

# Central Asia: Favourable economic, trade and geopolitical dynamics | Credendo

## Event

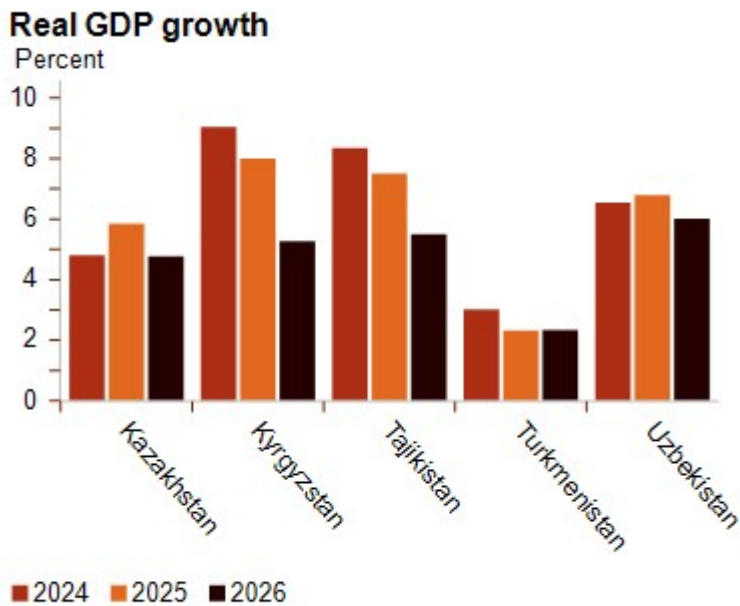
2025 was a very positive year for the region on the geopolitical, trade and economic fronts. The five Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) have attracted particular attention by tightening their trade relations and economic partnership. Moreover, they are courted by large economic powers, from China to the US and the EU. In the new chaotic geopolitical order, the region is indeed characterised by a high level of political stability and offers promising prospects for investment and trade, with a strategic focus on critical minerals and more generally on natural resources (e.g. uranium), of which it is richly endowed. The shift towards more resilient, diversified and stable global supply chains is therefore a boon for Central Asia. Those developments will support future GDP growth, even though it should slow down this year amid expected weakened oil prices and uncertain global economic activity.

## Impact

Heightened regional economic integration should contribute to streamlining cumbersome administrative procedures and customs practices, and more generally improving the business environment in the long term, but there is still a long way to go. The interest for a visa-free zone between Central Asian countries is also in the pipeline. This being said, the region continues to struggle with logistical challenges due to its landlocked geography, infrastructure gaps, regulatory obstacles and weak institutions. However, regulatory progress and infrastructure modernisation are underway, particularly in Kazakhstan and Uzbekistan, the two largest economies.

In the regional rapprochement process, steps have been taken to improve regional security – evidenced by a historic agreement ending a border dispute between Tajikistan and Kyrgyzstan in March 2025 – and cooperation as a way to address climate change and growing energy needs. Intensifying drought is a huge concern in a largely desert region, posing real risks for water access (for agriculture) and to the important hydropower sector. Therefore, the energy-water swap signed in September 2025 between Kyrgyzstan, Uzbekistan and Kazakhstan was seen as a very fruitful step towards enhanced cooperation in the fight against the impact of climate change and further regional risks.

This year, Central Asia is expected to be one of the world's fastest growing region (GDP growth projected at 5%). Uzbekistan could be the front-runner driven by very high gold prices (gold accounts for about 40% of its exports of goods), solid investments, rapidly expanding tourism revenues and strong remittances from Russia which support domestic consumption. Kazakhstan, the largest regional economy, is forecast to see its GDP growth decelerate from 5.9% in 2025 to 4.8% this year, and to 4.2% in 2027. Weaker oil prices (oil brings half of the country's current account receipts), disruptions to the Caspian Pipeline Consortium (in Russian territory) and the risk of further western sanctions on Kazakh entities (for alleged circumvention of sanctions on Russia) will contribute to this slowdown.



Source: IMF

External trade and foreign investments will certainly be a major growth driver in the years to come. The US trade war should only have a minor direct and indirect negative impact on the region given the limited bilateral trade relations, exemption for energy exports and low US tariffs. In the geopolitical game, China has the early mover advantage, with fast expanding trade and by being the most important investor in the region through large infrastructure investments in transport, renewables and increasingly in the digital sector as part of its updated Belt and Road Initiative. Further Chinese expansion is expected, first via the Middle Corridor (also named the Trans-Caspian International Transport Route), which links China to the EU market while bypassing Russia. Since 2022, this faster and cheaper transit route has seen volumes of goods grow significantly along with increasing investments. Next to China, the US and the EU (or also Japan) are now trying to catch up, as shown by large investment commitments, notably in the key critical mineral sector, announced during high-level summits in 2025. Historic partner Türkiye and the Gulf countries are also actively developing further their economic cooperation with the region.

On the other hand, Russia's influence and weight has eroded since the war in Ukraine. As a matter of fact, Central Asian leaders have taken this opportunity to stay neutral, or recognise Ukraine's territory integrity and affirm their sovereignty, which in practice eventually means reduce their dependency on Russia and China and strive not to be subject to the geopolitical game of great powers. This being said, Russia remains an important and geographically inevitable partner in the region, particularly when it comes to trade – which has boomed with several countries since the adoption of western sanctions – and workforce through the large pool of workers from Uzbekistan, Tajikistan and Kyrgyzstan.

Although Central Asia can look at the future optimistically, it will also have to navigate through some downside risks. First, given the little likelihood of a lasting ceasefire or the end of the war in Ukraine in the foreseeable future, the conflict will continue to impact the region, with economic and sanction risks weighting on countries such as Kazakhstan. Moreover, instability risks in the Southern part of Central Asia could be fuelled by elevated tensions and sporadic fighting between Pakistan and Afghanistan. Secondly, climate change is an acute challenge and risk for the regional economy threatened by long droughts. Thirdly, in a region dominated by autocracies, uncertain succession, pressures on political opposition and on the remaining free media, and further democratic backsliding in Kyrgyzstan, the sole official democracy, could have an impact on socio-political instability.

The evolution of MLT political risk ratings reflects the region's overall positive momentum, with a stable outlook for Kazakhstan (in category 5/7) and a positive outlook for Uzbekistan (also in 5/7), whereas Tajikistan was upgraded to category 6/7 in 2025.

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