

In this regard, Central Asian governments should focus on:

1. **Taking measures to reduce tariff and non-tariff trade barriers, both for trade within CA and for trade with other countries, including:**
   - Lowering or eliminating customs duties for goods from "distant foreign" countries not part of the EAEU and CIS free trade areas, especially for goods with high duties (to reduce dependence on imports from Russia).
   - Increasing transparency of trade rules and improving information and consulting services for foreign economic activity participants through user-friendly websites.
   - Reducing duplication of paper and electronic procedures by accelerating digitalization efforts, such as harmonizing customs documents and electronic systems, including electronic filing of export and import declarations, electronic payment of duties, taxes, and fees, and increasing the share of procedures allowing electronic processing.[22]
   - Implementing automated risk management systems at customs and border control.

[22] OECD, "Trade Facilitation in Central Asia."

- Harmonizing standards.
- Strengthening cooperation among border agencies for inspections, data collection, and processing.

2. **Developing Transport, Trade-Logistics, and Financial Infrastructure:**

Improving the capacity of transport infrastructure, especially in the context of regional and cross-border cooperation.

- Promoting competition and creating equal business conditions in the transport sector, including simplifying the procedures for obtaining permits and licenses.
- Developing infrastructure in border areas, creating joint wholesale distribution centers, and logistics services.
- Stimulating the development of foreign trade financing instruments.
- Remove barriers to capital movement within the region, harmonize financial market regulations, and create a unified regional financial market.
- Improving tourism infrastructure and simplifying rules for foreigners.
- Leveraging the potential (technical and financial support) of international donor organizations, especially for developing transport infrastructure (which requires significant investment).

**Actively Participating in the Development of Alternative Transport Corridors**, Including the Trans-Caspian International Transport Route (TITR), which crosses Central Asia and the Caucasus through Turkey and the Black Sea to Europe.

Removing barriers to intra-regional economic integration, including trade in goods and services, interpenetration of investments, and labour movement. Including through:

- Improving tariff and non-tariff conditions for mutual trade.
- Harmonizing business rules across the region, including taxation principles, tax and customs administration, and technical regulations (standardization, certification, and other permitting procedures).
- Strengthening interaction, including informational exchange, among customs and tax authorities.
- More active involvement of the business and expert communities in developing measures to improve foreign economic activity procedures.
- Supporting the creation of regional business associations and analytical centers promoting economic integration and regional business cooperation.
- Removing barriers to capital movement within the region, harmonizing financial market regulations, and creating a unified regional financial market.

- Creating a unified regional energy market with common rules.
- Applying maximum efforts to resolve water disputes and conflicts and developing unified water resource management rules in Central Asia.
- Improving regional coordination and cooperation, creating steering committees, developing internal mechanisms for interagency coordination, and promoting personnel exchange and training programs to support operational compatibility among border agencies.

3. **Improving the business climate, reducing the tax, debt and administrative burden on business, and improving the quality of economic policy in the countries of the region, including:**
   - Liberalizing economies, reducing government intervention in market regulation, decreasing regulatory and fiscal pressure on business, fostering competitive environments, and creating equal business conditions.
   - Developing democratic mechanisms for effective oversight of government activities, improving transparency and accountability of government institutions.
   - Enhancing judicial systems through judicial reforms and the implementation of international arbitration practices.
   - Promoting competition in the banking sector and integrating national financial markets into the global financial system.
   - Stimulating the development of non-bank business financing institutions: microfinance and leasing organizations, Islamic finance, capital markets, venture financing, etc.
   - Developing foreign exchange risk insurance systems.

4. **Implementing Export-Oriented Industrial Policies:**
   - Currency regulation measures, including steps to alleviate overvalued national currencies.
   - Attracting foreign investments in high-value-added industries, creating conditions for national companies to participate in international value chains.
   - Preparing and attracting highly qualified personnel.
   - Developing production cooperation, production, and transport-logistics infrastructure.
   - Stimulating export of finished products from the region, including through subsidizing consulting, training, and marketing research for exporters, supporting local business participation in professional exhibitions, trade fairs, and networking, and promoting informational resources showcasing investment and business development conditions in the region.
   - Leveraging the potential (technical and financial support) of international donor organizations, particularly in financing and attracting investments.

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