

UZBEKISTAN TRANSPORTATION – REBIRTH OF CENTRAL ASIA (CA) TRANSIT HUB

HISTORY



Uzbekistan has a 2,500+ year history of serving as a transit hub for CA. Within Uzbekistan, the city of Samarkand is one of the most important sites on the CA Silk Routes. By 5th century BC, in Uzbekistan and farther east in what is today China's Xinjiang Uygur Autonomous Region, trade/ intermediaries along this Silk Route, Bukhara and Samarkand eventually became extremely wealthy cities.

In 329 BC Samarkand was conquered by Alexander the Great, becoming part of Macedonian Empire. Following its collapse, the region around Samarkand fell to the Kushans, Sasanian Persians, and Turks. In the early 8th century, the region was conquered by the Arabs, who made it a centre of Islamic culture.⁽¹⁾

The Mongols took control in the early 13th century followed by the Timurid Empire, led by Timur, who established the empire between 1370 and his death in 1405. Timur's empire dominated what was Greater Iran in the early 15th century: Iran, Iraq, Afghanistan, much of Central Asia, the South Caucasus, and parts of contemporary Pakistan, North India and Turkey.

For the past 50 years Uzbekistan has envisaged becoming a CA transportation hub, due to its strategic location, in the centre of CA, whose 11 countries extend from the Caspian Sea in the west to the border of western China in the east. It is bounded on the north by Russia and on the south by Iran, Afghanistan, and China—all of which makes it an excellent candidate to become a main transit node between China and Europe.

TRANSPORTATION HUB DEVELOPMENTS (2022-2024)

SCO and Ukraine Conflict Effects

Commencing in 2022, the Ukraine war plus increasingly tense relations between its neighbours provided Uzbekistan an opportunity to become an alternative transportation hub to Russia and Kazakhstan in Central Asia and in the process, transforming itself from a landlocked country into a land-linked country with wider Eurasia.

Thus in September 2022, during the Shanghai Cooperation Organization (SCO) summit, Uzbekistan President Mirziyoyev presented his proposal to revive CA's regional links with South Asia and strengthen overall regional connectivity, proposing Tashkent strengthen its position through East-West as well as North-South rail trade.

- Firstly, this will diversify export and import routes and reduce dependence on Russia, as the majority of Uzbekistani exports and imports still pass through Russia

Footnote:

(1) <https://festival.si.edu/2002/the-silk-road/samarkand-geography-and-history/smithsonian>

- Secondly, Uzbekistan is using this existing opportunity to open new trade routes, including create an alternative corridor to traditional Russian-Kazakhstan routes and accelerated times
- Over the past two years, Uzbekistan has been attracting substantial investment from international companies from both Asia and the EU which we believe will accelerate as the programmes set out below take shape, and as a major logistics hub is ultimately built.

Existing and Enhanced Kazakhstan Rail Links (2022-2026)

In November 2023, Kazakhstan announced that it is building a new railway towards Uzbekistan, which will lead to a third rail crossing between the two countries. The infrastructure will stretch for about 152kms in southern Kazakhstan, between Darbaza and the Maktaaral District.

The new railway line is expected to significantly increase Kazakhstan's transit potential, expediting cargo movement to Afghanistan, Iran, Tajikistan, and Uzbekistan. It would alleviate congestion on the Saryagash-Tashkent section, allowing for smoother transportation of cargo and passenger trains.

Even before the new line, flows were increasing. The volume of cargo transportation between Kazakhstan and Uzbekistan reached 25.8 m/t and the volume of cargo transportation with Uzbekistan for full years was anticipated to approach 31 m/t, 16% higher than 2022.

Projections suggest an additional 10-14 m/t of cargo traffic, potentially increasing to 20-25m/t in the future. This section will transport cargo in both directions much faster.⁽²⁾

Tashkent Airport/Changi Airport (Singapore) Partnership (2023-Ongoing)

In May 2023, Uzbekistan Airports Joint Stock Company (JSC) and Changi Airports International (CAI), the #1 ranked airport in the world, signed an agreement to jointly develop the Islam Karimov Tashkent International Airport (TIA). It is the largest international airport in Uzbekistan and the third busiest airport by passenger traffic in Central Asia since 2019.

Uzbekistan has a burgeoning tourism industry. Passenger traffic at TIA exceeded pre-COVID-19 levels in 2022 to reach 5 million passengers. With traffic growth expected to continue, Uzbekistan Airports plans to optimise the operations of the current TIA as well as develop a new airport that would help advance its trade and tourism potential.

Under the agreement, CAI provides consultancy and technical services to Uzbekistan Airports in the management and operation of the existing Tashkent Airport, which includes capacity optimisation, improving operational standards, commercial planning and traffic development. CAI will also work with Uzbekistan Airports to develop and complete a feasibility study in relation to the new Tashkent Airport Project.⁽³⁾

TRANSPORTATION PROJECTS (2023-2027)

International Rail Links

Trans-Afghanistan Railway (2023-2027)

In July 2023, after nearly a century of discussions, the Trans-Afghanistan Railway (TAR) agreement was signed at a trilateral meeting convened by Pakistan's Ministry of Railways which included railway officials, finance ministers and the Afghan and Uzbek ambassadors.

The proposed line would start at Mazar-i-Sharif, terminus of the existing 1520mm gauge line from Termez in Uzbekistan and run across Afghanistan to Logar province and the Kharlachi border crossing with Pakistan; this was selected rather than the Khyber Pass border crossing which has long-featured in proposals for cross-border railways.

According to preliminary estimates, the line would require more than 750km of 1520mm gauge main line and station tracks and has a transit capacity of up to 20 million tons of cargo. It is expected to cost more than \$5 billion with a construction period of five years. Its implementation is crucial for advancing transportation and trade

Footnotes:

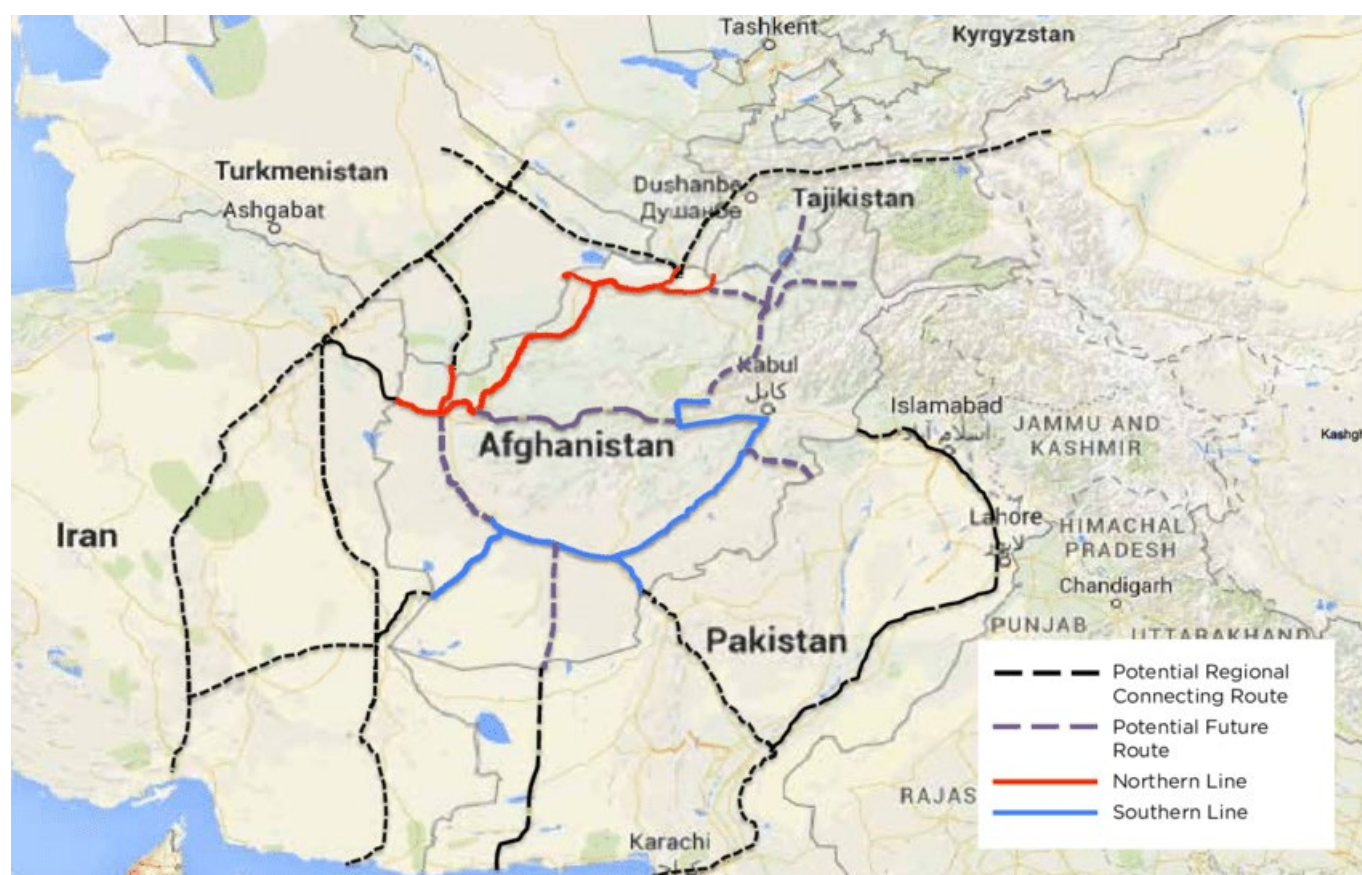
(2) <https://astanatimes.com/2023/11/kazakhstan-commences-construction-of-new-railway-to-boost-connectivity/>

(3) <https://www.internationalairportreview.com/news/185487/uzbekistan-airports-and-changi-airports-international-to-jointly-develop-tashkent-airport/>

relations in both Central Asia and South Asia.⁽⁴⁾ TAR will also provide CA countries access to the Indian Ocean port and reduce the delivery time of goods from 35 to 5 days: the cost of goods delivery will be reduced by at least 40%. The project is expected to be completed by the end of 2027.

In February 2024 senior representatives from the transportation ministries of Uzbekistan, Afghanistan, Pakistan, and Qatar met in Tashkent to discuss financing mechanisms, construction procedures, and technical intricacies.

A key challenge in project implementation lies in securing financing. Afghanistan previously sought the engagement of Russia and Kazakhstan in the endeavour. Qatar's participation in the project lightens political pressure on participating nations. Additionally, it increases the project's likelihood of success and aligns with Qatar's economic interests, particularly amid its growing economy. The railway will facilitate the supply of vital food and agricultural products from Central Asia and Afghanistan, which is significant for Qatar's food security.⁽⁵⁾



As this project is being constructed, the countries are focussed on enhancing trade. In August 2024 a Uzbek delegation led by Prime Minister Aripov discussed ways to raise Uzbek-Afghan bilateral trade to \$3 billion in the near future from \$1 billion in 2024. Discussions included cooperation in the energy sector and opportunities for pursuing joint projects to develop copper, iron, oil, and gas deposits in Afghanistan as well as cooperation in the transport, logistics, agriculture, and water management sectors.⁽⁶⁾

The preferential Trade Agreement between the two countries takes effect on 1st October and removes import duties on 14 agreed upon types of goods.⁽⁷⁾

CKU Railway (2024-2027)

In June 2024, The President of the Kyrgyz Republic signed into law the agreement on the implementation on the construction of the "China-Kyrgyzstan-Uzbekistan" (CKU) railway, a pivotal initiative set to catalyse development across CA. As part of the agreement, a Joint Project Company (JPC) will be established to implement the CKU railway

Footnotes:

- (4) <https://www.railwaygazette.com/infrastructure/trans-afghanistan-railway-agreement-signed/64551.article>
 (5) <https://proreforms.uz/publications/qatars-critical-contribution-to-the-success-of-the-trans-afghan-rail-link-191>
 (6) <https://interfax.com/newsroom/top-stories/105225/>
 (7) <https://www.uzdaily.uz/en/uzbekistan-afghanistan-preferential-trade-agreement-to-take-effect-on-1-october/>

project. Shares in the authorized capital for the implementation of the project will be divided among three countries: China will receive 51%, and Kyrgyzstan and Uzbekistan 24.5% each.

The railway route is specified in the contract as "Kashghar – Torugart – Makmal – Jalalabad – Andijan". The revised cost of the contract was \$8 billion up from the original estimated \$4.7 billion. According to the head of the Kyrgyz Cabinet of Ministers, the construction of the railway will begin in October 2024: 272km in Kyrgyzstan and 50km in Uzbekistan. In Kyrgyzstan the project involves the construction of more than 50 tunnels and 90 bridges.

The new corridor will shorten the route from East Asia to Southern European countries by 900km. The new line will increase the annual volume of freight traffic to up to 15 m/t and the time of delivery of goods to the final consumers will be reduced by 7 days. It will avoid the Trans-Siberian railway route across Russia and will be the shortest route from China to Europe and the Middle East, with the potential to attract up to 15% of the throughput from the Kazakhstani-Russian route.

In the future, this route will make it possible to exit through the Trans-Afghan corridor to the markets of the South Asian and Middle Eastern countries. Once completed CKU will position Uzbekistan at the centre of one of the region's most consequential supply routes, will become a new transport route linking Asia to Europe and the Persian Gulf countries, and will have an impact the economic development of not only Kyrgyzstan, but the entire Central Asian region.^(8, 9, 10)

In June 2024, a pilot train was launched on Korea – China – Kazakhstan – Uzbekistan route. An official ceremony was held at the Sino-Kazakh logistics terminal in the port of Lianyungang to launch a pilot train on the Korea – China – Kazakhstan – Uzbekistan route. Representatives from the railway administrations of all four countries participated in the event. The train, loaded with auto spare parts, covered a distance of 7,000km. It is noted that the launch of the pilot train will open new doors for economic interaction between the countries and facilitate the development of multimodal transportation.⁽¹¹⁾



Domestic Railways

In January 2022, AIIB approved \$108 million in project financing (ADB will co-finance) for the Bukhara-Miskin-Urgench-Khiva Railway Electrification Project. The project will upgrade the current railway along Bukhara – Miskin – Urgench – Khiva line, adding electrification, signalling and telecommunication to the recently built 465 km railway line. The Project will also help to support tourism and transit-oriented economic development along the railway corridor.⁽¹²⁾

Footnotes:

(8) It is worth noting, that the three countries negotiated for almost three decades to develop the project and in the last 3 years, they were able to reach important steps to implement the project.

(9) <https://www.railwaypro.com/wp/agreement-signed-for-china-kyrgyzstan-uzbekistan-rail/>

(10) <https://azon.global/en/posts/Turkish-World/japarov-signed-the-law-on-the-construction-of-the-china-kyrgyzstan-uzbekistan-railway>

(11) <https://kun.uz/en/news/2024/06/28/pilot-train-launched-on-korea-china-kazakhstan-uzbekistan-route>

(12) <https://www.aiib.org/en/projects/details/2022/approved/Uzbekistan-Bukhara-Miskin-Urgench-Khiva-Railway-Electrification-Project.html>

FUTURE

Uzbekistan–Turkmenistan–Iran–India transport corridor

Central Asian countries have been seeking trade routes to India for three decades. Some tentative progress has been made through Afghanistan since 2022 moving cargo by road and using Pakistani ports to ship goods to and from India. However, volumes remain modest due to the poor road network and lack of railways in Afghanistan, as well as restrictions on moving goods between Pakistan and India.

Uzbekistan has also showed interest in joining the route to India. In September 2022, its Ministry of Investment and Foreign Trade hosted a meeting with representatives of the United Nation's Economic and Social Commission for Asia and the Pacific (ESCAP) to discuss developing a transport corridor running from Uzbekistan through Turkmenistan, Iran, and via the latter's Persian Gulf port at Chabahar, to India.

Already in January 2023, Uzbekistan was using the north-south trade corridor as a shipment of sesame seeds from India passed through Iran, Turkmenistan, and Uzbekistan en route to buyers in Almaty, Kazakhstan. The trip from Mundra, India to Almaty took 20 days.

Iran and Uzbekistan signed agreements to establish a joint logistics centre at Bandar-Abbas and Chabahar and for businesses from Uzbekistan to take part in the construction of terminals and storage facilities at both ports

Iran has been offering the Central Asian states use of both the Bandar-Abbas and Chabahar ports. Tehran proposed their use to Kyrgyzstan in early 2023 as incentive for joining in trade routes from China through Central Asia to Iran and farther to India, the Middle East, and East Africa.⁽¹³⁾

All three of these routes bypass Kazakhstan, thus elevating Uzbekistan's role as a second regional transport hub in Central Asia, closing the gap with Kazakhstan.⁽¹⁴⁾

ROAD TRANSPORTATION

International

CKU International Highway (2019-2024)

Central Asia has been a particular focus in recent years, with large projects launched like the China-Kyrgyzstan-Uzbekistan International Highway (CKU), intended to facilitate trade and passenger services. The CKU encapsulates several different modes of transport, from road to railway. The CKU International Highway is a transport corridor centred on Kyrgyzstan envisioned to interlink Pakistan, China and Kyrgyzstan, with strategic nodes extending to Uzbekistan, Tajikistan and Kazakhstan.

One of the main projects contributing to the creation of the corridor is the North-South Alternative Road. The 250km highway is a shorter alternative to the existing highway from the Kyrgyz capital of Bishkek to Osh, the country's second city in the south. There is a truck line with regular service delivering freight through China, Kyrgyzstan, and Uzbekistan. The route starts from Kashgar and ends in Tashkent, passing through Irkeshtam and Osh in Kyrgyzstan and Andijan in Uzbekistan.

In April 2024, according to Seetao (China), only the road section of the highway has been completed. The highway begins its journey in Xinjiang's Kashgar and passes through Kyrgyzstan's southern city of Osh before reaching Tashkent. Measuring 950km (590 miles), it is the biggest such highway anywhere in Central Asia. Its creation has already stirred economic activity in many of the towns and cities it passes through and has become a vital means of transport for the Tarim Basin in Xinjiang, linking it to the Amu Darya River Basin in Central Asia.⁽¹⁵⁾

Kazakhstan, Uzbekistan Railway/Highway Links (2025-2028)

In December 2021, Kazakhstan and Uzbekistan signed an agreement agreed on the construction of the Kyzylorda-Uchkuduk road and railroad. The highway is expected to be 280km long. In 2024-2025, it is planned to develop a feasibility study, and from 2025 to begin construction of the road within 2-3 years. The estimated cost of the road

Footnotes:

(13) <https://www.mei.edu/publications/central-asian-states-look-iran-they-look-to-expand-regional-transit-corridors#:~:text=In%20September%202022%2C%20its%20Ministry,via%20the%20latter's%20Persian%20Gulf>

(14) <https://jamestown.org/program/uzbekistan-an-aspiring-transport-hub-for-central-asia/>

(15) <https://www.express.co.uk/news/world/1890273/huge-international-highway-china-kyrgyzstan-uzbekistan-spt>

construction will be 75 billion tenge (about \$172 million). The highway will be part of the international corridor Kyzylorda-Zhezkazgan-Pavlodar-Russian border. In addition, Uzbekistan is initiating the construction of a new railway line, Kyzylorda-Uchkuduk. A joint action plan has been signed, an economic analysis is planned to develop a feasibility study.

To increase the tourist potential, the building of a high-speed highway Turkestan-Shymkent-Tashkent for 160 billion tenge (\$367 million) is being considered. This project will unite the largest historical and cultural centres of Central Asia and, increase passenger traffic to 1.9 million passengers per year at a speed of 250km/h.⁽¹⁶⁾ To date, construction has not yet commenced.

Domestic

Proposed Toll Roads/Airports

In October 2022, it was announced that there are three toll roads to be built in Uzbekistan by 2026. Once operational, it will be possible to travel along them from Andijan to Tashkent, then to Samarkand and Shakhrisabz.

The toll road plan was first introduced by a German company in 2018, in 2019 a draft law was circulated and in 2020, practical introduction started. There are a number of PPP projects being planned, 3 of which are in road transportation:

Roads

- The Tashkent-Andijan toll road project, with the support of the World Bank;
- The Tashkent-Samarkand toll road project, with the support of the EBRD;
- The project of the Samarkand-Shakhrisabz toll road with a length of 66km, as well as a tunnel at the Takhtakoracha pass for 4.4km;

Domestic Toll Roads

Samarkand-Shakhrisabz Toll Road (2022-2026)

In October 2022, it was reported that work will be launched on the construction project of a 66km highway between Samarkand and Shakhrisabz and a 4.4km tunnel at the Takhtakoracha pass.⁽¹⁷⁾

Tashkent-Samarkand Toll Road (2023-2026)



In December 2023, the Main Directorate of Highways of Samarkand Region announced the project for the construction of the Tashkent-Samarkand toll road. The EBRD allocated grant funds of \$350,000 for the development of the original technical and economic document of the project.

EBRD hired ProyaPı Mühendislik ve Müşvirlik A.Ş (Turkey) to develop a feasibility study for this project.

The total length of the toll road between Tashkent and Samarkand will be 305km. The project will be built with a 6-lane highway that meets international standards. It is also planned to build new bridges and overpasses over all interchanges and structures and install an intelligent transport system. The service life of the road is 25 years.⁽¹⁸⁾

Footnotes:

(16) <https://en.kabar.kg/news/kazakhstan-uzbekistan-to-build-a-highway-for-172-million/>

(17) <https://www.uzdaily.uz/en/uzbekistan-plans-to-complete-the-construction-of-two-toll-roads-by-2026/>

(18) <https://www.uzdaily.com/en/post/85389/>

Tashkent-Andijan Toll Highway (2024-2027)



In the May 2024 TIIF, Deputy Minister of Transport Choriyev said that the estimated cost of the toll road between Tashkent and Andijan is \$4.65 billion. The feasibility study is expected to be completed by the end of June 2024. According to Choriyev, the total length of the road connecting Tashkent and the Fergana Valley is going to be 314km.

The toll road project has been in discussion since 2019. In 2021, it was said that the cost of the project would make up \$2 billion. The World Bank at that time estimated that the cost of using the tollway would be about \$5–7 for cars and \$15 for trucks and buses.⁽¹⁹⁾

Additional Domestic Road Upgrades

In December 2023, ADB approved a \$240 million loan to upgrade the infrastructure of 700kms of rural roads in Uzbekistan where circa 50% of the population resides in rural areas, heavily dependent on agriculture. It will focus on local and inter-farm rural roads in 12 regions and the Republic of Karakalpakstan. The improvements will address capacity, quality, and connectivity.

This project is groundbreaking in Uzbekistan and the CIS, as it will provide rural communities and farmers with all-weather access to markets, schools, health services, and district centres.⁽²⁰⁾

In May 2024, EBRD approved a sovereign loan of up to \$238 million (€224 million) designed to help rehabilitate circa 81km of the 4R156 road and build a bridge across the Amu Darya River in the Khorezm region of western Uzbekistan. This strategically important road is part of a transportation network that links the region's administrative centre, Urgench, with the A380 road to Kazakhstan and forms the Central Asia Regional Economic Cooperation Corridor 2.

Once complete, the current single-carriageway category-II road will be transformed into a dual-carriageway category-I road. The Bank's funds will also help upgrade supporting infrastructure along the 4R156 road. The project will significantly improve the new road's throughput capacity and thus stimulate trade and tourism in the Khorezm region.⁽²¹⁾

Airports

Airports previously approved as PPP projects:

- Projects for the modernization of airports in Tashkent and regions with their transfer to the management of private partners (discussed earlier in this section);
- Projects of modernization and transfer to a private partner of the airports of Bukhara and Urgench.

Urgench International Airport (UIA) (Tender Launched Q3 2024)



In April 2024, The Government of the Republic of Uzbekistan (GoU), through Uzbekistan Airports JSC (UzAirports), The Ministry of Transport (MOT) and the Ministry of Economy and Finance (MEF) plan to implement a PPP project for the reconstruction and management of Urgench International Airport situated near the city of Urgench within Uzbekistan's Khorezm Region. The aerodrome and the new government terminal will fall under the responsibility of the Public Partner including the passenger terminal, the cargo terminal, the special equipment building, and the catering complex.⁽²²⁾

In August 2024, the GoU and UzAirports announced they are starting the selection of a company to transfer the management of UIA. PwC and White & Case are acting as specialized consultants for the tender process. The managing company will be required to modernize the airport using the "Build — Operate — Transfer" (BOT) model. Applications are accepted until September 14.⁽²³⁾

Footnotes:

(19) <https://www.gazeta.uz/en/2024/05/07/tashkent-andijan/>

(20) <https://daryo.uz/en/2023/12/11/adb-approves-240mn-loan-for-700-km-of-road-infrastructure-projects-in-uzbekistan>

(21) <https://www.ebrd.com/news/2024/ebd-finances-upgrade-of-key-road-in-uzbekistan.html>

(22) <https://www.infrappworld.com/news/plans-announced-for-reconstruction-and-management-of-international-airport-in-uzbekistan>

(23) <https://kun.uz/en/news/2024/08/05/government-announces-tender-for-management-and-modernization-of-urgench-international-airport>

Bukhara Airport (Completion 2025)



In June 2024, as part of an upgrade to the entire Bukhara region, \$226 million is to be allocated for construction of new airport infrastructure that will allow serving 1.2 thousand passengers per hour. The project, which will be implemented on PPP terms, will increase the number of tourists in the region. By improving the quality of service for passengers and aircraft, new international airlines are expected to be attracted to Bukhara.

Other upgrades to this region include a large chemical plant, a 250MW solar power station by Masdar (UAE), and additional renewable energy projects led by Saudi Arabia and China.⁽²⁴⁾

Aeronautical Telecommunications (Japan)



In June 2024, JBIC signed a MOU with the MoT which includes promoting cooperation in aeronautical telecommunications projects, as part of the country's plan to modernize its air traffic control systems and on the possible collaboration in finance. MoT has been considering modernizations of air traffic control systems in several airports in the country.⁽²⁵⁾

CONCLUSIONS

Uzbekistan has already demonstrated considerable progress in realising its goal of becoming a leading regional transportation hub by 2030 – one which does not depend on neighbouring countries linking east and west. This will only get stronger as the President of Azerbaijan visited during August with plans to expand links to Europe.

All of the pieces are either in the place or will be in place by 2030. It is our understanding that while several major logistics firms are either already doing business with or contemplating locating their businesses in Uzbekistan, the government is committed to delivering on its 2030 timetable to support this important future growth business.

Footnotes:

(24) <https://kun.uz/en/news/2024/06/01/226-million-to-be-allocated-for-construction-of-new-airport-in-bukhara-region>

(25) https://www.jbic.go.jp/en/information/press/press-2024/press_00031.html