

Central Asia as an Arena of the New Opportunities: Global Overview of Management Issues and Trends

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ARTICLE INFO	ABSTRACT
Received: 14 Dec 2024	Through this study we explore the Central Asia region and presents a global overview of the countries considering geopolitical influences and economic dynamics. Starting from emphasizes the historical significance of the region and its strategic position along major global trade routes, study addresses the interaction and influence on the region of major powers such as Russia, China, and the Europe, provides a comparison with several developing countries on some key economic and investment attractiveness indicators, and also touches such challenges as an authoritarian political regime, instability, lack of economic diversification. Additionally examines legislative regulation and participation of region’s countries in the international cooperations and agreements. The core aim of the study to discuss the ongoing and potential integrations of the region into the world market and highlighted its high potential role due to the presence of raw materials and energy resources.
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INTRODUCTION

Central Asia, perceived by many as a region within the post-Soviet space, actually plays more significant role in the history of Eurasia and is currently striving to continue to influence on the dynamics of global geopolitics thanks to its strategic geographic position and rich natural resources. It is anticipated that this region, consisting of countries such as Kazakhstan, Tajikistan, Kyrgyzstan, Turkmenistan, and Uzbekistan, will serve as a modern bridge between Europe and Asia, facilitating economic and cultural exchange how it was historically and known as the Silk Road. Today, the region stands at the crossroads of an emerging new geopolitical landscape, where major powers such as China, Russia, Europe and United States try to retain in the sphere of influence or include in the sphere of influence for gaining over its energy resources and strategic position.

Central Asia is endowed with considerable natural resources, particularly in such sectors as oil & gas and minerals & mining making it a potentially influencing a part of the global energy market. These resources have been already attracted foreign investments and interest from major global powers, which see the region as a source of cheap raw materials.

Economically, the strategic geographic location of Central Asia has also made it a focal point for new economic initiatives, most notably China's Belt and Road Initiative (BRI). This ambitious infrastructure project aims to enhance connectivity and stimulate economic development across Asia, Europe, and beyond. Central Asia is central to this initiative, with multiple infrastructure projects aimed at improving road, rail, and pipeline networks across the region. These projects hold the promise of transforming Central Asia into a significant transcontinental corridor, but today it still remains a promise. Geopolitically, the influence of Russia remains strong, rooted in historical ties and present-day economic and security relationships.

Central Asia continues to evolve, it will need to balance its relations with major powers, cultivate regional cooperation, and develop sustainable policies that benefit its diverse populations. This study sets the stage for a detailed examination of Central Asia's historical significance, its role in contemporary geopolitical dynamics, and the strategies it might employ to secure a stable and prosperous future amidst the challenges of a rapidly changing world.

In pursuit of a deeper understanding, this article will address several key questions that are critical to comprehending the complexities and potential of Central Asia in the global arena:

- How have historical events shaped the current geopolitical and economic landscape of Central Asia?
- What are the major economic opportunities and challenges facing Central Asia today?
- What role do external powers like China, Russia, and the United States play in the geopolitics of Central Asia?
- How do internal political stability, governance issues, and social dynamics affect the region's ability to attract foreign investment and maintain economic growth?
- How are Central Asian countries navigating legislative regulation and participating in international agreements on legal issues to enhance their international legal cooperation?
- What strategies can Central Asian countries implement to enhance their geopolitical leverage and economic independence while managing external pressures and internal challenges?

By addressing these questions, this study aims to provide a comprehensive analysis of Central Asia's role in global geopolitics, highlighting both its challenges and opportunities. The insights garnered will help to understand the potential paths forward for this strategically important and dynamic region.

HISTORICAL OVERVIEW AND GEOPOLITICAL SIGNIFICANCE OF CENTRAL ASIA

Central Asia history's dates back to ancient times when it was inhabited by various nomadic tribes and early civilizations. Notable early cultures include the Bactria-Margiana Archaeological Complex (BMAC) and the Sogdians, who were renowned for their trade networks and urban centers such as Samarkand and Bukhara (modern-day cities of Uzbekistan). The region's position along the Silk Road facilitated the exchange of goods, ideas, and technologies between the East and West. This trade route connected China with the Mediterranean, passing through Central Asia, and played a crucial role in the spread of religion, such as Buddhism, Zoroastrianism, and later Islam. In the 6th century BCE, Central Asia was incorporated into the Achaemenid Empire under Cyrus the Great. The Achaemenids brought administrative efficiency and infrastructure development, which were crucial for the region's integration into a larger economic network.

Following Alexander the Great's conquest of the Achaemenid Empire in the 4th century BCE, Central Asia became part of the Hellenistic world. The Greco-Bactrian Kingdom emerged, blending Greek and Central Asian cultures, and fostering further trade and cultural exchanges along the Silk Road.

From the 1st to the 3rd century CE, the Kushan Empire dominated Central Asia. The Kushans, originally from the Yuezhi tribes, established a vast empire that stretched from modern-day Uzbekistan to northern India. The Kushan period emperors facilitated trade along the Silk Road, promoting the exchange of goods, including silk, spices, and precious metals. After the decline of the Kushan Empire, Central Asia saw the rise of the Sassanian Empire in Persia and various Turkic states.

The 6th to 8th centuries CE saw the region become a battleground between the Sassanian Empire, the Byzantine Empire, and the expanding Islamic Caliphates. The Arab conquests in the 7th and 8th centuries introduced Islam to Central Asia, leading to the gradual Islamization of the region.

The 9th and 10th centuries marked the rise of the Samanid dynasty, which established a Persianate state centered in Bukhara. The Samanids are credited with reviving Persian culture and language after centuries of Arab dominance. Following the Samanids, the Khwarezmian Empire emerged in the 12th century CE, controlling much of Central Asia before the Mongol invasion.

In the early 13th century CE, Central Asia was dramatically transformed by the rise of Genghis Khan and the Mongol Empire. Cities such as Bukhara, Samarkand, and Urgench fell to the Mongol onslaught, leading to widespread devastation and significant loss of life.

After the conquest, Central Asia became an integral part of the Mongol Empire, benefiting from the Pax Mongolica – a period of relative peace and stability across much of Eurasia. The Mongols established efficient administrative practices and promoted trade along the Silk Road, which traversed Central Asia.

The decline of the Mongol Empire in the late 14th century gave rise to the Timurid Empire, founded by Timur (Tamerlane). Timur, a Turco-Mongol conqueror, emerged from the Chagatai Khanate, one of the successor states of the Mongol Empire. In 1370, he established his capital in Samarkand, which he transformed into a vibrant center of Islamic culture and learning.

In the early 16th century, the Timurid Empire fragmented, and Central Asia saw the rise of the Uzbek Khanate. This period was marked by ongoing conflicts with the Persian Safavid Empire to the south, as both powers vied for control over the region. The Uzbeks maintained their dominance over Central Asia through a series of khanates, including the Bukhara Khanate, the Khiva Khanate, and the Kokand Khanate. These states played crucial roles in maintaining the region's Islamic and Turkic cultural heritage.

By the 19th century, Central Asia became the focus of the Great Game, a strategic rivalry between the British and Russian Empires. The Russian Empire gradually extended its control over the region through military conquest and diplomatic pressure. By the late 19th century, Central Asia was fully incorporated into the Russian Empire.

The Russian Revolution of 1917 and the subsequent civil war led to the establishment of Soviet rule in Central Asia. The region was reorganized into several Soviet Socialist Republics.

With the dissolution of the Soviet Union in 1991, the Central Asian republics gained independence.

Central Asia's historical journey from the Sogdians to modern independence highlights its historical resilience and strategic importance, making it a critical region in the broader context of Eurasian geopolitics.

LITERATURE REVIEW

Under discussing Central Asian studies, it should be noted, that the literature and research articles available are rather limited. At the same time, however, there has been a growing interest in discussions within the framework of the Belt and Road Initiative (BRI, M. Laruelle, 2018). Through this initiative, there is increasing debate about the geopolitical significance of Central Asia since the collapse of the Soviet Union, as well as its strategic location between major powers like Russia, China, and the West. Central to academic discussions is the view that the region serves as a critical transit point for energy resources and trade routes, significantly influenced by China's initiatives (*"The new geopolitics of Central Asia: China vies for influence in Russia's backyard"*, K. Kirschi, P. Le Corre, January, 2018). The BRI aims to enhance connectivity and infrastructure across Central Asia, fostering economic development but also concerns about increasing dependence on Chinese investment (*"Filling the Geopolitical Void in Central Asia"*, B. Pannier, November 2022). Many scholars argue that this reliance may undermine the sovereignty of Central Asian states, compelling them to navigate complex diplomatic waters as they balance relationships with both China and traditional allies like Russia. In the context, Central Asia has witnessed a resurgence of interest from various nations. For example, Turkey and India are attempting to establish their influence in the region, which has traditionally been dominated by Russia. (*"The Changing the Geopolitics of Central Asia"*, S. Enders Wimbush, June, 2020).

The economic landscape of Central Asia stands out for its significant natural resources alongside unique challenges shaping the region's development. Rich in oil, gas, and minerals, Central Asian countries leverage their geoeconomic significance to drive economic reforms and growth strategies (OECD, 2020). According to research by the Konrad-Adenauer-Stiftung, Kazakhstan, Uzbekistan, and Turkmenistan, in particular, derive a large portion of their revenue from natural resource trade, attracting interest from global powers like China and Russia and reinforcing the region's role as an energy hub (KAS, 2023).

Nevertheless, economic development in Central Asia faces several challenges, including reliance on resource exports and vulnerability to global price fluctuations. Kazakhstan, for instance, has successfully diversified its economy with a focus on agriculture and manufacturing, contrasting with Tajikistan, which remains economically dependent on aluminum exports and the mining sector (OECD, 2020; World Bank, 2023). Despite significant reforms, Uzbekistan continues to rely heavily on cotton and gas export, making it susceptible to external economic factors, as highlighted by Dzhumagulov and Bekmurotov in their analysis in 2022. The OECD highlights that, to achieve sustainable growth, Central Asian countries must actively promote entrepreneurship, technology, and attract foreign investment (OECD, 2020).

Social dynamics in Central Asia are shaped by a complex interplay of ethnicity, religion, and governance. Ethnic tensions, particularly in areas with significant minority populations, can undermine social cohesion and stability.

Governance plays a crucial role in managing social dynamics, a lot of scholars argue that authoritarian governance structures prevalent in many Central Asian countries inhibit civic engagement and limit political representation ("Central Asian regimes: consolidation of power, authoritarian solidarity and democratic backsliding?", S. Marinin, 2023). The lack of democratic processes can exacerbate grievances among marginalized communities, leading to social unrest. For instance, recent protests in Kazakhstan and Kyrgyzstan have highlighted public dissatisfaction with economic inequality, corruption, and the lack of political freedoms ("The Rising Tide of Authoritarianism in Central Asia", J. Eales, 2021). Additionally, the role of religion in shaping social dynamics cannot be overlooked. Y. Zhang in his book, discusses the resurgence of Islam in Central Asia following the Soviet era. While Islam can serve as a unifying force, it can also be a source of tension, particularly when intertwined with issues of governance and identity ("Ethnic Harmony and Conflicts in Central Asia: Origins and Policies", Y. Zhang, 1998). The rise of extremist groups in the region, albeit limited, underscores the importance of addressing socio-economic grievances to prevent radicalization.

Climate change presents an additional challenge, with rising temperatures and shifting precipitation patterns affecting agricultural productivity and water availability. E. Lioubimtseva and G.M. Henebry have discussed the potential for climate change to exacerbate existing vulnerabilities, particularly in rural areas where livelihoods are heavily dependent on agriculture. He advocates for the adoption of climate-resilient practices and policies to enhance the region's adaptive capacity ("Climate and environmental change in arid Central Asia: Impacts, vulnerability, and adaptations", E. Lioubimtseva, G.M. Henebry, 2009).

The literature on Central Asia offers a comprehensive understanding of the region's geopolitical significance, economic development, social dynamics, and environmental challenges. By synthesizing key themes, this review highlights the complexity of Central Asia's landscape and underscores the need for continued research to address existing gaps. As Central Asia navigates the intersection of opportunities and challenges, understanding these dynamics will be crucial for fostering sustainable development and regional stability.

METHODOLOGY

This study of Central Asia in the context of its increasing geopolitical and economic significance requires an interdisciplinary approach. The research utilizes a combined method that integrates qualitative and quantitative analysis to ensure a comprehensive understanding of the region's challenges, key trends, and strategic interests of major powers.

This methodological choice is necessitated by the complexity of Central Asia's geopolitical and socio-economic dynamics, where quantitative data such as political stability indicators and economic growth are complemented by qualitative analysis of historical context, policy reviews, and thematic studies. This involves a systematic review of a secondary source, including scholarly articles, historical records, political reports, and monographs on Central Asia's geopolitics, economic development and regional security.

Quantitative analysis including examining statistical data on indicators of political stability, economic metrics (such as GDP growth rates, inflation levels, and trade dependence), and social factors like youth unemployment rates and migration processes. Data gathered from authoritative sources, including World Bank, International Monetary Fund,

and United Nations Development Program. Statistical method such as trend and comparative analysis are used to identify changes in key indicators among Central Asian countries.

The analysis of Central Asia within this study is structured around three key dimensions: political stability, economic development, and geopolitical competition. Each aspect is examined using specific analytical models to ensure a rigorous approach to assessing regional dynamics. Nevertheless, despite the effort to provide a comprehensive understanding of Central Asia's geopolitical and economic dynamics, it is necessary to acknowledge existing limitation. These include data availability and reliability, and the selection of secondary sources. In the first case, despite extensive use of quantitative data from international organizations, there are limitation of information availability, particularly in countries like Turkmenistan where official statistics are often not transparent or entirely unavailable. As for reliance on secondary data, this implies the possibility of systematic error in interpreting events and trends, as original sources may contain subjective views of the authors.

GLOBAL AND REGIONAL CHALLENGES

Several key challenges should be prioritizing when studying the region and developing market entry strategies for Central Asian countries. The first challenge is political instability, which is linked to the characteristics of the state system in Central Asia and the authoritarian trends prevalent in the region. Authoritarian governance in countries such as Turkmenistan and Tajikistan, along with relatively weak democratic institutions in the other countries of the region, generates significant risks of political instability. For example, the events of 2022-2023, including the violent protests in Kazakhstan, the ethnic-territorial conflict between Tajikistan and Kyrgyzstan and environmental (linked with water resources) conflict between Tajikistan and Uzbekistan, serve as further evidence of this issue. Such political risks negatively impact the region's attractiveness and reduce investor interest, thereby limiting opportunities for international cooperation. Below is a gradation of political instability risks applicable to each country in Central Asia.

Table 1: Political stability index – country rankings (The World Bank classification, 2022)

Country	Political stability index	Global rank
Kazakhstan	-0,36	125
Kyrgyzstan	-0,55	141
Tajikistan	-0,69	149
Uzbekistan	-0,2	111
Turkmenistan	No data available	No data available

Uzbekistan enhances its level of political stability from 2020 to 2022 through economic reforms and the strengthening of political institutions, achieving an increase in its index from -0,44 to -0,2. In contrast, the situation in Kazakhstan worsened due to the protests caused by economic difficulties and political restrictions, while political instability in Kyrgyzstan and Tajikistan remains at a low level due to constant political crises and conflict with Tajikistan in the first case and authoritarian rule and interethnic tensions in the second.

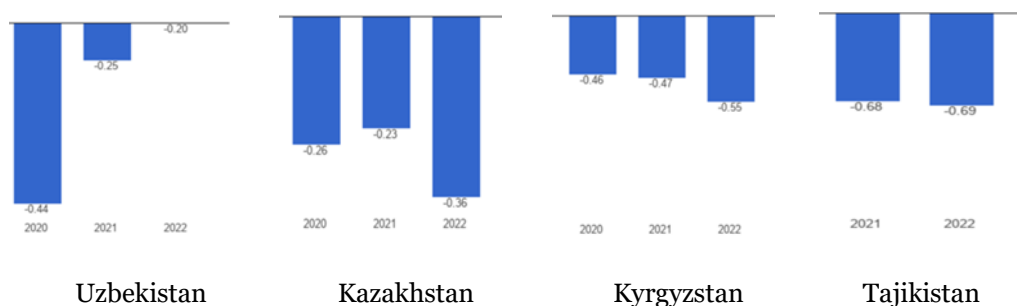


Chart 1: Political stability (Trading economists, 2023)

The next most significant challenges are economic ones, as Central Asia continues to heavily depend on the export of raw materials, including oil, natural gas, and mineral resources. The economies of the countries were severely affected during the COVID-19 pandemic, and in 2022-2023 they are facing new challenges. Nevertheless, global inflationary processes, along with sanctions against Russia and the overall instability of world markets, have helped the region gain greater relevance and attract additional investments, positively impacting the countries' economic indicators. Today, we can observe an improvement in the inflationary situation and GDP growth in all countries of the region.

Table 2: Inflation rate / GDP (Statista)

Country	2004	2014	2019	2024
Kazakhstan	6.9% / \$43 Bn	6.7% / \$221 Bn	5.2% / \$182 Bn	8.6% / \$297 Bn
Kyrgyzstan	4.1% / \$2 Bn	7.5% / \$7 Bn	1.1% / \$9 Bn	5.1% / \$15 Bn
Tajikistan	7.4% / \$2 Bn	6.8% / \$9 Bn	7.8% / \$8 Bn	4.5% / \$13 Bn
Uzbekistan	15.9% / \$12 Bn	9.2% / \$81 Bn	14.5% / \$60 Bn	10.4% / \$125 Bn
Turkmenistan	5.9% / \$6.8 Bn	6.0% / \$43 Bn	5.1% / \$45 Bn	6.3% / \$84 Bn

The data presented in the table clearly illustrate that over the last two decades, the economies of Central Asia have undergone colossal changes, demonstrating impressive growth and improving economy stability.

These changes have been driven not only by internal reforms but also by global economic and geopolitical conditions.

Compared to the post-Soviet period of regional disintegration, where production volumes plummeted, hyperinflation emerged, and living standards significantly deteriorated, since the 2000s we have observed unprecedented GDP growth across the region. This growth is evident in almost all Central Asian countries, with Turkmenistan and Uzbekistan experiencing increases of over 1000%, and Kazakhstan, Kyrgyzstan, and Tajikistan seeing rises of more than 650%. The strengthening of economic stability can be marked by an energy super-cycle, which brought significant transformation to the region through the export of minerals and active investment attraction to the raw materials sectors. This period of "bloom" persisted until the global financial crisis. Over the past decade, regional countries have been conducting active local reforms, attempting to stabilize internal policies and diversify their economies, yet they remain dependent on the export of minerals and raw materials.

The overall economic landscape of Central Asia from 2000 to 2024 demonstrates significant growth and resilience, but it would be imprudent to rely on positive dynamics without considering the heightened risk of internal instability in the region and factors that can directly impact the results of growth and stability. For instance, the civil war in Tajikistan and the political instability in Kyrgyzstan in 2005 and 2010 serve as such factors. Following the second revolution in Kyrgyzstan, an ethnic conflict in the southern part of the country ensued, followed by a cross-border conflict with neighboring Tajikistan.

In addition to political and economic challenges, it is important to consider the geopolitical situation in the region. As of today, the influence of Russia and China remains significant, and in 2023, this balance is becoming increasingly multipolar. Pressure from Russia is intensifying, especially following the tightening of Western sanctions, making it difficult for Central Asian countries to maneuver politically with independence.

Meanwhile, China is strengthening its influence and presence in the region through economic initiatives and active investments in the development of gold, antimony, and rare earth element deposits.

Thus, it is emphasized that although the region shows positive dynamics, it remains unstable and in a transitional state, adapting to internal reforms, global economic pressures, and continuing to require efforts to improve economic management to stabilize inflation and sustain growth.

Additionally, let us shed light on the trade exchange of the Central Asia countries and their interactions with global powers in this field. We accumulate all numbers in the table 3, which presents the average percentages for the past two years, detailing trade turnovers including exports and imports.

It's not surprised that imports make up a significant portion of the trade with Russia and China, confirming the region dependency on goods and services provided by Central Asian's main partners. Nevertheless, exports, which are predominantly of raw materials, resources, and gold, are oriented towards Europe and other countries. This rather seemingly reflects the region's attempts to build strategic trade partner diversifications or simply to access markets with high demand for raw materials and resources.

As the same time, a substantial portion also belongs to intra-regional trade, both imports and exports within the region, which is categorized in the table under "others".

Table 3: Trade exchange (Coface, 2023)

Countries	China	Russia	EU	Others
	Exp. / Imp.	Exp. / Imp.	Exp. / Imp.	Exp. / Imp.
Kazakhstan	18% / 17%	10% / 36%	36% / 13%	36% / 34%
Uzbekistan	2% / 27%	12% / 18%	4% / 13%	82% / 42%
Kyrgyzstan	4% / 43%	23% / 18%	33 % / 7%	40% / 32%
Tajikistan	12% / 20%	13% / 28%	11% / 6%	64% / 46%
Turkmenistan	64% / 25%	20% / 15%	8% / 17%	28% / 58%

Proper structuring of trade partnership strategies, as well as the need to carefully manage these relationships, should be one of the priority directions of economic development and diversification for Central Asian countries to minimize the risk of mono-dependency. It is noteworthy that over the past five years, countries in the region have been paying more attention to enhanced interregional cooperation, more recognizing the strength in unity, transparency, and collaborative projects, which is undoubtedly a positive pattern for strengthening geopolitical positioning and economic diversification.

Social and environmental issues also have a negative impact on the region. There is a high level of youth unemployment, increased migration, and a drain of labor and skilled people. Environmental problems such as deforestation, soil degradation, and water resource shortages also plays a significant role and create additional challenges.

Particularly noteworthy is the issue of water resources, which causes interstate tensions. The main sources of water are concentrated in Tajikistan and Kyrgyzstan, leading to dependent relationships with Kazakhstan, Uzbekistan and Turkmenistan.

The global and regional challenges facing Central Asia are driven by a multitude of factors: the historical role of the region, natural resources, geography, and the influence of major players. Political and economic instability, along with environmental issues and social tensions, necessitates a comprehensive management approach, which could serve as an impetus for the formation of a unified regional strategy in the coming years.

KEY TRENDS AND NEW OPPORTUNITIES

Central Asia is entering an era of global changes and new opportunities – this is a common statement heard at many geopolitical, energy, and logistics forums. However, the prospects are not always as clear-cut as they may seem at first glance. New opportunities are accompanied by serious challenges, and moreover, it's worth questioning how significant and real these new opportunities actually are. A deeper analysis and a critical approach are undoubtedly necessary. Let's break down the main trends that are gradually gaining momentum in development into six sectors:

Table 4: Key trends

Economic diversification and development	Almost all countries in the region are trying to diversify their economies, yet the main priority and investor interest remain in the sector of rare earth metals and natural resources. This sector requires the implementation of digital transformation and the introduction of technological innovations to develop additional subsectors such as fintech, green energy, and sustainable agriculture.
Infrastructure and Connectivity Enhancement	Today, this sector has begun to develop more actively compared to the last decade, during which the Belt and Road Initiative has been operational. Chinese companies have started to actively invest, strengthening their influence in the region and betting that Central Asia will become a critically important hub of transcontinental trade and logistics.
Geopolitical Realignments	The withdrawal of US troops from Afghanistan and the shifting focus of NATO have created a vacuum that regional powers are eager to fill. Russia and China, in particular, are stepping up their involvement in the security and economic spheres of Central Asia.
Renewable Energy Initiatives	The vast and underutilized potential of renewable energy in Central Asia is attracting the interest of investors from Europe and Asia. With the global shift towards sustainability, the region's solar, wind, and hydropower resources are being developed at an accelerated pace.
Tourism and Cultural Exchange	There is a growing interest in promoting Central Asia as a destination for cultural and adventure tourism. Efforts to preserve and utilize its rich historical and cultural heritage are opening up new opportunities for economic and cultural exchange.
Regional cooperation and stability	Efforts to strengthen regional cooperation through organizations such as the Eurasian Economic Union and the Shanghai Cooperation Organization are helping to stabilize the political landscape. This cooperation is vital for managing shared challenges.

These trends highlight the dynamic changes occurring in Central Asia, presenting a set of opportunities for the countries of the region and their global partners interested in having a presence in this market. By strengthening and developing these trends, Central Asia countries can enhance their role on the world stage, ensure sustainable growth and stability, and interested international investors.

KEY PLAYERS AND COMPETITION FOR THE INFLUENCE

Central Asia has been and remains a region in which the interests of major geopolitical payers collide, seeking to consolidate their influence in this strategically important space. The desire to control the resources and transit routes of Central Asia is explained by its geographical location at the intersection of major trade routes, as well as the wealth of energy resources and minerals. Today, four key players are active across the region: Russia, China, the United States and the Europe, each of which has its own strategies and interests, roles and tactics.

Speaking of Russia, whose historical influence in Central Asia dates back to the times of the Russian Empire and the Soviet Union, has always considered this region as its strategic sphere of influence. After the collapse of the Soviet Union, Moscow faced the threat of losing control of its former Soviet republics. Realizing that the strengthening of other geopolitical players in this space could weaken its position, Russia has chosen a course to restore its influence in the region through economic, and more realistically, through military and political instruments. An example is the Collective Security Treaty Organization (CSTO), which serves as a means of military control and ensuring strategic

dominance. Moreover, after 2014, since the crisis in Ukraine and the subsequent sanctions from the West, Russia has intensified its activity towards Central Asia, seeking to create alternative markets and strengthen political alliances.

In addition to the military and political presence, Russia is increasing its interest towards Central Asia according to the energy policy. Over the past 2 years, Russia has been trying to strengthen ties in the region in response to the loss of Western market. The main focus is on increasing to supply of cheap energy resources, driving the countries of Central Asia into dependence on Russia “here and now”. The regio also allows Russia to divert export flows towards China and other Asia countries.

China, with its rapidly growing ambitions, currently considers Central Asia in two key sectors – as a “chest” with rare earth metals and energy sources, as well as an element of its Belt and Road Initiatives project, which has been going already for 10 years. Unlike Russia, China focuses on economic cooperation and actively invest in infrastructure projects, receiving licenses for reserves development and preferences in the energy sector in exchange.

Despite all the “benefits” that the Central Asia seemed to receive at first glance, Chinese expansion is causing concern among the republics. One of the most notable aspects, in addition to all the above-mentioned industries, is the increase in Chinese participation in resource extraction. For the Central Asia countries, it eventually becomes obviously that these investments are accompanied by long-term economic commitments and increasing dependence on Beijing. The states of the region are aware that delicate balance is needed in which it will be possible maneuver between the two largest and most influential players today – Russia and China.

The United States, although less actively involved in Central Asia compared to the previous two global players, also seek to maintain some influence, wanting to restrain Chinese expansion and seize strategic control in Eurasia continent. After the withdrawal of troops from Afghanistan and the refocusing of NATO, the US is trying to apply new strategies in the region, considering Central Asia to some extent also as a point of intersection of powers and seeking to consolidate its position through security programs and strengthening economic ties.

The interest of the Europe in the region can be called cautious, since before recent geopolitical crisis, Central Asia was not of interest of European countries within the framework of potential investment projects. Nevertheless, more than 25 years after the Central Asia countries gained independence and 10 years after the adopting the first Western strategies towards Central Asia, we can see only a little progress in the development of relations between the EU and Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan, as well as the Central Asia region as a whole. Nowadays, the EU’s priority is more in the energy, infrastructure and transport sectors, where the interest of reducing dependence on China comes first and considering these territories as potential for the resource extraction and low-cost production of renewable energy sources, as well as the development of investment cooperation with the EU financial institutions. The EU is also interested in developing alternative oil and gas supplies, and the Central Asia region can become potentially attractive in this segment, but only if the countries agree among themselves and with their neighbors.

In addition, to strengthen its socio-political influence, the European plans to strengthen cooperation in the field of human rights, education, sustainable development, as well as the solving security problems.

The growing competition between the key players of the world community really reflects the growing importance of the region in world politics and economics, but it should be notes that the strategies vividly voiced at forums and congresses, described on the one hand, are different, but in the same time obviously the same approaches – from military and political influence to economic dependence – today look brave, but they are moving forward with enormous delays and thus are being questioned by skeptics. The importance of the region is understandable, is it so attractive, or it is just fragmented attention, intensified by the crisis between Russia and Ukraine, and all the reach natural resources and their extraction potential are now attracted only in the contexts of temporary substitution of more affordable and logistically convenient alternatives.

LEGAL LANDSCAPE

Moving on to the legal environment, it should be noted that before joining the USSR, the legal systems of all Central Asian countries were based on traditional and religious norms. Adat refers to established customs and traditions that regulated social relations before the emergence of formalized legal norms, and Shariat is the religious Muslim law that also had an influence, particularly in the area of family relations.

Currently, all Central Asian countries apply the Romano-Germanic legal system, also known as Continental law. Kazakhstan additionally relies on elements of the French doctrine. Some elements of Adat and Muslim law still persist in informal legal practices, especially in rural and remote areas, as well as in resolving family or inheritance matters, where local traditions continue to play a significant role.

The first step for any state to integrate into the international legal system is compliance with key international agreements and membership in international institutions, regardless of ideological and political preferences.

Regarding the recognition of international law, it should be noted that only Kazakhstan and Tajikistan have recognized international law with priority over international treaties. In the other countries, international norms are recognized only when they are implemented into national legislation.

International criminal law is implemented in all countries, but only Kyrgyzstan has accepted it without reservations. In other four, international criminal law is implemented with the exception of crimes against humanity. This decision may be prompted by concerns that the International Criminal Court would gain jurisdiction over all internal affairs, potentially leading to accusations against state officials or security forces, which creates a threat to power. In this context, it can be noted that Kyrgyzstan's policy regarding international criminal law is more democratic.

The Rome Statute of the International Criminal Court was signed and ratified only by Tajikistan. Uzbekistan signed but did not ratify it, while the other Central Asian countries refused to participate. Again, this can be attributed to politics reasons, but there may also be a simpler explanation: the countries simply lack of the necessary legal competences and legal and financial resources to fulfil the obligations arising from the ratification of the Rome Statute. Ratification or non-ratification of the Rome Statute may also be part of a broader strategies of international relations of Central Asian countries with certain allies.

Table 5: Central Asian countries Legal systems

#	State	Type of Legal System		Recognition of International Law as a Source	Implementation of International Criminal Law	Participation in the Rome Statute of the International Criminal Court
		Nowadays	Pre-Soviet			
1	Kazakhstan	Romano-Germanic legal system (Continental law), French doctrine	Adat	Yes, with the priority of international treaties	Yes, except for crimes against humanity	Not signed, not ratified
2	Uzbekistan	Romano-Germanic legal system (Continental law)	Avesta, Adat, and Muslim Law	Yes, but only in cases where international law norms are implemented in national legislation	Yes, except for crimes against humanity	Signed but not ratified
3	Kyrgyzstan	Romano-Germanic legal system (Continental law)	Adat and Muslim Law	Yes, but only in cases where international law norms are implemented in national legislation	Yes	Not signed, not ratified
4	Tajikistan	Romano-Germanic legal system (Continental law)	Adat and Muslim Law	Yes, with the priority of international treaties	Yes, except for crimes against humanity	Signed and ratified
5	Turkmenistan	Romano-Germanic legal system (Continental law)	Adat and Muslim Law	Yes, but only in cases where international law norms are implemented in national legislation	Yes, except for crimes against humanity	Not signed, not ratified

Regarding business aspects of Central Asian countries legal systems, it can be said that the experience of international commercial arbitration in Central Asian countries has been accumulated mainly through trial and error. The lack of an effective judiciary, doubts about local judicial systems, ignorance by foreign investors of the substantive law of Central Asian countries and the absence of a network of international treaties regulating the recognition and enforcement of judgments in the territory of Central Asian countries, they are one of the main factors encouraging foreign investors to avoid local state courts and include arbitration clauses in their contracts with parties from Central Asia.

Therefore, “litigation” often takes the form of international arbitration proceedings outside Central Asia, usually in London, Paris, Stockholm, Vienna, and in the case of ICSID arbitration proceedings – in Washington. The problem lies the inability of the Central Asian Governments to take satisfactory measures within the country to organize participation in international commercial arbitrations as parties or to provide consulting services to enterprises or entrepreneurs Central Asia, participating in commercial arbitrations abroad.

Kazakhstan is currently the most advanced in international commercial arbitration in Central Asian countries. So, an interesting example is the practice of using international financial centers (IFC) - places where business and financial infrastructure are concentrated, which have global significance for the world and regional macroeconomy. The only one in Central Asia is the Astana International Financial Center (AIFC) in Kazakhstan. The rules and regulations of the AIFC, based on English law, are in effect in this territory, which increases the credit of trust on the part of foreign investors.

Table 6: Business aspects of Central Asian countries legal systems

#	State	Ratification of the Vienna Convention (Law of Treaties)	Ratification of the New York Convention (Recognition and Enforcement of Foreign Arbitral Awards)	Existence of a Separate Legal Regime Applicable to International Commercial Arbitration	Institutional International Arbitration Body	Accelerated Arbitration Institute	Official Usage of English Law	Participation / Signing of the ICSID Convention
1	Kazakhstan	Yes	Yes, 1996	Special chapters in the "Arbitration Act", 2016	International Arbitration Court of International Arbitration Center of the Astana International Financial Center, International Arbitration Court at the Chamber of Commerce and Industry, Kazakhstan International Arbitration (KIA) at the Union of Chambers of Commerce and Industry, etc. (about 40 judicial bodies totally).	-	In disputes arbitrated by the International Arbitration Center of the Astana International Financial Center	Participation
2	Uzbekistan	Yes	Yes, 1996	The "International Commercial Arbitration Act", 2021	International Commercial Arbitration Court at the Chamber of Commerce and Industry, Tashkent International Arbitration Center (TIAC) at the Chamber of Commerce and Industry.	Yes	Under discussion	Participation
3	Kyrgyzstan	Yes	Yes, 1996	Special chapters in the "Arbitration Courts Act", 2002 and the "Chamber of Commerce and Industry of the Kyrgyz Republic Act", 1994	International Arbitration Court at the Chamber of Commerce and Industry (IAC CCI)	Yes	Under discussion	Participation
4	Tajikistan	Yes	Yes, 2012	The "International Commercial Arbitration Act", 2015	-	-	-	-
5	Turkmenistan	Yes	-	The "International Commercial Arbitration Act", 2014	-	-	-	Participation

DISCUSSION

Discussing the potential attractiveness of Central Asia, it should be noted that despite its strategic location and natural resources (which still require additional geological exploration and consequently significant investment in this activity), this region remains relatively small in terms of population numbers, as well as economic and political influence compared to other developing countries. For instance, the GDP of all five studied countries is comparable to the GDP of the Republic of Turkey, and this is important for understanding the current significance and investment attractiveness of the Central Asia region. Today, when the term "developing country" is mentioned, countries like India, Russia, or Turkey immediately come to mind, and certainly in comparison with these large developing economies, Central Asia appears less attractive to investors due to its very limited internal market, much smaller investment potential, and weak economic diversification.

In projects involving mineral resources and rare earth metals, Central Asian countries face a lack of substantial investment flows and a shortage of necessary technologies for more in-depth geological exploration of existing resources and sustainable infrastructure development.

To provide a clearer understanding of the region's position in comparison to other developing countries, we have presented a table comparing the economic and demographic indicators of key developing nations.

Table 7: Key indicators (Trading economists, 2023)

Indicator	Central Asia	Russia	India	Indonesia	Turkey
Population	82 mln	144 mln	1.42 mln	279 mln	86 mln
GDP	\$350 Bn	2,1 Bn	\$3.5 Bn	\$1.4 Bn	\$1.1 Bn
GDP per capita	\$5,900	\$13,817	\$2,485	\$4,940	\$12,985
GDP growth rate	5.6%	3.6%	7.6%	5.2%	4.5%
FDI	\$8.9 Bn	\$0,12 Bn	\$71 Bn	\$47 Bn	\$10.9 Bn
Share in world exports	0.4%	1,6%	1.7%	0.9%	0.8%
Urbanization	51%	75%	36%	59%	77%

Based on the data, it is evident how limited the investment attractiveness of Central Asia is. Are such indicators as market size, GDP, and the level of foreign investment key to the interest of international corporations focused on internationalization and directing investment flows into a broad market with high purchasing power and rapid growth rates? At first glance, yes, as these are some of the key factors determining the region's attractiveness for international business. In 2023, the GDP of the five Central Asian countries – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan – totaled approximately \$350 billion, a modest figure compared to larger economies.

However, we propose to look at Central Asia as a special case, where the key factor in sparking interest will not be the economic indicators of the region, based on the overall markets size of all these countries, which population barely exceeds 70 million people, but its underexplored resources and potential to regain the status of a "Silk Road transport hub" in a moder implementation, which represents a significant opportunity. One factor which is generally viewed as negative but can be turned into one of the region's attractions is the relatively low cost of labor, which typically attracts the manufacturing sector aiming to place production facilities in developing countries to optimize the operation and production costs. Let us pay attention on countries such as Kyrgyzstan and Tajikistan which average wage remains below \$200 per month, with the minimum wage significantly under \$100. That is five times lower than the average wage in China, which is about \$1000 per month, and for instance, almost ten times lower than the minimum wage

in France. This factor undoubtedly adds potential competitiveness to Central Asian's countries compared to more developed markets.

In the chart, we have complied date on minimum wage across Central Asian countries in comparison with China, Russia, Taiwan, and France, as part of Europe to show a significant difference.

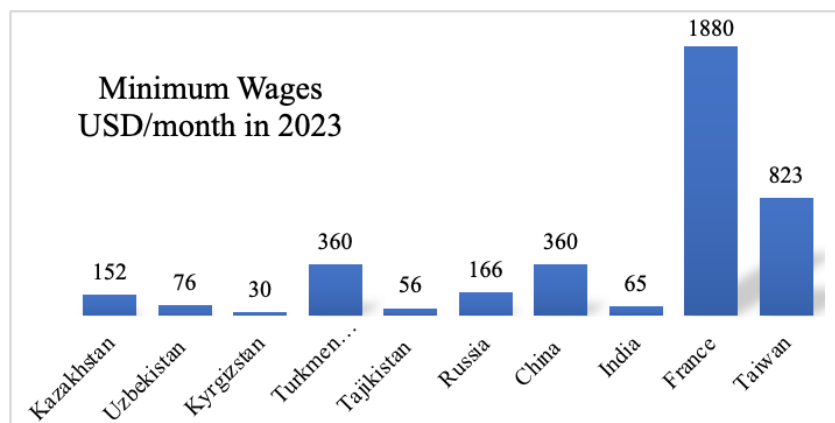


Chart 2. Minimum wages per month (Trade economics, 2023)

It is worth noting the increase in the volume of direct foreign investments. As already mentioned in Table 5, around \$8.9 billion was attracted to Central Asia in 2023, which is several times higher compared to 2014 when the figure was about \$5 billion. This increase of more than 75% highlights the growing interest in the region, but, again, primarily in key sectors such as natural resource extraction and partially logistics. That is threatened to the region economy diversification.

However, considering the attractiveness of low labor costs, the wealth of natural resources, and the developing transport infrastructure in Central Asia, the region could represent the promising field for the relocation of production capacities, especially in the sector of manufacturing goods which link with the Central Asian's wide list of the rare earth material. That will allow to reduce the added value and supply chain. This direction could be particularly relevant against the backdrop of global changes in supply chains, as many companies for more cost-effective production. This factor is fueled by positive investment dynamics in the construction and modernization of transport arteries such as railways, highways, and airports, enhancing Central Asia's advantageous position not only as a transit hub but also as a production hub. Such diversification could contribute to sustainable economic growth, reduce dependency on fluctuations in world prices for natural resources, and enhance the competitiveness of the region's countries on the international stage.

Considering all this, as well as the fact that currently, more and more publications, highlighting the thriving projects in Central Asia for attracting investment, assert that this indicator will continue to grow, enhancing its potential, the following question should be noted. What if the current growth is more situational, caused by the geopolitical circumstances of the crisis between Russia and Ukraine, and upon the conflict's resolution, the West might again turn towards the more attractive, in many sectors, Russian market? For example, the "China – Central Asia – Europe" corridor, the so-called modern Silk Road, gained wider publicity and interest only in the context of the West seeking alternative routes bypassing the transportation routes through the Russian Federation territories. In this regard, the vision for developing this initiative is also ambiguous and raises doubts about whether businesses would want to transport goods through an untraveled, new, much longer delivery time "corridor," which, after construction, will still be refining cross-border interactions for several years, or rather prefer to swiftly return to the already familiar, economically attractive route after the conflict ends. Similarly, it can be noted about raw materials resources; the region is rich in reserves of uranium, gold, antimony, zinc, lead, and rare earth elements, which undoubtedly makes it attractive. For instance, from the European Union's perspective, in the context of sanctions against Russia and ongoing geopolitical tensions with China, Central Asia at first glance appears as a good alternative source of resources.

However, to realize this potential, significant investments in infrastructure and sustainable local governance are necessary.

Thus, the modest economic indicators of Central Asia, combined with all the weaknesses in internal politics and economics, as well as the distinctly expressed interest by the West solely as an alternative to Russia, may cast doubt on the attractiveness of the region and the active growth of investments. However, the correct development of a strategy based on geographical, natural, and human resources could predefine the investment potential of Central Asia. In cooperation with the region, economic benefits can be anticipated, not only additional raw material bases of rare earth metals but also access to new markets and reduction of the trade deficit. It is precisely the combination of potential economic effects and the lack of available alternatives across a wide range of goods, primarily the “metals of the future”, that could increase interest in Central Asia.

Additional, maintaining the status of a developing country and to offer the outside world a “field” of investment opportunities, it is necessary to rely on domestic markets and develop own high-tech sectors, in which Central Asian countries are currently significantly lagging. The maintenance of their economies is trivially dependent on the export of raw materials and the attraction of investments, which today are predominantly coming only from China, further intensifying the mono-dependency on one country. Thus, economic diversification in Central Asia remains a serious challenge.

In our view, Central Asia could potentially become an important trade and energy hub by developing and diversifying its economies, but this will require substantial efforts both in regulating internal institutions and in tactics used in foreign policies. Today, the sustainability of the region's development and the autonomous balanced growth of Central Asian countries raise many questions.

In the table 4, we present comparative data on the foreign trade turnover of the region's states, and it should additionally be noted that the export profile of the region's countries features a low level of product diversification. Primarily, raw materials such as hydrocarbons, rare earth metals, and textile raw materials are exported to foreign markets. The countries of the region have only recently established intra-regional interactions and trade among themselves, which to date does not fully utilize the potential for intra-regional division of labor and production cooperation.

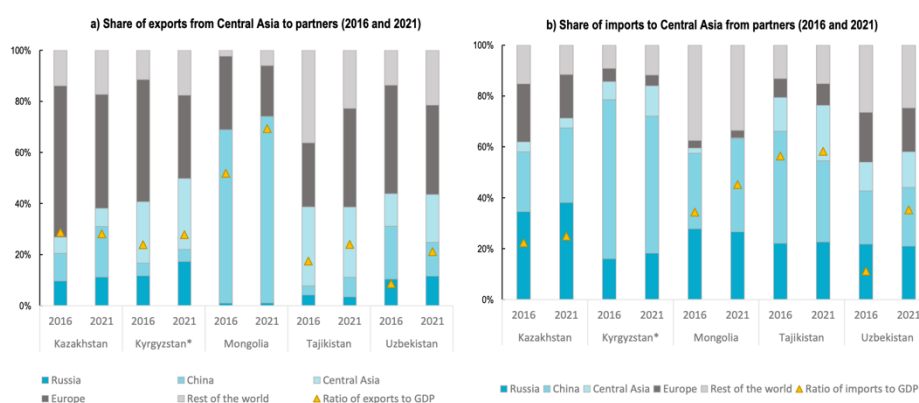


Chart 3. Minimum wages per month (OECD, 2023)

The growth that we see on the chart indicates increasing economic interaction. However, there are significant economic barriers, including constraints in logistical chains and a high level of corruption, which are typically the two main indicators that potential investors looking to do business in the region pay attention to. Overall, strengthening economic relations with Central Asian countries is complicated by the very weak development of the legal environment and a lack of transparency.

Given all this, Central Asia remains a region with high levels of uncertainty and risk. On one hand, its rich resources and strategic location offer the countries in the region opportunities for economic growth and infrastructure

development. On the other hand, pressure from major powers, authoritarian regimes, weaknesses in legal system, and social issues pose significant challenges for long-term stability.

Clearly, the future will depend on the region's ability to adapt to changing geopolitical conditions and to develop internal resources to achieve economic independence, which includes a balanced diversification of economic ties and interactions with key global players. There is a high risk that the resource-based economic policy, which has been a strength of Central Asia, could transform into its weakness and create problems that will significantly impact the region in the near future. These include the end of the energy super-cycle, climate change, new global regulation of energy markets, ongoing stagnation of major trading partners, low levels of physical and human capital, and "brain drain". Thus, a region that has surged economically based on the attractiveness of minerals and metals could become vulnerable, and the future growth appears uncertain. Additionally, balancing the interests of Russia, China, and the West is a critical aspect of the foreign policy of Central Asian countries, which is not possible without strengthening internal political stability and combating corruption and the wise distribution of resource revenues.

To improve the investment climate, significant efforts are undoubtedly required from the governments of Central Asia to combat corruption and strengthen legislation. Besides the political and legislative aspects, Central Asia faces serious environmental challenges related to the extraction and processing of natural resources. Environmental sustainability is currently one of the key factors in the internationalization of business, especially for the Europe countries, which are striving for a "green" transformation of their economies.

In the current geopolitics, the countries of the region can either become stronger on the world stage by correctly utilizing their resources and geographical position or find themselves trapped in a relentless cycle of increasing dependency on either a single profitable sector or one of the players.

CONCLUSION

The exploration of Central Asia's geopolitical and economic landscape reveals a region steeped in rich history and endowed with significant strategic and resource-based potential.

Economically, Central Asia possesses considerable natural resources, which are both «a boon and a bane». The wealth of oil, gas, minerals, and rare earth metals could attract significant foreign investment and interest, positioning the region as potential resources hub. However, dependency on these resources has exposed the economies to global price volatility and economic shocks (so called "Dutch disease"), underscoring the critical need for economic diversification. Efforts towards this are uneven across the region, with some countries making notable advances in sectors like agriculture, manufacturing, and services, while others remain heavily reliant on resource extraction.

The strategic importance of Central Asia region for the global economy is also highlighted by initiatives such as China's Belt and Road Initiative and the interests of global powers like Russia, China and Europe in establishing energy and security ties. Yet, these external investments and influences come with their own set of challenges, often tying the economic health of Central Asian states to the geopolitical interests and economic stability of its powerful partners.

The political landscape in Central Asia is marked by varying colors of authoritarianism, weak institutions, and governance challenges that range from corruption to human rights abuses. These issues not only undermine the region's potential for stable governance but also deter foreign investment and complicate international relations. Socially, the region faces significant issues related to ethnic diversity and migration, which are often sources of tension and conflict.

While the strategic and resource potential of Central Asia is undeniable, there is a healthy skepticism about the region's current trajectory and the viability of its development pathways. The dependence on external powers for economic and security assistance complicates the sovereignty and agency of Central Asian states in directing their own futures. The influx of foreign investment linked to geopolitical agendas rather than sustainable development further complicates the regional dynamics.

Despite these challenges, Central Asia undeniably requires further study and understanding. The region is not only rich in resources but also in opportunities that can foster comprehensive development. Strategic development initiatives that focus on intra-regional cooperation, economic diversification, and sustainable resource management could potentially transform Central Asia into a resilient and dynamic economic and logistic hub.

For such transformation to occur, however, there must be an honest and rigorous understanding of the region's problems - acknowledging the pitfalls of over-reliance on natural resources, the dangers of external dependencies, and the need for enhanced governance structures and readiness for long term collaboration.

In conclusion, while Central Asia faces significant geopolitical and economic challenges, its strategic location, vast resources, and the historical role as a cultural and commercial crossroads present unique opportunities for development and international cooperation. The region's complexities are matched by its potential, making it an essential area for modern scholarly attention and strategic engagement. This requires not only the efforts of the Central Asian countries themselves but also a supportive and collaborative international approach that prioritizes sustainable development of the region above its natural resources and geopolitical competition.

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