REGIONAL INTEGRATION

THE CENTRAL ASIAN COUNTRIES IN THE GLOBAL ECONOMY: THE CHALLENGES OF ECONOMIC INTEGRATION

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ABSTRACT

The authors present an analysis of the reasons and factors that explain the absence of integration arrangements and the extremely weak trade and economic relations between the five countries of Central Asia (Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, and Tajikistan). Despite a very wide range of unifying factors, such as geographical proximity, similar economic structure, common history, socio-cultural aspects, and other circumstances, these five countries have never been members of associations that would promote economic cooperation or regional integration between them. Trade between the Central Asian countries has been and remains negligible. On the other hand, all five countries have actively increased their trade since the early 1990s mainly by increasing exports of minerals. Thus, the EU countries, China, and Russia account for a much larger share of the Central Asian countries' foreign trade than their regional neighbors. The main factor preventing regional cooperation in Central Asia is that all its five countries have weak institutions that do not promote the development of the private sector, as well as poorly developed infrastructure. Moreover, the current geographical distribution and composition of exports from the Central Asian countries suit their governments, because export revenues enable them to address, to some extent, acute socio-economic problems. The research method used in this study is that of general qualitative analysis. The study is based on primary sources. The research was conducted using regional and foreign research literature and data from appropriate official organizations, their publications and websites.

The study is divided into the following sections: The Formation of Market Relations in Central Asia; Trade as a Key Manifestation of Economic Integration; The Natural Costs of Integration in Central Asia; Weak Institutions and Other Artificial Barriers to Integration; and The Eurasian Economic Union as a Path to Regional Integration.

KEYWORDS: ***Central Asia, integration, trade, Eurasian Economic Union, Russia.***

Introduction

After the final breakup of the Soviet Union in 1991, the newly independent republics of Central Asia, like the other former Soviet republics, were exposed to economic market forces and encountered difficulties in their transition from a centrally planned economy to a new, market system. This process was very painful and caused a steep economic decline in all five countries of the region (Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, and Tajikistan). Urgent action taken by their governments implied radical transformations, which had a destructive effect on virtually all sectors of the economy and led to a sharp drop in output in many sectors, especially manufacturing.[1] It is interesting to note that despite serious economic difficulties in the initial period and a number of other unifying factors, the Central Asian (CA) countries have never been members or expressed a desire to be members of associations that would include only Central Asian countries or at least all five countries of the region.

[1] See: *Transition—The First Ten Years: Analysis and Lessons for Eastern Europe and the Former Soviet Union*, The World Bank, Washington, D.C., 2002, p. 6.

At different times, the CA countries were (or continue to be) members of organizations such as the Collective Security Treaty Organization (CSTO), the Eurasian Economic Union (EAEU), and the Shanghai Cooperation Organization (SCO). Now that integration between countries is among the most important trends in international relations[2] and regional cooperation groupings in different parts of the world are being actively used to create regional integration platforms, the unwillingness of the CA countries to move in this direction and even their desire for relative isolation[3] in trade and economic relations with their immediate partners in the region raises questions. On the other hand, seeing that all five CA countries have to some extent adapted to market conditions, none of them have sought to limit the influence of global market trends on their economy and have even been working actively to develop trade and economic relations with large foreign markets such as those of the European Union,[4] China, and to a lesser extent other Asian countries. At the same time, the CA countries have been just as active in developing economic ties and trade with Russia ever since independence. Such a pattern of trade and economic relations between the regional partners and the lack of proactive initiatives for intra-regional integration in a situation of closer interaction with external markets contradict economic laws, and the huge potential for regional cooperation remains untapped.[5] But along with market laws, trade and economic relations and cooperation in Central Asia are influenced by a number of other factors, which should be considered in other than economic terms.

The Formation of Market Relations in Central Asia

Right after the breakup of the U.S.S.R., there were several concrete attempts to strengthen trade and economic cooperation in the post-Soviet space, with some of the five CA states expressing a desire to take part in this process. The first attempt to adopt a multilateral trade facilitation agreement was made in 1994 within the Commonwealth of Independent States (CIS), established in 1991 and based on a preferential trade agreement. This played a big role in strengthening economic cooperation between the member states and was in large part a response to the economic difficulties of economic transition.[6]

Despite many economic, social, political, historical, cultural, and other similarities, the CA countries took the path of economic integration into the global market at the expense of intra-regional integration: most exports from the countries of Central Asia were oriented towards other regions—Western countries, Russia, and China. But two decades of integration into the global market, mainly through mineral exports, did not mean any deep or comprehensive economic relations with other actors in the world market and, consequently, the real integration into the world economy.

Such development involved lower administrative, resource, and technical costs for certain reasons.

- First, the entire production structure of the Soviet Union was designed so that downstream production processes were concentrated in large industrial centers of Russia,[7] while the CA

[2] See: M.A. Rakhimov, "Complex Regionalism in Central Asia: Local, Regional, and Global Factors," *Cambridge Journal of Eurasian Studies*, No. 2, 2018, pp. 1-12.

[3] See: S. Tadjbakhsh, *Central Asia and Afghanistan: Insulation on the Silk Road, Between Eurasia and the Heart of Asia*, Paper 3 of the PRIO Project "Afghanistan in a Neighborhood Perspective," 2012, pp. 1-12.

[4] See: M. Russell, *The EU's New Central Asia Strategy*, EPRS | European Parliamentary Research Service, 2019.

[5] See: I. Overland, "Intra-Regional Trade in Central Asia," *Norwegian Institute of International Affairs*, 2013, No. 9.

[6] See: E. Kurmanalieva, Z. Parpiev, "Geography and Trade in Central Asia," *SSRN Electronic Journal*, January 2008.

[7] See: A. Włodkowska-Bagan, "Russian Foreign Policy towards Central Asia," in: *The New Great Game in Central Asia*, ed. by T. Stępniewski, Lublin, 2012, pp. 11-32.

countries were not closely interconnected among themselves by supply chains and functioned mainly as sources of raw materials.[8] The reorientation of the deteriorating production structure implied high fiscal, economic, and social costs.

- Second, exports of raw materials to extra-regional markets, associated with low costs and expenses, ensured a steady inflow of budget revenues, which enabled the CA countries to cope with the most pressing social problems and balance their budgets. The inflow of foreign currency from mineral exports allowed the CA republics to import consumer goods and capital and thus to maintain acceptable household income levels. This strategy, coupled with mass privatization of state companies, also enabled them to achieve relatively high rates of economic growth.

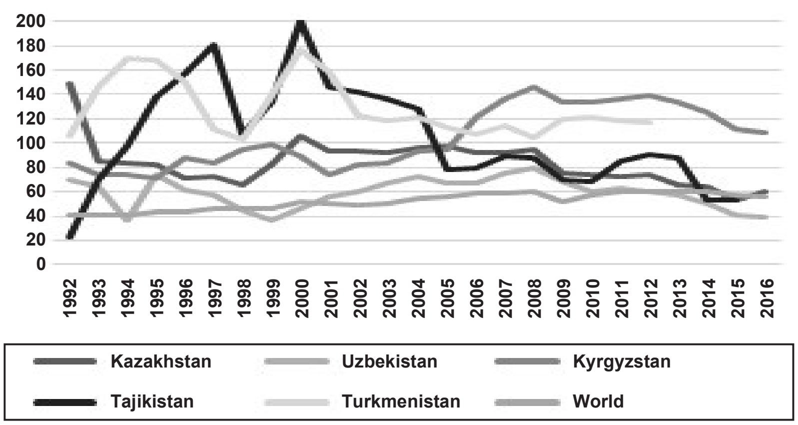
But, in addition to all these factors, there are other, more fundamental ones that prevented regional integration and trade cooperation between the CA countries.

Trade as a Key Manifestation of Economic Integration

Overall, the Central Asian countries have followed a fairly liberal trade policy with a high degree of trade openness. In 2016, for example, the ratio of foreign trade to GDP (trade-to-GDP ratio) was 109% for Kyrgyzstan, 62% for Kazakhstan, and 39% for Uzbekistan.

Figure 1

Trade Openness of the Central Asian Countries
(*foreign trade as % of GDP*)



Source: World Bank data.

[8] See: C. Oliphant, "Russia's Role and Interests in Central Asia," *SAFERWORLD*, October 2013.

The CA states began to engage in active trade with other countries, mainly by exporting raw materials, right after the breakup of the U.S.S.R. From the perspective of integration, this can be regarded as the continued disintegration of the Soviet Union and a willingness to integrate into the world economy. In the 1990s, foreign trade relative to GDP in the CA countries was very high. The trade openness of the CA region rapidly increased from 5% to 15% in the first five years of the CIS (1992-1997). The trade openness of the CA region as part of the CIS increased rapidly in the first five years of its existence (1992-1997) from 5% to about 15%.[9] But by the beginning of the 2000s, as GDP increased, the trade openness ratio somewhat declined.

Since independence, the geography of the CA countries' foreign trade has also changed radically. In the 1990s, trade flows between Central Asia and Russia gradually declined, while trade with other regions and countries, especially with Europe, sharply increased. The decline in trade with Russia can be explained by the general economic crisis associated with the transition to a market economy in all post-Soviet countries. Later on, at the end of the 1990s, the Russian economic crisis of 1998 also had a significant negative effect on trade with Central Asia.[10] Nevertheless, that was when the CA countries began to define their integration priorities, which differed from country to country. Thus, in 2001, Kazakhstan, Kyrgyzstan, and Tajikistan demonstrated their willingness to have integration ties with Russia by joining the Eurasian Economic Community (EurAsEC), while Turkmenistan and Uzbekistan took a skeptical view of this process and were in no hurry to join.

At the same time, there were no integration initiatives in Central Asia that would bring together all five countries of the region, as well as no larger structures based on economic relations. In addition, all unifying international treaties and structures in the region have always involved Russia, which has played a key role in them. Although Russia's domination in the foreign trade of CA countries has weakened since the early 1990s, it has always managed to maintain a certain level of economic, as well as political, importance in Central Asia. If we compare the current indicators for the CA countries' trade with each other and with Russia, we will find that Russia remains one of the key trading partners for all countries in the region. China's importance in Central Asian foreign trade increased in the 2000s because of the rise in energy demand in China caused by unprecedented rates of economic growth. Countries with large hydrocarbon reserves, such as Kazakhstan, Turkmenistan, and Uzbekistan, quickly responded by redirecting their large-scale oil and gas exports to China.[11]

Table 1 shows that at present, only 4.9% of Kazakhstan's total foreign trade is carried on with its Central Asian neighbors, while Russia accounts for 22.0%, the EU for 32.6%, and China for 13.5%. The remaining CA countries have larger percentage shares of intra-regional trade while trading with the EU countries on a smaller scale. Russia and China are more or less equally important trading partners for all CA states. For example, the shares of Russia (25.0%) and China (25.4%) in Kyrgyzstan's foreign trade are almost equal. The lowest share of foreign trade with CA partners is in Kazakhstan (less than 5%), and the highest share (34.8%) is in Tajikistan. A point to note is that Kazakhstan has the largest share of trade with the EU (32.6%), while the other countries of the region have a much lower indicator, with the bulk of their foreign trade being carried on, in roughly equal measure, with Russia and China.

Nevertheless, trade with Central Asia's three key partners (Russia, EU, and China) differs significantly in terms of composition (see Table 2).

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[9] See: K. Elborgh-Woytek, "Of Openness and Distance: Trade Developments in the Commonwealth of Independent States, 1993-2002," *IMF Working Paper WP/03/207*, 2003, pp. 1-27.

[10] See: G. Pastor, T. Damjanovic, "The Russian Financial Crisis and Its Consequences for Central Asia," *IMF Working Paper WP/01/169*.

[11] See: F. Fazilov, X. Chen, "China and Central Asia: A Significant New Energy Nexus," *The European Financial Review*, April-May 2013.

Table 1

CA Countries' Trade with Other CA Countries and with Key Extra-Regional Trading Partners, *% of total foreign trade* (2017)

	CA Countries	Russia	EU	China
Kazakhstan	4.9	22.0	32.6	13.5
Uzbekistan	10.6	13.5	7.9	16.7
Kyrgyzstan	21.6	25.0	8.2	25.4
Tajikistan	34.8	18.1	6.2	33.0
Turkmenistan	18.0	17.5	—	—

Source: U.N. Comtrade.

Table 2

Two Leading Sectors in CA Countries' Exports to Russia, EU, and China (2016)

	Russia		EU		China	
	Industry	%	Industry	%	Industry	%
Kazakhstan	Raw materials, except fuels	37.2	Mineral fuels	86.0	Manufactured products	41.0
	Manufactured products	22.7	Manufactured products	8.7	Mineral fuels	23.7
Uzbekistan	Manufactured products	40.4	Chemical products	48.7	Mineral fuels	42.9
	Various finished products	22.3	Manufactured products	22.8	Chemical products	24.5
Kyrgyzstan	Manufactured products	30.4	Unclassified goods	39.7	Raw materials, except fuels	65.7
	Raw materials, except fuels	29.9	Raw materials, except fuels	32.4	Manufactured products	26.3
Tajikistan	Raw materials, except fuels	77.8	Manufactured products	77.4	Raw materials, except fuels	82.9
	Manufactured products	7.4	Various finished products	11.8	Manufactured products	15.6
Turkmenistan	Machinery and transport equipment	65.2	Mineral fuels	92.2	Mineral fuels	98.5
	Chemical products	15.2	Chemical products	2.4	Raw materials, except fuels	1.3

Source: U.N. Comtrade.

The Natural Costs of Integration in Central Asia

One of the most striking and unique features that characterize and determine many processes in Central Asia is its geographical position as a landlocked region located far away from major seaports. From most of the region, locally produced goods have to be transported, on average, over distances of 1,500 to 2,000 km in order to reach the nearest seaport and be exported to distant markets. Uzbekistan, for example, is one of the world's two doubly landlocked countries, which have no access to the high seas and are surrounded by other landlocked countries with no access to sea routes.

Figure 2

Tian Shan and Pamirs

Source: eurasiangeopolitics.files.wordpress.com.

Being a landlocked country implies a number of other serious limitations, which have an adverse effect on foreign trade and overall economic growth. This fact places significant constraints on the economy, because landlocked countries are at a disadvantage and are obliged to negotiate with their coastal neighbors to gain access to the sea.[12] Along with ordinary transport costs, traded goods have to cross borders, which means additional costs. Consequently, landlocked countries usually have lower volumes of foreign trade than their coastal neighbors.[13] As a result, such countries usually show

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[12] See: B. Lahiri, F.K. Masjidi, "Landlocked Countries: A Way to Integrate with Coastal Economies," *Journal of Economic Integration*, No. 27 (4), 2012, pp. 505-519.

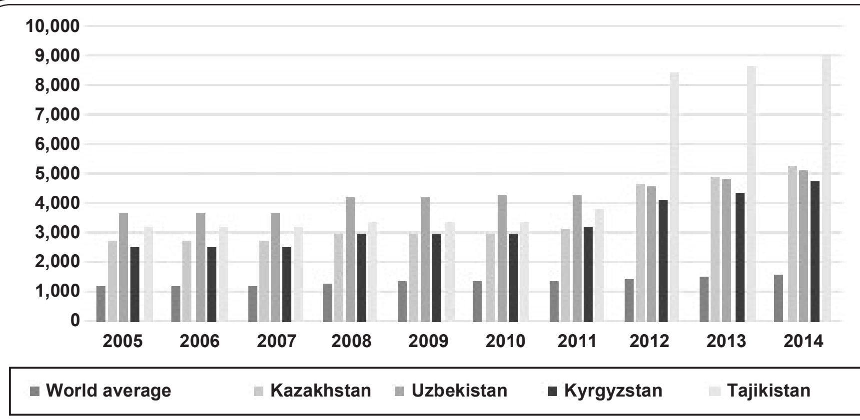
[13] See: D.A. Irwin, M. Terviö, "Does Trade Raise Income? Evidence from the Twentieth Century," *Journal of International Economics*, No. 58 (1), 2002, pp. 1-18.

slower economic growth.[14] Landlockedness reduces average growth by about 1.5% percentage points per year compared to coastal countries.[15] In addition, transport and border-crossing costs also affect imports and exports, increasing their costs.[16]

Apart from lack of sea access, the complex geography of the Central Asian region also places other constraints on the development of infrastructure and access to neighboring coastal countries. The main mountain ranges of Central Asia, such as Tian Shan and Pamirs, serve as natural barriers to land transportation and trade. For example, countries such as Tajikistan are even more isolated than their regional neighbors, because the impassable mountain ranges in the south and neighborhood with Afghanistan make it impossible to trade with South Asian countries using overland routes. This not only increases the cost of trade with other coastal countries, but also limits the opportunities for overland trade with other countries of Central Asia. Trade relations between Kyrgyzstan and Tajikistan and, to some extent, between Kyrgyzstan and Uzbekistan are a case in point.

Figure 3

Cost to Export (*$ per container*)



Source: World Bank data.

As a result, the Central Asian countries have one of the world's highest levels of trade costs (in $, for example) associated with importing or exporting a container of goods (see Figs. 3-4). These trade costs include those related to customs clearance, delivery, material and technical deficiencies, long transportation time, poor infrastructure, etc.

Moreover, trade costs increased in 2005-2014, which goes against the trends observed in many other regions of the world. In 2012, there was a sharp increase in trade costs in all CA countries, while in Tajikistan the figures more than doubled. The most obvious reason for this was the establishment of the Customs Union of Russia, Kazakhstan, and Belarus in 2011, which led to the removal of tariffs

[14] See: D.E. Bloom, J.G. Williamson, "Demographic Transitions and Economic Miracles in Emerging Asia," *World Bank Economic Review*, No. 12 (3), 1998, pp. 419-455.

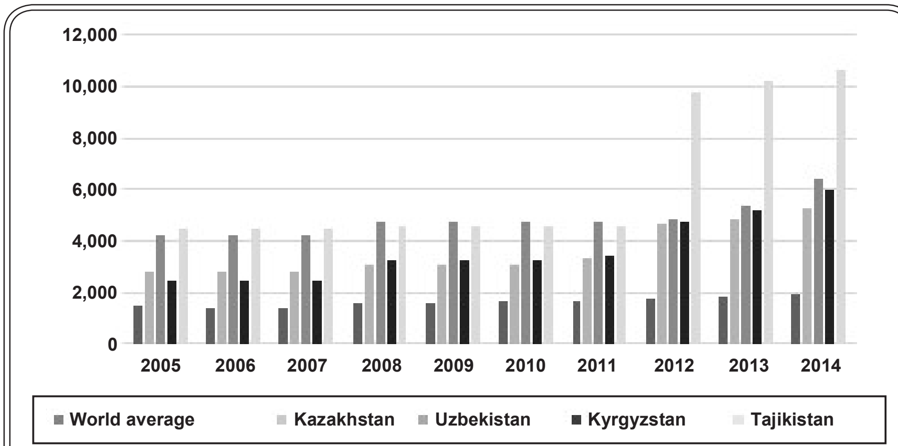
[15] See: L. MacKellar, A. Wörgötter, J. Wörz, "Economic Development Problems of Landlocked Countries," *Transition Economics Series*, No. 14, 2000.

[16] See: S. Radelet, J. Sachs, "The Onset of the East Asian Financial Crisis," *National Bureau of Economic Research Working Paper*, No. 28 (1), 1998, pp. 1-74.

within the Union, but increased tariff costs in trade between these countries and the rest of the world. Although the Customs Union member countries gained an advantage in trade within the Union, the net result of its creation was negative for the CA countries in terms of overall trade costs, and in the case of Tajikistan this effect was extremely strong because of its relative geographical isolation within the region itself.

Figure 4

Cost to Import (*$ per container*)



Source: World Bank data.

Weak Institutions and Other Artificial Barriers to Integration

One of the world's highest levels of trade costs in the Central Asian countries is closely connected with lack of intensive cooperation and weak institutions in these states.[17] Although Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, and Turkmenistan are a single region with historical, cultural, and other connections, they have no official structures capable of ensuring integration in the region. There is yet another problem that prevents integration both within the region and with the outside world: the problem of weak institutions. The political structure in most countries of the region is very personalized. As a result, the most important decisions are often taken by the heads of state personally, and not initiated by institutions. From this perspective, carrying out structural reforms in most CA countries is one of the top priorities, as recommended by many competent international organizations and economic experts. This requires new strategies for economic development through internal qualitative changes and investments in new technologies.

[17] See: Ph. Shishkin, "Central Asia's Crisis of Governance," *Asia Society*, January 2012.

While intra-regional trade in Central Asia is very diverse in composition, trade with the outside world is much more concentrated and consists almost entirely of very low value added mineral products (see Table 2). Thus, the development of intra-regional trade between the CA countries is more consistent with their declared economic policy goals of diversifying exports. Consequently, more intensive cooperation and trade between countries in the region are more beneficial to their economies than trade cooperation with other regions.

Table 3

Selected Development Indicators for the Central Asian Countries

	Rule of Law Index		Corruption Perceptions Index		Index of Economic Freedom		Press Freedom Index		Political Stability Index	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank
Kazakhstan	0.52	65	31	124	65.4	59	52.82	158	0.02	102
Uzbekistan	0.46	94	23	158	53.3	140	53.52	160	–0.28	123
Kyrgyzstan	0.48	85	29	132	62.3	79	29.92	83	–0.43	133
Tajikistan	—	—	25	152	55.6	122	54.02	161	–0.67	151
Turkmenistan	—	—	20	161	48.4	164	85.44	180	–0.15	113

Sources: https://worldjusticeproject.org/sites/default/files/documents/ROLI-2019-Reduced.pdf; https://www.transparency.org/cpi2018; https://www.heritage.org/index/book/chapter-3; https://rsf.org/en/ranking; https://www.theglobaleconomy.com/rankings/wb_political_stability/.

Along with factors that have a direct effect on trade between the CA countries by increasing costs, there are a number of other internal factors that have an indirect negative effect on foreign trade, as well as on any kind of international cooperation in the region. In terms of many general development indicators, the CA countries lag significantly behind many other countries and parts of the world, performing below the world average (see Table 3). Moreover, many of these indicators have not improved since 2010 or have even worsened.

The Eurasian Economic Union as a Path to Regional Integration

The common customs tariffs established between Russia, Kazakhstan, and Belarus in 2010 led to the creation of the Customs Union, which became fully operational in 2011 with the abolition of customs controls between these three states. In many respects, this was a continuation of the long process started back in the 1990s and supported by most post-Soviet countries. For example, in 1995 the presidents of Russia, Kazakhstan, Belarus, and then of Kyrgyzstan, Uzbekistan, and Tajikistan signed the first treaty on the establishment of a Customs Union, which was subsequently transformed into the Eurasian Economic Community (EurAsEC), whose main purpose was to promote the formation of the Customs Union with a Common Economic Space and, to an insignificant extent, to realize other goals and objectives associated with deepening economic cooperation between the member states. At a meeting in Dushanbe on 6 October, 2007, Belarus, Kazakhstan, and Russia signed a treaty establishing a common customs territory and forming the Customs Union. In 2009, the parties ratified about 40 agreements that provided the basis for the Customs Union. Later that year, on 28 November, a meeting of the presidents of Russia, Kazakhstan, and Belarus in Minsk completed this process by establishing a common customs territory in the three countries. A treaty establishing the Eurasian Economic Union (EAEU) was signed on 29 May, 2014. It came into force in January 2015 with three founding countries (Russia, Kazakhstan, and Belarus); Armenia and Kyrgyzstan acceded that same year. Thus, two Central Asian states—Uzbekistan and Tajikistan—that were initially interested in the integration process revised their policy and decided to stop taking part in it, remaining outside the EAEU and the whole integration process in the region. The arguments in favor of this decision were mainly political. As for Turkmenistan, its unwillingness to get involved in the integration process was clear from the very beginning, because in its relations with such multilateral organizations Turkmenistan followed an extremely neutral policy bordering on isolation.[18]

Today, EAEU membership is an important factor for all member countries, including Kazakhstan[19] and Kyrgyzstan.

Thus, the most promising structure designed to ensure integration in the post-Soviet space has provided the basis for economic integration between its member countries, but at the same time has divided the Central Asian region. Kazakhstan and Kyrgyzstan have become full-fledged members of the Eurasian Economic Union, while Uzbekistan, Turkmenistan, and Tajikistan have remained outside. One should also note that these three republics have largely done so of their own accord, taking a cautious approach to the integration process around the EAEU, while the Union has followed an open policy and its members have repeatedly declared their interest in enlarging it, primarily through the accession of the remaining CA states. On the other hand, one cannot say that the attitude of Uzbekistan, Tajikistan, and Turkmenistan to joining the Eurasian Economic Union is exclusively negative. Take, for example, Tajikistan's repeated statements about considering and making a detailed study of the issue of EAEU membership. Uzbekistan, for its part, has made it clear that it will not join the EAEU in the near future.[20] As for Turkmenistan, it has clearly shown its unwillingness to join the Union, but has indicated its readiness for close cooperation with it.

Conclusion

Today's Central Asia remains a very fragmented region in trade and economic terms. In the foreign trade of the CA countries, the share of other countries of the region is relatively small. For Kazakhstan, Uzbekistan, and Turkmenistan, it is less than one-fifth of their total foreign trade. At the same time, the markets of the EU, Russia, and China account for a very large share of the CA countries' foreign trade. The country that is most oriented towards the markets of the EU, China, and Russia is Kazakhstan, where trade with other CA countries constitutes only 5% of its total foreign trade. If we compare the composition of intra-regional trade between the CA countries and their trade with other markets, we will find that their exports to Europe, Russia, and China consist almost entirely of very low value added mineral products. Raw materials, minerals, and agricultural products

[18] See: M.B. Olcott, "Rivalry and Competition in Central Asia," in: *Central Asia and the Caucasus: At the Crossroads of Eurasia in the 21st Century*, ed. by W. Hermann and J.F. Linn, 2011, pp. 17-42.

[19] See: R. Mogilevskii, "Trends and Patterns in Foreign Trade of Central Asian Countries," University of Central Asia, *Working Paper* No. 1, 2012.

[20] See: H. Usmanova, "Uzbekistan v blizhaishee vremia ne budet vstupat v Yevraziiski soiuz," 12 February, 2018, available at [http://eurasian-studies.org/archives/7082].

constitute more than 80% of exports from CA countries to the EU, Russia, and China. Intra-regional trade, on the other hand, is highly diversified, which is preferable and is of primary importance to all CA states.

This unusual geographical distribution is strange and contradicts the basic laws of international trade. Along with minimal geographical distances between industrial centers in Central Asia, the region also has minimal "psychic" distances,[21] measured by cross-country differences in culture, language, education, religion, time zone, industrial development, and political system. Such unifying factors should not only help to increase the flow of trade,[22] but should also serve as a platform for integration.

If we look at the history of the emergence of current foreign trade relations in CA countries, we will find that mineral exports to EU markets and later to Russia and China started and soared right after the relative normalization of the economy in the first half of the 1990s.

Since independence, the Central Asian countries have followed different policies towards groups of states designed to ensure trade and economic cooperation and integration. However, these countries have never established their own regional groupings or joined other groupings in their entirety. There are a number of factors that partly explain the CA countries' relative unwillingness and inability to have close trade and economic relations among themselves and integrate into regional groupings. Virtually all CA countries have very weak institutions required for development. Many of their development indicators are below the world average. High levels of corruption, the lack of a free press, non-transparent judicial systems, low levels of economic freedom, and a number of other factors create additional costs in economic interaction between these countries. In addition, the actual economic costs caused by high tariff barriers and weak infrastructure in the region undoubtedly have a negative effect on regional economic cooperation. The CA countries' tendency to compete among themselves for regional leadership, for control over resources and key trade routes also has a negative impact on cooperation.[23] In the current situation, the EAEU remains the most viable regional association capable of ensuring the integration of the Central Asian countries, and Russia's participation only serves to strengthen it, because Russia (along with the EU and China) is one of the major trading partners for all five countries of the region. On the other hand, as things stand today, the EAEU cannot unite the whole Central Asian region in its entirety. Countries such as Tajikistan, Uzbekistan, and Turkmenistan are not members of this association and are unlikely to join in the near future.

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[21] See: D. Dow, A. Karunaratna, "Developing a Multidimensional Instrument to Measure Psychic Distance Stimuli," *Journal of International Business Studies*, 2006, No. 37, pp. 578-602.

[22] See: R. Metulini, "Spatial Gravity Models for International Trade: A Panel Analysis among OECD Countries," *ERSA Conference Papers,* No. 13, p. 522, European Regional Science Association, 2013.

[23] See: P. Kurečić, "The New Great Game: Rivalry of Geostrategies and Geoeconomies in Central Asia," *Hrvatski Geografski Glasnik*, 2010, pp. 21-48.