

## COMPASS Policy Brief

### Growing Potential of Central Asian Trade Logistics

*Ulugbeck Khasanov, Mavluda Nurmetova*

15 February 2022

**GCRF COMPASS:** Comprehensive Capacity-Building in the Eastern Neighbourhood and Central Asia: research integration, impact governance & sustainable communities (ES/P010849/1)



## Table of Contents

EXECUTIVE SUMMARY .....	2
BACKGROUND .....	2
ANALYSIS OF THE ISSUE .....	3
POLICY RECOMMENDATIONS .....	ERROR! BOOKMARK NOT DEFINED.1
REFERENCES .....	122

### Authors:

Ulugbeck Khasanov, Mavluda Nurmetova

### Authors' Information

**Ulugbeck Khasanov**, PhD. Chair of the Department of International Relations and Assoc. Professor, University of World Economy and Diplomacy, Tashkent, Uzbekistan. Contact e-mail: [ulugbecks@gmail.com](mailto:ulugbecks@gmail.com) and [uxasanov@uwed.uz](mailto:uxasanov@uwed.uz)

**Mavluda Nurmetova**, PhD researcher at the Department of International Relations, University of World Economy and Diplomacy, Tashkent, Uzbekistan. Contact e-mail: [mavluda\\_91@mail.ru](mailto:mavluda_91@mail.ru) and [mnurmetova@uwed.uz](mailto:mnurmetova@uwed.uz)

**The University of World Economy and Diplomacy (UWED)** was established on September 23, 1992 and is part of the system of the Ministry of Foreign Affairs of the Republic of Uzbekistan and is a basic higher educational institution that provides training, retraining and advanced training of specialists and scientific and pedagogical personnel, conducting at a high level fundamental and applied research in the areas of international economics and management, international relations and political sciences, international public and private law, etc.

**GCRF COMPASS Project** (ES/P010849/1, 2017-21) is an ambitious UK government capacity-building funding initiative, aiming to extend UK research globally and to address the challenges of growth and sustainability in developing countries. Notably, the COMPASS project led by the University of Kent, in partnership with the University of Cambridge, seeks to establish the ‘hubs of excellence’ at the top-level Higher Education Institutions in Azerbaijan, Belarus, Tajikistan and Uzbekistan, to enable them to become the centres for knowledge-sharing and transfer for *research integration, impact governance, and sustainable communities*.

*The GCRF COMPASS project was awarded HIGH COMMENDATION under the category of International Collaboration of the Year 2021, by the Times Higher Education (THE) Awards, widely known as ‘the Oscars of Higher Education’.*



# GROWING POTENTIAL OF CENTRAL ASIAN TRADE LOGISTICS

## EXECUTIVE SUMMARY

The emergence of Central Asia into global affairs demanded greater involvement of its nations and their economic system into trading and supply chains worldwide. However, trade and transport has historically been improved in tandem. Despite the establishment and implementation of several regional logistics projects for the last decade, the Central Asian region faces the challenges of ensuring free and affordable access to railroad and sea transportation, reducing the costs associated with trans-border and trans-national transit corridors and networks. It should be emphasized that the goods transportation is not carried out in full due to the underutilization of the transport and transit potential of the whole region, which indicates the less competitive level of domestic transportation networks and corridors. The Central Asian region today has a huge unrealized export and transit potential, which, if used fully in the future, can allow increasing trade turnover between large regions of the Asia-Pacific region, South and Southeast Asia, Russia, and Europe through the implementation of major transport projects.

**Keywords:** *Central Asia, International Transportation Corridors, Logistics Network, Regional Cooperation, Afghanistan, China, Russia, Supply chains.*

**Abbreviations:** *ADB, Asian Development Bank; ALTID, Asian Land Transport Infrastructure Development; CAREC, The Central Asia Regional Economic Cooperation; EBRD, European Bank for Reconstruction and Development; UNECE, The United Nations Economic Commission for Europe; UNESCAP, The United Nations Economic and Social Commission for Asia and Pacific.*

## BACKGROUND

The centre of gravity of the global economy is progressively moving east and south as indicators of GDP are growing in Asia. This will cause increase in production and consumption patterns as well as in international trade and supply chains. The current transport and logistics infrastructure and related policies need to be changed whether the Central Asian countries want to upgrade their economic structures and become an integral part of increasing trade between Asia and Europe. In this context, the process of integration of the regional economy into the world economic system leads to greater involvement of the Central Asian countries in the international distribution of labor and, accordingly, to the growth of their mutual trade with the main trading partners.

Historically, the Eurasian international transport corridors included: the Northern Corridor (Alashankou (China) - Druzhba - Aktogay - Astana - Kokchetav - Presnogorskovskaya (Kazakhstan) and further along with the territory of Russia and other post-Soviet countries to European countries); the Central Corridor (Druzhba - Aktogay - Alma-Ata - Chengeldy (Kazakhstan) - Tejen-Serakhs (Turkmenistan) - Mashhad (Iran) and further to Iranian ports and Turkey).

The North-South corridor connecting European countries and the northwest of Russia through the ports of Astrakhan and Olya with the ports of Iran, Azerbaijan, Kazakhstan, and Turkmenistan allows cargo transportation in the direction of the Persian Gulf, Pakistan, and India.

This paper aims to analyse the process of integration of the Central Asian region transport system into the international transportation network by examining several project initiatives. Further, the research focuses on Chinese, Russian and Afghan factors playing a vital role in achieving the transportation potential of the Central Asian region which has yet to be fully realized.

## **ANALYSIS OF THE ISSUE**

The basis for the development of transport corridors can be the United Nations Economic Commission for Europe (UNECE) projects on the expansion of international transport infrastructure networks to the Caucasus and the Central Asian region, as well as international routes identified within the framework of the United Nations Economic and Social Commission for Asia and Pacific (UNESCAP) Asian Land Transport Infrastructure Development (ALTID) project. These routes are the mainland connections for international transport flows, providing direct links between Northern, Western, Central, and Southern Europe and the countries of the Caucasus, Transcaucasia, Black Sea, and Caspian regions, the Middle East, Central Asia, and parts of the Asia-Pacific region, including the Northeast Asia region. In broader context, "...the official North-South Transport Corridor Project must be seen in light of a broader attempt by regional Central Asian countries to create as many trade and transport opportunities as possible. Today's developments mirror the continually evolving system of multiple routes and relationships of the historic Silk Road."<sup>1</sup>

It should be emphasized right away that both Russia and China are very interested in the participation of the countries of Transcaucasia and Central Asia in the development of the pan-Eurasian transport network as a whole and the program of the revival of the Great Silk Road, especially due to the connection of the

---

<sup>1</sup> Spector, Regina A. (2002). "The North-South Transport Corridor", *Brookings*. Accessed on: 9 February 2022 at: <https://www.brookings.edu/articles/the-north-south-transport-corridor/>

latter with the trade and energy supply factors. It proves the notion, that, “There will be a pressing need to develop innovative models to ensure trade and transportation networks offer customers improved service levels through enhancement of the supply chain.”<sup>2</sup>

In May 1993, the States of the European Union (EU) signed the Brussels Declaration on the Development of a Transport corridor "Europe-Caucasus-Asia". The ambitious project of the Europe-Caucasus-Asia transport corridor connecting the countries of Europe and Asia provided for cargo transportation via the rail and road network of Italy, Germany, France, Great Britain, Spain, and Portugal through the Black Sea ports of Romania, Bulgaria, Ukraine, and Georgia to Transcaucasia and further to Central Asia, China, Japan, South Korea. When signing the Brussels Declaration, it was stated that it was necessary to develop several alternative routes so that there would be an opportunity to choose the most profitable ones depending on the types of goods and services. Initially, it was about connecting the transport highways of the republics of Central Asia and the Caucasus, and the EU countries.

Initial funds invested in the development of transport networks in Central Asia and the Caucasus were provided by international financial organizations. In addition, some Turkish companies within the framework of the project carried out the reconstruction of a 44-kilometer section of the Alyaty-Kazimagomed highway (80 km south of Baku) for \$27.7 million. Several sections of the Azerbaijan State Railway (AGR), which are part of the Europe-Caucasus-Asia transport corridor, have been reconstructed. The European Bank for Reconstruction and Development (EBRD) has provided AGZHD with a loan in the amount of \$ 202 million for a period of 15 years. The foreign investment of current and prospective projects for the development of the Georgian transport complex was estimated at \$ 644 million. The main investors then were the World Bank, EBRD, Eurobank, the European Union, financial institutions, and companies from Japan, England, Turkey, and other countries. Turkmenistan Railways has announced an international tender for the reconstruction of the railway. The project was estimated at \$36 million and was financed by a loan provided by the Japan Foreign Economic Cooperation Fund.

In the early 1990s Uzbekistan, Kyrgyzstan and China have implemented a joint project to build a road connecting the Fergana Valley with the western provinces of China. This transport route, passing through the cities of Tashkent - Andijan - Osh - Kashgar, not only connects Uzbekistan, Kyrgyzstan, and China with transport communications, but is also part of the historically established Great Silk Road. The opening of a section of the trans-Asian transport bridge across Kyrgyzstan has made fundamental changes

---

<sup>2</sup> Rimmer, Peter J. (2005). “Guest Editorial: Trade and Transportation Facilitation”, *Journal of International Logistics and Trade*, Volume 3, Number 1, pp. 1-8. Accessed on: 10 February 2022 at: [//www.ejilt.org](http://www.ejilt.org) > download > download\_pdf

in the latitudinal transit links carried out through the country, and the opening of the Karakoram Highway has revived meridional transit links through Kyrgyzstan, in particular, between Kazakhstan and Pakistan.

After 1993, real steps in the implementation of the transport sector of the project were taken by Georgia, which concluded an agreement with Turkey on the creation of the shortest railway route on the Kars–Akhalkalaki–Tbilisi–Baku line. Being continued, this line provided Georgia with an exit through Turkmenistan to the countries of the Pacific coast, and through Turkey to the Atlantic. It connected the states of the Persian Gulf with the countries of Central and Western Europe. Another element is linked to the fact, that the majority of ex-Soviet countries “...were geared towards Moscow and the entire infrastructure including rail, road and airports were built to respond to national strategic security and economic imperatives. The traditional trading links of the six states were either directed to the capital and major cities of the former Soviet Union or further trans-shipment through those areas to Europe. Their independence significantly influenced, after the initial phase, the trade and transport patterns. Fragmented transport market in Central Asian republics underlined the need to build new links and expand the old especially in terms of road and rail connections to China and the Islamic Republic of Iran. The links with Iran, Turkey and Pakistan mirrored the resurgence of old cultural, historical and trading bonds.”<sup>3</sup>

At the current moment, there is a process of creating and strengthening trade, transport, and economic bridge running through the whole of Central Asia, including through Uzbekistan,<sup>4</sup> which would connect Russia and the countries of the European Union with the countries of Southeast Asia, China and Japan.

The transportation of goods in interstate communication is not implemented in full due to the underutilization of the transport and transit potential of the CA republics, which points to the less competitive level of domestic transportation networks and corridors.

In May 2013, a new railway line Bolashak (Kazakhstan) – Serkhetyaka (Turkmenistan), which was built and put into operation between Kazakhstan and Turkmenistan, began to function, which fully started functioning in 2014-2015. Cargo coming from Eastern Europe, Russia, Kazakhstan began to pass through a new shorter North-South railway corridor bypassing the territory of Uzbekistan. Previously, the cargo was delivered to the Iranian port of Bandar Abbas via the railway stations Karakalpakstan (Uzbekistan) – Naimankul (Turkmenistan) and Sary-Agach (Kazakhstan) – Khojadavlet (Turkmenistan). Transit cargo

---

<sup>3</sup> Trade and Development Board, First Session of the Intergovernmental Preparatory Committee of the International Ministerial Conference on Transit Transport COOPERATION. New York, Improvement of Transit Systems in Central Asia. Accessed on: 10 January 2022 at: [https://unctad.org/system/files/official-document/ldc20035\\_en.pdf](https://unctad.org/system/files/official-document/ldc20035_en.pdf)

<sup>4</sup> Altynbayev K. (2021) “Central Asian summit marks the latest step toward regional co-operation” *Central Asia News*, Accessed on: 10 January 2022 at: [https://central.asia-news.com/en\\_GB/articles/cnmi\\_ca/features/2021/08/11/feature-01](https://central.asia-news.com/en_GB/articles/cnmi_ca/features/2021/08/11/feature-01)

has been reoriented to bypass corridors due to a decrease in the competitiveness of the domestic railway, in particular, non-compliance with regulatory deadlines for cargo delivery.

As a result, this led to a sharp reduction in transit traffic and the annual loss of the previously possible volumes is about 4,000-4,500 thousand tons. It should be noted that there are some projects for the formation of transit corridors bypassing the territory of Uzbekistan, which increases the risks of undermining the country's economic security.

The transport and logistics potential of Uzbekistan in international trade is inextricably linked with the transport potential of the countries of Central Asia and Afghanistan surrounding Uzbekistan, through which cargo is transported.

The network of highways in Central Asia is quite extensive, but most of them are in poor condition, which indicates poor maintenance. The road network of the Central Asian countries includes approximately 66,000 km of trunk roads. The main regional and international traffic falls on roads with a length of about 29,000 km. Most of these roads are laid from north to south, and the transit of goods from Uzbekistan passes most often through the territories of Russia and Kazakhstan.

The total length of the railway tracks of the Central Asian states is more than 22,000 km. Kazakhstan has the largest railway network – 66% – and it is the undisputed leader in freight transportation. Up to 84% of all railway traffic in Central Asia is carried out on the territory of Kazakhstan. Uzbekistan has about 18% of regional railways, and about 11% of the total traffic is carried out on its territory.

However, today, Central Asian countries face the challenges of ensuring free and affordable access to sea transportation, reducing the costs associated with crossing the state border.

In exploring Central Asian transit and transport potential, the Central Asia Regional Economic Cooperation (CAREC) Program should also be mentioned. CAREC is a partnership of 11 developing (*as of today*) countries which was first introduced in 2001. 11 countries include Afghanistan, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, People's Republic of China, Tajikistan, Turkmenistan, and Uzbekistan. The aim of launching this program was to promote development through cooperation, leading to accelerated economic growth and poverty reduction. Since its inception, “CAREC has mobilized 40 billion US dollars in investments that have helped establish multimodal transportation networks, increased energy trade and security, facilitated free movement of people and freight, and laid the groundwork for economic corridor development.”<sup>5</sup> In order to confront and overcome

---

<sup>5</sup> Cited from the materials of the official website of the CAREC Program. What is CAREC? Accessed on: 9 February 2022 at: [https://www.carecprogram.org/?page\\_id=31](https://www.carecprogram.org/?page_id=31)

their common challenges, member-states decided to focus joint efforts on four key areas: energy, trade policy, transport, and trade facilitation. The main goal of CAREC is “to expand trade and increase competitiveness in the Central Asian region, most republics of which are landlocked countries suffering from high transport costs.”<sup>6</sup> The Asian Development Bank (ADB), in partnership with other institutions, is working on improving physical integration within the Central Asian region. In this case, CAREC transport corridors (*see Figure 1*)<sup>7</sup> are considered to be vital routes to develop connectivity and facilitate cross-border movement in the region as well as to expand the region’s economy. The program is now guided by the strategic framework CAREC Transport Strategy 2030, which was approved at the 16th CAREC Ministerial Conference in Dushanbe, in 2017. The new strategy builds upon progress made and lessons learned from the CAREC Transport and Trade Facilitation Strategy 2020, offering CAREC as a driver to help promote innovative financing for large and complex projects of regional importance. This includes road and rail corridors which enhance a regional coordination platform to connect people, policies, and projects for shared and sustainable development.

*Figure 1*

Corridor 1:	Europe–East Asia (Kazakhstan, the Kyrgyz Republic, and XUAR)
Corridor 2:	Mediterranean–East Asia (Afghanistan, Azerbaijan, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan, and XUAR)
Corridor 3:	Russian Federation–Middle East and South Asia (Afghanistan, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan)
Corridor 4:	Russian Federation–East Asia (IMAR, Mongolia, and XUAR)
Corridor 5:	East Asia–Middle East and South Asia (Afghanistan, the Kyrgyz Republic, Pakistan, Tajikistan, and XUAR)
Corridor 6:	Europe–Middle East and South Asia (Afghanistan, Kazakhstan, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan)

IMAR = Inner Mongolia Autonomous Region; XUAR = Xinjiang Uygur Autonomous Region. Both are regions of the People’s Republic of China.

<sup>6</sup> Asian Development Bank (2014). "Central Asia Regional Economic Cooperation Corridor Performance Measurement and Monitoring: A Forward-Looking Retrospective". Accessed on: 10 February 2022 at: <https://www.adb.org/sites/default/files/publication/148731/carec-cpmm-forward-looking-retrospective.pdf>

<sup>7</sup> Fig.1. Ibid.



## Chinese Factor

China is trying to dominate the regional logistics network promoting Belt and Road Initiative towards CA nations on a bilateral level. One of them is the international project "One Belt— One Road", which can change China's influence on the region and transform Central Asia from several landlocked states into a transit region between Asia and Europe. China aids regional nations to re-open Central Asia to trans-national business. This project was announced by Chinese leader Xi Jinping back in 2013 when he was on an official visit to Kazakhstan. In 2019, 125 countries and 29 international organizations confirmed their participation in this project, which signed 173 cooperation agreements. In the future, transport corridors should link 60 states in Europe, Asia, and Africa. China's "One Belt, One Road" initiative has combined two other projects: the "Silk Road Economic Belt" and the "Maritime Silk Road of the XXI Century" and its goal is to create a global infrastructure of trade routes.

Transport directions of the Belt & Road supposed to consider the following transport directions:

- Central Asia, Russia to Europe (to the Baltic Sea);
- Central Asia and Western Asia to the Persian Gulf and the Mediterranean Sea.

It is planned to form international corridors of economic cooperation in these areas: "China-Mongolia-Russia", "China-Central Asia-West Asia", "China-Indochina", "China-Pakistan" and "Bangladesh-India-Myanmar-China".

On April 25-27, 2019, the second high—level forum "One Belt, One Road" was held in Beijing. The summit was attended by 37 leaders of states and governments. The Chinese capital was visited by about 5 thousand guests who represented 150 countries and 90 international organizations. As a result of the event, 283 agreements were reached and cooperation agreements worth more than 64 billion dollars were signed.

In recent years, many transport projects have been implemented in this direction. On February 17, 2018, a new Tashkent—Andijan—Osh—Irkeshtam—Kashgar automobile corridor with a length of 920 km was opened, which connected Uzbekistan with China. And on July 17, 2019, Uzbekistan and Kazakhstan opened a new international transport corridor Beineu-Akzhigit-the border of Uzbekistan. In the field of air transportation, a new cargo air route was launched on July 15, 2019, between the Xinjiang Uygur Autonomous Region of China and Tashkent. On May 15, 2019, Uzbekistan sent the first transit container cargo from the Kazakh port of Aktau.

Work continues on large-scale transport projects. Such, for example, is the construction of the Uzbekistan—Kyrgyzstan—China railway. This railway route is the shortest route from China to Europe

and the Middle East. When this railway is put into operation, the distance, compared to the existing routes, will be reduced by 900 km, and the delivery time of goods will be reduced by 7-8 days. China is actively involved in the implementation of this project, which launched the direct freight railway route Xi'an—Bishkek on July 17, 2019.

While analysing the Chinese factor in transport infrastructure of Central Asia, the significance of the Angren-Pap tunnel should be highlighted. The Angren-Pap tunnel, which was completed in 2016, is of vital importance for Uzbekistan's national connectivity as well as international communication. The project allows to reduce transportation expenses and increase the carrying capacity between Andijan, Ferghana, Namangan and other regions of Uzbekistan. The railway line is 123 kilometers long, it was built by a Chinese company, the China Railway Tunnel Group and its construction costed an estimated 1.9 billion US dollars. The Angren-Pap tunnel allows Uzbekistan to change the Soviet-era line that goes across Sughd Region of Tajikistan, saving approximately 25 million US dollars in transit fees Uzbekistan paid to Tajikistan each year. The railway, known as “the Longest Tunnel in Central Asia”, also provides more transportation opportunities between Uzbekistan and China. This project has been considered as one of the early achievements in the framework of the Belt and Road Initiative.

### **Russian Factor**

Russia tries to develop its project in the region by forming a North-South transport corridor (EU-Russia - India). The transport corridor is designed to provide a link between the Baltic States and India through Iran. The main advantages of the North-South transport corridor over sea routes are a reduction of the transportation distance by two or more times (7,200 km) and a reduction in the cost of container transportation in comparison with sea routes. Russia is focused on the following routes:

- Kazakhstan - Turkmenistan - ports of Iran - ports of Pakistan - ports of India;
- Caspian Sea - ports of Iran - ports of Pakistan - ports of India;
- Azerbaijan- Iran - ports of Iran - ports of Pakistan - ports of India.<sup>8</sup>

The route through the "Kabul Corridor" Russia - Kazakhstan - Uzbekistan - Afghanistan - ports of Pakistan - ports of India, can serve as a competitive alternative since it is 500-600 km shorter than the existing routes of the North-South corridor.

---

<sup>8</sup> UZDaily, “IFMR: The interconnectedness of Central and South Asia - a new trend of economic development in Eurasia”. Accessed on: 10 February 2022 at: <https://uzdaily.uz/en/post/66720>

The Central Asian region today has a huge untapped export and transit potential, which, if used in the future, will increase the trade turnover between large regions of the Asia-Pacific region, South and Southeast Asia, Russia, and Europe through the implementation of major transport projects.

In connection with the implementation of this project and the strengthening of trade and economic cooperation between Uzbekistan and Afghanistan, Tashkent continues its efforts to promote the reconstruction of Afghanistan. Back in March 2019, Uzbekistan held a major Tashkent conference on Afghanistan's "Peace process, security cooperation, and regional cooperation". And in August 2019, the Ministry of Foreign Affairs of the Republic of Uzbekistan hosted a delegation of the Taliban movement, which visited Tashkent on August 7-10. Kazakhstan also takes an active position in the settlement of the situation in Afghanistan, which, during its presidency of the UN Security Council, put forward an initiative to "transform Central Asia and Afghanistan into a model zone of peace, cooperation and security."

The maximum involvement of rail transport in cargo transportation during the pandemic in 2020 led to a significant expansion of the geography of Uzbekistan's international transportation and showed a huge potential that needs to be worked on and developed on an ongoing basis, developing practical measures to increase the transit potential of the republic.

As a result of active management measures, in 2020 the volume of international rail transport amounted to 40 million tons (42% of the total volume of rail transport).

A special role in 2020 was played by an increase in the volume of transit of petroleum products from Turkmenistan by appointment to Afghanistan by 4.6 times compared to 2019, and from Russia by appointment to Tajikistan by 1.2 times. In addition, the transit of milling products from Kazakhstan to Afghanistan has significantly increased by 1.2 times. Also, agreements on tariff preferences concluded between the participating countries "Kyrgyzstan – Uzbekistan– Turkmenistan–Azerbaijan–Georgia" and Turkey contributed to the growth of transit traffic. This agreement was signed during the meetings of the heads of railways of five countries - Azerbaijan, Georgia, Kyrgyzstan, Turkmenistan, and Uzbekistan in Tashkent on December 19-20, 2019. During the meeting, the participants agreed to develop the international multimodal route "Asia-Pacific countries - China - Kyrgyzstan - Uzbekistan - Turkmenistan - Azerbaijan - Georgia - Europe" and vice versa, with the development of common approaches for the accelerated passage of container trains and the use of unified, competitive tariffs.

## **Afghan Factor**

In February 2021, Uzbek-Afghan-Pakistani high-level talks were held with the participation of the heads of key international financial institutions. As a result of the negotiations, a roadmap for the construction of the Mazar-i—Sharif—Kabul-Peshawar railway with a length of about 600 km was approved.<sup>9</sup>

In the period of March 13-17, 2021, the delegation of the Republic of Uzbekistan visited the Islamic Republic of Pakistan to study the infrastructure of the Pakistani ports "Qasim", "Karachi" and "Gwadar" and organize bilateral negotiations. As a result, an agreement was reached to intensify work on the effective use of the Uzbekistan—Afghanistan—Pakistan route using the ports of Pakistan.

In May 2021, the World Bank expressed its readiness to support the Mazar-I-Sharif-Kabul-Peshawar railway construction project, in particular, to allocate funding for field research and assist in the development of design estimates. The Mazar-I-Sharif-Kabul- Peshawar railway project is estimated at \$5 billion.US dollars. It involves the construction of a highway with a length of 573 km and a transit potential of up to 20 million tons of cargo per year.<sup>10</sup>

The construction of a new railway line is of interest to Russia, China, EU countries, and other countries to promote the Eurasian Economic Space to the south and increase transit traffic. So, in May 2021, at a meeting with the head of Russian Railways, the issue of joint promotion of the Mazar-i—Sharif-Kabul-Peshawar railway construction project with the involvement of international financial institutions was separately considered. An agreement was reached on the participation of Russian Railways in the comprehensive preparation of the project, including the development of technical documentation, and the early start of construction.

## **POLICY RECOMMENDATIONS**

- It is worth noting that despite some recent progress in integration of Central Asian transport infrastructure into the global network, regional transport corridors, through which Central Asian countries carry out foreign trade cargo transportation, are not used effectively enough and their infrastructure needs to be developed to increase cargo traffic.

---

<sup>9</sup> UZREPORT, "Construction of Mazar-I – Sharif – Kabul-Peshawar railway to accelerate" Accessed on: 10 February 2022 at: <https://www.uzreport.news/economy/construction-of-mazar-i-sharif-kabul-peshawar-railway-to-accelerate>

<sup>10</sup> UZDaily, "IFMR: The interconnectedness of Central and South Asia - a new trend of economic development in Eurasia". Accessed on: 10 February 2022 at: <https://uzdaily.uz/en/post/66720>

- From our perspective, it is necessary for all Central Asian Republics, including Uzbekistan, to continue active work on improving the quality of services provided by transport and logistics to increase the volume of international cargo transportation and attract new transit cargo flows through the territory of the region. It should be emphasized that supply chain is now one of key priorities in activization of economic reforms of the whole region, in Uzbekistan, in particular. Uzbekistan is adopting necessary measures to enhance cooperation in this direction with other countries on focus. Comprehensive coordination steps also need to be taken to create a transparent mechanism for financing regional infrastructure projects.
- Regional connectivity is a complex issue which includes not only improvement in hard infrastructure, but also soft policies related to it. Soft barriers such as delays at borders, poor customs procedures and the lack of standard documents may have a negative impact on mutual trade among countries. These challenges should be eliminated in coordination among all Central Asian countries on the level of related institutions in order to fully realize the enormous potential of internal and external trade of the region.
- Furthermore, it is necessary to advance cooperation among analytical centers of the Central Asian countries in order to study and analyse in a joint collaboration the factors affecting their economic interaction in the framework of regional and global logistics projects, considering both regional and global processes, as well as to find joint solutions to the challenges faced by Central Asian states separately and the entire region as a whole.

## REFERENCES

Altynbayev K. (2021) “Central Asian summit marks the latest step toward regional co-operation” Central Asia News, Accessed on: 10 February 2022 at: [https://central.asia-news.com/en\\_GB/articles/cnmi\\_ca/features/2021/08/11/feature-01](https://central.asia-news.com/en_GB/articles/cnmi_ca/features/2021/08/11/feature-01)

Asian Development Bank (2014). "Central Asia Regional Economic Cooperation Corridor Performance Measurement and Monitoring: A Forward-Looking Retrospective". Accessed on: 10 February 2022 at: <https://www.adb.org/sites/default/files/publication/148731/carec-cpmm-forward-looking-retrospective.pdf>

Rimmer, Peter J. (2005). “Guest Editorial: Trade and Transportation Facilitation”, Journal of International Logistics and Trade, Volume 3, Number 1, pp. 1-8. Accessed on: 10 February 2022 at: [//www.ejilt.org](http://www.ejilt.org) > download > download\_pdf

Spector, Regina A. (2002). “The North-South Transport Corridor”, Brookings. Accessed on: 9 February 2022 at: <https://www.brookings.edu/articles/the-north-south-transport-corridor/>

The official website of the CAREC Program. What is CAREC? Accessed on: 9 February 2022 at: [https://www.carecprogram.org/?page\\_id=31](https://www.carecprogram.org/?page_id=31)

Trade and Development Board, / First Session of the Intergovernmental Preparatory Committee of the International Ministerial Conference on Transit Transport COOPERATION. New York, Improvement of Transit Systems in Central Asia. Accessed on: 10 February 2022 at: [https://unctad.org/system/files/official-document/lc20035\\_en.pdf](https://unctad.org/system/files/official-document/lc20035_en.pdf)

UZDaily, “IFMR: The interconnectedness of Central and South Asia - a new trend of economic development in Eurasia”. Accessed on: 10 February 2022 at: <https://uzdaily.uz/en/post/66720>

UZREPORT, “Construction of Mazar-I – Sharif – Kabul-Peshawar railway to accelerate” Accessed on: 10 February 2022 at: <https://www.uzreport.news/economy/construction-of-mazar-i-sharif-kabul-peshawar-railway-to-accelerate>