CENTRAL ASIA'S ECONOMIC AND TRADE POTENTIAL VIA THE MIDDLE CORRIDOR

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The Central Asian region possesses significant economic and trade potential, yet its realization remains constrained by traditional dependencies on Russia and China and underutilized transit pathways. Unlocking this potential through the Middle Corridor requires substantial capital investment alongside comprehensive institutional reforms and modernized trade regulations. Enhanced Western engagement, particularly from the EU and the U.S., offers a strategic framework to diversify regional trade and integrate Central Asia into global markets. Ultimately, the long-term viability of the Middle Corridor hinges on lowering transit costs, accelerating administrative procedures, and establishing a predictable, transparent economic environment.

BACKGROUND: Its geographical location and available natural resources make Central Asia a top priority in contemporary global politics and economics. While the region's transit potential is high, its own economic capacity is currently underutilized; exports are dominated by energy resources, while the bulk of imports originates from China and Russia. Furthermore, certain countries within the region remain excessively reliant on remittances sent home by workers living in Russia.

Significant effort is required to fully unlock the region's economic capacity and expand its trade with the West. This will require rapid infrastructure development and comprehensive institutional reforms, including the modernization of trade and border-crossing regulations. Such measures could quickly double the region's economy and lay the foundation for close coordination and strategic cooperation with Western partners.

Western interest (particularly from the EU and the U.S.) in Central Asia rests on several strategic considerations:

The region offers an opportunity to expand market reach and secure reliable new partners, as well as resource base. In addition, the region holds significant economic and strategic balancing importance vis-à-vis China and Russia.

Consequently, numerous efforts are underway by the U.S. and EU to reconnect historical links or establish new partnerships to foster trade opportunities and build long-term strategic alliances. One major initiative currently driving international discourse is the Middle Corridor, a route designed to connect Europe and Asia through Central Asia and the South Caucasus, allowing access to energy, critical minerals, and other goods and resources from the region, as well as Central Asian markets.

The People's Republic of China (PRC) maintains strong economic interest in the region and has already invested heavily. However, its interest in using the Middle Corridor by China is limited by the capacity of the transit corridor, as well as by the availability of alternative transit routes. Although the recent surge in traffic through the corridor is notable, the route requires careful feasibility planning and substantial capital investment to fulfill its expanded role. Based on current and expected trade numbers, the Middle Corridor will be more important for trade between the Central Asian countries, Europe and Mediterranean, and less important for Chinese transit.

Meanwhile, the Russian Federation (RF) maintains strong political and commercial

interests in Central Asia and aims to preserve its leading role as a transit hub for goods from China. Moscow retains several political and economic leverages in the region. The Russian Federation accounts for 15 to 31 percent of imports and 11 to 42 percent of exports across the five Central Asian states. By comparison, China accounts for 1 to 40 percent of imports and 5.8 to 25 percent of exports. Intra-regional trade remains minimal, peaking at just 20 percent in lower-income nations like Tajikistan and Kyrgyzstan. Interestingly, Türkiye's share of trade with Central Asia also trails behind that of both Russia and China.

The Middle Corridor faces numerous economic hurdles that must be addressed, including technical and institutional reforms aimed at reducing costs, increasing throughput capacity, and shortening transit times. Estimated infrastructure investments amount to tens of billions of dollars; without a clear economic return, potential investors and traders may hesitate.

IMPLICATIONS: To evaluate the prospects of the Middle Corridor, it is essential to assess the Central Asian foreign trade market, its current and potential capacity. International trade across Central Asian states, with a combined population of 83 million, averages roughly US$ 2,500 per capita. By contrast, the three Baltic states with a combined population of 6.5 million generate a foreign trade volume nearly equal to that of Central Asia (US$ 202 billion total), translating to over US$ 33,000 per capita. This gap highlights Central Asia's immense untapped potential. However, realizing this potential will require substantial capital injection and a major modernization of the institutional framework. In total, the region currently conducts around US$ 260 billion in global trade (goods and services, including intra-regional trade), with merchandise trade accounting for US$ 216 billion. One critical area for development is the removal of trade and border-crossing barriers. Harmonizing regional trade policies and regulations with EU standards represents a vital step forward, allowing greater efficiency of the trade route.

However, shifting away from long-standing ties with Russia carries potential political and economic costs. Hundreds of thousands of Central Asian migrant workers currently live in Russia, sending home hundreds of millions of dollars in remittances that support local economies.

Oil and natural gas represent a quarter of the region’s foreign trade. Hydrocarbon exports account for approximately 49 percent of all exports (US$ 116 billion) and are transported almost entirely via pipelines. China is the region’s largest trading partner, handling nearly half of Central Asia's total merchandise trade (US$ 106 billion). Russia remains another primary trade partner with a 20 percent share, which is nevertheless gradually declining as trade shifts toward China.

Institutional environment and economic freedom remain critical concerns: Kazakhstan ranks 68th and Uzbekistan 86th (both categorized as "moderately free") on the Heritage Foundation’s Index of Economic Freedom. The remaining three states rank below 114th, categorized as either "mostly unfree" or "repressed". Upgrading institutional quality would stimulate the wider economy and attract foreign investment beyond the oil and gas sectors.

Border-crossing procedures present additional challenges. Current regulatory

frameworks in Central Asia are tailored primarily for trade with Russia and China. Adapting these systems to EU standards, alongside digitizing and simplifying customs procedures, will be essential to lower transit costs. Georgia's implementation of the Deep and Comprehensive Free Trade Area (DCFTA) with the EU offers a proven model for regional trade regulation.

Furthermore, government integrity, local corruption, bureaucratic delays, political influence, and weak rule of law present significant obstacles. Central Asian governments must actively address these issues to prevent costly delays and administrative inefficiencies. Improving governance and mitigating local corruption risks requires reducing regulatory burdens, streamlining administrative processes, and leveraging digital technologies.

Accelerating these institutional reforms will give potential investors the confidence to finance regional growth, increasing the flow of goods toward the EU and justifying the substantial investments needed for the Middle Corridor. Ultimately, Middle Corridor investments will succeed only if transit costs and transit times remain competitive against alternative global trade routes, both now and in the future.

CONCLUSIONS: Central Asia has strong potential to become a key economic partner for the U.S., EU and other Western states. To achieve this, the region requires deep institutional reforms to attract capital, eliminate trade barriers, and align border procedures with Western standards. Reforms must focus on creating a transparent, predictable, and streamlined regulatory environment. The success of the Middle Corridor will depend directly on its cost-competitiveness and the pace of Central Asia's broader economic development, driven by foreign direct investments. Although current foreign trade figures remain modest, trade volume could realistically double to US$ 500 billion. Eliminating trade barriers and curbing political and bureaucratic interference, especially across internal regional borders, are critical steps.

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