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Paving a New Way for Regional Integration in Central Asia? Analysing Kazakhstan-Uzbekistan Relations in the Areas of Political Cooperation and Bilateral Trade

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Abstract

This thesis examines the dynamics of Kazakhstan-Uzbekistan relations concerning political cooperation and bilateral trade, as well as their influence on regional integration in Central Asia. By reviewing political and economic factors that have historically hindered progress in achieving regional integration in Central Asia, the thesis analyses recent development in Kazakhstan-Uzbekistan relations, revealing an emerging positive trajectory in regional cooperation. In doing so, the thesis explores cooperation initiatives and agreements within the realms of political, security, and economic cooperation, with a particular focus on the development of Kazakhstan-Uzbekistan bilateral trade. Based on the findings from this analysis, five key implications concerning regional integration in Central Asia are derived by the end of this thesis.

The findings demonstrate a notable shift in bilateral relations since President Mirziyoyev's assumption of office in Uzbekistan in 2016. This shift has manifested in various aspects, including the signing of the Treaty on the Demarcation of the Kazakh-Uzbek State Border and the Treaty on Allied Relations, the establishment of the Consultative Meetings of Central Asian Heads of State, and a substantial increase in Kazakhstan-Uzbekistan bilateral trade. The analysis demonstrates that Kazakhstan and Uzbekistan are expanding their cooperation in various dimensions, providing grounds for cautious optimism regarding the future of regional cooperation in Central Asia. Notably, the thesis emphasises the roles played by the new presidents of both states, Mirziyoyev and Tokayev, in promoting a more cooperative approach to foreign policy and regional development across Central Asia. Despite the positive trajectory witnessed in recent years, the analysis highlights persisting challenges in attaining full-fledged integration. These challenges include the dependency of Uzbekistan and Kazakhstan on extra-regional countries such as Russia and China. Moreover, Central Asian states display a reluctance towards pursuing integrative steps that involve the creation of binding institutions, preferring loose cooperative frameworks.

Overall, the thesis concludes that despite the recent positive developments, regional integration in Central Asia remains at a low to moderate level. Further efforts are needed in order to overcome challenges and propel the region towards robust integration. Central Asian states need to work collectively to achieve more comprehensive integrative steps. While Kazakhstan and Uzbekistan may act as regional leaders in advancing integration efforts, a unified and collaborative approach among all five Central Asian countries is essential to steer the region towards greater cooperation, stability, and prosperity.

Author's Declaration

I, Kilian Ropeter, have prepared this thesis independently. All viewpoints of other authors, literary sources, and data from elsewhere used for writing this thesis, have been referenced.

Signature Kilian Ropeter

Signed at Almaty, Kazakhstan, 22 August 2023

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Abbreviations

| | |
|---------|--|
| ASEAN | Association of Southeast Asian Nations |
| BRI | Belt and Road Initiative |
| CACO | Central Asian Cooperation Organisation |
| CAEC | Central Asian Economic Community |
| CAF | Central Asian Security and Cooperation Forum |
| CAREC | Central Asia Regional Economic Cooperation |
| CAU | Central Asian Union |
| CICA | Conference on Interaction and Confidence Building Measures in Asia |
| CIS | Commonwealth of Independent States |
| CKU | China-Kyrgyzstan-Uzbekistan Railway |
| CSTO | Collective Security Treaty Organisation |
| DOTS | Direction of Trade Statistics |
| EAEU | Eurasian Economic Union |
| EBRD | European Bank for Reconstruction and Development |
| ECSC | European Coal and Steel Community |
| EU | European Union |
| EurAsEC | Eurasian Economic Community |
| FOB | Free On Board |
| FSU | Former Soviet Union |
| FTA | Free Trade Agreement |
| GBAO | Gorno-Badakhshan Autonomous Oblast |
| IMF | International Monetary Fund |
| IO | International Organisation |
| IR | International Relations |

| | |
|--------|---|
| ISKP | Islamic State Khorasan Province |
| KazISS | Kazakhstan Institute for Strategic Studies |
| OECD | Organisation for Economic Cooperation and Development |
| OIC | Organisation of Islamic Cooperation |
| OTS | Organisation of Turkic States |
| PTA | Preferential Trade Agreement |
| RTA | Regional Trade Agreement |
| SCO | Shanghai Cooperation Organisation |
| TITR | Trans-Caspian International Transport Route |
| UN | United Nations |
| USA | United States of America |
| WTO | World Trade Organisation |
| YoY | Year-over-Year |

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1. Introduction

“Today, we will take a historic decision to raise the bilateral strategic partnership to the level of allied relations. This will be of great importance for sustainable development, stability, and prosperity, not only for our countries, but also for the entire region. We are committed to strengthening relations of friendship and good neighbourliness with fraternal Kazakhstan.” – Uzbek President Shavkat Mirziyoyev during a state visit to Kazakhstan on 6 December 2021 (Mirziyoyev, 2021)

“We are interested in further strengthening cooperation with Uzbekistan. For centuries, the Kazakhs and Uzbeks have been fraternal peoples united by unbreakable friendship and mutual respect. [...] Our countries have a common history, destiny as well as common goals and prospects for development. [...] The stronger and more successful the cooperation between our countries, the more stable the situation in Central Asia will be.” – Kazakh President Kassym-Jomart Tokayev during a state visit to Uzbekistan on 22 December 2022 (Tokayev, 2022)

1.1. Context of the Topic

Central Asia has experienced significant changes in the areas of trade, regional development, and political and economic cooperation in recent years. These changes have been strongly influenced by developments in the two most populous and economically powerful countries of the region, Kazakhstan and Uzbekistan. The leadership changes that have taken place in the neighbouring countries have had a considerable influence on policies at the national, regional, and international level.

In 2016, Shavkat Mirziyoyev replaced Islam Karimov as President of Uzbekistan and embarked on a series of reforms to modernise the country and improve its relationship with the international community. Among the measures he implemented were steps to reduce bureaucracy, improve the business climate, and attract foreign investment. More importantly, Mirziyoyev aimed to strengthen Uzbekistan’s ties with its neighbouring Central Asian countries by signing agreements to increase economic cooperation and resolve longstanding border disputes. The decisions made have had a direct impact on the relationship between Kazakhstan and Uzbekistan, impacting efforts towards greater cooperation and regional integration in Central Asia. In Kazakhstan, Kassym-Jomart Tokayev replaced Nursultan Nazarbayev as President in 2019. Despite continuing many of the policies of his predecessor, Tokayev has also introduced various

reforms. Along with this, he has maintained Kazakhstan's position as an influential player in regional and international affairs that pursues a 'multi-vector foreign policy'. Tokayev has been actively working to improve Kazakhstan's relations with external powers such as China, Russia, the European Union (EU), and the United States of America (USA). Overall, his leadership has been characterised by a combination of continuity and change, as he seeks to build on the achievements of his predecessor while also pushing for certain new reforms. This is in line with Kazakhstan's policy of maintaining good relations with neighbouring countries while also pursuing a broader role in the region and beyond. (Blackmon, 2021) While the extent of changes following the change in leadership varies for Kazakhstan and Uzbekistan, both states have undergone a transformation in their approach towards regional integration and cooperation across multiple domains. Given the recent leadership changes in both countries and their overall significance for the region, a thorough examination of the history and development of Kazakhstan-Uzbekistan relations is imperative in gaining a comprehensive understanding of the challenges and prospects of regional integration in Central Asia.

In addition to their shared historical, cultural, and linguistic ties, Kazakhstan and Uzbekistan feature several common features that are indicative of the issues and complexities of regional integration in Central Asia. Moreover, it is crucial to note that due to their sheer size and geographical location, sustainable and efficient regional integration in Central Asia is impossible without the participation of either of the two countries. In this regard, political cooperation and bilateral trade between Kazakhstan and Uzbekistan play a crucial role in promoting economic growth, enhancing infrastructure, and addressing security concerns in the region. Despite having faced strained relations at times, both countries have been successful in overcoming several disputes and collaborated on several issues in the recent past, such as security, energy, and infrastructure development. The Central Asia Regional Economic Cooperation (CAREC) Programme, one of the few examples of Kazakhstan-Uzbekistan cooperation within a regional framework, helped to bring both countries together with other Central Asian states and those within the wider region to address issues related to economic growth, poverty reduction, and regional connectivity. The programme established a framework to tackle some of Central Asia's most prevalent issues. Furthermore, it demonstrated the paramount importance of Kazakhstan-Uzbekistan relations for the future of Central Asia. Given the importance of Kazakhstan-Uzbekistan relations, this thesis aims to conduct an in-depth analysis of the evolution of cooperation, bilateral trade dynamics, and agreements and initiatives recently pursued by both Kazakhstan and Uzbekistan.

1.2. Objectives and Research Questions

My thesis aims to answer the following research question: **“How have the bilateral relations of Kazakhstan and Uzbekistan in the areas of political cooperation and trade developed and influenced regional integration in Central Asia?”** The thesis addresses the following sub-questions to help answer the main research question:

- What are some of the historical, political, and economic factors that have shaped the bilateral relations between Kazakhstan and Uzbekistan in the areas of political cooperation and bilateral trade, and how have these factors evolved over time?
- To what extent do the relations between Kazakhstan and Uzbekistan in the mentioned areas contribute to or hinder regional integration in Central Asia, and what are the main challenges and opportunities for achieving greater regional integration?
- What political and economic agreements and initiatives have Kazakhstan and Uzbekistan pursued recently, and how do they impact cooperation among Central Asian states?
- Do the leadership changes in Uzbekistan and Kazakhstan, along with the resulting new dynamics in the mentioned areas, have the potential to facilitate a new pathway towards regional integration in Central Asia?

1.3. Case Selection and Research Puzzle

Kazakhstan and Uzbekistan are two of the largest and most significant players in Central Asia. As such, their cooperation serves as a useful case when analysing regional integration in Central Asia. Both states possess several key factors that make them crucial to understanding the challenges and opportunities facing the region as a whole.

One of the most important reasons why Kazakhstan and Uzbekistan are useful cases for the analysis is their strategic location. Both countries are situated at the heart of the region, with Kazakhstan to the north and Uzbekistan to the south. This, as well as their relatively large territory, puts them in a unique position to play a leading role in any efforts to increase political cooperation, bilateral trade, and regional integration in Central Asia. Their location makes them key transit routes for goods and services moving between the east and west, as well as between the north and south. Moreover, both countries possess abundant natural resources, including oil, gas, and minerals. This has the potential to drive economic growth and closer collaboration in the region if harnessed effectively. Moreover, both Kazakhstan and Uzbekistan share several

features, such as comparably large and young populations as well as a growing middle classes, which provide a strong consumer base for regional markets.

Furthermore, the political leadership of Kazakhstan and Uzbekistan has undergone significant changes in recent years, which has created new opportunities for regional integration. In particular, the ascension of new leaders in both countries who have expressed a willingness to pursue greater regional cooperation has resulted in a new momentum for initiatives and policies aimed at deepening integration. This could provide a foundation for more significant cooperation between the two countries and other states in the region. Historical ties between Kazakhstan and Uzbekistan also make them useful cases for analysing regional integration in Central Asia. Both countries share a similar history, language, and culture, which could provide a foundation for greater integration.

Uzbekistan and Kazakhstan have not always cooperated heavily since becoming independent countries. In fact, there have been periods of tension and rivalry between the two countries, particularly in the early years following independence. After the Soviet Union's dissolution in 1991, both Kazakhstan and Uzbekistan gained independence and became separate states. Nonetheless, their transition to independent statehood was not without challenges. The two countries had to contend with the legacy of Soviet rule, including the arbitrary drawing of borders, ethnic tensions, and economic dependence on Moscow. In the early years of their independence, there were tensions over the division of the Aral Sea and access to oil and gas resources. Uzbekistan accused Kazakhstan of supporting a rebellion by ethnic Kazakhs in Uzbekistan, heavily straining relations between the two countries. However, over time, the two countries have worked to overcome some of these tensions and build a more cooperative relationship. The signing of a border agreement in 2002 helped to ease tensions, and there have been efforts to increase economic cooperation through initiatives such as the CAREC Programme and bilateral trade agreements. More recently, the election of Mirziyoyev as President of Uzbekistan in 2016 has led to a thaw in relations between the two countries. Mirziyoyev has sought to improve relations with all of Uzbekistan's neighbours, including Kazakhstan, and there have been high-level visits and agreements signed between the two countries in areas such as trade, transportation, and cultural exchanges. The two countries have recognised that cooperation is in their mutual interest, and there are now numerous initiatives and agreements aimed at deepening their ties and promoting regional cooperation in Central Asia.

Finally, the relations and strategic partnerships that Kazakhstan and Uzbekistan have developed with outside powers, including Russia, China, the USA, and the EU, are factors that make them important cases for analysing regional integration in Central Asia. These partnerships influence their approach to regional integration and their ability to collaborate with other Central Asian countries. Understanding how these outside powers impact the region and how Kazakhstan and Uzbekistan interact with them is important to understanding the dynamics of regional integration in Central Asia. In this context, the ongoing war in Ukraine could potentially have consequences for regional integration processes in Central Asia. As Kazakhstan and Uzbekistan share strong economic and political ties with Russia but also aim to expand their relationships with other countries, it is relevant to compare the two states with each other in order to evaluate the direction of regional integration in Central Asia. Kazakhstan is a member of the Collective Security Treaty Organisation (CSTO) and the Eurasian Economic Union (EAEU), both regional organisations dominated by Russia, while Uzbekistan is currently not a member. Despite both Kazakhstan and Uzbekistan being strongly interconnected with Russia, the two countries have focused on enhancing its economic ties with other countries too. It is possible that the war in Ukraine and the decreasing trust in Russia's reliability as a partner within the post-Soviet space could propel closer integration.

In conclusion, Kazakhstan and Uzbekistan are crucial players, and their bilateral relations a useful case for analysing regional integration in Central Asia. Their strategic location, economic potential, political leadership, historical ties, relations with other states, and strategic partnership make them important for understanding the challenges and opportunities facing the region. As such, efforts towards greater regional cooperation and integration must consider the roles of the two countries and the unique factors that they bring to the table. By examining these factors, the research intends to solve an empirical puzzle / 'variation over time puzzle'. A 'variation over time puzzle' involves examining a situation where the conditions of a political phenomenon appeared stable, but suddenly changed, and analysing how the changes have occurred. (Day and Koivu, 2019) As this research focuses on two neighbouring countries located in the same region that share several similarities but have historically not been closely integrated, the thesis examines some of the recent changes in Kazakhstan-Uzbekistan relations as well as their variation over time from two conceptual angles.

1.4. Relevance of the Topic

Conducting research on the Kazakhstan-Uzbekistan relations is highly relevant when seeking to understand regional integration in Central Asia, as it helps to shed light on the prospects, dynamics, and challenges of regional cooperation. Furthermore, regional integration in Central Asia is worth studying and of importance for the future of the region for the following reasons:

Regional integration can promote economic activity by increasing trade, investments, economic cooperation, and competitiveness within the global economy. Furthermore, regional integration increases political stability by fostering closer cooperation and collaboration between neighbouring countries like Uzbekistan and Kazakhstan. Therefore, it reduces the likelihood of conflicts and promotes peaceful relations. Moreover, integrated regions tend to feature better regional security by creating a common platform to address security issues, terrorism, and transnational crime. In addition, enhanced cooperation and collaboration can help to tackle common security threats, which can be challenging to address by nation states alone. Moreover, regional integration drives the development of infrastructure, such as transportation links, communication, and energy networks. By pooling resources, countries can build more extensive and robust infrastructure that can benefit an entire region. Furthermore, regional integration fosters social and cultural exchanges, leading to greater understanding, cooperation, and tolerance between different societies and communities. (TheWorldBank) As these mentioned aspects play a crucial part in shaping the economic and political future of Central Asia, a closer look at the factors that influence regional integration is highly relevant. In doing so, this thesis can lead to general insights into regional integration, and the findings can be compared to other regional integration processes, e.g., those of the EU, EAEU, or other international organisations (IO).

Studying Kazakhstan-Uzbekistan relations is relevant when examining Central Asian integration, as their cooperation is crucial for achieving regional integration goals. The leadership changes in both countries have led to the implementation of new policies and the reorientation of their foreign policy priorities. Under President Mirziyoyev's leadership, Uzbekistan has initiated several economic and political reforms. Additionally, Kazakhstan's new leadership under President Tokayev has repeatedly expressed its willingness to promote new regional integration efforts and improve relations with its Central Asian neighbours. Therefore, studying the evolving relations between Kazakhstan and Uzbekistan provides insights into the prospects for Central Asian integration and the potential challenges that may arise in achieving it.

1.5. Methods and Limitations

This thesis aims to examine the history and evolution of Kazakhstan-Uzbekistan relations by examining several aspects of political cooperation under different leaders. The research specifically focuses on bilateral cooperation under the tenures of Karimov and Mirziyoyev as Presidents of Uzbekistan, as well as Nazarbayev and Tokayev as Presidents of Kazakhstan. Additionally, the research analyses bilateral trade relations and assesses how they have recently developed. For the thesis, changes in bilateral political cooperation and trade are considered useful indicators, making up the key components of regional and economic integration. Increased political cooperation and growing trade are signals of deepening ties and interdependence between two countries. Moreover, their improvement can lead to increased investment, job creation, and economic development within a region. Changes in bilateral trade reflect the impact of policy changes, such as the signing of new trade agreements or the realisation of infrastructure projects.

Overall, I employ a qualitative approach, allowing for a broad understanding of the research problem and providing an in-depth analysis of the data. The data for this research were obtained through a variety of sources, including academic articles, books, policy documents, agreements, and media reports, in order to increase the validity of the findings. The research examines bilateral and regional agreements to assess how Kazakhstan-Uzbekistan relations developed under different circumstances and how they impact regional integration in Central Asia. For the analysis of trade relations, I predominantly rely on bilateral trade data available on the internet, either published on the website of the United Nations (UN) Comtrade database, the International Monetary Fund (IMF), or on government websites. For this research, no ethical considerations needed to be made as the data relied upon was publicly available. Since the data were already part of the public arena, no consent or permission was needed to use it for this analysis. In general, the research was conducted in a manner that was respectful of all individuals' rights and privacy concerns.

The analysis is subject to limitations due to the availability and reliability of trade statistics in Central Asia. The official trade statistics may not be entirely accurate as informal trade, which constitutes a significant portion of trade activity in the region, is not always included in statistics. Moreover, the focus of the analysis lies on developments within the past ten years, limiting the scope of the research findings. Although the findings are relevant for the integration process in Central Asia, they may not be extrapolated to the entire region, since the other three Central

Asian countries – Kyrgyzstan, Tajikistan, and Turkmenistan – were not an integral part of this analysis. Especially in Central Asia, regional integration is a complex process influenced by a multitude of factors, and the bilateral relations between Uzbekistan and Kazakhstan represent just one aspect of this intricate process. Lastly, it is necessary to point out that the lack of transparency, found in reports and policy decisions among Central Asian countries, limits the availability of relevant information required to fully comprehend the influences and the direction of integration efforts within the region.

1.6. Overview of Structure

The thesis is structured as follows: The introductory chapter is followed by the second chapter, which begins by defining the most relevant concepts and reviewing the literature on regional integration in Central Asia and Kazakhstan-Uzbekistan relations. The third chapter, serving as the main analytical chapter of this thesis, is divided into three sub-chapters: The first sub-chapter examines the evolution of political cooperation between Kazakhstan and Uzbekistan from different angles. The second sub-chapter analyses bilateral trade and economic developments. The third sub-chapter draws on the literature review and analytical findings, contextualising the discussed implications for regional integration in Central Asia. Lastly, the fourth chapter concludes by summarising the research findings and offering suggestions for future research.

2. Concepts and Literature Review

Before delving into the analytical part, it is necessary to define the most relevant concepts. More importantly, this chapter also reviews relevant literature pertaining to the topic of regional integration in Central Asia and Kazakhstan-Uzbekistan relations.

2.1. Concepts

For this analysis, regional integration, political cooperation, and bilateral trade are the most relevant concepts. In the following subsections, I briefly define these concepts.

2.1.1. Regional Integration

Regional integration refers to the process by which neighbouring countries come together to form a closer economic and political relationship, with the goal of promoting political collaboration and economic growth as well as increasing trade flows. This process can take many forms, ranging from the implementation of free trade agreements (FTA) and customs unions to monetary unions and political cooperation. One of the main goals of regional integration is to create an integrated and interdependent regional economy, with member states benefitting from increased trade and investment, reduced transaction costs, as well as enhanced political stability. (McCormick, 1996)

In academic literature, regional integration is often studied through the lens of regionalism theory. Regionalism theory emphasises the importance of regional cooperation in promoting economic growth and political stability and identifies several factors that contribute to the success of regional integration efforts. These include the presence of a strong regional identity, the existence of shared interests and policy goals, and the availability of an institutional framework to effectively facilitate cooperation and coordination among countries. Furthermore, regionalism theory recognises that regional integration is not a linear process, but rather a dynamic and evolving one that can be shaped by a range of internal and external factors. (Söderbaum, 2011)

2.1.2. Political Cooperation

Political cooperation can be defined as the process by which countries come together to address shared political challenges and work towards common political goals. This can include cooperation in areas such as security, trade, and governance. The goal of political cooperation

is to create a more stable and secure regional environment, with countries collaborating to address common issues and promote shared interests. (Lipson, 1984) In academic literature, political cooperation is often studied through the lens of regional security theory. This theory emphasises the importance of cooperation among neighbouring countries in promoting regional security and addressing shared security challenges. Several factors are identified as contributing to successful political cooperation, including the presence of shared security interests, the existence of institutional frameworks to facilitate cooperation and coordination, and the willingness of member countries to prioritise regional security concerns over narrow national interests. (Frazier and Stewart-ingersoll, 2010)

In the context of Central Asia, political cooperation has been vital to promote regional stability and address shared security concerns. One example of political cooperation in the region is the Shanghai Cooperation Organisation (SCO), which includes both Kazakhstan and Uzbekistan as member countries. The SCO aims to promote security and economic cooperation among member states and has played a key role in addressing shared security challenges in the region, such as terrorism and drug trafficking. However, tensions between Uzbekistan and Kazakhstan have at times hindered political cooperation efforts in the region.

2.1.3. Bilateral Trade

Bilateral trade refers to the exchange of goods and services between two countries. (Kagan, 2020) It is a type of trade relationship where two countries engage in imports and exports with each other. Bilateral trade agreements or FTAs are typically negotiated between the governments of the two countries involved, and lay out the terms of the trade relationship, including the tariffs and regulations that will apply to the goods and services being traded. Bilateral trade can be beneficial for both countries, as it helps to promote economic growth and development, creates jobs, and increases competitiveness. It allows countries to specialise in exporting goods and services that they produce most efficiently, while importing goods and services that are more efficiently produced by another country. Moreover, bilateral trade helps to strengthen political and diplomatic ties between countries, as it provides a platform for ongoing communication and cooperation. However, it can also lead to trade imbalances and economic dependence, which depends on the terms of the agreement and the relative strengths of the economies involved. (Srivastava and Green, 1986)

In the context of regional integration in Central Asia, bilateral trade has been an important aspect of efforts to promote economic development and regional cooperation. In academic literature, bilateral is often studied through the lens of international trade theory. This theory emphasises the importance of free trade in promoting economic development and enhancing welfare for all participating countries. Several factors are identified as contributing to successful bilateral trade, including the presence of FTAs, the existence of infrastructure to facilitate trade, the presence of efficient customs and regulatory procedures, and other institutional frameworks. (Zhang, 2008)

2.2. Literature Review

The literature review conducted for this thesis focuses on the two realms that are considered crucial for the analysis: Regional Integration in Central Asia and Kazakhstan-Uzbekistan relations. The review provides an outline of the key points identified in various academic articles:

2.2.1. *Regional Integration in Central Asia*

The Central Asian region, consisting of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, is different from most other regions in the world. One such difference is the lack of regional integration, i.e., the absence of a unifying organisational structure that encompasses all five states. As Krapohl and Vasileva-Dienes (2020) point out, although the Central Asian states share many commonalities such as a moderate form of Islam as their predominant religion, a history of being former Soviet republics, and a (semi-)authoritarian political system, attempts to establish lasting regional integration projects have thus far been unsuccessful. The Central Asian Cooperation Organisation (CACO), which was established as Central Asian Union (CAU) by Kazakhstan, Kyrgyzstan, and Uzbekistan in 1994, and later became the Central Asian Economic Community (CAEC), was dissolved in 2005. Moreover, only Kazakhstan and Kyrgyzstan joined the Eurasian Economic Community (EurAsEC), which is dominated by Russia, and later became full-fledged members of the Eurasian Economic Union (EAEU). Although there are several bilateral and supra-regional formats, such as the Organisation of Turkic States (OTS) and SCO, in which Central Asian states cooperate with each other and other states of the broader region, there exists no unifying Central Asian umbrella organisation or institution that serves as a forum for political cooperation and addressing regional issues. Several reasons can be found in the literature that help to explain this phenomenon.

Regionalism in Central Asia:

Mukhamediyev and Khitakhunov (2017) assert that the discourse surrounding regionalism and regional integration in Central Asia has been the subject of extensive discussion among scholars, policymakers, and the public. Economic integration, which seeks to eliminate discrimination between economic units across national borders, has been examined as an advantage of regionalism. The authors suggest that various factors can promote regionalism in Central Asia, such as preferential treatment, positive terms of trade changes, ease of formation, and the “domino effect”. The “domino effect” – a concept of International Relations (IR) theory – suggests that the formation of a regional organisation in one area may lead to the creation of other similar organisations, with each organisation building on the success of the previous one, like falling dominoes. The theory implies that regionalism is a self-perpetuating process, as the creation of new regional organisations inspires others to follow suit, ultimately resulting in a global system of regionalism. (Baldwin, 1993) Despite the existence of numerous Preferential Trade Agreements (PTA) in Central Asia, monitoring their implementation has proven difficult due to overlapping agreements and inadequate institutions. The authors highlight that CAEC’s failure and the subsequent establishment of CACO and EAEC had little impact on intra-regional trade in Central Asia. Central Asian countries have remained reliant on trade with Russia, which makes it challenging to establish a strong regional organisation due to political fluctuations. The creation of the Customs Union between Belarus, Kazakhstan, and Russia in 2010 and the subsequent formation of EAEU in 2015 are viewed as a new era of regional integration in Eurasia. (Mukhamediyev and Khitakhunov, 2017) While I concur with Mukhamediyev’s and Khitakhunov’s, it is important to note that the EAEU should not be regarded as a Central Asian integration project, as the majority of Central Asian states are not members of the EAEU, and the organisation is primarily promoted and led by Russia, which is regarded an extra-regional actor in this thesis.

Krapohl and Vasileva-Dienes (2020) rightfully point out that an evaluation of regionalism and regional integration in Central Asia needs to consider the region’s economic development. Unlike more developed regions, such as Europe and – to a less profound degree – countries like Russia, which tend to benefit from comparative cost advantages and economies of scale, developing regions rely too heavily on commodity exports and often struggle to find regional export markets due to economic incompatibility. This is also the case for Central Asia. Nonetheless, I agree with the authors’ point that regionalism can positively impact the economic performance and stability of developing countries, despite their small and seemingly insignificant role within the global market.

Regional Integration in Central Asia:

In an article on the effects of regional integration in Central Asia, Wang (2014) explores the reasons for pursuing economic integration and discusses the potential costs and benefits associated with joining multiple regional trade agreements (RTA). Regional integration – which has been a global trend since the 1950s that has outpaced the multilateral trade liberalisation system after the 1990s – is viewed by the author as a way for developing countries to promote economic growth through increased trade. For example, Central Asian countries initiated or joined various regional cooperation mechanisms to escape economic difficulties after gaining independence. However, Wang's research indicates that while integration agreements have promoted the exports of Central Asian countries, the EurAsEC (later the EAEU), considered by some analysts as the most successful integration organisation in the broader region, has thus far failed to promote member states' exports. These contradictory findings suggest that further research is necessary to determine the optimal integration strategy for Central Asian countries. In addition, the author argues that while joining RTAs can indeed increase a country's exports, excessive participation can also result in the so-called 'spaghetti bowl effect', leading to increased costs and confusion for businesses. The 'spaghetti bowl effect' is a term used to describe the increasingly complex and overlapping network of bilateral and RTAs between countries. As more and more countries sign RTAs with each other, the rules governing trade become increasingly complex and more difficult to navigate. This can lead to a situation where it is difficult for businesses to know which trade rules apply, resulting in higher compliance costs and reduced trade. (Sorgho, 2016) However, Wang's empirical analysis reveals that the negative impacts of this phenomenon are not observed in Central Asian countries due to their lenient customs control and relaxed rules of origin requirements. Instead, the author acknowledges that Central Asian countries face significant obstacles in achieving deep integration as a result of their highly homogeneous trading structure and their dependence on natural resources. Moreover, the absence of intra-industry trade and improper industry structures limits trade across Central Asia. Consequently, regional integration is impeded, which severely limits the potential for spillover effects of technology, knowledge, and policies among Central Asian states. (Wang, 2014)

In 2011, Libman and Vinokurov's published a study that assessed the prospects of economic integration in Central Asia, concluding that the region's economic linkages were more closely aligned with the former Soviet Union (FSU) than with each other. While Central Asia exhibited higher levels of functional integration in some specific areas, overall economic integration declined more rapidly than in the rest of the FSU. Their paper also emphasises the evolution of

Kazakhstan into a second integration core, which is more linked to the FSU in general than to other Central Asian states. As a result, their primary conclusion is that, regarding the existence of economic linkages, Central Asia does not naturally constitute a region for economic integration that is separate from the FSU. Hence, they argue that advancing the economic and political development of Central Asian countries through cooperative measures has proven to be difficult without the involvement of other post-Soviet countries. As a result, the two authors emphasise the importance of informal trade, and highlight China's rising importance for the future of the region. (Libman and Vinokurov, 2011) China's is emerging as a key economic partner for Central Asian states, despite not being a part of the FSU.

Krapohl and Vasileva-Dienes (2020) provide an in-depth analysis on why regionalism and regional integration have thus far been unsuccessful in Central Asia. They argue that the current state of integration in Central Asia remains largely unexplained by existing IR theories. While IR theories offer some explanatory value, they fail to fully explain the intricate patterns of regionalism and regional integration success or failure across the world. Specifically, the authors point out that realists propose that successful regionalism requires a regional hegemon or leader who can establish regional order on behalf of all other regional countries. In Central Asia, Kazakhstan and Uzbekistan have competed for regional leadership, making it difficult to establish a single hegemon. Alternatively, constructivists emphasise the importance of a shared regional identity for effective regional integration. Yet, a common regional identity is not strong in Central Asia, which reduces the prospects for regionalism. Finally, liberals underline the need of shared interests between regional states as the factor determining the success or failure of regional cooperation. However, the authoritarian political structures within Central Asia make it difficult for political elites to engage in regional cooperation, as they mostly seek to maintain political control. Thus, the authors contend that while these theories may provide some level of explanatory value, they do not hold universally across all world regions. Therefore, the authors suggest that while IR theories are not inherently flawed, their applicability varies depending on the context. The authors further note that there exist regional organisations where member states do not share a strong identity, like the Association of Southeast Asian Nations (ASEAN), challenging the constructivist view. Additionally, contrary to liberal IR arguments, several IOs successfully cooperate despite authoritarian state participation, including IOs like the Gulf Cooperation Council, ASEAN, the East African Community, and EAEU. Consequently, both authors provide alternative explanations as to why regionalism and regional integration processes have not resulted in success in Central Asia thus far.

Influence of External Actors on Central Asian Integration Efforts:

According to Krapohl and Vasileva-Dienes (2020), the failure of regionalism across Central Asia can predominantly be attributed to two interconnected factors. Firstly, unlike economically well-developed regional organisations like the EU, intra-regional economic interdependence is low in Central Asia. While there exists a demand for regional integration in Central Asia, it is different from that of the EU, as the Central Asian economies depend on exporting agricultural products and commodities like gas and oil to extra-regional markets. As landlocked countries, Central Asian economies share fundamental infrastructure problems, resulting in high internal trade barriers within the region. Secondly, at the same time, Central Asia is subject to the “Second Great Game”, where extra-regional powers such as China and Russia compete for influence in Central Asia. For instance, Russia uses Eurasian regionalism to restore its influence in Central Asian countries, with Kazakhstan prioritising its relations with Russia over regional integration. As a result, the authors note that the “Second Great Game” has torn Central Asian states apart, and genuine Central Asian regionalism cannot develop. Consequently, the Central Asian economies remain highly dependent on economic exchange with China and Russia. Moreover, Russia’s strategy of Eurasian regionalism implemented through the EurAsEC / EAEU further impeded the emergence of Central Asian regionalism. (Krapohl and Vasileva-Dienes, 2020)

These observations are closely linked to the success of regional cooperation in general. In essence, regional cooperation requires that all member states benefit from it since any individual losses may hinder cooperation. Hence, regarding the influence of extra-regional actors, there are two possible scenarios, both authors argue. In the first scenario, extra-regional actors reward regional cooperation, leading to improved relations among member states and encouraging cooperation as well as the implementation of regional agreements. In the second scenario, extra-regional actors grant privileges to specific member states, which may give them a competitive advantage in regional affairs. However, this can lead to privileged member states choosing to prioritise their extra-regional interests and defecting from regional cooperation. Essentially, this tends to happen with stronger regional economies or states that benefit the least from regional integration. Therefore, such states tend to opt for privileged relations with extra-regional actors. As a result, extra-regional actors have two options. They can either support regional cooperation and invest in the regional market to ensure its success, or impede successful cooperation among developing countries and prevent the development of a stronger regional organisation by granting privileges to individual member states. (Krapohl and Vasileva-Dienes, 2020) In this regard, the role of Kazakhstan as a new centre of gravity is widely discussed in the literature.

As Libman and Vinokurov argue (2011), regionalisation in the post-Soviet space is primarily driven by asymmetrical economic ties with Russia, which is the most dominant player in the region due to the size of its economy. Despite this, Kazakhstan has emerged as a new centre of regionalisation, the authors suggest. In this regard, two directions of Kazakhstan's development can be identified as contributing to its emergence as an independent integration core. The first direction is labour migration. Kazakhstan attracts labour from the rest of FSU due to rapid economic growth in the 2000s and the problems faced by labour migrants in Russian society. According to both authors, Kazakhstan is particularly attractive to migrants from its closest neighbours, especially Kyrgyzstan and Uzbekistan. However, Kazakhstan's economic linkages are directed towards Russia and other FSU states. For Kazakhstan itself, smaller states in Central Asia have so far been of lesser importance. Therefore, while Kazakhstan is an important partner for Central Asian states, the country displays limited economic concerns for the Central Asian region itself. The second direction in which Kazakhstan is emerging as an independent integration core is trade. Kazakhstan trades heavily with states outside of Central Asia, while it has historically traded little with Central Asian states. This divergence indicates that Kazakhstan is not an integral part of the regional economy. (Libman and Vinokurov, 2011) Kazakhstan, despite having a smaller population than Uzbekistan, is the dominant economic power in Central Asia due to its large reserves of hydrocarbons and minerals, particularly coal and uranium. As a result, Kazakhstan's economy heavily relies on exports to Russia and Europe. Moreover, Kazakhstan is dependent on Russia due to its landlocked position and the need to utilise Russian pipelines to export oil to Europe. Hence, the authors argue that although Kazakhstan is viewed as an attractive potential integration core, it has historically had limited economic concerns for the Central Asian region itself. (Krapohl and Vasileva-Dienes, 2020)

Libman and Vinokurov (2011) suggest that historical ties with Russia continue to shape the region's economic relations, particularly in terms of labour flows and business activities. However, they highlight that China is currently in the process of establishing its economic links with Central Asia and may use certain countries as gateways to the broader regional economy. While Central Asia is predominantly part of the economic space of the FSU, this situation may change in the future as China's economic influence is growing in the region. (Libman and Vinokurov, 2011) China has been able to gradually increase its presence in Central Asia, with its trade share continuously increasing due to the growth of the Chinese economy and its growing involvement in the region. At the same time, competition between China and Russia for regional influence is increasing, resulting in the "Second Great Game", according to Krapohl and Vasileva-Dienes

(2020). Notably, these developments have a significant impact on regional integration in Central Asia. (Libman and Vinokurov, 2011) The competition between extra-regional actors is one of the factors that has prevented the successful development of genuine Central Asian regionalism. Regional organisations, including the SCO and EAEU, are dominated by China and / or Russia. Krapohl and Vasileva-Dienes (2020) point out that Russia is wary of expanding Chinese influence in the region. Therefore, it has historically opposed Chinese initiatives such as a joint SCO free trade area and development bank. Nevertheless, China has launched the Asian Infrastructure Investment Bank and implemented the Belt and Road initiative (BRI), which aims to revive the ancient Silk Road by creating a Eurasian land corridor. In this regard, Central Asian states have the choice to either establish a unified regional stance or aim for closer cooperation with extra-regional actors. Given this context, the future of Central Asian regionalism heavily depends on Kazakhstan, which tends to prioritise cooperation with extra-regional countries over regional cooperation. (Krapohl and Vasileva-Dienes, 2020)

The Importance of Trade for Central Asian Integration:

Trade plays a fundamental role for economic integration, which is why the literature offers useful insights pertaining to the facilitation of trade in Central Asia. Mukhamediyev and Khitakhunov (2017) assess that the economic development and subsequent decline of trade in Central Asia following independence was marked by the breakdown of Soviet economic ties, hyperinflation, and several currency crises. However, the authors note that after the turn of the century, the region experienced economic growth as a result of the oil boom, growing trade with China, an increase in foreign investment, greater remittances from migrants, and successes in economic management. Consequently, Kazakhstan emerged as the economic leader of the region, partly due to its number of natural resources, while Uzbekistan relinquished its position due to declining world prices for its primary export commodities. Furthermore, the authors note that, in order to promote intra-regional trade, Preferential Trade Agreements (PTA) were established by Central Asian states. However, the establishment of PTAs often led to conflicts and contradictions, contributing to the disintegration of Central Asia. (Mukhamediyev and Khitakhunov, 2017)

The Central Asian economies are extremely vulnerable to market shocks, which is particularly important for Kazakhstan and Turkmenistan since both countries heavily rely on the export of fossil fuels. The authors highlight that in 2014, for example, Kazakhstan's economy mainly slowed due to falling oil prices and less demand from China and Russia. Uzbekistan, during that time, achieved the highest growth rates in the region, even though the decline of the Russian

economy negatively impacted Uzbek migrants, leading to a decrease in remittances. In addition to the limited trade links that the Central Asian countries display, transportation costs are relatively high and some of the Central Asian countries produce similar goods and services, further impeding intraregional trade. The authors also suggest that problems like economic instability, mistrust, and uncertainty have contributed to economic disintegration. Despite these challenges, the Central Asian countries have remained interested in expanding their trade links. According to the authors, the Central Asian countries are participating in the CAREC Programme, aiming to economically benefit from the establishment of a Eurasian transport network from China to Europe. Through the CAREC Programme, Central Asian countries can increase bilateral trade, diversify their exports, and create new opportunities for transit countries. The authors note that the CAREC Programme bears the potential to enhance regional integration and trade. (Mukhamediyev and Khitakhunov, 2017) However, this view needs to be challenged since the CAREC Programme has not proven to substantially advance regional integration in Central Asia.

When evaluating trade developments for Central Asia, it is important to mention that formal trade statistics do not always reveal the full picture. Wang (2014) highlights this fact and points out that informal trade, which encompasses bazaar and cross-border trade, is often not included in official trade statistics. Yet, informal trade constitutes a significant portion of Central Asia's total trade volume. Moreover, Wang argues that bazaar trade represents a significant portion of economic activity in the region, as it contributes to meeting local consumer demands as well as promoting employment and infrastructure development. Furthermore, bazaar trade has fostered the growth of a class of entrepreneurs experienced in the market economy. Therefore, according to Wang, it is essential for Central Asian governments to recognise the role of bazaar trade and support its continued development. (Wang, 2014) This aspect is deemed highly relevant for the analysis of bilateral trade between Kazakhstan and Uzbekistan.

Furthermore, apart from regional organisations, the World Trade Organisation (WTO) currently plays an important role for Central Asian integration efforts. For Central Asian countries, WTO membership offers several advantages such as trade liberalisation, market expansion, and a basis for implementing international trade law. Moreover, joining the WTO provides a legal structure for the facilitation of intra- and extra-regional trade. Crucially, the framework of the WTO promotes regional and global trade and supports states in overcoming institutional challenges. (Mukhamediyev and Khitakhunov, 2017) Since Uzbekistan is in the process of joining the WTO, intending to join the organisation by 2023, this aspect is also deemed relevant for the analysis. (TheTashkentTimes, 2022)

2.2.2. Kazakhstan-Uzbekistan Relations

The primary focus of this analysis centres around current developments in the relations between Kazakhstan and Uzbekistan. Extensive literature exists, offering a variety of analytical and descriptive explanations to interpret the current dynamics of their bilateral relationship. A notable aspect that receives significant attention is the role played by the new leaders of both countries, with an aim to comprehend the impact of leadership changes on the bilateral relations and overall regional cooperation within Central Asia. Specifically, the literature highlights the reforms initiated by President Mirziyoyev, who since assuming office, has introduced new ideas and initiatives regarding regional collaboration. The literature largely agrees that there exists a revitalised sense of cooperation between Kazakhstan and Uzbekistan, prompting both countries to view themselves as partners capable of propelling the region forward and addressing existing challenges in Central Asia. The following literature analysis demonstrates how various authors interpret these dynamics from different perspectives.

Leadership Changes in Both Kazakhstan and Uzbekistan:

In an article regarding the effects of the leadership changes in Kazakhstan and Uzbekistan, Blackmon (2021) underscores the importance of the recent leadership transitions for both countries, given that they are the first transitions following independence. Firstly, it is noted that the rise to power of the ‘new presidents’ differed substantially. On the one hand, Uzbekistan’s Mirziyoyev, originating outside of the Karimov elite, has facilitated his authority via public-centred reforms and was able to establish a solid basis of legitimacy for himself. On the other hand, the rise of Tokayev to power in Kazakhstan in 2019, albeit via a formal electoral procedure, saw a “managed” transition, according to Blackmon. According to the author, former President Nazarbayev maintained an influential formal position after ceding power, leaving Tokayev without an independent base of legitimacy. Certainly, this assessment holds true for the first three years of Tokayev’s presidency. Following Tokayev’s election as President on 9 June 2019, Nazarbayev continued to retain substantial authority within the government, e.g., as Chair of the Security Council of Kazakhstan and Elbasy, the ‘leader of the nation’. (Blackmon, 2021)

However, Blackmon, having written her article in 2019, understandably could not have predicted how the trajectory of Tokayev’s presidency would change. Catalysed by the Bloody January events, subsequent early presidential elections, and constitutional amendments, Tokayev was able to establish a more legitimate base as president in 2022. One of the critical components

of this development was the diminishment of Nazarbayev's privileges, titles, and positions, thereby enabling Tokayev to fortify his authority. (Abbasova, 2023) These changes bear significant implications, as Blackmon asserts that a robust foundation of legitimacy is crucial for the Central Asian leaders' ability to initiate reformative measures. For this analysis, the legitimacy of the Central Asian leaders is essential when examining regional integration. Blackmon (2021) highlights that Mirziyoyev, who was not part of the Karimov elite, embarked on implementing comprehensive economic reforms and able to consolidate power early into his presidency. As Tokayev's transition was more managed, and coupled with Nazarbayev maintaining a grip on power, it would have been challenging for Tokayev to instigate similarly crucial economic reforms. Now, given Tokayev's legitimacy and authority are more consolidated, he is also better positioned to initiate important reforms and steps towards advancing regional integration.

Mirziyoyev's Role in Improving Kazakhstan-Uzbekistan Relations:

In their analysis of Kazakhstan-Uzbekistan relations, Baikushikova and Apsattarova (2021) compare the tenure of Karimov with the new initiatives put forth by his successor, Mirziyoyev. The authors note that historically, Kazakhstan-Uzbekistan relations were based on the Treaty of Eternal Friendship of 1998, the Commonwealth of Independent States (CIS) Agreement on Establishing a Free Trade Area in 2011, and the Agreement on Strategic Partnership of 2013 – three frameworks covering almost all spheres of cooperation and determining the general terms of mutual trade. While formal agreements were in place, the political relations between Astana and Tashkent remained weak during Karimov's rule from 1992 to 2016. An essential element contributing to this situation was the personal animosity exhibited by Karimov and Nazarbayev. Despite the existence of cooperation agreements, the deep-seated antipathy between the leaders hindered the development of strong political ties. (Anceschi, 2020). Khurramov's analysis of Kazakhstan-Uzbekistan relations highlights the role of state leaders for Central Asian integration. Drawing on concepts such as cognitive processes and psychological approaches, his analysis highlights the significance of human elements, specifically the behaviour and decisions of state leaders, for bilateral relations. His analysis supports the view that the personal relationship of the presidents has played a major role in shaping relations, outweighing civilisational factors such as shared history and culture of the Kazakh and Uzbek people. (Khurramov, 2022)

Several authors highlight that since 2016, Kazakhstan-Uzbekistan relations have undergone a significant improvement, with a more open discussion of problems and a political will to solve them. This change has allowed to raise bilateral cooperation to a new level, marking a new era

of intrastate cooperation in Central Asia. According to Baikushikova and Apsattarova (2021), this recent thaw began after Mirziyoyev was elected President of Uzbekistan and undertook his first state visits to neighbouring Central Asian countries, including Kazakhstan. Since there had been a long break in relations between the two countries, Mirziyoyev's proposals have sparked renewed initiatives, which further underscores the importance of interpersonal relationships for the future of Central Asian integration. (Baikushikova and Apsattarova, 2021) Moreover, Asanov argues that the success of cooperation between Uzbekistan and Kazakhstan, and the success of regional integration, heavily relies on the leaders' willingness to relinquish claims to a single 'regional leadership' position and their willingness to collaborate instead. (Asanov et al., 2017)

By referring to a statement by political scientist Dosym Satpayev, Baikushikova and Apsattarova (2021) stress that a win-to-win policy is needed for both Kazakhstan and Uzbekistan to benefit from cooperation. (Satpayev, 2018) The authors acknowledge that grievances, frictions, and conflicts accumulated over the years cannot be resolved quickly. Nonetheless, they believe that the revival of certain initiatives, particularly in cross-border cooperation, marks a significant breakthrough. They highlight that since both Kazakhstan and Uzbekistan gained independence, there has been an unspoken competition for influence in the region. Previously, Karimov opposed Kazakhstan's initiatives, such as the proposal to create a union of Central Asian states in 2008, citing concerns that regional integration could harm the diverse economies of the Central Asian states. With Mirziyoyev's rise to power, relations between Uzbekistan and Kazakhstan entered a more productive and mutually beneficial stage of cooperation in various sectors. According to Eldor Aripov (2021), Director of the Institute for Strategic and Interregional Studies under the President of the Republic of Uzbekistan, Uzbekistan and Kazakhstan have established a strong foundation for a new level of strategic partnership. Recently, the two states have signed several interstate and intergovernmental documents. Moreover, the two engage in regular political dialogue, including frequent state visits and phone conversations between the two presidents. Furthermore, the parliaments of both countries have strengthened their ties and cooperation. The so-called Joint Intergovernmental Commission on Bilateral Cooperation was established, focusing on the development of trade, agriculture, energy, and transportation links. The increased dialogue and cooperation efforts have substantially contributed to the growth of trade and economic relations between the two countries, according to Aripov. (Aripov, 2021)

Evident from the previous literary sources, Kazakh and Uzbek experts believe that there are new opportunities for expanding economic relations. For instance, Uzbekistan could increase its exports to Kazakhstan, stemming from the production of automotives, textiles, and electrical

products, while Kazakhstan can expand its product range to include rolled metal, ferroalloys, and timber. Moreover, the two countries can expand cooperation in areas like agriculture, construction, mechanical engineering, communications, and the oil and gas industry. Additionally, Baikushikova and Apsattarova (2021) foresee an increase in transit indicators of the two countries, resulting from the launch of new infrastructure projects within Central Asia. Finally, both authors point out that several experts view Kazakhstan and Uzbekistan as the two main leaders of Central Asia capable of financing regional infrastructure projects due to their greater financial resources compared to Kyrgyzstan and Tajikistan. (Baikushikova and Apsattarova, 2021)

Kazakhstan and Uzbekistan as Regional Leaders of Central Asia:

In his assessment of the development of Kazakhstan-Uzbekistan bilateral relations over the least seven years, Aidar Amrebayev, Head of the Center for Political Science and International Studies, emphasises the foreign policy priority of Central Asia for both Kazakhstan and Uzbekistan. He underscores their ability to work together in a “tandem” when pursuing regional projects. In addition, Amrebayev notes that the links between the two countries in socio-economic, trade, economic, transport, and logistics relations are growing dynamically at present. Cooperation in matters related to the logistics and transport industry are of particular importance given Kazakhstan’s position as a transport corridor between east and west and Uzbekistan’s connection to these corridors. Joint work is currently underway to promote Central Asia as a “single region”, a vision supported by President Mirziyoyev, who views Central Asia as a “single organism”, Amrebayev points out. Furthermore, Amrebayev predicts that the “tandem of Uzbekistan and Kazakhstan” has the potential to promote the integration, cooperation, as well as economic, social, and cultural ties of the entire Central Asian region, akin to the regional leadership role of France and Germany within the EU. (Shesternyova, 2023)

An article by Oltiboev (2020) examining the burgeoning economic partnership between the two countries supports this view. According to the author, there has been a noticeable increase in economic collaboration, tourism, business exchanges, and bilateral trade in recent years. The article further highlights the role of President Mirziyoyev’s foreign policy in fostering a positive outlook for regional cooperation in Central Asia. He points out that while Central Asian states are committed to expanding regional cooperation, intensifying trade, enhancing economic ties, increasing cross-border cooperation, and utilising water and energy resources, less than 6% of the total exports of the five countries in the region were attributable to domestic regional trade in 2016. His article emphasises efforts by the governments in Astana and Tashkent in fostering

positive trends in cooperation by prioritising regional economic trends. While Kazakhstan and Uzbekistan share similar economic structures that are dominated by mining and raw materials-based industries, the two countries differ in the scale and level of their reforms, Oltiboev points out. Moreover, he highlights the importance of cultural cooperation between Uzbekistan and Kazakhstan, particularly for regions and cities located close to the Kazakhstan-Uzbekistan border, such as Shymkent. Oltiboev argues that the policies pursued by Uzbekistan and Kazakhstan will have significant impact on the situation in Central Asia. The cooperation between the two serves to bring Central Asia closer together, promoting stability in the region. (Oltiboev, 2020)

However, despite the many optimistic outlooks, there remain many challenges. A prevalent and significant issue preventing Kazakhstan and Uzbekistan from being perceived as ‘true regional leaders’ is their reliance on external mediators in times of conflicts, with both countries failing to bring forth joint initiatives on how to resolve regional conflicts in a tandem. A recent example is the military conflict between Kyrgyzstan and Tajikistan in 2022. As Abdukhalilov (2022) points out in his analysis of bilateral relations in Central Asia during the pandemic and post-pandemic conditions, the Kyrgyz-Tajik conflict serves an example of poor regional cooperation, also among Kazakhstan and Uzbekistan. The conflict was not addressed regionally, as Tajikistan and Kyrgyzstan both sought out to extra-regional mediators, namely Russia and Turkey. Although Mirziyoyev and Tokayev expressed their immediate reactions with regard to the military conflict, they failed to pursue a collaborative approach to mediate within this conflict. (Abdukhalilov, 2022) Hence, this case indicates that there remains significant room for cooperation in the political realm, and thus far, Uzbekistan and Kazakhstan have yet to collaborate on key security issues in Central Asia.

Consequently, it can be argued that there exists a disparity between economic progress and the political lack of collaboration on certain political and security issues. As a result, this creates the impression that the rhetoric of wanting to be perceived as regional leaders is at times superficial and ‘simply rhetoric’. As the consequent analysis demonstrates, although there have been several positive developments in Kazakhstan-Uzbekistan relations, there is still room for closer cooperation on certain key issues. Essentially, the recent cooperation initiatives pursued by Kazakhstan and Uzbekistan, both at the bilateral and regional level, are still in their early stage. In addition, an institutionalisation of regional cooperation has yet to take place in Central Asia.

3. Findings and Analysis

Within this main chapter, a comprehensive analysis is conducted to examine the evolution of Kazakhstan-Uzbekistan relations in both the realm of political cooperation (see 3.1.) and the realms of bilateral trade and economic cooperation (see 3.2.). This assessment takes into careful consideration their pivotal role in advancing regional integration for Central Asia. Hence, the third sub-chapter (see 3.3.) presents five key implications for the future of regional integration in the Central Asia.

3.1. Political Cooperation

Political cooperation between two countries encompasses a wide range of areas. By definition, political cooperation represents the collaborative efforts between governments of different states working towards a common objective. This collaboration can take place in various domains, such as military alliances, economic affairs, and the resolution of territorial boundaries. (Whittemore, 2021) To analyse the development of political cooperation between Kazakhstan and Uzbekistan, a range of potential indicators in the realms of political, security, and economic collaboration can be considered. This sub-chapter focuses on three specific areas:

Firstly, it examines high-level state visits, particularly the frequency and nature of official visits between the leaders of Kazakhstan and Uzbekistan (in the first subsection). While not the sole determining factor, this indicator can shed light on an increased willingness to collaborate when a greater number of state visits between the leaders of both countries in different formats occurred. In addition, the second subsection delves into recently concluded bilateral and multi-lateral agreements and initiatives involving Uzbekistan and Kazakhstan, which are of relevance to the analysis of regional integration. Given that these agreements and initiatives often emerged from state visits or forums listed in the first subsection, the second subsection shifts its focus to the culmination of these agreements, their implementation, and assesses their significance. Consequently, the third subsection addresses cooperation in security and military matters pertaining to internal and regional security. Due the paramount importance of economic cooperation and bilateral trade for this analysis, a separate sub-chapter is devoted to this sphere of cooperation, providing an in-depth exploration. Overall, this analysis examines the development of Kazakhstan-Uzbekistan relations from various perspectives, elucidating their significance for regional integration in Central Asia.

3.1.1. State Visits

The dissolution of the Soviet Union presented the newly independent states of Central Asia with an array of complex challenges, including political, economic, and social obstacles. During the presidencies of Nazarbayev and Karimov, many of the challenges remained unresolved. The region was devoid of sturdy institutional structures and had little experience in managing intricate relations with neighbouring countries. However, a significant portion of the literature on Kazakhstan-Uzbekistan relations highlights that in recent years, there has been notable progress in regional cooperation, particularly following the leadership transition in Uzbekistan. Under Mirziyoyev, Uzbekistan has embarked upon a policy of reconciliation and enhanced relations with its neighbours. The end of Karimov's regime, which isolated the country from the international community, has resulted in a more open and involved Uzbekistan in regional cooperation. Hence, the transformation in Uzbekistan's political climate has emerged as a significant driver in the resumption of dialogues amongst the countries in the region, also contributing to an increase in high-level meetings and state visits between the leaders of Central Asian states.

An increase in presidential visits should not be solely relied upon as an indicator for closer political collaboration between two countries. However, they should not be disregarded either, as an increase in state visits can foster an atmosphere of enhanced political cooperation between two countries. State visits can serve various purposes, such as the signing of new agreements and treaties, promoting stronger economic collaboration, encouraging more cultural exchanges, and addressing conflicts. Research conducted on the nature and effectiveness of state visits has shown that they display a positive correlation with an increase in exports, and repeated state visits over a longer period of time can substantially contribute to the growth of bilateral exports. (Nitsch, 2007) Furthermore, state visits provide an opportunity for leaders to collaboratively engage in crisis management and conflict resolution. However, while an increase in state visits can indicate a growing level of collaboration between two states, it is even more important to carefully consider the context and outcomes of such visits. The results of the visits, particularly the signing and effective implementation of concrete agreements and treaties, hold greater importance than the frequency of the visits themselves. Therefore, this subsection only provides a brief overview of the number of visits undertaken by Mirziyoyev and Tokayev since assuming office, while the second subsection focuses on the agreements and initiatives that emerged from these visits.

Specific details regarding the frequency of visits and meetings between the first presidents of Kazakhstan and Uzbekistan – Nazarbayev and Karimov – during the initial approximately 25 years of independence of both countries are not widely available in the literature or in online sources. However, it is generally acknowledged that the exchange and level of cooperation between Kazakhstan and Uzbekistan remained relatively low throughout this period, even though the two countries share a border of approximately 2,330 km. Since the early 1990s, Kazakhstan and Uzbekistan were engaged in an unspoken rivalry for regional leadership status, which heavily strained their relations. (Voloshin, 2017) Hence, bilateral meetings between the two presidents and their outcomes achieved were not particularly promising, yielding relatively few results. However, when examining the frequency and characteristics of recently conducted state visits between the leaders of Kazakhstan and Uzbekistan, particularly after Mirziyoyev assumed the Presidency of Uzbekistan in December 2016, a shift towards a more collaborative trajectory becomes evident (see Table 1 and Table 2).

Table 1 – Presidential Visits by President Mirziyoyev to Kazakhstan

| № | Area | Date(s) | Nature of Visit |
|----------|------------------|---------------------|---|
| 1 | Astana | 22–23 March 2017 | Undertook a state visit to meet with President Nazarbayev (Orazgaliyeva, 2017) |
| 2 | South Kazakhstan | 29 April 2017 | Undertook a working visit to South Kazakhstan region (Zheksenbekov, 2017) |
| 3 | Astana | 8-9 June 2017 | Attended meeting of the Council of the Heads of State of the SCO, participated in opening of the Astana EXPO and met with several heads of state (Uzbekistan, 2017) |
| 4 | Astana | 9-10 September 2017 | Attended a summit of the Organisation of Islamic Cooperation (OIC) on Science and Technology and the Astana EXPO closing ceremony and held bilateral meetings (UzA, 2017) |
| 5 | Astana | 15 March 2018 | Undertook a working visit to attend the summit of the five Central Asian heads state (Zheksenbekov, 2018) |
| 6 | Astana | 5-6 July 2018 | Undertook a working visit and participated in the celebrations of the 20 th anniversary of Astana (UzA, 2018) |
| 7 | Saryagash | 20 October 2018 | Undertook a working visit to Turkestan region, where he met and discussed cooperation with President Nazarbayev and President of Russia Vladimir Putin (Imamova, 2018) |

| | | | |
|---|----------|--------------------|--|
| 8 | Astana | 5-6 December 2021 | Undertook a state visit to meet with President Tokayev, during which they agreed to elevate their countries' partnership from a strategic level to an alliance and signed a Declaration of Allied Relations (Satubaldina, 2021) |
| 9 | Astana | 12-14 October 2022 | Undertook a working visit to attend meetings of the Conference on Interaction and Confidence Building Measures in Asia (CICA) and the Council of Heads of State of the CIS (UzA, 2022) |
| 10 | Astana | 27 October 2022 | Attended a meeting between the Central Asian heads of state and the President of the European Council and discussed the current state and prospects of the Kazakhstan-Uzbekistan strategic partnership with Tokayev (Seilkhanov, 2022) |
| 11 | Shymkent | 3 March 2023 | Undertook a working visit to meet with Tokayev and discussed current state of and prospects for strengthening allied relations, focusing on trade and economic cooperation (Seilkhanov, 2023) |
| <i>The table refers to the period following Mirziyoyev taking office (December 2016 to July 2023). The dates were retrieved from a Wikipedia article listing the individual visits.</i> | | | |

Since assuming office, Mirziyoyev has regularly engaged in state visits, meeting with both President Nazarbayev and President Tokayev. With a total of 11 trips, Kazakhstan is the foreign state that Mirziyoyev has visited most often since taking office in 2016.¹ This fact supports the argument that the importance of Kazakhstan for Uzbekistan has significantly grown under Mirziyoyev's presidency. Moreover, it signifies that the Central Asian region and broader regional cooperation have become more important for Uzbekistan. While most of the visits to Kazakhstan were bilateral meetings, several of Mirziyoyev's visits took place within the framework of organisations, forums, or meetings of regional significance (see visit 3, 5, 9, and 10) such as the Council of the Heads of State of the SCO or the Consultative Meeting of Central Asian Heads of State.

When examining the number of state visits made by President Tokayev to Uzbekistan (see Table 2), it is evident that there were significantly fewer visits. This can be attributed to several factors, including the fact that Tokayev only assumed office approximately two years after Mirziyoyev and the challenges posed by travel restrictions during the initial phase of his presidency.

¹ At the time of writing this thesis (July 2023)

Due to the COVID-19 pandemic, state visits between the leaders of Kazakhstan and Uzbekistan were not possible in 2020, and they only resumed in December 2021. The COVID-19 pandemic roughly coincided with the period following President Tokayev’s assumption of the presidency in March 2019. This makes it challenging to determine the exact number of visits that Tokayev would have undertaken to Uzbekistan without the pandemic. Given this context, the number of Tokayev’s visits to Uzbekistan can be neglected for this evaluation. However, it is still worth noting that Tokayev did thus far embark on three state visits to Uzbekistan, during which both leaders pursued discussions on regional cooperation and sought to strengthen Kazakhstan-Uzbekistan relations (see Table 2).

Table 2 – Presidential Visits by President Tokayev to Uzbekistan

| № | Area | Date(s) | Nature of Visit |
|--|-------------|----------------------|--|
| 1 | Tashkent | 14 April 2019 | Undertook a state visit to meet with Mirziyoyev and signed several agreements in the areas of economic cooperation, investments, defence and migration (Orazgaliyeva, 2019) |
| 2 | Samarkand | 15-16 September 2022 | Attended the SCO Summit and discussed transit and transport expansion, food, and energy security with other leaders (Satubaldina, 2022) |
| 3 | Tashkent | 22 December 2022 | Undertook a state visit and signed 15 documents, including the “Treaty on Allied Relations” and the “Treaty on the Demarcation of the Kazakh-Uzbek State Border” (Batyrov, 2022) |
| <i>The table refers to the period following Tokayev taking office (March 2019 to March 2023). The dates were retrieved from a Wikipedia article listing the individual visits.</i> | | | |

Although the data reveals that the leaders of both countries engage in regular exchanges and meetings, it is noteworthy that Kazakhstan is the country that Mirziyoyev has visited most frequently (11 times), while President Tokayev has paid more visits to other countries so far. Specifically, Tokayev has visited Russia (9 times) and Kyrgyzstan (4 times), while he has visited Uzbekistan only 3 times. Although the number of these visits alone may not provide significant insights for this analysis, it suggests that Kazakhstan holds greater importance as a partner for Uzbekistan than vice versa. Uzbekistan’s proactive efforts to enhance cooperation with Kazakhstan further highlight this disparity, which has also been discussed in the literature review. (Libman and Vinokurov, 2011) Nevertheless, it is the outcomes of these state visits that hold greater importance for this analysis, rather than their sheer number. Therefore, the consequent

subsection focuses on examining relevant bilateral agreements that have been signed by both Kazakhstan and Uzbekistan since December 2016, assessing their relevance for regional cooperation and integration in Central Asia.

3.1.2. Agreements and Initiatives

During the initial period following their independence, under the leadership of Karimov and Nazarbayev, Kazakhstan and Uzbekistan already signed numerous agreements and treaties. For instance, in 1997, the Presidents of Kazakhstan, Kyrgyzstan, and Uzbekistan signed the Treaty on Eternal Friendship, which aimed to establish stronger cooperation among these three Central Asian states. In fact, this treaty went far beyond several other agreements signed among post-Soviet in the post-independence period, as it was supposed to lay the foundation for a strategic partnership, alliance, and integration strategy in Central Asia. For example, the treaty included provisions for joint defence measures (Article 3) and a joint coordination of the states' positions on regional and global issues (Article 4). However, despite the ambitious goals set forth, the treaty was never effectively implemented. The Central Asian states viewed themselves as regional competitors, rather than as cooperative partners, which posed significant obstacles to the effective implementation of the signed agreements. (Tolipov, 2013) This perception also played a pivotal role in the shortcomings of other agreements and initiatives, such as the CAU, which included the establishment a free trade zone to promote regional integration and trade. Formed in 1993 by Kazakhstan, Kyrgyzstan, and Uzbekistan, the CAU eventually disbanded due to its failure to achieve the desired goals. (Gretsky, 2022) Furthermore, another example of poor implementation is the Treaty on the Use of Water and Energy Resources of the Syr Darya River Basin, which was signed in 1998 by Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. Although this treaty was implemented by the parties, it has fallen short in adequately addressing the central water distribution conflicts within the Central Asian region. Moreover, the treaty has exhibited consistently low and fluctuating performance levels over time, as Bernauer and Siegfried's analysis on the compliance and performance in international water agreements, specifically examining the Naryn / Syr Darya Basin, shows. (Bernauer and Siegfried, 2008) In essence, these agreements serve as concrete illustrations of the widening rift among Central Asian states, which became pronounced during the late 1990s and 2000s. Despite the introduction of numerous agreements between Kazakhstan and Uzbekistan, a lack of proper and effective implementation remained a persistent issue. Unsurprisingly, this issue was also extensively discussed by the literature on regional integration in Central Asia that was reviewed earlier.

However, it is worth noting that amidst the setbacks, there were also some notable achievements and positive outcomes resulting from agreements signed between Kazakhstan and Uzbekistan in the 2000s. In the 1990s and early 2000s, there remained numerous disputes between Kazakhstan and Uzbekistan over territories along their shared border, primarily due to a lack of clear delineation of state territory. Through diplomatic efforts and negotiations by both countries, substantial progress was achieved in the border delineation process in the early 2000s.² (Salii and Moldahanova, 2018) In 2002, a treaty was signed by Karimov and Nazarbayev, defining the majority of the Kazakhstan-Uzbekistan border. The signing of this delineation treaty played a significant role in resolving 96% of the territorial disputes along the Kazakh-Uzbek border. Although not all disputes were completely settled, the agreement represented a considerable achievement in fostering greater stability and rapprochement between Kazakhstan and Uzbekistan in the early 2000s. However, in the following years, many border disputes remained unresolved, including areas such as the Bagyzh village in Kazakhstan's Turkistan region, the former village Arnasai, and the Uzbek village Nsan along with its adjacent territories. (Akhtar, 2023) Consequently, the process of demarcating the Kazakhstan-Uzbekistan border was never fully realised under the tenures of Nazarbayev and Karimov and continued until as recently as 4 July 2023.² (Sakenova, 2023) In general, the fact that it took another 21 years to achieve full demarcation of the Kazakh-Uzbek border underscores the challenges in resolving crucial points of disagreement under the tenures of the first two presidents, Nazarbayev and Karimov.

Over the past seven years, Kazakhstan and Uzbekistan have signed several relevant agreements aimed at enhancing their bilateral relations, improving trade and economic linkages, as well as establishing a more jointly coordinated approach to security and military issues. Providing an exhaustive list of all these agreements would exceed the scope of this thesis. However, through a few illustrative examples, it becomes evident that the two states are actively pursuing deeper political cooperation. The two countries achieved noteworthy milestones in their implementation in recent times. An important agreement that should be highlighted is the "Treaty on the Demarcation of the Kazakh-Uzbek State Border", which went into effect on 4 July 2023. Over the past three years, both countries have made significant progress in advancing the border demarcation process.² The demarcation agreement was signed during Tokayev's state visit to

² It is important to distinguish between the terms *Delimitation* and *Demarcation*. *Delimitation* refers to the establishment and description of the alignment of a border in a treaty, written source, or on a map. *Demarcation* refers to the practical implementation and physical marking of the established border on the ground and involves physically marking the border using markers such as cairns, concrete pillars, boundary stones, or other visible and permanent markers. (Rushworth, 1997)

Tashkent in December 2022 (refer to Table 2, No. 3), and was ratified by both countries in the following months, solidifying its implementation. With the treaty now in force, the demarcation of the Kazakh-Uzbek border can be regarded as finalised. According to the Ministry of Foreign Affairs of the Republic of Kazakhstan, more than 100 rounds of negotiations, meetings, and joint commission sessions were held between Kazakhstan and Uzbekistan. The agreement resulted in the placement of 1,301 border signs along the Kazakh-Uzbek border, and the completion of a demarcation document comprising over 8,000 pages. (Smadiyarov, 2023) Overall, the treaty represents a pivotal milestone in enhancing bilateral relations of the neighbouring countries. Apart from that, it sends a strong signal to other Central Asian states. In essence, the treaty stands as a testament to the successful resolution of border disputes among Central Asian states, demonstrating that such issues can be resolved to the benefit of the states involved. Given their experience and political stature, Kazakhstan and Uzbekistan could now act as mediators in other regional disputes, including the conflict between Kyrgyzstan and Tajikistan, since the two countries have successfully proven their ability to overcome border disputes on their own.

Essentially, the demarcation treaty is the outcome of an ongoing process of rapprochement by Kazakhstan and Uzbekistan that has followed upon other recently signed agreements. During Mirziyoyev's first ever state visit to Kazakhstan in 2017 (refer to Table 1, No. 1), then-President Nazarbayev famously referred to Kazakhstan and Uzbekistan as "strategic partners, neighbours, and brotherly countries", reiterating the provisions outlined in the Treaty on Strategic Partnership that was signed by Nazarbayev and Karimov in 2013. (Putz, 2017) While initially, Nazarbayev's statement was met with scepticism, given the history of rhetoric not aligning with the reality of political cooperation within Kazakhstan-Uzbekistan relations (e.g., as seen in 2000s and the three years following the signing of the Treaty on Strategic Partnership in 2013), it was in fact followed by an array of substantial agreements that brought about positive changes this time. This array of agreements encompasses military and security-related agreements, which will be further examined in the subsequent subsection. It also includes agreements on economic, industry and infrastructure development, which will be discussed in the sub-chapter on bilateral trade. Moreover, both countries signed new political agreements that carry significant impact and symbolism. An example of such an agreement is the mutual recognition of visa regimes by countries along the Silk Road, which was introduced by Kazakhstan and Uzbekistan in 2019. This agreement aims to bring more tourism to Central Asia by facilitating easier travel between Kazakhstan and Uzbekistan. (Kerimkhanov, 2018) Kazakhstan's former Minister of Culture and Sports, Aristanbek Muhammadugli, described the new visa agreement as an opportunity to

create a “unique Central Asian ‘Schengen’”, since Tajikistan and Kyrgyzstan could potentially join the agreement in the future. (Sabekov, 2018) Therefore, this agreement, which started as a bilateral agreement between Kazakhstan and Uzbekistan, carries weight regarding the overall advancement of regional integration in Central Asia.

Moreover, there have been several other collaborative endeavours between Kazakhstan and Uzbekistan recently, including initiatives in the cultural domain. For example, Kazakhstan’s leadership declared 2018 as the “Year of Uzbekistan in Kazakhstan”, and in return, Uzbekistan’s leadership designated 2019 as the “Year of Kazakhstan in Uzbekistan”. In spite of their overly symbolic nature, these steps serve to enhance understanding and promote cultural cooperation between the two countries. In addition, Uzbekistan provided strong support to Kazakhstan in the area of international diplomacy, including endorsing its candidacy for a non-permanent seat on the UN Security Council for the 2017-2018 term. (Nuriddinov, 2022) Furthermore, Kazakhstan and Uzbekistan recently cooperated on regional humanitarian aid initiatives. This collaboration became crucial when the Taliban assumed control of Afghanistan in 2021, resulting in a humanitarian crisis. In this regard, Uzbekistan played a vital role by offering the use of a logistics facility located on its border with Afghanistan, facilitating international and regional efforts in providing essential humanitarian assistance. (EurasiaNet, 2021) Kazakhstan, at the same time, supported the relief efforts and contributed by supplying shipments of wheat, flour, and grain. (Powers, 2021) It is collaborative efforts like these that have culminated in Tokayev and Mirziyoyev signing a new treaty in 2022, aiming to bring Kazakhstan and Uzbekistan closer together than ever before. During Tokayev’s state visit to Uzbekistan in December 2022 (refer to Table 2, No. 3), the two presidents signed the “Treaty on Allied Relations”. (Omirgazy, 2022) Described by some analysts as an “essential breakthrough in Kazakhstan-Uzbekistan relations”, the treaty aims to establish a new framework for more autonomous Central Asian cooperation. (Thompson, 2022) Notably, under the framework of this new treaty, the two presidents agreed to establish a bilateral Supreme Interstate Council and an Inter-Parliamentary Council, symbolising a new institutional linkage previously unseen among other Central Asian states. Additionally, the treaty features several provisions in the field of regional security and military cooperation. (Askeroğlu, 2022) Taken together, the discussed agreements and initiatives highlight the newly emerged transformative nature of Kazakhstan-Uzbekistan cooperation, marking a significant turning point in the trajectory of Central Asian affairs.

Through their recent agreements and initiatives, Kazakhstan and Uzbekistan are assuming a central role in advancing regional integration in Central Asia. Notably, the reform process and

proactive engagement by President Mirziyoyev, which have also been examined in the literature review of this thesis, have contributed to strengthening political cooperation. (Djamalov, 2022) Considering regional dimension, it is imperative to highlight that the mentioned efforts are further supported by a Central Asian format initiated by Mirziyoyev in 2018, namely the Consultative Meetings of Central Asian Heads of State. Since its inception, this new format has already taken place four times and will see its 5th meeting held in September 2023.³ (Arailym, 2023b) Of utmost importance, the format bears substantial regional significance as it has established a new platform for Central Asian states to address current issues related to regional integration, trade, economics, cultural exchange, and humanitarian assistance. Moreover, the participation of all Central Asian states, even including Turkmenistan, in these meetings signifies a development that has long been absent in Central Asia. Essentially, these gatherings are the first of their kind in twenty years. Moreover, the fact that these meetings have thus far taken place without the participation of external actors such as Russia or China can be interpreted as a crucial stride towards fostering more autonomous regional cooperation in Central Asia.

On 15 March 2018, the 1st Consultative Meeting of Central Asian Heads of State convened in Astana. The meeting was attended by Uzbek President Mirziyoyev, former Kazakh President Nazarbayev, former Kyrgyz President Jeenbekov, Tajik President Rahmon, and the former Chairman of the Mejlis of Turkmenistan. On 29 November 2019, the 2nd consultative meeting took place in Tashkent. This time, the meeting was also attended by former President of Turkmenistan, Gurbanguly Berdimuhamedow, himself. Despite the positive momentum and symbolic value, substantial progress had not been achieved during the first two consultative meetings. (Sukhrob, 2020) In spite of this fact, the format was continued, which indicates a readiness among Central Asian states to enhance their cooperation. The 3rd consultative meeting, held in Avaza, Turkmenistan, on 6 August 2021, provided an opportunity to discuss regional issues in the midst of the COVID-19 pandemic. These included the situation on the Afghan border, the environmental impact of climate change on Central Asia, economic recovery and modernisation efforts, as well as the need for greater cooperation and coordination in foreign policy and pandemic management. (Nursha, 2021) The 3rd consultative meeting was interpreted by analysts as a small step towards a new regional order. Undeniably, the consultative meetings have helped to facilitate regular dialogue, build trust, and support the coordination of a joint regional agenda among the Central Asian states. (Buranelli, 2021)

³ At the time of writing this thesis (July 2023)

The 4th consultative meeting, which was held on 21 July 2022 in Cholpon-Ata, Kyrgyzstan, emerged as one of the most significant meetings to date. Its timing was notable as it took place in the aftermath of several pivotal regional developments in Central Asia, including the leadership change in Turkmenistan from former President Gurbanguly Berdimuhamedow to his son, Serdar Berdimuhamedow, political protests in Uzbekistan's autonomous region of Karakalpakstan, the Bloody January events in Kazakhstan, military clashes at the Tajik-Kyrgyz border, and the consequences of Russia's military invasion of Ukraine. (Gaur, 2022) Against the backdrop of these events, the Central Asian heads of state convened and discussed security and economic matters, including infrastructure development such as the expansion of the China-Kyrgyzstan-Uzbekistan (CKU) Railway as well as the Trans-Caspian International Transport Route (TITR), also known as the Middle Corridor. (nCa, 2022) Moreover, several agreements were signed and endorsed during this meeting, such as the "Roadmap for Developing Regional Cooperation for 2022-2024", the "Regional Green Agenda Programme for Central Asia", and the "Concept of Interaction between the States of Central Asia within the Framework of Multilateral Formats". (Risbekkizi, 2022, EURACTIV, 2022) Additionally, a joint declaration was signed, stemming from President Tokayev's initiative, which proposed a "Treaty on Friendship, Good Neighbourliness, and Cooperation for the Development of Central Asia in the 21st century". (Nuriddenova, 2022) While the Presidents of Kyrgyzstan, Kazakhstan, and Uzbekistan signed the treaty during the 4th consultative meeting, the Presidents of Tajikistan and Turkmenistan expressed their intent to join the treaty after having completed internal procedures. (Leonard, 2022) In addition, Kazakhstan suggested holding biannual meetings of the Central Asian Foreign Ministers, expressing the intention to develop coordinated approaches to regional and international issues of significance. (Gaur, 2022)

Taken together, the consultative meetings represent an important new format that helps to enhance cooperation among Central Asian states and advance the institutionalisation of regional integration. Kazakhstan and Uzbekistan play a pivotal role in these meetings, often taking the lead and proposing initiatives, which underscores their role in promoting regional integration in Central Asia. It remains to be seen which agreements and initiatives will emerge from the 5th consultative meeting taking place in Dushanbe on 14-15 September 2023. Moreover, it is unclear if and how the format will be continued following the 5th meeting, as there is currently no established plan for its continuation, and the meetings have been organised without a roadmap. Nonetheless, the regular exchanges and the potential for enhanced political cooperation, which

have emerged from the consultative meetings, provide grounds for cautious optimism regarding the regional integration process in Central Asia.

Undeniably, regional integration is a complex and lengthy process impacted by several internal and external factors, which can manifest in various forms and structures. Many asymmetries persist in the development of Central Asian countries, including disparities in size, population, socio-economic status, access to natural resources, and transit routes, posing significant challenges to regional integration. (Valchetskaya and Kobiela, 2021) However, the current political environment and necessity for closer cooperation, particularly considering Russia's invasion of Ukraine and its consequences for Central Asia, have created more favourable incentives for regional integration. It can be argued that the current political climate in Central Asia may be more conducive to integration than ever before since independence. Yet, it is important to acknowledge that achieving a higher level of integration between Central Asian states will most likely still take years or even decades. Nevertheless, especially for this analysis and research question, it should be kept in mind that the integration process of other world regions, e.g., Europe / the EU, also took decades to reach a high level. In Europe, the integration process also began with bilateral and multilateral meetings and was originally driven by a few key states (i.e., France, Germany, and Italy). Albeit under very different circumstances (e.g., democracies in Europe, authoritarian regimes in Central Asia), there exist certain parallels to the conditions currently prevailing in Central Asia.

This subsection has demonstrated that the initial phase of Kazakhstan-Uzbekistan relations under the leadership of Karimov and Nazarbayev was characterised by limited political cooperation as only few agreements and initiatives yielded positive results in advancing closer collaboration between the two neighbouring countries. Since 2016, after Mirziyoyev assumed the role of President of Uzbekistan, a process of bilateral rapprochement has unfolded and contributed to a more positive trajectory, leading to significant advancements in various areas of political cooperation, including the demarcation of the Kazakh-Uzbek state border. Overall, several new agreements and initiatives have been brought forward that carry regional implications and contribute to fostering cooperation in Central Asia. Although transformative improvements in regional integration have yet to be realised, Kazakhstan and Uzbekistan are actively involved in new regional initiatives and formats aimed at fostering political cooperation in Central Asia. Notably, the Consultative Meetings of Central Asian Heads of State, which have regularly been conducted on the initiative of Mirziyoyev since 2018, serve as a testament to a new emerging willingness to advancing political cooperation and regional integration in Central Asia.

3.1.3. Security and Military

An analysis of political cooperation between Kazakhstan and Uzbekistan necessitates a consideration of the security and military dimension. In this regard, three points are highly relevant for the assessment of bilateral Kazakhstan-Uzbekistan relations and their influence on regional integration in Central Asia:

Firstly, it is crucial to highlight the strong institutional interconnections between the Central Asian military apparatuses and the Russian military. This interdependence poses a challenge to achieving autonomous Central Asian integration in the security and military sphere. (Jordanova, 2023) Currently, Kazakhstan, Kyrgyzstan, and Tajikistan are members of the CSTO, while Uzbekistan, having been a member of the organisation twice (from 1994 to 1999 and from 2006 to 2012), is currently not part of the security organisation. Since the Bloody January events in Kazakhstan in 2022, Uzbekistan has been subject to increasing pressure, primarily from Russia and Belarus, to re-join the CSTO, since these countries assert that without CSTO membership, Uzbekistan would be vulnerable to destabilisation and deprived of the guarantee of assistance in case of similar events. (Temirov, 2022) Despite the fact that Uzbekistan conducted bilateral military exercises with Russia as well as trilateral military exercises with Russia and Tajikistan in 2021, raising speculation about its potential re-entry into the CSTO, Uzbekistan's current membership status does not align with Kazakhstan. (Mashrab, 2021) As a result, this circumstance poses an obstacle to regional cooperation within the framework of military and security policy because both countries are bound by different contractual commitments and obligations. Moreover, despite the concerns about Russia's invasion of Ukraine and the risk it poses to their own security, there is currently no indication that the Central Asian CSTO member states will withdraw from the organisation in the near future. (Karina, 2022) As President Tokayev stated in an interview in June 2022, "All the talk that Kazakhstan has allegedly cooled off and, moreover, is going to withdraw from the EAEU, and from the CSTO is absolutely untrue." (Roscoe, 2022) Hence, the institutional interconnections with the Russian military are likely to persist for the time being, given that the CSTO remains of great utility to the authoritarian leaders in Central Asia, particularly in terms of ensuring regime stability. The CSTO intervention of Russian military troops during the Bloody January events in Almaty in 2022 serves as a testament to this. This brings us to the second point.

Secondly, when it comes to state security and military matters, authoritarian regimes typically prioritise their survival and prosperity of their own regimes above all other policy goals.

(Libman and Obydenkova, 2018) As a result, interstate cooperation primarily serves to stabilise national power structures. As rightly emphasised by Jordanova, “the main imperatives of each autocratic regime are its own survival and prosperity, followed by a desire for maximal possible decision-making autonomy”. (Jordanova, 2023) Therefore, security and military cooperation among Central Asian states are predominantly focused on safeguarding regime stability by addressing external and internal threats. Recent events in Central Asia underscore the significance of this perception, which include the previously mentioned Bloody January events in Kazakhstan, protests in Uzbekistan’s Karakalpakstan region, and Tajikistan’s violent crackdown on the Gorno-Badakhshan Autonomous Oblast (GBAO). (Anonymous, 2022) In addition to the internal risks for Central Asia’s authoritarian leaders’ survival, there have been external threats, such as rocket attacks carried out by the jihadist group Islamic State Khorasan Province (ISKP) from its bases in northern Afghanistan, targeting Uzbekistan and Tajikistan. (Ramachandran, 2022, Pannier, 2022) In all of these cases, the Central Asian states expressed verbal support for each other, recognising that destabilisation of one regime could entail negative spillover effects on the stability and security of their own regimes. (Jordanova, 2023) Consequently, it is important to keep in mind that for the dimension of security and military policy, cooperation efforts by Central Asian states predominantly encompass initiatives aimed at counterterrorism (although regimes may label individuals or groups as terrorists arbitrarily if they perceive them as threats to their rule and survival). Furthermore, Central Asian interstate cooperation in the security and military dimension often includes suppressing political protests and unrest, extraditing opposition figures, and implementing border security measures to combat activities such as smuggling and illegal migration.

Thirdly, regime autonomy and state sovereignty are of great importance to the Central Asian states. Consequently, Central Asian states currently do not pursue strict binding integration or supranational involvement that would entail transferring sovereignty to a supranational institution (e.g., as the case within the EU), especially within the realm of security and military affairs. Jordanova highlights that, as a result, the Central Asian states prefer more loose institutional formats, as can be found in organisations such as the OTS or the SCO. (Jordanova, 2023) By prioritising non-traditional security threats such as terrorism, separatism, extremism (known as the ‘three evils’), the SCO has effectively facilitated security cooperation between China, Russia, and the Central Asian states without causing conflicts among them. (Aris, 2009) From the perspective of the Central Asian states, the SCO’s success in promoting this type of cooperation by focusing on traditional confidence-building measures and non-traditional threats has been of

great use. (Pradt, 2020) Central Asian states prefer formats like the SCO as they enable them to pursue their security interests without becoming overly entangled in rigid institutional commitments. This policy preference by Central Asian states presents numerous challenges in terms of achieving security and military cooperation. Moreover, it adds to the complexity of achieving more robust regional integration in Central Asia.

Despite the mentioned challenges hindering security and military cooperation between Kazakhstan and Uzbekistan, the two states have signed agreements aimed at enhancing military collaboration in recent years. During President Tokayev's first-ever state visit to Uzbekistan in April 2019 (refer to Table 2, No. 1), a bilateral agreement was signed to enhance military cooperation, building upon the 2017 military cooperation plan between the two states. This recent agreement focuses on the joint protection of their borders to swiftly address threats, while also facilitating mutual landing rights for military aircraft at Uzbek and Kazakh airports. In addition, it encompasses joint operational and combat training programmes for the armed forces of both countries. (Berdikeeva, 2020) Moreover, the previously discussed "Treaty on Allied Relations" between Kazakhstan and Uzbekistan, which was signed in 2022, includes relevant agreements and cooperative measures in the event of a hostile attack on one of the two states. According to the treaty, in case of a threat of armed attack by a third state, Kazakhstan and Uzbekistan agree to engage in bilateral consultations as well as within international organisations of which they are members, aiming to take measures that contribute to a peaceful resolution of the issue. Furthermore, the two countries are committed to refraining from taking any hostile actions against each other, and neither country will allow its territory or resources to be used for aggression or any hostile acts against the other country. Additionally, the parties agreed to resolving regional disputes through peaceful means and negotiations, while upholding universally recognised international legal norms and the principles of sovereignty, territorial integrity, and inviolability of their state borders. (eGov, 2022) In essence, the treaty aims to balance security risks, particularly in areas such as border security and the fight against separatism, radicalisation, and terrorism. (Mamyshev, 2022) However, it is important to highlight that the treaty does not include a provision stating that a military attack on one of the countries will be considered an attack on both countries, thus not establishing a collective security regime similar to the CSTO. Instead, the "Treaty on Allied Relations" represents a cooperative format resembling the commitments seen within the SCO, with joint military training exercises being one of the aspects of military cooperation within its scope. (Askeroğlu, 2022, de Haas, 2016)

And indeed, the mentioned agreements and the “Treaty on Allied Relations” have already resulted in an increase in military cooperation between Kazakhstan and Uzbekistan, which is evidenced by a joint exercise conducted by soldiers from both countries at the Yangiariq Training Grounds in Uzbekistan’s Khorezm region in 2023. (TheTashkentTimes, 2023) According to the Ministry of Defence of Uzbekistan, “these joint exercises aim to facilitate the exchange of experiences, reinforce knowledge and skills, and foster mutual friendship and understanding among military personnel from Uzbekistan and Kazakhstan”. (KUN.UZ, 2023) Moreover, the significance of multilateral and regional cooperation in the security sector is growing in general, with new forums being established to address regional and transregional security issues in Central Asia. On 13-14 July 2023, the Kazakhstan Institute for Strategic Studies (KazISS), in collaboration with the Ministry of Foreign Affairs of Kazakhstan, co-organised the inaugural Central Asian Security and Cooperation Forum (CAF). This format is intended to be similar to the Munich Security Conference, but with a profound focus on Central Asia and broader regional issues regarding security. (Arailym, 2023a) During the two-day CAF, various security-related topics were discussed, including the emergence of asymmetric threats, developments along the TITR, the regionalisation of Central Asia, as well as new norms, values, and formats of cooperation within the region. (Vassilenko, 2023) Hence, the establishment of this new forum marks yet another positive trend in the advancement of regional cooperation, highlighting the increasing emphasis on addressing security concerns collectively.

In conclusion, it is evident that there is a growing convergence and increasing readiness for cooperation in the spheres of security and military policy between Kazakhstan and Uzbekistan. However, it is important to note that this cooperation is currently at a modest level and lacks a formal institutionalised framework. Additionally, it has predominantly taken the form of bilateral engagements rather than regional Central Asian initiatives. Overall, bilateral political cooperation between Uzbekistan and Kazakhstan has undergone significant changes in the past thirty years of independence. Following the change in leadership in Uzbekistan in 2016, bilateral political cooperation gained a new momentum characterised by a more profound willingness to collaborate, demonstrated by numerous bilateral visits and meetings. Moreover, an array of bilateral agreements and initiatives, bearing regional implications, have been brought forward by the ‘new presidents’ of Kazakhstan and Uzbekistan. As demonstrated in the subsequent sub-chapter, this positive trajectory is even more pronounced in the realm of bilateral trade and economic cooperation.

3.2. Bilateral Trade and Economic Cooperation

Trade between Kazakhstan and Uzbekistan is crucial for the advancement of regional integration in Central Asia. It illustrates the interconnectedness of the economies of the two largest and economically robust Central Asian states. Additionally, advancements in the areas of trade and economic cooperation hold the capacity to generate favourable outcomes for the development of the whole region. Therefore, this chapter examines recent developments in Kazakhstan-Uzbekistan bilateral trade, analyses the export structure of both countries as well as recent economic initiatives. Lastly, it contextualises these findings within the framework of neofunctionalism theory, emphasising their significance in promoting regional integration in Central Asia.

3.2.1. *Trade in Numbers*

Compared to other regions, Central Asian states face numerous challenges when exporting goods to other countries. This is reflected in their Trading across Border Scores (Table 3), which capture the time and the costs associated with the logistical process of exporting and importing goods, ranking countries based on their performance. Although Central Asian states do not rank the worst in comparison to other world regions, their scores are predominantly found within the lower third of the scores. Uzbekistan, in particular, fares relatively poorly, with a score of only 58.2, which is almost as low as the score of Sub-Saharan Africa – the region with arguably the most trade barriers and the weakest links to the global economy.

Table 3 - Trading across Border Scores Across World Regions and Central Asia

| Location | Trading across Borders score | Time to export: Border compliance | Cost to export: Border compliance |
|---|------------------------------|-----------------------------------|-----------------------------------|
| <i>(Selected) World Regions:</i> | | <i>(in hours)</i> | <i>(in USD)</i> |
| East Asia & Pacific | 71.6 | 57.5 | 381.1 |
| Europe & Central Asia | 87.3 | 16.1 | 150.0 |
| Middle East & North Africa | 61.8 | 52.5 | 441.8 |
| South Asia | 65.3 | 53.4 | 310.6 |
| Sub-Saharan Africa | 53.6 | 97.1 | 603.1 |
| <i>Central Asian countries:</i> | | | |
| Kazakhstan | 70.4 | 105 | 470 |
| Kyrgyzstan | 74.7 | 5 | 10 |
| Tajikistan | 60.9 | 27 | 313 |
| Uzbekistan | 58.2 | 32 | 278 |
| <i>The data, which was retrieved from the website of the Subnational Doing Business database, was collected in 2019. No data was available for Turkmenistan. (TheWorldBank, 2019)</i> | | | |

The low scores are primarily attributed to the relatively high costs and lengthy procedures involved in meeting border compliance requirements for exports and imports to other countries. This mostly applies to Kazakhstan and Tajikistan, less so to Kyrgyzstan, owing to the country's relatively small size and lower costs when exporting to EAEU countries like Kazakhstan. Generally, the low scores suggest that trade in Central Asia tends to be highly complex and comes with considerable costs and time investments. This underscores the need for increased collaboration to enhance intra-regional trade and identify solutions for mitigating trade barriers among Central Asian states. Nevertheless, despite the existence of significant trade barriers, bilateral trade between Kazakhstan and Uzbekistan has shown a positive development recently. Kazakhstan-Uzbekistan bilateral trade has been steadily increasing almost continuously since 2016, as evidenced by the export figures of both countries (Table 4 and Figure 1).

Table 4 – Exports (FOB) between Kazakhstan and Uzbekistan (in USD, Millions)

| Year | Kazakhstan's Export to Uzbekistan per annum (in USD, Millions) | | Uzbekistan's Export to Kazakhstan per annum (in USD, Millions) | |
|---|---|----------|---|----------|
| 2000 | <i>YoY growth:</i> | 133.53 | <i>YoY growth:</i> | 36.90 |
| 2001 | +12.51% | 150.23 | -13.47% | 31.93 |
| 2002 | -32.76% | 101.02 | +32.38% | 42.27 |
| 2003 | +36.50% | 137.89 | +16.82% | 49.38 |
| 2004 | +46.27% | 201.69 | +50.87% | 74.50 |
| 2005 | +20.28% | 242.60 | +35.97% | 101.30 |
| 2006 | +58.58% | 384.72 | +43.41% | 145.27 |
| 2007 | +126.61% | 871.80 | +44.49% | 209.90 |
| 2008 | +45.92% | 1,272.10 | +19.98% | 251.83 |
| 2009 | -29.89% | 891.85 | -45.78% | 136.53 |
| 2010 | +23.22% | 1,098.93 | +87.84% | 256.46 |
| 2011 | +7.33% | 1,179.46 | +18.79% | 304.66 |
| 2012 | +13.93% | 1,343.72 | -22.32% | 236.66 |
| 2013 | -16.16% | 1,126.62 | +18.64% | 280.78 |
| 2014 | -3.89% | 1,082.76 | -12.67% | 245.21 |
| 2015 | -12.98% | 942.27 | -15.85% | 206.34 |
| 2016 | -1.81% | 925.20 | +324.83% | 876.60 |
| 2017 | +34.65% | 1,245.76 | +13.09% | 991.31 |
| 2018 | +31.45% | 1,637.54 | +36.68% | 1,354.91 |
| 2019 | +21.01% | 1,981.57 | -3.54% | 1,307.01 |
| 2020 | +7.66% | 2,133.34 | -41.75% | 761.36 |
| 2021 | +25.45% | 2,676.22 | +34.49% | 1,023.98 |
| <i>The data was retrieved from the trade database of the Direction of Trade Statistics (DOTS) of the IMF. (IMF, 2023)</i> | | | | |

The data on Free on Board (FOB) exports between Kazakhstan and Uzbekistan indicate that the two countries' bilateral trade volume has increased significantly over the past seven years.⁴ While exports from Kazakhstan to Uzbekistan already experienced a substantial increase from 2005 up until the global financial crisis in 2008, they stagnated in the following years up until 2015. Moreover, exports from Uzbekistan to Kazakhstan grew relatively little until 2015. However, since 2016, their bilateral exports have surged. For instance, exports from Uzbekistan to Kazakhstan increased by approximately 325% in 2016 and continued to develop positively until the outbreak of the COVID-19 pandemic, disrupting supply chains worldwide. The pandemic had significant impact on Uzbekistan, as economic activity and commerce declined around the world. (IMF, 2021) In the same period, exports from Kazakhstan experienced consistent rapid growth, registering nearly uninterrupted double-digit growth rates from 2017 onwards. Exports from Kazakhstan to Uzbekistan almost tripled from 2016 to 2021. This development coincides with Mirziyoyev taking office as President of Uzbekistan. Hence, this development underscores the findings of the literature review underlining that Mirziyoyev has initiated important reforms and opened Uzbekistan for trade with other Central Asian states.

Figure 1 – Exports (FOB) between Kazakhstan and Uzbekistan (in USD, Millions)



⁴ FOB is a shipping term delineating the juncture in the supply chain at which either the buyer or seller assumes liability for goods in transit. FOB terms, specified in purchase orders, establish ownership, risk, and transportation expenses. (Banton, 2023)

Commencing in 2017, the reforms in Uzbekistan have mostly centred on economic liberalisation and cooperation, as well as an improvement of macroeconomic governance. The reforms have conformed to IMF guidelines and been supported by IMF technical assistance. In 2017, the authorities consolidated the official and parallel market exchange rates, eased access to foreign currency, and decreased trade tariffs. Consequently, imports witnessed accelerated growth. (IMF, 2021) The examined trade data supports this positive development and indicates that the reforms have had an impact on bilateral trade. Beyond improving Kazakhstan-Uzbekistan relations, this development also serves as an exemplar for the whole Central Asian region.

This positive trend within Kazakhstan-Uzbekistan trade relations becomes further evident when comparing Kazakhstan's main export receiving countries for the years 2015 with those of 2021 (see Table 4, Figure 2, and Figure 3). While Uzbekistan ranked as Kazakhstan's twelfth largest export receiving country in 2015, it had risen to the fifth position by 2021. This development underscores the growing importance of Uzbekistan in Kazakhstan's export strategy. Although Kazakhstan's exports to Uzbekistan were still far from reaching the exports to its four biggest recipient countries (China, Italy, Russia, and the Netherlands) in 2021, this significant change in position underlines a clear trend towards favourable conditions for Kazakhstan-Uzbekistan trade relations. Further growth is to be expected based on these numbers, as Kazakhstan and Uzbekistan have continued to expand economic cooperation in 2022 and 2023.

Table 5 – Kazakhstan's Export Receiving Countries in 2015 and 2021 (in USD, Millions)

| Receiving Country: | In 2015: | | Receiving Country: | In 2021: |
|---------------------------|-----------------|--|---------------------------|-----------------|
| Italy (1) | 8,136.26 | | China, P.R. (1) | 11,238.93 |
| China, P.R. (2) | 5,480.14 | | Italy (2) | 8,848.50 |
| Netherlands (3) | 4,980.96 | | Russian Federation (3) | 6,189.35 |
| Russian Federation (4) | 4,547.50 | | Netherlands (4) | 4,172.31 |
| France (5) | 2,681.28 | | Uzbekistan (5) | 2,676.22 |
| Switzerland (6) | 2,659.31 | | France (6) | 2,645.03 |
| Romania (7) | 1,343.38 | | Türkiye (7) | 2,167.84 |
| Türkiye (8) | 1,275.57 | | India (8) | 2,143.38 |
| Greece (9) | 1,259.95 | | Switzerland (9) | 1,949.50 |
| Spain (10) | 1,219.11 | | Greece (10) | 1,829.60 |
| Ukraine (11) | 1,173.66 | | Romania (11) | 1,649.40 |
| Uzbekistan (12) | 942.27 | | Spain (12) | 1,586.15 |
| Japan (13) | 858.55 | | South Korea (13) | 1,310.35 |
| United Kingdom (14) | 828.82 | | Japan (14) | 980.70 |
| Others (15) | 8,565.27 | | Others (15) | 10,052.38 |

The data was retrieved from the trade database of the DOTS of the IMF. (IMF, 2023)

Figure 2 – Kazakhstan’s Main Export Receiving Countries in 2015

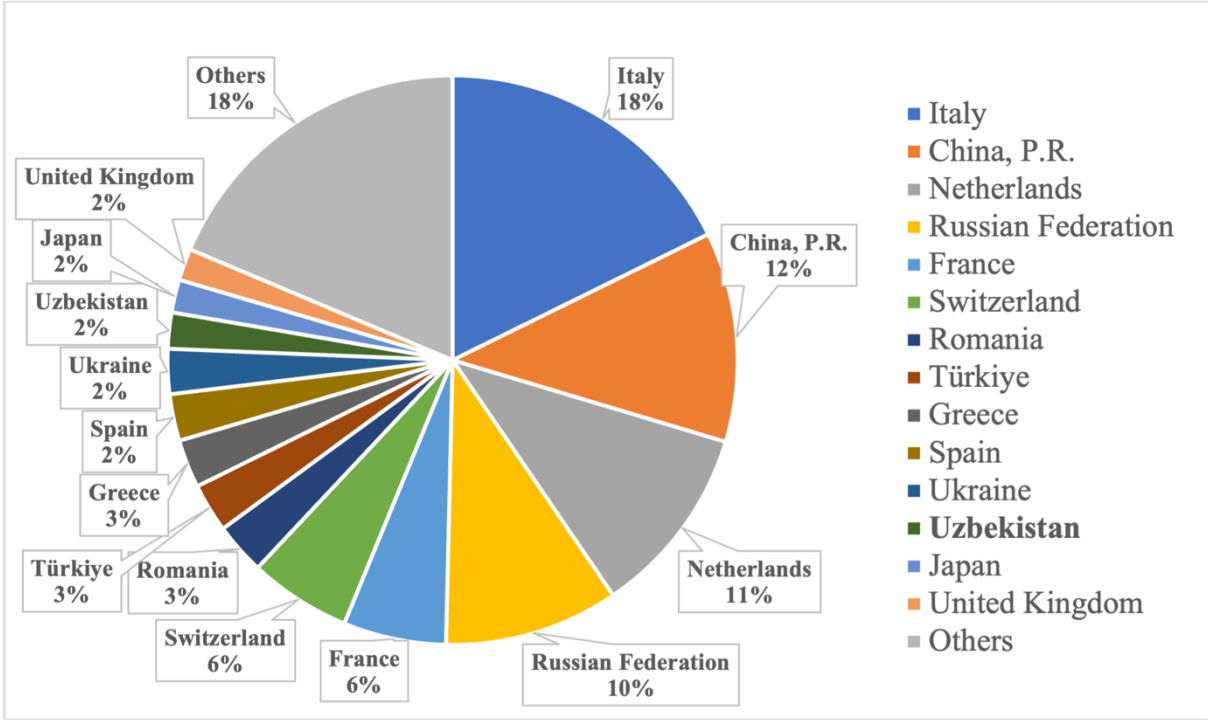
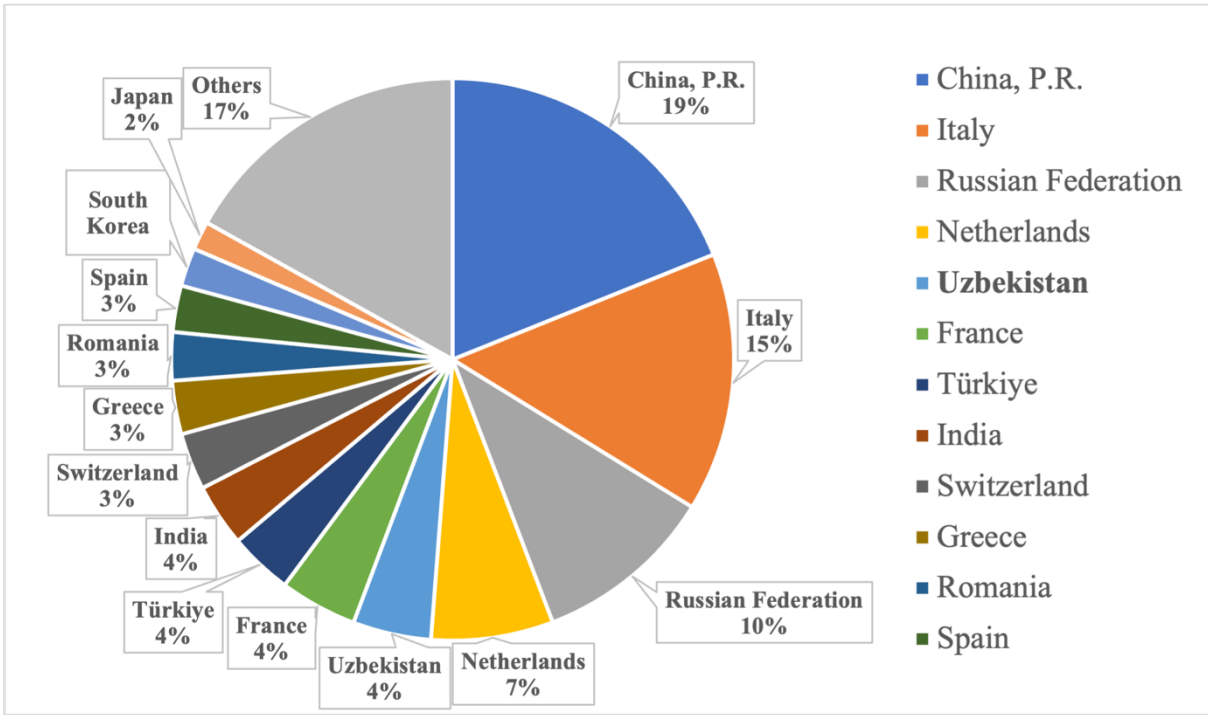


Figure 3 – Kazakhstan’s Main Export Receiving Countries in 2021



Despite the positive development in Kazakhstan-Uzbekistan trade relations, the data on Kazakhstan’s export figures also reveals that other Central Asian states play no significant role for Kazakhstan’s trade policy. Uzbekistan is the only Central Asian country that ranks among Kazakhstan’s top 15 export receiving destinations. This fact supports the assertion that Kazakhstan

predominantly engages in trade with states outside Central Asian, primarily China, Russia, and EU member states such as France and Italy. Most Central Asian markets are either too small or display little demand for Kazakhstan’s range of export products, as they possess domestic production in the areas of raw materials, minerals, or vegetable products themselves. Consequently, these markets are not attractive to Kazakhstan in this regard, reducing the prospects of economic integration. However, with regard to Uzbekistan’s export recipient countries in 2015 and 2021, a different picture emerges (see Table 6, Figure 5, and Figure 6).

Table 6 – Uzbekistan’s Export Receiving Countries in 2015 and 2021 (in USD, Millions)

| Receiving Country: | In 2015: | | Receiving Country: | In 2021: |
|---|-----------------|--|---------------------------|-----------------|
| China, P.R. (1) | 1,496.93 | | China, P.R. (1) | 1,826.50 |
| Russian Federation (2) | 826.89 | | Russian Federation (2) | 1,706.10 |
| Afghanistan (3) | 371.66 | | Türkiye (3) | 1,644.17 |
| Türkiye (4) | 355.28 | | Kazakhstan (4) | 1,023.98 |
| Iran (5) | 353.82 | | Kyrgyz Rep. (5) | 772.89 |
| Korea (6) | 235.36 | | Afghanistan (6) | 494.27 |
| Kazakhstan (7) | 206.34 | | Tajikistan (7) | 331.29 |
| Bangladesh (8) | 133.56 | | Ukraine (8) | 225.23 |
| Kyrgyz Rep. (9) | 69.59 | | Canada (9) | 197.49 |
| Georgia (10) | 57.40 | | Iran (10) | 167.90 |
| United Kingdom (11) | 44.06 | | Pakistan (11) | 126.63 |
| UAE (12) | 36.73 | | Turkmenistan (12) | 95.08 |
| Ukraine (13) | 25.12 | | Poland (13) | 86.85 |
| Latvia (14) | 22.52 | | Azerbaijan (14) | 73.57 |
| Others (15) | 114.52 | | Others (15) | 810.11 |
| <i>The data was retrieved from the trade database of the DOTS of the IMF. (IMF, 2023)</i> | | | | |

The data on Uzbekistan’s export development with respect to its primary export destinations reveals that, in recent years, not only Kazakhstan, but also the other Central Asian states, i.e., Kyrgyzstan, Tajikistan, and Turkmenistan, have gained importance for Uzbekistan. Whereas in 2015, only Kazakhstan and Kyrgyzstan were in the top 15 of Uzbekistan’s main export receiving countries, Tajikistan and Turkmenistan were among the top 15 export receiving countries in 2021. This development indicates that exporting goods to Central Asian states plays a more important role for Uzbekistan than it does for Kazakhstan. This divergence can be attributed to the fact that Uzbekistan shares a border with all four Central Asian countries and is more centrally located in Central Asia than Kazakhstan. But more importantly, this development is also a result of the reforms and policies that have been initiated by President Mirziyoyev, signalling that his efforts towards increasing regional trade and greater economic cooperation are bearing fruit.

Figure 4 – Uzbekistan’s Main Export Receiving Countries in 2015

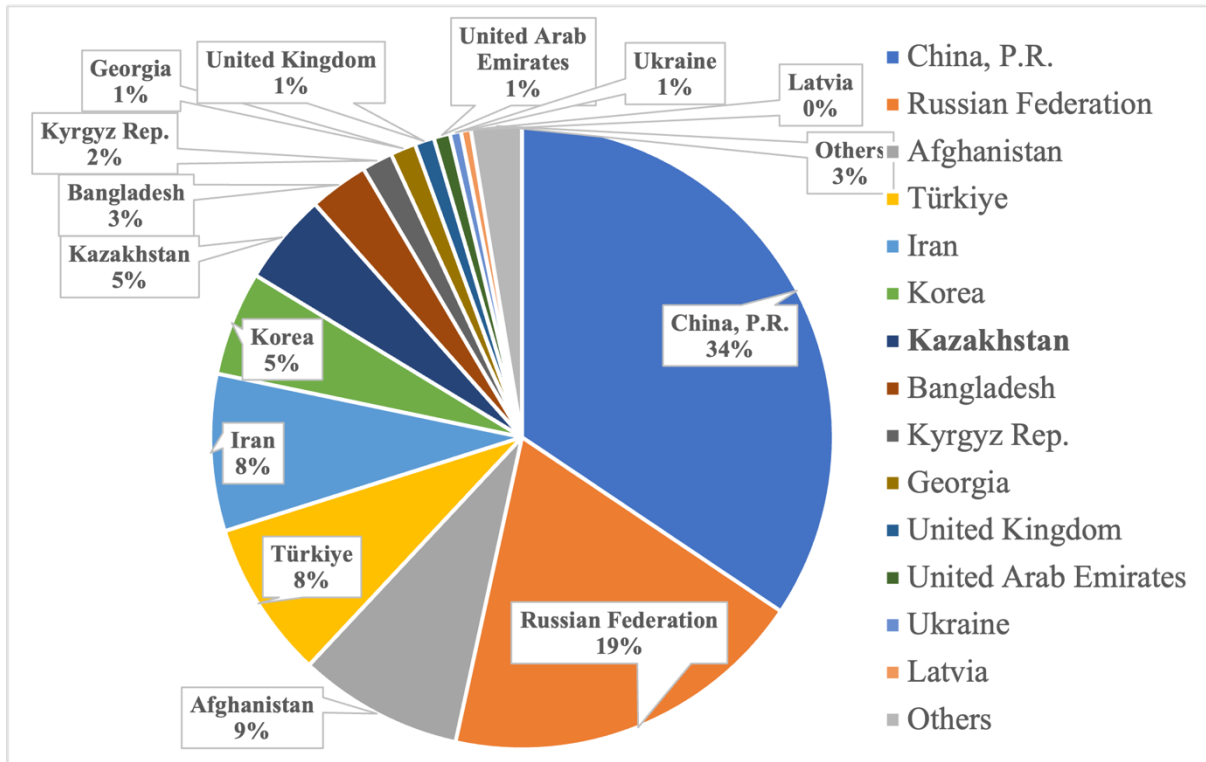
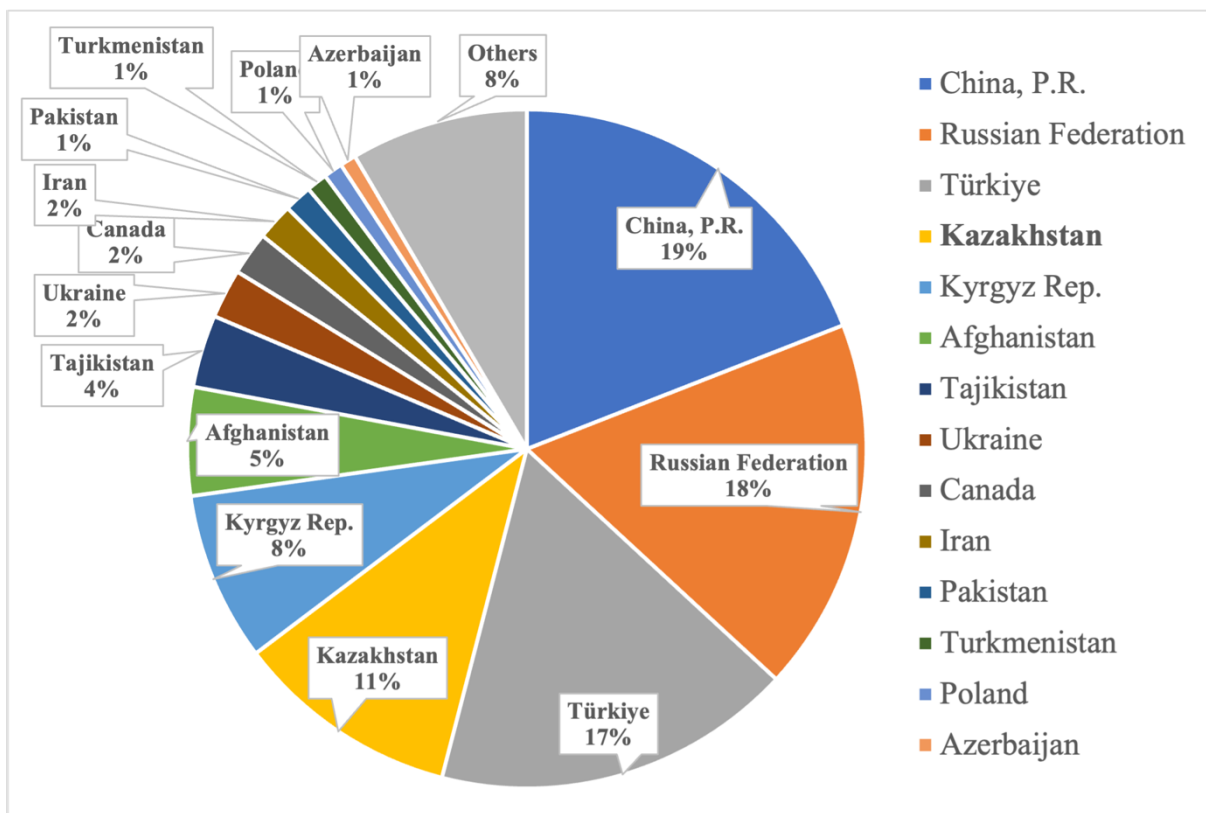


Figure 5 – Uzbekistan’s Main Export Receiving Countries in 2021



This positive development is expected to continue in the future. In December 2022, during Tokayev's state visit to Tashkent, where the two leaders signed the "Treaty on the Demarcation of the Kazakh-Uzbek State Border" and the "Treaty on Allied Relations", they signed 40 commercial agreements worth \$2.5 billion. (Krivtsanova, 2023) In economic terms, this signified another important step towards more economic cooperation between Kazakhstan and Uzbekistan, which is why Tokayev described this event as historic breakthrough. Although other post-Soviet countries signed treaties of allied relations before, they were mainly limited to friendship and cooperation agreements. However, the "Treaty of Allied Relations" between Kazakhstan and Uzbekistan is different. While not the equivalent to the establishment of an IO, it signifies an important development in the region, Thompson (2022) points out. The new agreement will assist Uzbekistan in implementing the convertibility of its national currency, the Uzbekistani sum, which only became freely convertible into Western currencies in 2017. Prior to this development, the limited convertibility of the sum impeded foreign direct investment in Uzbekistan, leading to sluggish economic growth during Karimov's presidency. (Thompson, 2022) In essence, the number of new commercial agreements recently signed by the two presidents underlines the potential for economic and regional integration in Central Asia. Evidenced by the consequent sub-chapter, the export structures of Kazakhstan and Uzbekistan offer additional evidence of the potential for enhanced economic integration among the two countries.

3.2.2. Export Structure

For the analysis, it is important to consider the volume as well as the structure of bilateral trade between Kazakhstan and Uzbekistan. According to information provided by the office of the Prime Minister of Kazakhstan, mutual trade between Kazakhstan and Uzbekistan surpassed \$4 billion in 2022, with trade between the two countries rising by almost 35% in the 10-month period of the same year. The Deputy Prime Minister and Minister of Trade and Integration of Kazakhstan, Serik Zhumangarin, announced this at the 4th Interregional Uzbekistan-Kazakhstan Business Forum held in Tashkent, which took place in conjunction with Tokayev's state visit to Tashkent in December 2022. Zhumangarin and Deputy Prime Minister and Minister of Investment and Foreign Trade of Uzbekistan, Jamshid Khojaev, emphasised the importance of collaboration between the two countries and its value for the development of "Central Asian brands" for the global market. The governments of Kazakhstan and Uzbekistan aim to increase their trade volume to \$10 billion. To accomplish this, the establishment of the so-called Central Asia International Centre for Trade and Economic Partnerships is currently being planned. The

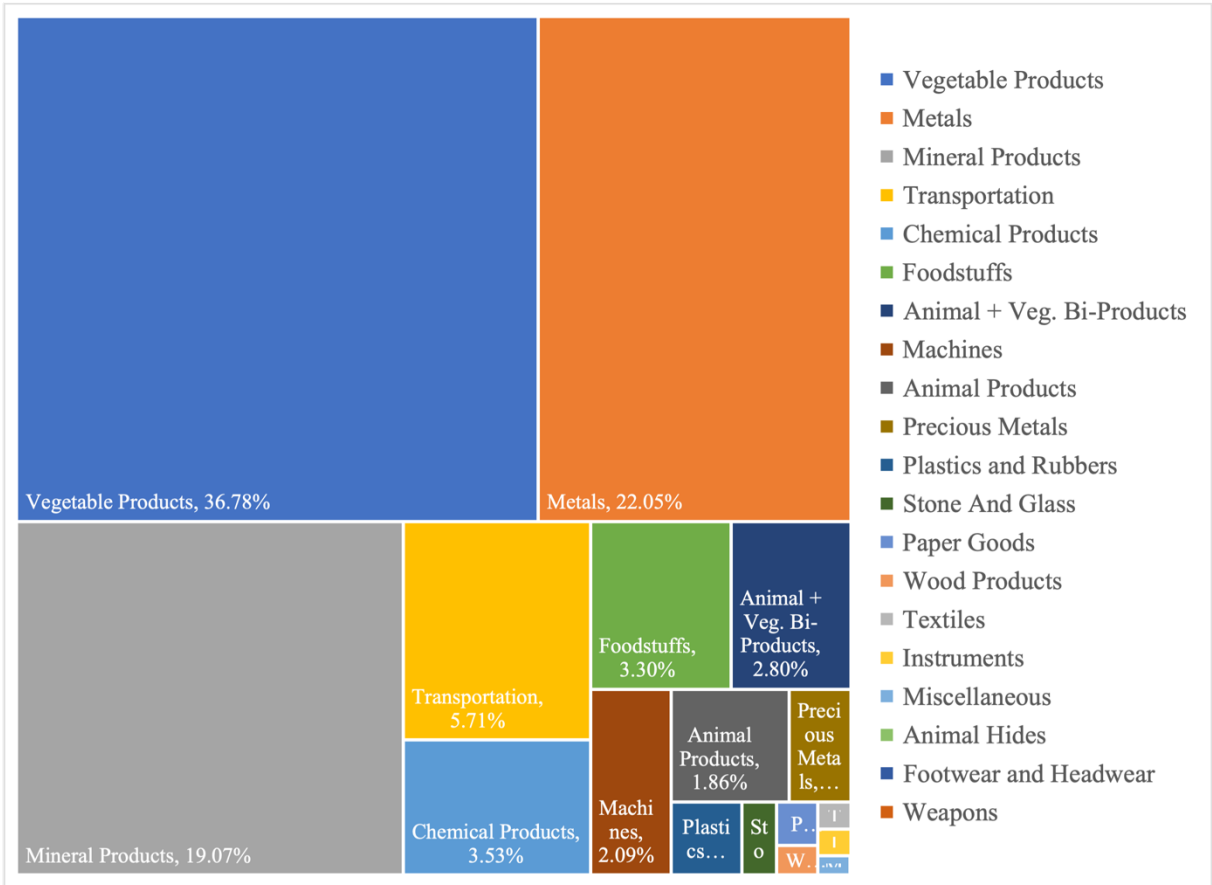
centre is supposed to become one of the primary transport hubs along the North-South Central Asian economic corridor and seeks to manufacture “collaborative products”, or “Central Asian brands”, for export to third-country markets. Over 38 joint projects worth \$2.2 billion and the creation of about 11,000 jobs are currently being planned. In this context, Zhumangarin referred to Uzbekistan as Kazakhstan’s long-standing partner. Furthermore, he stressed that Kazakhstan places great importance on developing collaboration with all Central Asian countries and that the business forum in Tashkent served as further proof of the potential of regional cooperation. (PressService, 2022)

Furthermore, according to information provided by QazTrade, Kazakhstan’s key institution for the development and promotion of trade policy, a new joint venture between Kazakhstan and Uzbekistan called “UzQazTrade” was established in 2023, which further aims to increase mutual trade between the two countries. The joint venture aims to conduct market research and analyses of products from large enterprises of both countries, make proposals for placing orders for finished products, optimise and coordinate mutual trade processes, assist businesses in certification and export promotion, and source technological equipment, spare parts, and raw materials on behalf of both countries. The joint venture will initially focus on the procurement of fruit and vegetable products from Uzbekistan to meet the domestic market needs of Kazakhstan. In addition, wheat flour products from Kazakhstan will be sold in Uzbekistan with the possibility of further exports to other Central Asian countries and Afghanistan. The creation of “UzQazTrade” is supposed to help reduce Kazakhstan’s and Uzbekistan’s dependence on imports from third countries. Moreover, “UzQazTrade” aims to facilitate the development of new routes and services for export-import operations between the two countries. (QazTrade, 2023)

The establishment of “UzQazTrade” represents another important step towards strengthening trade relations between Kazakhstan and Uzbekistan. In 2022, the boost in trade performance between the two countries was primarily driven by a 33% increase in Kazakhstan’s exports to Uzbekistan, amounting to \$3.7 billion, which primarily consisted of ore, wheat, sunflower oil, and meat exports. Concurrently, Kazakhstan’s imports from Uzbekistan rose by 21.4% to reach \$1.3 billion in 2022, with notable imports including spark-ignited engines, grapes, and bricks. (KazakhstanToday, 2023) As a result, “UzQazTrade” found it essential to prioritise the export of fruit and vegetable products from Uzbekistan to Kazakhstan, while at the same time promoting the sale of flour goods from Kazakhstan to Uzbekistan. Focusing on eliminating trade barriers for these export products, which are currently driving trade and regional economic integration, represents an important step that has shown success for other regional projects and IOs

around the globe. A useful comparison can be drawn to the European Coal and Steel Community (ECSC), which united six European countries (Belgium, Luxembourg, Germany, France, Italy, the Netherlands) with the goal of facilitating the free movement of coal and steel, while also ensuring unobstructed access to production. The ECSC serves as a compelling example of how regional integration projects can evolve over time. Starting out as a facilitator of trade and tariff reduction for key commodities like coal and steel, the ECSC paved the way for further economic cooperation and led to the establishment of the EU. (Liboreiro, 2022) While the Central Asian context differs significantly from that of Europe, the success of the ECSC demonstrates the potential that can arise from enhancing trade linkages between two or more countries' primary import and export products. By focusing on eliminating trade barriers for key export products, Kazakhstan and Uzbekistan can promote a new approach towards greater regional integration and cooperation. In the case of bilateral trade between Kazakhstan and Uzbekistan, these products include vegetable products, mineral products, metals, and transportation products, as highlighted by the share of export products of both countries (see Figure 6).

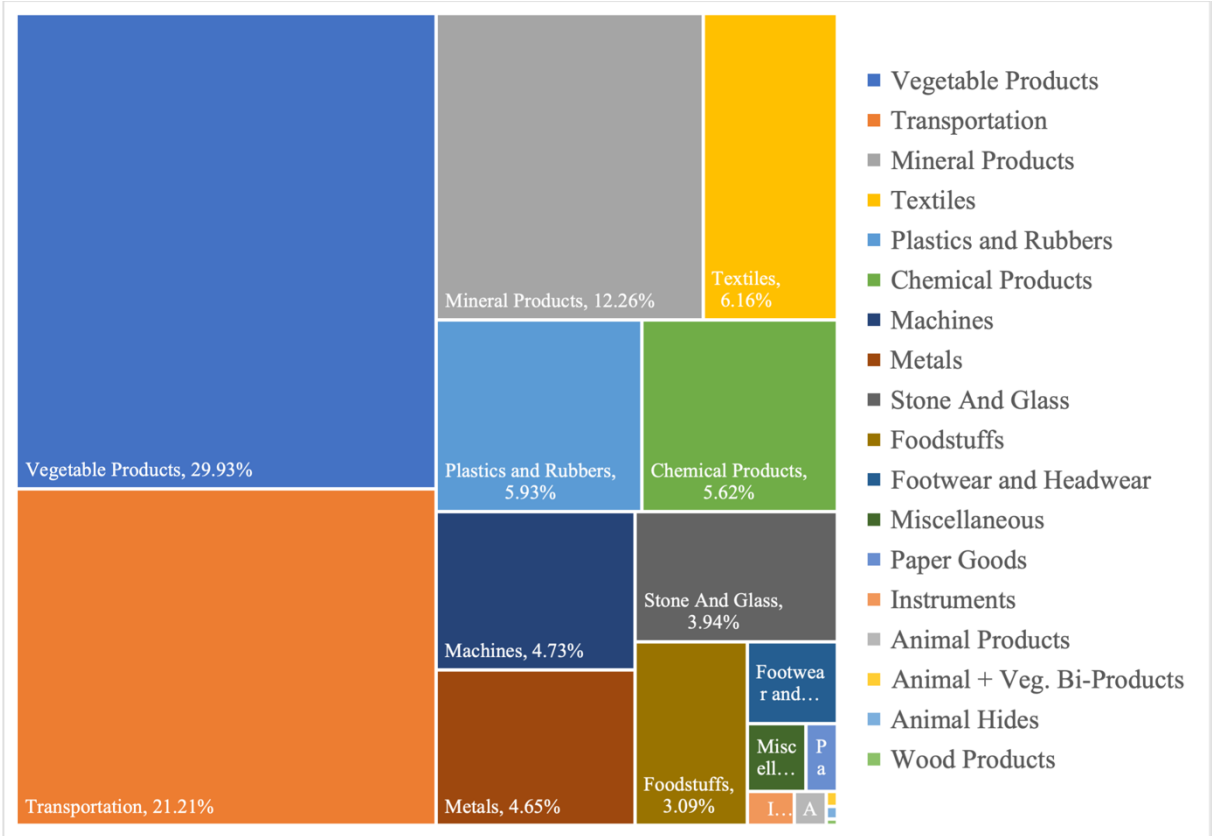
Figure 6 – Share of Export Products from Kazakhstan to Uzbekistan in 2020



The data was retrieved from the database of the Observatory of Economic Complexity. (OEC)

Figure 6 illustrates the composition of Kazakhstan’s main export products to Uzbekistan in 2020, with vegetable products accounting for the largest share at 36.7%. Within this category, wheat holds the largest share at 27.8%, followed by wheat flours at 4%. Metals, primarily various types of steel, make up 22% of Kazakhstan’s exports to Uzbekistan, while mineral products account for 19%, including crude petroleum at 6%. The mentioned resources are the main drivers of Kazakhstan’s export growth to Uzbekistan. Transportation represents the fourth-largest commodity group at 5.7%, specifically automobiles at 4.5%. Compared to Uzbekistan’s exports to Kazakhstan (see Figure 7), the transportation sector plays a relatively insignificant role for Kazakhstan’s exports. This is predominantly due to Uzbekistan’s strong automobile industry, which is oriented towards production for its domestic market, making imports less attractive.

Figure 7 – Share of Export Products from Uzbekistan to Kazakhstan in 2020



The data was retrieved from the database of the Observatory of Economic Complexity. (OEC)

The overall size of Uzbekistan’s exports (see Table 4; \$761 million) is relatively small in comparison to Kazakhstan’s exports (\$2,133 million). However, there are structural similarities in Kazakhstan’s and Uzbekistan’s export compositions, which highlight the potential for mutual trade facilitation and economic cooperation. Essentially, both countries import and export similar product groups. However, there exist crucial variations in the specific goods being traded,

indicating the presence of comparative cost advantages for both economies. Comparative cost advantages are economic advantages that a country possesses in producing a specific good or service at lower opportunity costs compared to its trading counterparts. (Hayes, 2022) For example, like Kazakhstan, Uzbekistan exports a significant amount of vegetable products, representing approximately 30% of the overall share of its exports to Kazakhstan. This product group primarily comprises fruits such as pitted fruits (5.9%), grapes (5.3%), other fruits (3.4%), and tomatoes (3.1%), which are products not as extensively produced by Kazakhstan itself. Moreover, mineral products constitute a noteworthy segment of Uzbekistan's exports to Kazakhstan, accounting for 12.3% of the total share of export products. In this regard, it is important to note that Uzbekistan mainly exports petroleum gas (5.85%) rather than crude petroleum, distinguishing it from Kazakhstan's export composition. Consequently, this divergence underscores the prospects for bilateral trade opportunities for both countries. As their export compositions show distinct but complementary strengths, Kazakhstan and Uzbekistan have the potential to engage in mutually beneficial trade partnerships. Further comparative cost advantages in Uzbekistan's production capabilities lie within the transportation sector, which is Uzbekistan's second-largest export product group at 21.2%, with automobiles occupying a substantial share of 18.2%. Notably, recently released export figures for the year 2021 further support this notion, revealing that the automotive sector accounted for 25.4% of all total exports from Uzbekistan to Kazakhstan. This makes 'transportation' Uzbekistan's largest export group for the year 2021.⁵ Textiles also significantly contribute to Uzbekistan's exports, making up 6.2% of the total share in 2020.

The goods traded by Uzbekistan align well with certain demands of Kazakhstan's economy, showcasing the mutually beneficial nature of both countries' manufacturing capacities. Consequently, initiatives such as the establishment of the joint venture "UzQazTrade", initially focusing on trade facilitation for vegetable products, represents a pragmatic measure for fortifying interregional trade and driving regional integration. More importantly, such initiatives and developments have the potential to create signalling effects for other Central Asian countries and may generate positive spillover effects for other sectors. As we see in the following subsection, this view is also supported by theoretical considerations dealing with regional integration, most notably by neofunctionalism theory.

⁵ The data for the year 2021 was released during the time of writing of this thesis. Therefore, the primary focus for this sub-chapter remained on the year 2020.

3.2.3. Neofunctionalist Considerations

Neofunctionalism, a well-known theory of European integration developed in the 1950s and 1960s, offers insights that can also be applied to Central Asia. The theory explains the process of regional integration by examining the interplay of three crucial factors: the deepening economic interdependence between countries, the organisational capacity to resolve conflicts and establish international legal frameworks, and the replacement of national regulatory regimes by supranational market rules. (Haas, 1961) For this analysis, greater importance is attributed to the first two factors, considering that the third factor, i.e., the replacement of national regulatory regimes by supranational market rules, has been limited in Central Asia. While Central Asian countries like Kazakhstan and Kyrgyzstan are subjected to elements of a supranational system, this system is predominantly manifested through the legal framework of the EAEU, which does not include Uzbekistan, Tajikistan, and Turkmenistan, and hence cannot be considered a Central Asian integration project. Moreover, while there has emerged a new readiness by Uzbekistan to embrace international market rules under the leadership of Mirziyoyev, exemplified by the country's ongoing process of joining the WTO, it has yet to join the organisation at the time of writing this thesis. Hence, an overarching and comprehensive supranational system of market rules, to which all Central Asian states (or at least Kazakhstan, Uzbekistan, and Kyrgyzstan) are currently subjected, has not been implemented thus far. Therefore, the first two main factors of neofunctionalism theory are deemed more important with regard to the analysis of how the bilateral relations of Kazakhstan and Uzbekistan in the areas of trade influence regional integration in Central Asia.

Neofunctionalism theory features several theoretical assumptions that hold significance for the integration process in Central Asia. Notably, a crucial assumption is the occurrence of positive spillover effects. According to this notion, the integration in one particular economic sector generates strong incentives for further integration in additional sectors, leading to spillover effects that maximise the advantages derived from one sectoral integration. Considering this assumption, it is advantageous for Uzbekistan and Kazakhstan to concentrate their efforts on trade facilitation and the removal of regulatory barriers within certain sectors and commodity groups first, as these bear the potential to promote integration in other sectors and positively influence other Central Asian countries as a whole. Another key assumption of neofunctionalism theory states that spillover effects lead to an increased number of transactions and an increased intensity of negotiations, which go hand in hand with the advancement of regional integration.

According to neofunctionalism theory, an increased number of transactions and negotiations can lead to the emergence of independent institutions, detached from ‘local governments’. Consequently, there occurs a shift in domestic allegiances, with neofunctionalists arguing that interest groups and associations will redirect their loyalty from national institutions to supranational ones, provided they already exist. (Haas, 1961) While the level of integration in Central Asia has not reached this stage yet, it is plausible that ongoing initiatives in various economic sectors may lead to the creation of new institutions in the long run.

As evidenced by the analysis of trade data, bilateral trade between Uzbekistan and Kazakhstan has substantially grown in recent years, and the significance of intra-regional trade in Central Asia has increased as well, especially for Uzbekistan. Consequently, new laws and regulatory measures were introduced in Uzbekistan and Kazakhstan that have increased the overall regulatory complexity in Central Asia. According to a report published by the Organisation for Economic Cooperation and Development (OECD), focusing on the legal environment for business in Central Asia, the existence of intricate and uncertain regulatory requirements, coupled with inadequate enforcement and a weak rule of law, significantly hinders the growth of and investments in Central Asian economies. (Mackle et al., 2021) Moreover, the divergent affiliations of Central Asian countries within different economic and political associations, e.g., Kazakhstan’s membership in the EAEU, which does not include Uzbekistan, has further contributed to regulatory complexity. Despite these predominantly negative tendencies, there is also a positive aspect to them, according to neofunctionalism theory. Neofunctionalism theory asserts that as regulatory complexity grows, additional regional-level institutions become imperative, resulting in a shift of decision-making processes from ‘lower levels’ (i.e., state levels) to ‘higher levels’ (i.e., supranational levels) and in the creation of new institutions. (Haas, 1961)

Based on these assumptions, we can argue that further regional integration in Central Asia, especially in economic terms, becomes very likely. As the volume of trade grows, the creation of institutions that aim to eliminate trade barriers and establish a less complex regulatory system become inevitable. (Rosamond, 2000) The validity of this positive assumption, which is derived from neofunctionalism theory, is further supported by ongoing developments across different economic sectors in Central Asia. These developments are particularly evident in cross-border projects, such as transportation, logistics, and infrastructure expansion, which underscore the necessity and potential for regional integration in Central Asia.

3.2.4. Regional Projects

The literature review and previous analysis have shown that the economic relations of Central Asian countries have historically been limited due to a wide array of factors such as protectionism, unresolved conflicts over borders and resources, and political rivalries. Uzbekistan's policies under Karimov impeded regional integration for a long time. However, under the leadership of Mirziyoyev, Uzbekistan has emerged as the primary driver of cross-border projects in diverse economic sectors. Strohbach (2023) emphasises this point in a report, examining ongoing developments in the Central Asian logistics sector:

Of significant importance in fostering Kazakhstan-Uzbekistan cross-border cooperation are economic projects aimed at expanding regional transportation routes and increasing capacities in the transport and logistics sector, including border logistics. The governments of both countries are actively promoting the construction of a railway line connecting Darbaza to Maktaaral in the Turkestan region of Kazakhstan, with a subsequent connection to the Uzbek provincial capital of Jizzakh. This infrastructure project will create an additional capacity of up to 10 million tons for cross-border freight transportation and alleviate congestion at the heavily trafficked Kazakhstan-Uzbekistan border crossing in Saryagash. (Kapital.kz, 2023) Furthermore, it will provide Southern Kazakhstan with better access to the central provinces of Uzbekistan, benefiting both countries by establishing a much shorter transit route along the Central and South Asia axis. In addition, there is progress in establishing trade and logistics hubs near the Kazakhstan-Uzbekistan border, which complements the establishment of local manufacturing facilities in the industrial sector and enhances the connectivity between the countries. (Strohbach, 2023) As previously pointed out, Kazakhstan-Uzbekistan industrial cooperation is growing, encompassing the entire value chain in the food industry. The Ministry of Industry and Infrastructure Development of Kazakhstan has listed over 40 projects (as of early 2023), with approximately two-thirds to be implemented in Kazakhstan and one-third in Uzbekistan. These projects, totaling over \$2 billion in value, encompass diverse areas such as automobile production, fertilisers, metal products, textiles (including the establishment of a textile cluster), appliances, infusion solutions, flour and other grain products. (TheAstanaTimes, 2022) As underscored by the previous analysis of the export structures of both countries, this product range aligns perfectly with the needs and capacities of Kazakhstan's and Uzbekistan's economy, contributing to the overall positive trend towards increased regional cooperation and integration in Central Asia.

Furthermore, for the analysis of regional integration in the region, it is necessary to highlight that the cooperative efforts extend beyond Uzbekistan and Kazakhstan. Kazakhstan and Uzbekistan are increasingly collaborating with Kyrgyzstan. Both countries are actively participating in the construction of the Kambar-Ata-1 hydropower plant on the Naryn River, a large-scale project in Kyrgyzstan that was already planned by the Soviet Union but faced numerous challenges. (Strohbach, 2023) A new agreement, signed by the Ministries of Energy of Kyrgyzstan, Kazakhstan, and Uzbekistan on 6 January 2023, outlines the financial contributions of Kazakhstan and Uzbekistan to this project, which will in return grant both countries access to electricity and water resources for irrigation. (Rickleton, 2023) In general, this step shows that improved Kazakhstan-Uzbekistan relations have positive effects on the other Central Asian countries, and that both countries are increasingly living up to their claim of being regional leaders. Following the signing of a roadmap with Kazakhstan and Uzbekistan, the construction of the Kambar-Ata-1 hydropower plant is expected to commence by 2024, with the first unit planned to be operational by 2028. This hydropower initiative is just one of several proposals and studies conducted over the years for harnessing the potential of the Naryn River. (Putz, 2023) Less than a decade ago, Uzbekistan still expressed strong reservations about the Kambar-Ata-1 hydropower plant, which it also did with regard to Tajikistan's Rogun Dam due to concerns about water scarcity and the emergence of a competitor in the regional energy market. (Bologov, 2016) However, the landscape has changed since then, not just politically, but also in terms of regional energy requirements, as Putz points out. The four Central Asian countries – Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan – have all experienced energy shortages in recent years, particularly during winter times, making them all beneficiaries of increased energy supplies. (Putz, 2023)

The involvement of Uzbekistan and Kazakhstan in the Kambar-Ata-1 project highlights that the Central Asian countries are capable of pursuing new avenues for regional cooperation and addressing longstanding issues such as water distribution and electricity problems through collaboration. Furthermore, the project carries the potential to generate spillover effects for other sectors, as anticipated by neofunctionalism theory. The Kambar-Ata-1 project stands out as a significant contributor to the establishment of a shared Central Asian power grid, another project that bears the potential to elevate the level of cooperation in Central Asia. Overall, Central Asia holds immense potential for harnessing green energy, with Tajikistan and Kyrgyzstan already generating a significant portion of their electricity from hydroelectric power plants. Although some progress has been made in the reactivation of interconnectors, establishing a shared power grid in Central Asia is a complex task that involves overcoming challenges. (Ebel, 2022)

Key steps have been taken in order to make a shared Central Asian power grid a reality, but the region still faces the need to create overarching institutions to harmonise the market and has to resolve geopolitical conflicts related to market share and leadership claims, as Ebel (2022) highlights. The journey towards a fully integrated power grid requires further efforts and collaboration to ensure a successful and sustainable regional energy network. Kazakhstan and Uzbekistan have set targets to increase the share of renewable energy within their energy mix by 2030, with Uzbekistan aiming for 25 percent from solar, wind, and water sources, and Kazakhstan targeting a 33 percent share. (Ebel, 2022) Hence, the potential for regional cooperation in this domain can carry additional positive implications for advancing regional integration in Central Asia. If Kazakhstan and Uzbekistan are able to successfully collaborate in this domain, they can play a significant leadership role in driving this regional transformation.

Economic integration in Central Asia is driven by Uzbekistan's newly emerged willingness to engage with its neighbours across various sectors. Noteworthy examples include several joint investments projects of approximately \$300 million between Uzbek and Kyrgyz companies in the food industry, textiles, leather, construction materials, electrical engineering, as well as the automotive manufacturing. (Strohbach, 2023) According to Nuradil Bayasov, Deputy Director of the National Investment Agency of Kyrgyzstan, the projects entail the establishment of a joint Kyrgyz-Uzbek venture in Kyrgyzstan's Chüy Region, which will facilitate the large-block assembly of Ravon cars near Bishkek. (TuraNews, 2023) Moreover, the establishment of the Uzbek-Kyrgyz Development Fund in 2022, with a capital of \$50 million, supports bilateral investment projects and trade deals between the neighbouring countries. (MIFT.UZ, 2022) Albeit on a smaller scale, the positive trend in regional cooperation also extends to Tajikistan, as Uzbekistan is now cooperating more closely with the country – a development that was unimaginable during Karimov's presidency. An example of Uzbekistan-Tajikistan cooperation is the joint construction of two hydroelectric power plants on the Zeravshan River. (Asia-Plus, 2022) Furthermore, Uzbek companies are actively involved in implementing and planning industrial projects in Tajikistan, such as the Uzbek-Tajik joint venture Artel Avesto Electronics, which specialises in manufacturing a wide range of household appliances and consumer electronics. (Romakayeva, 2020)

In conclusion, the analysis of the development of bilateral trade has highlighted several key findings. Most importantly, there has been a remarkable increase in trade volume between Uzbekistan and Kazakhstan in the past seven to eight years. Furthermore, there is a positive trend of economic cooperation that extends beyond Kazakhstan and Uzbekistan, signifying a broader

pattern of economic cooperation across the Central Asian region. Uzbekistan and Kazakhstan are prioritising trade facilitation in specific product groups that have the potential to promote regional integration efforts. Moreover, ongoing developments and regional projects, involving Kazakhstan, Uzbekistan, Kyrgyzstan, and Tajikistan, underline the potential and positive trends in regional developments in Central Asia. Despite the existence of many challenges, the overall trajectory over the past seven to eight years has been undeniably positive, especially when considering the broader context of integration efforts in Central Asia until 2015. Overall, the findings align with the assumptions of neofunctionalism theory, which suggest that economic integration in one sector can lead to spillover effects, thereby positively influencing regional integration. Finally, it is important to mention that the analysis has confirmed and reinforced several key arguments found in the literature on economic cooperation in Central Asia and Kazakhstan-Uzbekistan relations.

3.3. Implications for Regional Integration in Central Asia

Based on the analysis of political and economic cooperation between Kazakhstan and Uzbekistan, taking into account the discourses highlighted in the literature review, five key implications for regional integration in Central Asia can be derived:

1) The Leader(ship) Matters:

Despite the many characteristics that the political systems of Central Asian countries have in common, there is a divergence in how leadership successions have taken place. Uzbekistan, for instance, experienced the passing of a personalist leader during his time in office. Kazakhstan, on the other hand, saw a more gradual transfer of power to a designated successor. (Silvan, 2022) Moreover, in the literature, there exists a consensus that the leadership style of authoritarian leaders have more direct impact on the performance of a state than in democratic systems. (Pizzolitto et al., 2023) Therefore, in authoritarian systems, leaders hold greater sway in driving regional integration progress compared to democratic systems. This is primarily due to the concentration of power and decision-making in the hands of a single person or a few individuals, often with lengthy tenures, as has been the case for most Central Asian states.

Therefore, the leaders of Kazakhstan and Uzbekistan and their leadership styles play a vital role in influencing regional integration in Central Asia. Notably, the leadership transitions from Karimov to Mirziyoyev in Uzbekistan and from Nazarbayev to Tokayev in Kazakhstan have already positively influenced bilateral and regional cooperation, as this analysis has shown. To ensure continued progress, it is crucial that the Central Asian leaders are seriously committed to advancing the regional integration process. In this context, the significance extends beyond Kazakhstan and Uzbekistan to encompass the broader regional context. In addition to Kazakhstan-Uzbekistan relations, the outcomes of power transitions in Tajikistan following Rahmon's tenure, as well as the evolution of Kyrgyzstan and Turkmenistan, are of utmost importance. The leadership decisions, the direction of political and economic developments, and policies pursued by these states will collectively shape the landscape of Central Asian integration.

2) Uzbekistan Is Driving Regional Integration Efforts:

The literature review and previous analysis have pointed out that Kazakhstan and Uzbekistan are the countries that hold the greatest significance for regional integration in Central Asia. As the two Central Asian countries with the largest populations and strongest economies, they

assume a pivotal role. Historically, both states have aspired to be leaders of Central Asia, with Kazakhstan in particular claiming regional leadership. (Krapohl and Vasileva-Dienes, 2020) However, since Mirziyoyev assumed office in 2016, regional integration in Central Asia has been driven by Uzbekistan rather than by Kazakhstan. This is evident in both the political and economic realms. Key initiatives, such as the Consultative Meetings of Central Asian Heads of State, which at present serve as the sole regional platform exclusively for Central Asian states to discuss regional issues and cooperation, originated from Uzbekistan's initiative in 2018.

Regarding trade, Uzbekistan engages in stronger trade ties with other Central Asian countries than Kazakhstan does. Since 2016, Uzbekistan expanded its trade with other Central Asian states more rapidly than Kazakhstan (see Table 5 and Table 6). Although mutual trade between Central Asian countries is currently experiencing faster growth compared to their total foreign trade, a trend expected to continue in 2023 according to the European Bank for Reconstruction and Development (EBRD), the role of intra-regional trade in Central Asia remains relatively insignificant for Kazakhstan. (TheAstanaTimes, 2023) Moreover, Kazakhstan still maintains a strong involvement in regional organisations led by Russia, such as the EAEU and CSTO, making it dependent on extra-regional actors and developments and causing regional integration to be more challenging. This fact is further underscored by the frequency of state visits conducted by both leaders since assuming power. While Tokayev has visited Russia most frequently, Mirziyoyev has so far visited Kazakhstan most frequently. Consequently, it can be argued that the regional integration efforts in Central Asia are at present being driven more by Uzbekistan than by Kazakhstan.

3) It Takes Two to Tango, but (at least) Three to Kara Jorga:⁶

Undoubtedly, Kazakhstan and Uzbekistan are central to the success of regional integration efforts in Central Asia, as the political and economic development of the region heavily depend on their goals and interests. Nonetheless, it is important to stress that achieving a high level of integration in Central Asia cannot be accomplished by these two countries alone. It is equally necessary to actively involve Kyrgyzstan, and, if possible, Tajikistan and Turkmenistan, in the integration process, nurturing their genuine interest in collaborative efforts on regional issues.

⁶ This adaptation of the famous phrase "It Takes Two to Tango" humorously emphasises that successful regional integration requires not just two, but at least three or four partner states, ideally involving all five Central Asian states. Kara Jorga, also spelled as "Kara Zhorga" or known as "Kara Jorgo", is a popular national dance in Kazakhstan and Kyrgyzstan, often performed by a group of people.

Kazakhstan and Uzbekistan can assume the roles of regional leaders, spearheading integration efforts. However, achieving successful progress in integration necessitates the cooperation and dedication of at least three or four, ideally of all five Central Asian states. To facilitate this, Kazakhstan and Uzbekistan must also be willing to make concessions that may not always align entirely with their own interests. In doing so, Kazakhstan and Uzbekistan can play a supportive role, actively involving other Central Asian states and serving as exemplary models. In essence, this role could be similar to the role played by Germany and France within the EU. Leveraging their relatively strong economic basis and larger populations, Kazakhstan and Uzbekistan can become the driving forces for the integration process, thus paving the way for stronger cooperation and a more secure and prosperous future for Central Asia.

4) Preference for Loose Frameworks over Binding Institutions:

The analysis of previous initiatives within the context of Central Asian cooperation, many of which have faced challenges or failed (e.g., the CAU), indicates that the Central Asian states have not been inclined to create new transnational institutions entailing binding obligations and commitments. Instead, they have favoured loose frameworks that can be found within IOs like the SCO, CAREC Programme, or OTS, where no sovereignty is ceded onto another overarching institution. Although Kazakhstan and Kyrgyzstan are members of the EAEU, and together with Tajikistan, members of the CSTO – both being IOs that require member states to make certain commitments and obligations, for example, in the case of a hostile attack on one of the member states – the primary motivation for joining these IOs lies in the expectation of achieving absolute gains from these memberships. In general, Central Asian states tend to think and act from a neorealist perspective, which assumes that there are only absolute gains, and that cooperation cannot lead to relative gains for all parties involved. This understanding is deeply rooted in the political culture of the Central Asian states and further reinforced by the fact that all of them are comprised of authoritarian political systems. However, for regional integration to work, it is crucial that state actors believe in the possibility of relative gains. In IR theory, this is one of the most profound differences between neorealists and neoliberals. While neorealists view state politics as a zero-sum game, think in terms of absolute gains, and assume that there will always be competition among states, neoliberals believe in achieving relative gains through inter-state cooperation and the establishment IOs. (Powell, 1991)

Given that the Central Asian states have predominantly acted in accordance with the realist assumption of absolute gains, achieving regional cooperation and integration has been difficult.

Therefore, it is essential to create new incentives for regional cooperation. As already pointed out, Kazakhstan and Uzbekistan, being the economically strongest and politically most powerful states in Central Asia, play a paramount role in this regard. Both states must be willing to offer incentives for cooperation, including greater collaboration in conflict resolution. For example, the military clashes between Tajikistan and Kyrgyzstan have highlighted the need for a more robust mediation role from Uzbekistan and Kazakhstan within the framework of Central Asian security. Moreover, the Central Asian states have realised that they cannot solely rely on extra-regional mediation by external actors like Russia or China. Instead, they must take more responsibility and foster closer collaboration among each other. If the Central Asian states recognise that they can collectively benefit more from regional cooperation than they benefit from isolationist policies (as demonstrated by Uzbekistan in recent years), this may lead to a shift in thinking, and they will become more inclined to create new institutions with stronger binding effects. However, at present, their preference still leans towards loose frameworks.

5) External Factors Decisive for the Future of Regional Integration:

Finally, it is imperative to underscore that the future of regional integration in Central Asia is profoundly influenced by external factors. Firstly, this pertains to the influence of extra-regional states such as Russia or China, who pursue their own political and economic interests in the so-called “Second Great Game” in Central Asia. (Krapohl and Vasileva-Dienes, 2020) Consequently, the prospects of regional integration will be severely influenced by how these extra-regional actors position themselves in the region, as well as by the nature of cooperation they may endorse. Secondly, the regional integration process will also be shaped by external threats, including the security situation at Central Asia’s borders, with a particular emphasis on Afghanistan. The manner in which the neighbouring Central Asian states, i.e., Tajikistan, Uzbekistan, and Turkmenistan, address this situation will play a significant role in determining the course of regional cooperation in security matters. Furthermore, external economic developments will wield a strong influence on Central Asian integration efforts, including how the region responds to global economic shifts and addresses economic and environmental challenges.

Regarding the mentioned challenges, closer regional cooperation offers numerous opportunities to collectively address these complex issues, given that no Central Asian state alone can effectively solve them in isolation. Nonetheless, the evolution of regional integration in Central Asia remains uncertain, and whether it will continue along the positive path paved by Kazakhstan and Uzbekistan remains to be seen.

4. Conclusion

The analysis of Kazakhstan-Uzbekistan relations and their influence on regional integration in Central Asia has yielded several significant insights. In essence, the analysis built upon the findings of the literature review, encompassing relevant recent bilateral and regional developments from multiple perspectives, including politics, security, military aspects, trade, and economics. The inferences derived from the analysis were contextualised to assess their importance for bilateral and regional cooperation and elucidated their implications for the future of regional integration processes in Central Asia.

4.1. Summary of Findings

The literature analysis has revealed that regional integration in Central Asia has been characterised by various problems and obstacles. Historically, there have been few regional integration initiatives among Central Asian states following their independence, and projects such as the CAU and other cooperation formats failed. Different authors attributed these shortcomings to a range of factors. One of the main obstacles has been the limited development of regionalism in Central Asia, resulting in a lack of cohesive regional identity and a limited understanding of the potential benefits of regional cooperation. Personal animosities between Central Asian state leaders have also contributed to the difficulties in fostering cooperation. Furthermore, the strong influence of extra-regional actors, such as Russia and China, seeking to pursue their own interests in the so-called “Second Great Game” in Central Asia, has further complicated the regional integration process. In addition, diverging economic interests have played a decisive role, as Kazakhstan, being the region’s largest economy, has historically shown more interest in extra-regional trade, leading to limited economic integration within Central Asia. Countries like Kazakhstan and Turkmenistan, heavily reliant on commodity exports, found intra-regional trade less economically appealing, which posed significant challenges to regional integration efforts. Moreover, Kazakhstan and Uzbekistan have often perceived each other as regional competitors, creating another barrier to meaningful cooperation. Furthermore, Uzbekistan’s isolationist foreign policy during Karimov’s presidency made it impossible for the country to effectively engage with regional organisations and integration efforts.

The literature review on Kazakhstan-Uzbekistan relations highlighted the importance of recent leadership changes, specifically the transition from Karimov to Mirziyoyev in Uzbekistan, but also the transition from Nazarbayev to Tokayev in Kazakhstan. These recent shifts in power

dynamics have exerted considerable impact on bilateral relations and positively influenced regional cooperation in Central Asia. Particularly, the reform process initiated by Mirziyoyev has been praised since it has resulted in new initiatives and cooperation between the two countries. Experts from both countries believe that this trend could position Kazakhstan and Uzbekistan as stronger regional leaders, collectively contributing to bolstered political and economic cooperation, as well as to an increased regional stability. However, the literature review also pointed out that recent events, such as the clashes between Tajikistan and Kyrgyzstan in 2022, indicate that Kazakhstan and Uzbekistan have not yet fully embraced a more robust leadership and mediator role in resolving regional conflicts. External actors continue to play an overly significant part in conflict resolution in the region. Despite the progress achieved, many challenges persist in facilitating more comprehensive regional integration in Central Asia.

The main analysis shed light on various aspects and the progression of Kazakhstan-Uzbekistan cooperation in the political, security, and economic spheres, illustrating their implications for regional integration in Central Asia. The political dimension revealed valuable insights into the frequency and nature of state visits between Mirziyoyev and Tokayev, along with the conclusion of new agreements and initiatives with regional significance. It was emphasised that the exchange between Kazakhstan and Uzbekistan has been at a high level since 2016. Mirziyoyev has visited Kazakhstan more frequently than any other state, while Tokayev has visited Uzbekistan as the third most frequent state, underlining the importance of Kazakhstan for Uzbekistan. In contrast to the first 25 years of independence, during which there were few successful agreements between Kazakhstan and Uzbekistan, new treaties and initiatives have been adopted since 2016 to promote stronger collaboration. Noteworthy examples include the “Treaty on the Demarcation of the Kazakh-Uzbek State Border”, which finalised the countries’ demarcation process, and the “Treaty on Allied Relations”, establishing a bilateral framework for autonomous Central Asian cooperation. Additionally, the Consultative Meetings of the Central Asian Heads of State, initiated by Mirziyoyev in 2018, have emerged as a new collaborative format, contributing to dialogue and cooperation across different domains. Notably, this format holds substantial regional significance as it has created a platform for Central Asian states to address issues pertaining to regional integration, trade, economic cooperation, cultural exchange, and humanitarian assistance. Furthermore, these meetings play an important role in advancing the institutionalisation of autonomous regional cooperation in Central Asia.

An exploration of the security and military dimension underlined the institutional interconnections that exist between the Central Asian and Russian military apparatuses. At present, the

Central Asian states exhibit varying degrees of engagement in security organisations, with not all of them being members of the CSTO. When it comes to security cooperation, Central Asian states prioritise the survival and prosperity of their own regimes. They heavily focus on regime autonomy and state sovereignty, which currently deters them from pursuing institutional cooperation in military and security matters. Although this policy decreases the prospects of regional integration, there have been notable developments in military cooperation between Kazakhstan and Uzbekistan recently. Since 2019, the two countries have significantly expanded their military collaboration, including commitments to joint security measures such as coordinated efforts to enhance border protection and joint military training exercises. While military cooperation remains at a modest level, lacking an institutionalised framework, these initiatives further contribute to the positive trajectory of Kazakhstan-Uzbekistan political cooperation.

The analysis of bilateral trade and economic cooperation further supports the previous findings. Since 2016, Kazakhstan-Uzbekistan bilateral trade has seen substantial growth, which coincides with Mirziyoyev's rise to presidency. The growth of bilateral trade over the past seven to eight years can primarily be attributed to crucial reforms initiated by Mirziyoyev, which have facilitated stronger trade between both countries. Moreover, the complementary nature of their economies and the comparative cost advantages both economies offer contribute to this positive trend. Despite this positive trend in closer economic cooperation, it is evident that both Kazakhstan and Uzbekistan still maintain stronger trade relations with extra-regional countries. This is evident from the fact that their exports to extra-regional countries outweigh their intra-regional exports. Nevertheless, a pattern of broader economic cooperation is slowly emerging in Central Asia. Kazakhstan and Uzbekistan are taking steps to expand their economic cooperation in various sectors. More importantly, they are involved in regional projects and collaborate with other Central Asian countries like Kyrgyzstan and Tajikistan. Consequently, a new collaborative dynamism is emerging across numerous sectors of the Central Asian economies. Furthermore, the analysis highlighted that the theoretical assumptions of neofunctionalism theory – a well-known theory of regional integration – align with the empirical findings of this thesis.

The sub-chapter on the implications of regional integration in Central Asia derived five key findings from the literature review and analysis. First and foremost, the overall leadership style and personal relationships among the leaders of Central Asian states hold immense importance in shaping the integration process. Given the authoritarian political systems in the region, individual leaders play a crucial role in determining the success of cooperation among Central Asian states. Secondly, the emerging momentum for increased cooperation in Central Asia currently

stems from Uzbekistan's proactive approach, rather than from Kazakhstan's. This is partly due to Kazakhstan's stronger involvement in organisations like the EAEU and CSTO, as well as its greater trade relations with extra-regional states compared to Uzbekistan. Thirdly, it is essential to recognise that while Kazakhstan and Uzbekistan can assume leadership roles in the region, successful regional integration requires the participation of at least three, ideally, all five Central Asian states. Fourthly, the preference of Central Asian states for loose frameworks over binding institutions in regional and international formats poses a significant challenge to regional integration. Lastly, the prospects of regional integration in Central Asia heavily depend on external factors, including the influence and role of extra-regional actors in the so-called "Second Great Game" as well as the impact of external threats, economic challenges, and environmental problems.

In conclusion, the analysis has underscored the complexity of regional integration in Central Asia while emphasising its potential benefits for all five Central Asian states, provided they are willing to cooperatively address and resolve regional challenges.

4.2. Suggestions for Future Research

There are numerous avenues to build upon this research. Firstly, the analysis could be expanded by delving into other aspects of the bilateral relations between Kazakhstan and Uzbekistan. Exploring additional dimensions of their cooperation would provide a more comprehensive understanding of the overall dynamics. Furthermore, an examination of the bilateral relations of other Central Asian states which are relevant to the integration process in Central Asia could prove insightful. For example, analysing Kyrgyzstan-Tajikistan bilateral relations, given the recent hostilities between the two, would provide a comprehensive understanding of some of the problems facing regional integration in Central Asia. Moreover, building on this research could involve revisiting the dynamics of Kazakhstan-Uzbekistan relations after a few years and comparing them with the assumptions made in this thesis. This approach would allow an assessment of how regional integration in Central Asia has developed since 2023 and enable an evaluation of whether the trajectory has been positive, as was anticipated in this thesis, or negative. In addition, further research could be conducted by comparing the findings on regional integration in Central Asia with the findings on other regions or regional organisations, offering valuable insights into shared patterns and distinctions of regional integration processes.

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Declaration of Authorship

I hereby declare that this submission is my own work and to the best of my knowledge it contains no materials previously published or written by another person, or a substantial proportion of material which have been submitted for the award of any other degree at the University of Glasgow, University of Tartu, KIMEP University, or any other educational institution, except where due acknowledgment is made in this thesis. This thesis is the result of my own independent work, except where otherwise stated, and the views expressed here are my own as well.

Signature Wiliam Ropeter

Signed at Almaty, Kazakhstan, 22 August 2023