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CENTRAL ASIA

CENTRAL ASIA: ECONOMY, LABOUR MARKET AND TECHNOLOGY POLICY

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„CENTRAL ASIA REMAINS A REGION ON THE MOVE“

Vladimir Nikitenko
Regional Director for Central Asia at the Committee on Eastern European Economic Relations

→ **Biography**

How would you evaluate the current economic landscape of the Central Asian states, and what key trends do you anticipate emerging in the coming years?

Economic development in Central Asia remains remarkable. With a population of around 80 million, the five countries in the region form a large, albeit still heterogeneous, market. All countries are working hard to diversify their economies and expand their industrial base, while simultaneously maintaining a delicate equilibrium in their engagements with China, Russia and the European Union.

Central Asia is increasingly coming into the international spotlight in light of global power shifts, not least because of its strategic location as a bridge between Europe and Asia, and its rich natural resources. The region's economies are on a clear growth path: average growth rates have been around 7% in recent years, and international institutions expect stable growth to continue in 2026.

Germany's relations with the region received new impetus from former Chancellor Scholz's trip to Uzbekistan and Kazakhstan in September 2024, which was accompanied by an economic delegation from the German Committee on Eastern European Economic Relations. In Astana, the Chancellor took part in the second Central Asia Summit in the 'Z5+1' format, with the five heads of state of the region, which is to be continued in the future. We hope that the new German government will continue this format.

All of this has a positive effect on bilateral economic relations. Since 2021, the volume of trade between Germany and the Central Asian countries has almost doubled, with figures for 2024 showing a bilateral trade volume of approximately 9.5 billion euros with Kazakhstan and approximately 1.2 billion euros with Uzbekistan.

Kazakhstan and Uzbekistan have implemented a series of reforms in recent years. What changes are companies already seeing today, and what further improvements can be expected?

Kazakhstan and Uzbekistan are increasingly focusing on digitalisation and artificial intelligence (AI). Companies are already experiencing faster services, more efficient processes and more transparent data access. For example, a digital headquarters has been established in Kazakhstan – an initiative led by the Prime Minister to drive forward the agenda for digital transformation and AI.

Although many legal provisions in Kazakhstan have remained unchanged for a long time, several reforms are planned for 2025 and 2026 that will create new investment conditions. A new tax code was passed this year.

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An increase in VAT to 16% is planned from next year. At the same time, reduced rates are planned, e.g. for medicines and medical services. Regulations on progressive income tax and tax reporting relief have also been introduced.

Uzbekistan has launched the National Investment Fund (UzNIF) to specifically attract foreign investors. The fund pools state assets and is preparing to float them on the stock market by 2026. UzNIF gives international investors access to investments in key sectors such as energy, transport and telecommunications. This is an important step for Uzbekistan towards further opening up its economy and integrating into global financial markets.

How is the German economy represented in Central Asia?

To date, the German economy has invested over 10 billion euros in Central Asia, creating more than 35,000 jobs. Around 900 companies with German capital participation are active in the region. Each year, the German Committee on Eastern European Economic Relations organises a large number of events and several delegation trips to the region in order to open up new business opportunities for German companies.

The German economy in Central Asia is particularly active in the fields of mechanical and plant engineering, construction and building materials, agricultural technology, energy, chemicals, pharmaceuticals and medical technology.

Where do you see the greatest opportunities for German companies in Central Asia over the next five years?

Over the next five years, German companies will see great opportunities in many areas in Central Asia. There is enormous pressure for reform in the energy and water sectors: the countries in the region need to modernise their energy supply and at the same time manage their water resources more sustainably. This is creating a broad demand for German expertise. Projects in the field of green energy are currently developing particularly dynamically – from the construction of new solar and wind farms to pilot projects in the field of green hydrogen.

New prospects are also emerging in the raw materials industry. Kazakhstan is investing in the development and processing of critical minerals and aims to become a long-term alternative to China for rare earths. This is a very important project for Germany. Initial projects involving German technology partners, for example in potassium extraction, demonstrate the potential of this cooperation.

KAZAKHSTAN IS INVESTING IN THE DEVELOPMENT AND PROCESSING OF CRITICAL MINERALS AND AIMS TO BECOME A LONG-TERM ALTERNATIVE TO CHINA FOR RARE EARTHS.

The automotive industry is becoming increasingly important in Uzbekistan. The country is pursuing the goal of producing up to one million vehicles annually within the next five years – a realistic prospect given the rapidly growing production capacities. The country already produces more cars than Italy.

Geographically, the region acts as a link between the European Union (EU) and the emerging markets in Southeast Asia. Although the so-called Middle Corridor across the Caspian Sea poses a logistical challenge due to the necessary transhipment processes (road/rail – ship – road/rail), it offers considerable growth potential in view of geopolitical developments. Logistics, construction and infrastructure are expanding, driven by a young population, growing urbanisation and increasing investment activity.

The region's growing population also offers enormous opportunities for Germany to secure skilled workers. In 2024, a comprehensive migration and mobility partnership agreement was signed with Uzbekistan. The agreement aims to promote the immigration of workers and skilled personnel.

Thus, Central Asia remains an economically dynamic region.

What influence do intercultural aspects have on business activities? What would you recommend to foreign companies in this regard?

Central Asia is a predominantly Muslim region, but at the same time it is politically and socially secular. This cultural balance also shapes economic life. Trust, personal relationships and long-term ties are particularly crucial for business success there.

German companies should be aware that it is rare to hear a direct 'no' in Central Asia. Rejection or reservations are often expressed indirectly, so it is important to interpret nuances correctly and show patience. Face-to-face meetings, shared meals and continuous exchange are key elements in building trust.

In addition, family and regional networks play an important role in many areas. They are deeply rooted in society and can either facilitate or slow down business processes.

CENTRAL ASIA IS NOT A MARKET FOR QUICK DEALS, BUT RATHER, FOR LONG-TERM PARTNERSHIPS.

For German companies, this means that Central Asia is not a market for quick deals, but rather, for long-term partnerships. Those who respect cultural nuances and show genuine interest in people will find lasting success here.

'THE LEVEL OF QUALIFICATIONS VARIES GREATLY'

Nataliya Lyukshina
Research Manager for Central Asia & Transcaucasia

Christian Tegethoff
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What are the prospects for attracting and retaining qualified and motivated employees in Kazakhstan?

The conditions for recruiting qualified and motivated specialists in Kazakhstan are currently favourable. A growing number of managers have international experience, and the language and intercultural skills required to work in European companies.

The cost of setting up and operating a local sales force is low compared to many other countries, including Russia and China. According to Qazstat, the average monthly salary in 2024 was around USD 660, with specialists and managers earning significantly higher salaries.

If no suitable candidates are available locally, Russian specialists can also be recruited. Due to the political situation in Russia, many Russians are drawn to Kazakhstan, especially, to cities such as Almaty and Astana. Thanks to both countries' membership in the Eurasian Economic Union, Russian citizens do not need a work permit. Russian-speaking expats in other countries are also usually open to working in Kazakhstan.

What HR factors make Kazakhstan an attractive production location?

Kazakhstan provides access to a broad and readily available workforce, suited for production and operational functions. The region is currently experiencing a growing imbalance, with demand for top-tier talent rising faster than the pool of qualified professionals available to fill these roles. Wage levels remain moderate by international standards, but the purchasing power of employees has been rising steadily for years. Added to this are moderate income taxation and low non-wage labour costs. These are clear advantages for companies looking to build up production or outsource capacities.

However, companies will find it difficult to fill specialised technical positions without international skilled workers. These workers can apply their expertise on site while local employees are trained in parallel. In addition to Russian skilled workers, Chinese specialists can be considered due to economic ties. They are often sent from their own company's plants.

Which types of positions are you most frequently engaged to recruit for in Kazakhstan?

For most of our clients, Kazakhstan is still primarily a sales and services location. Specialists and managers in sales, service and technical customer support, are therefore, in particularly high demand.

However, with around 20 million inhabitants, high purchasing power and a strategically favourable location, Kazakhstan is also developing into an attractive location for direct investment. The country is steadily gaining importance as a logistics hub and production base for Central Asia.

Many companies that previously operated from Russia, now manage their Central Asian activities directly from their corporate headquarters in Europe, or from new regional hubs in Turkey or the Middle East. Kazakhstan continues to play a leading role in Central Asia. Hence, most companies open their offices in the capital Almaty. This is where the economic decision-makers are located. The capital also provides easy access to the neighbouring countries of Uzbekistan and Kyrgyzstan.

What is the current situation in the top management of international companies in Kazakhstan? What factors strengthen employee retention there?

The labour market is also dynamic in the executive sector, with many changes in the management of local and international companies over the last 18 months. Managers who are willing to change jobs often find new positions within a few weeks.

Salaries have risen by an average of around 13% over the past year, particularly, in the oil & gas, mining and financial services sectors. Regular, transparent salary adjustments, clear target agreements for the first 12 - 18 months and structured, rapid onboarding are crucial for retaining executives.

Companies that take too long in the selection process or delay feedback quickly lose good candidates to the competition. A sensible strategy may be to fill critical management positions with expats, while simultaneously developing local managers.

What cultural characteristics should be considered when recruiting in Uzbekistan?

Since the market opened in 2017, Uzbekistan has experienced dynamic economic development. The number of international companies is growing, even if their number is still significantly lower than in Kazakhstan.

International managers are often pleasantly surprised by the marked hospitality. However, culturally influenced business ethics may also leave some a bit perplexed. For example, a ‘yes’ sometimes simply means ‘I understand’, and does not necessarily imply agreement. Similarly, a lack of response to emails or assumed promises yet to be fulfilled are often culturally conditioned and should not be hastily interpreted as a lack of interest.

The level of qualification varies greatly. Skilled workers, who are considered top specialists locally would often have to complete additional training in Russia or Europe. Therefore, careful induction and intensive support, are crucial.

Another factor is widespread nepotism: employees try to place relatives in the company. Clear but sensitive communication helps to avoid misunderstandings, disappointments and conflicts.

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On a positive note, many owners have now recognised the benefits of international standards. Companies are increasingly investing in the development of local talent instead of relying exclusively on expats to fill key positions. In the long term, this will have a positive impact on the quality and professionalism of the Uzbek labour market.

ANALYSIS

ARTIFICIAL INTELLIGENCE IN KAZAKHSTAN: NEW LAW OPENS UP STRATEGIC OPPORTUNITIES

Nikolai Knorr
Managing Director & Partner,
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→ **Bioraphy**

In September 2025, Kazakhstan took a significant step into the digital age when the Maschilis (the lower house of parliament) passed the first framework law in Central Asia to regulate the field of artificial intelligence (AI). This document is not a mere formality, but represents a significant change in the legal framework for any organisation that uses AI technologies or plans to introduce them. It was a direct result of the comprehensive task set by President Tokayev – to transform Kazakhstan into a fully digital state within three years. For European companies already operating in the region or considering it as a new growth point, understanding the new legal norms and state strategy will become a key factor in minimising risks and seizing unique opportunities.

The new law aims to strike a balance between dynamic economic development and the need to protect civil rights by creating a predictable and secure environment for the introduction of innovations. It does not so much restrict the new field of activity as it regulates it, and it is precisely in this regulation that significant opportunities for investors lie.

The new legal environment: from uncertainty to predictability

Before the law was passed, the AI sector in Kazakhstan, as in many other countries, was in a state of legal uncertainty. This created risks for both companies in terms of liability issues and for citizens. The adoption of transparent regulations sends a strong signal to investors that the state considers AI to be a strategic direction and is prepared to create long-term and understandable working conditions.

One of the key innovations that directly affects operational activities is the obligation to label content (text, image, audio, video), created with the help of AI. In practice, this means that when a chatbot interacts with a customer through messaging or any other channel of communication, there must be a note indicating that the response was generated by AI. Advertising images created using neural networks must be labelled accordingly. This requirement, which aims to ensure transparency and protect consumer rights, also creates a new market niche for investors – the development and implementation of technological solutions for the automatic labelling and verification of content. Companies that can offer the market simple and effective tools for regulatory compliance will encounter significant demand.

No less important is the question of liability for damage caused by an AI system. For the first time, the law attempts to distinguish between the owner, the developer and the user. Although AI is not recognised as a legal entity, responsibility always lies with the natural or legal person who controls the system and decides on its use. For example, if an AI system for credit scoring unjustifiably denies a customer a loan, resulting in financial losses, the responsibility can be attributed to the bank (the owner) if it has not ensured adequate control and has not given the customer the right to challenge this decision. On the one hand, this regulation places higher demands on companies, but on the other hand, it opens up the market for services in the areas of AI system auditing, risk insurance and legal advice. European companies with experience in AI governance, risk and compliance (GRC) will find a promising market for applying their expertise in Kazakhstan.

EUROPEAN COMPANIES WITH EXPERIENCE IN AI GOVERNANCE, RISK AND COMPLIANCE (GRC) WILL FIND A PROMISING MARKET FOR APPLYING THEIR EXPERTISE IN KAZAKHSTAN.

The legislator has also taken a clear position in the area of intellectual property: a work created entirely by AI, without any creative contribution from a human being is not subject to copyright. A logo, melody or advertising text generated by a neural network in response to a simple request does not enjoy legal protection and can be used freely by anyone. To secure the rights, a company must prove that its employees made a significant creative contribution to the creation process (e.g. through complex elaboration of query prompts, selection and further development of the results). This standard not only promotes the use of AI, but also the development of human-machine interaction, and creates added value for the creative industries and EdTech platforms.

Finally, the law grants citizens new rights, which imposes additional obligations on companies. Everyone now has the right to challenge legally relevant decisions made solely on the basis of automated data processing, and to demand an explanation of the logic behind the algorithm. In addition, a direct ban on the use of AI for social scoring and behavioural manipulation is introduced. Companies must develop transparent procedures for such cases and be prepared to ensure the transparency of their AI systems' algorithms. This, in turn, creates demand for the development of 'explainable AI' (XAI), which is a leading direction in the global IT industry and a promising niche for investment.

Government strategy as a catalyst for investment

The adoption of the law is only part of a broader government strategy aimed at actively promoting AI development. In parallel with the creation of a regulatory framework, the government is creating favourable conditions for the growth of the technology sector, making Kazakhstan particularly attractive to investors.

A key element of this ecosystem is the creation of a National AI Platform. This is a government project that provides companies with access to the following resources:

- Computing power for training complex models.
- Anonymised data sets for training algorithms.
- Ready-made models and tools for integration into products.

Such a platform, created on the basis of the Astana Hub Technopark, significantly lowers the entry threshold for start-ups and technology companies. Investors no longer need to invest significant funds in purchasing expensive equipment and collecting data; they can focus on developing unique products and business models, relying on the existing state infrastructure. This opens up opportunities for venture capital investment in local start-ups or the establishment of joint ventures.

The government has also identified priority sectors for AI adoption, where the most support will be provided and government contracts awarded. This creates predictable demand and serves as a roadmap for investors:

- **Public administration (GovTech):** automation of public services, predictive analytics.
- **Healthcare (HealthTech)**: systems to support medical decisions, analysis of medical images.
- **Agricultural industry (AgriTech)**: precision farming, harvest forecasts.
- **Industry (Industry 4.0)**: predictive maintenance of equipment, optimisation of production processes.
- **Finance (FinTech)**: scoring, fraud prevention, personalised services.

European companies that already have successful projects in these sectors can enter the Kazakh market with a ready-made solution for a specific task specified by the state.

There are plans to develop and adopt a comprehensive ‘Digital Code’ that will systematise all aspects of the digital economy and create a uniform and comprehensible legal environment. This step will consolidate Kazakhstan's status as one of the most advanced and favourable jurisdictions for digital and technological business in Eurasia.

From compliance to competitive advantage

Kazakhstan's new AI legislation is not a barrier, but a sign of market maturity. It creates a predictable environment in which innovation can develop responsibly. For European companies, this sends a double signal: on the one hand, they must adapt their processes to the new requirements; on the other hand, it is precisely this order and active state support that are transforming Kazakhstan into a strategically important region for investment in future technologies. Companies that can adapt quickly to the new rules will see this not as a cost, but as an opportunity to create new products and services. Those that can strategically integrate themselves into the state's digitalisation policy will gain access to infrastructure, markets and skilled workers. It is precisely this approach that will make it possible to turn the legal innovations into an undeniable competitive advantage in one of the most dynamically developing markets in Eurasia.

OUR AUTHORS

VLADIMIR NIKITENKO ...

... is a business development and government relations expert with over 20 years of experience. He is currently responsible for the Central Asia portfolio at the German Committee on Eastern European Economic Relations (GUD), and supports German companies in the five Central Asian markets: Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan and Turkmenistan.

Vladimir has coordinated international projects to attract foreign skilled workers at the DIHK in the global network of foreign chambers of commerce. In doing so, he successfully created opportunities for young skilled workers from abroad to receive vocational training and enter the German labour market. Until 2022, Vladimir Nikitenko held various management positions at the German-Russian Chamber of Commerce, including the role of Deputy Delegate of German Industry and Commerce responsible for the St. Petersburg region.

Vladimir Nikitenko studied international management, specialised in motivation theories at the University of Konstanz and obtained an Executive Master's degree in Strategic Management from Kingston University.

→ Interview

NIKOLAI KNORR...

... has been the managing and founding partner of RSP International since 2013.

The company supports foreign, particularly, German-speaking companies in the areas of law, taxation and auditing, and has already successfully accompanied and completed more than 100 projects in Central Asia.

Mr. Knorr has been admitted to practice as a German lawyer since 2007 and as a Kazakh legal and tax advisor since 2025. After studying law in Göttingen and Münster, he began his professional career at an international law firm in Moscow. From 2008 to 2013, he worked for the multidisciplinary consulting firm Rödl & Partner in Moscow, Almaty and Tashkent, most recently, as head of the branches in Kazakhstan and Uzbekistan.

In addition to his professional activities, Nikolai Knorr is involved in numerous voluntary roles in the German business community. Since 2012, he has been a member of the supervisory board of the Association of German Business in Kazakhstan (VDW), which he chaired for eight years, and since 2013, he has been a member of the supervisory board of the German-Kazakh University.

→ Article

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