Eurasian Development Bank

Advanced Manufacturing Potential in Eurasia: Sectoral Niches for Growth

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Abstract

An export-raw material model of development has wired in the Eurasian region, comprising the countries of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan. The region's industry is characterised by insufficient and non-homogeneous technological complexity, export specialisation in low-value-added sectors and import dependence in high-tech sectors, insufficient production cooperation between countries on intermediate products. These challenges can be overcome by diversifying production and exports. If the existing potential of medium- and high-processed manufacturing goods is realised, the combined effect of export growth, import substitution and increased economic output will exceed $510 billion per year. The chemical industry (*including pharmaceuticals*), machine building (*largely transport, particularly automotive*), metallurgy, and the food industry are expected to contribute most. The Eurasian region is facing a challenge that extends beyond the mere increase of exports and import substitution. The necessity lies in the establishment of a contemporary industrial system that is capable of ensuring domestic resource processing, job creation and technological development.

Keywords: Eurasian region, industrialisation, level of processing, industry, specialisation, export potential, import substitution, macroeconomic effects.

JEL: L16, L52, L60, F14, F47, C67.

The electronic version of the report is available on the website of the Eurasian Development Bank: https://eabr.org/analytics/special-reports/

ADVANCED MANUFACTURING POTENTIAL IN EURASIA: SECTORAL NICHES FOR GROWTH

KEY FINDINGS

ANALYTICAL REPORT'25

INDUSTRY ENSURES SPEED, QUALITY AND RESILIENT ECONOMIC GROWTH

Export growth potential

$71 billions

Import substitution potential

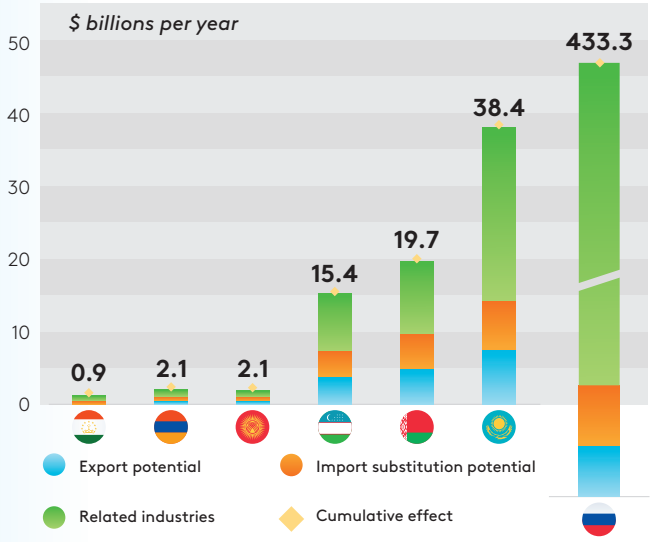
$81 billions

Growth potential in related industries

$361 billions

Production multiplier

$1.2–1.3 per $1 of additional production



PRIORITY HIGH-LEVEL PROCESSING INDUSTRIES

KEY INDUSTRIES WITH THE GREATEST CONTRIBUTION IN CUMULATIVE EFFECT

- Machine building (transport, in particular automotive)
- Chemical complex (including pharmaceuticals)
- Metallurgical complex
- Food industry

RELATED INDUSTRIES WITH THE GREATEST MULTIPLIER EFFECT

- Electric power industry
- Wholesale and retail trade
- Transport services
- Agriculture, etc.

INDUSTRIAL DEVELOPMENT — A STRUCTURED AND STRATEGICALLY DRIVEN PROCESS

The state — a proactive strategist

- Triple partnership priority: government–business–research synergy
- Balanced strategy: exports, import substitution, industrial cooperation
- Focused support for selected niche industries
- Investing in human capital through STEM development
- Building a reliable and predictable institutional framework

Industrial cooperation and openness — key to growth

- Eurasia — a key market for the middle and high processed products (avg. 59%, from 48% for Russia to 85% for Kyrgyzstan)
- Strongest cooperation gains — in chemicals, metallurgy and machine-building
- Openness enables scale economies and technology access

Adapting to new global shifts

- Adoption of digital technologies and Industry 4.0
- Deployment of green technologies (including in energy) and the circular economy
- Focus on next-generation industrialisation: biotech, advanced materials, etc.

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SUMMARY

The industry of the Eurasian region (*which includes Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan)* is the largest sector of the economy, accounting for about 31% of the region's total GDP and equivalent to $834 billion as of 2024. Within this sector**, manufacturing** plays a key role**, generating 44.2% of the industry's gross value added,** or about $368 billion, which accounts for 13.6% of the region's GDP. At the global level, the manufacturing industry in the Eurasian region accounts for 2.2% of global value added in the sector. This corresponds to the region's share of global GDP, which stood at 2.4% in 2024.

↓ **Figure A. Importance of manufacturing in the countries of the Eurasian region, 2024**

Source: EDB calculations based on UNIDO and World Bank data.

The economies of the Eurasian region have historically developed according to an export- and raw material-based model, relying on the extraction and primary processing of resources and their export in exchange for imports of high-value-added goods. This means that countries in the region benefit from global value chains mainly during periods of high commodity prices, while remaining dependent on imports of machinery, equipment and components for investment and production. In addition, the similarity of many countries' export specialisation (*they compete on a number of similar raw materials)* and the limited size of the regional market hinder deep economic integration: excess production capacity is forced to focus on third-country markets.

The region's industry is characterised by insufficient and uneven technological sophistication. The most industrially developed countries — Russia and Belarus — have a relatively high share of medium- and high-value-added products (*Russia ranks 33rd in the world in terms of industrial competitiveness, Belarus 56th*). At the same time, smaller economies such as Kyrgyzstan (*115th)* and Tajikistan (*121st)* produce virtually no

high-value-added products, demonstrating the vulnerability of their industrial sectors. Common challenges for most countries include a low share of high-tech products in the structure of output and exports and insufficient export diversification. Exports continue to be dominated by low-value-added, low-processing goods (*first stage of processing)*, such as semi-finished metal products, basic chemicals, petroleum products, etc. Together, they form the basis of the region's foreign trade, keeping it on the periphery of global industrial expansion. There are a few exceptions: for example, in Armenia and Belarus, a significant share of exports already consists of more highly processed goods, facilitated by access to the large Russian market.

Overall, however, **the region's** limited presence in high-income segments of the global economy increases **its dependence on fluctuations in external demand for raw materials**. At the same time, there is a high degree of import dependence in the most technology-intensive industries. Even countries with developed industries are heavily dependent on imports of machinery, pharmaceuticals, fine chemicals and other knowledge-intensive products. Despite better diversification, Belarus remains dependent on external supplies, for example in the chemical complex and pharmaceuticals. In the region's small economies, high-tech manufacturing is largely absent. The potential for developing complex manufacturing is limited by the narrowness of the domestic market and demand, which makes import substitution a particularly pressing issue.

The structural problems of the current development model can be overcome by diversifying production and exports, shifting the focus towards higher-value-added products. Global experience shows that as countries' economies grow, they expand the range of goods they export, including more and more high-tech products. The development of high-value-added industries serves as a catalyst for economic growth, creating new niche industries, reducing environmental impact and promoting the transition to a technologically sovereign development model. In the context of global technological transformations, it is precisely the focus on complex, knowledge-intensive industries that becomes a determining factor for long-term stability and innovative leadership.

International experience shows that **in this situation**, **the state should not be a passive observer, but an active strategist**. State policy should design transitions between stages, prioritising sectors and supporting them through investment, education and scientific infrastructure. This means that industrial development is not a linear or deterministic process — it is a strategically managed, structured progress. The success of the transition between stages critically depends on the state's ability to accurately identify the optimal industries for each phase and to coordinate the implementation of support mechanisms.

To develop an effective industrial policy, **two tasks** must be addressed simultaneously. On the one hand, following the conclusions of classical structuralism, it is necessary to identify industries with high import substitution potential in order to overcome

dependence on external supplies of finished products and move away from the peripheral role of a raw materials exporter. On the other hand, it is important to identify sectors that have competitive advantages and are capable of integrating into global production and technology chains. This approach requires an adaptive strategy: at each stage of development, support should be given to industries that correspond to current resource and institutional capabilities, while creating the conditions (*infrastructural, institutional and educational)* for a transition to more complex production.

Thus, the key task is to develop **an effective methodology for identifying niche industries** with potential for import substitution, export and integration into global innovation trends. This is what will ensure long-term competitiveness and sustainable economic growth.

The multi-stage model developed by the EDB points to the significant industrial potential of the Eurasian region. Today, **the region's additional export opportunities are estimated at $71 billion per year.** The most important potential export growth is expected in Kyrgyzstan, Uzbekistan and Armenia (*growth of 25–28%)*, while forecasts for Russia, Belarus, Kazakhstan and Tajikistan are more moderate (*growth of 12–17%)*. Second-stage-processing products dominate the structure of export growth potential (*the Russian Export Centre's product classification is used*). The main part is the potential associated with export diversification based on existing specialisation and competitive advantages. Full realisation of this potential could contribute to the complexity of the economy: in all countries of the region, the share of machine building in exports will increase, new specialised industries will emerge in some countries, and the stability of export revenues will increase due to a significant increase in the share of second-stage-processing products in exports.

↓ **Table A. Assessment of the industrial potential of the Eurasian region**

Country	Export growth potential $ billions	Growth rate %	Import substitution potential $ billions	Share of import substitution %	Indirect macro-effects $ billions	Total effect $ billions
Armenia	0.6	25	0.69	14	0.76	2.11
Belarus	5.07	16	5.01	13	9.65	19.73
Kazakhstan	7.75	13	6.70	17	23.91	38.35
Kyrgyzstan	0.56	28	0	16	0.77	2.11
Russia	52.61	12	63.46	26	317.19	433.26
Tajikistan	0.15	17	0	11	0	0.93
Uzbekistan	3.86	26	3.61	16	7.94	15.41
Total	70.67		80.63		360.60	511.89

Source: EDB estimates based on UN data in accordance with the methodology and based on 2019 prices.

The import substitution potential of the Eurasian region is comparable in scale to exports and amounts to **$81 billion per year**. In the long term, the maximum share of imports could be replaced in Russia (23%), due to the wide range of sector priorities in national strategic plans. In other countries of the region, the substitution potential will range from 11% to 16% of imports. The sectoral structure is dominated by second-stage processing products. If the import substitution potential is fully realised in a number of countries and sectors, the share of second-stage-processing products in imports will decline but remain moderately high overall, especially in machine building. Import substitution is not viewed in isolation, but as a mechanism for reducing the region's economic vulnerability, increasing technological resilience and adapting to external pressures. It is particularly important that its implementation be linked to opportunities for technological mobilisation and industrial renewal.

Ultimately, **the cumulative effect** of export growth, import substitution and increased output after realising the development potential of high-value-added industries in the Eurasian region will exceed **$510 billion per year** (*in 2019 prices*), with 70% of this effect being generated by indirect and induced effects of increased output. The remaining effect is distributed approximately equally between export growth and import substitution. The effect is interpreted as the annual additional volume of output destined for export and the domestic market (*as a result of import substitution)* and the provision of an initial demand impulse (*in the form of indirect and induced effects)*.

The following industries dominate the structure of the aggregate effect:

- chemical industry (*including pharmaceuticals*);
- machine building (*principally transport, in particular automotive*);
- metallurgical complex;
- food industry.

Significant indirect and induced effects from the development of high-value-added industries in the region are felt by such industries as:

- electric power;
- wholesale and retail trade;
- transport services;
- agriculture;
- chemical production;
- metallurgy.

It is important to bear in mind that focusing primarily on external markets can be dangerous, freezing domestic demand for high-value-added goods. **Balanced attention** could be paid **to exports, the development of the domestic market and industrial cooperation in the region**. The countries of the Eurasian region are already actively cooperating in the supply and processing of primary resources. Therefore, the main prospects for industrial cooperation in the region are mostly linked to trade at higher levels of processing, with a focus on the chemical complex (*using the energy resources of many countries in the region to develop the production of polymers and their further processing)*, metallurgy (*increasing the processing of metal products, including the development of products from special steels)* and machine building (*largely the development of equipment that maintains investment in mineral extraction and metallurgy)*.

The need **for industrial cooperation** is also explained by the fact that in order to master new technologies and produce related new goods, it is necessary to ensure both economies of scale and mutual exchange of experience. Given the rapid pace of technological development in the coming decade, it will not be enough for the countries of the Eurasian region to develop specialisation in related high-value-added products and support the growth of strategic industries; it will be rational to create a basis for both the development and industrial use of new and emerging technologies. Technological trends cannot be fully realised without an appropriate basis, which must be formed, among other ways, through realisation of the potential for development of high-value-added industries.

In strategic terms, the key task for the Eurasian region is to formulate **an active industrial policy** focused on economic diversification and the development of high-value-added industries. At the same time, efforts to replace imports could be combined with the expansion of export potential in order to simultaneously reduce vulnerability to external shocks and occupy niches in high-income segments of the global market. An important condition is the coordination of national strategies and the formation of complementary specialisations among the countries of the region, which will make it possible to create full-fledged regional value chains and strengthen economic integration.

The sectoral focus could be **on the chemical industry (*including pharmaceuticals*), machine building, metallurgy and the food industry**, as these sectors have the greatest growth potential and can provide a significant multiplier effect. In addition, niche industries in the second stage of processing need to be developed in each country to form national growth points and build on local advantages. An important task is to localise the production of key components and reduce critical import dependence, which will strengthen economic security and create a basis for further expansion into foreign markets.

In terms of technology, the long-term priorities are the **digitalisation and automation of production based on the Industry 4.0 concept** (*the introduction of artificial intelligence, robotisation, the Internet of Things and digital twins*). At the same time, the development of biotechnology, pharmaceuticals and new materials, including nanomaterials and composites, could be encouraged, and the principles of environmental sustainability and the circular economy should be implemented. This set of measures will not only increase the technological complexity of manufactured products, but also integrate the Eurasian region into global innovation processes.

In the management sphere, it is crucial to develop a **model of partnership between the state, business and the scientific community**, which will make it possible to coordinate priorities and accelerate technology transfer. It is desirable to improve the industrial policy management system, introduce transparent indicators and KPIs, regularly monitor results and adjust support measures. At the same time, it is necessary to invest in human capital by modernising educational programmes, developing engineering and management skills, and encouraging academic mobility. This set of measures is rounded off by improving the institutional environment and investment climate, which will attract resources to new industries and create favourable conditions for long-term industrialisation.

All proposed measures are interrelated and require **comprehensive implementation**. Strategic initiatives set the overall direction and are necessary for coordinating efforts, sectoral measures focus on specific growth areas, technological steps ensure long-term competitiveness, and management reforms create favourable conditions for transformation. Based on the strengths and weaknesses identified in the analysis, these recommendations are designed to help the countries of the Eurasian region work together to move towards a more sophisticated industrial structure, reduce their vulnerability to external shocks and ensure sustainable economic growth on a new technological basis.

The development of high-value-added industries in the Eurasian region is not simply a matter of economic diversification, but **a fundamental prerequisite for achieving long-term sustainable development**. Investment in high-tech sectors directly contributes to the achievement of broader national development goals that go beyond simply increasing gross domestic product. This is because value is created not only by the volume of goods produced, but also by their complexity, knowledge intensity and innovative nature. The transition to such production means a profound transformation of the region's economic philosophy, shifting the focus from quantitative indicators to qualitative ones, from volume to added value. This approach is the most effective tool for reducing poverty, improving educational potential, and forming a broad middle class. The employment opportunities that are engendered by technology-intensive industry are distinguished by elevated levels of productivity and remuneration. The middle class, in turn, serves as the

basis for sustainable domestic demand and an incentive for further diversification. Concurrently, the greater flexibility and adaptability of industrial production and exports serves to mitigate vulnerability to external shocks. This makes it possible to increase the stability of the economy, stimulate innovation and strengthen the region's position in the global market.

In the long term, the countries of the Eurasian region face the challenge of not simply increasing exports and import substitution, but of **building a modern industrial system capable of ensuring domestic processing of resources, creating new jobs and technological development**. The region's potential lies in its combination of natural advantages and the opportunity to form strategic sectors of the economy based on modern industrial policies. The countries of the region have a powerful raw material and energy base, ranging from rare earths and metals to water and agricultural resources, making them potential leaders of a new wave of industrialisation.

INTRODUCTION

Most economies in the Eurasian region[1] have historically developed a stable export- and raw material-based model of development linked to the extraction, primary processing and export of natural resources in exchange for imports of high-value-added goods. This model means that countries in the region benefit from participating in global value chains mainly during periods of high commodity prices, while at the same time being constantly dependent on imports of machinery and equipment to fuel investment, as well as on imports of components. At the same time, integration processes are hampered by the similar specialisation structure of most countries in the region: they compete with each other for many traditional export goods, and market volumes are significantly lower than their combined production capacity, which naturally leads to a focus on exports to third countries.

In the long term, these problems can be solved through diversification of production and exports, as confirmed by global experience. Recent studies show that as countries develop economically, they diversify their exports, with high-tech goods becoming increasingly important at higher levels of development (Parteka et al., 2025). The development of high-value-added industries serves as a catalyst for economic growth, creating new industry niches, reducing environmental impact and facilitating the transition to a technologically sovereign development model. The shift from exporting raw materials to processed goods has the potential to generate a substantial increase in domestic revenues. For instance, the oil and gas chemical industry is marked by rapid growth in added value as hydrocarbon processing becomes more sophisticated, with the value of products increasing exponentially compared to raw materials (Ahunbaev et al., 2024). In the context of rapid global transformations, it is the technology industry that is becoming a determining factor in long-term economic stability and innovative leadership.

High-value-added industry is a strategically important sector of the modern economy, forming the basis of technological progress and determining the prospects for economic growth. This sector is characterised by the development of complex, knowledge-intensive products, the use of innovative materials and a high degree of production automation. Unlike traditional mass production, this area focuses on the deep integration of service components, the improvement of product life cycles and the creation of fundamentally new business models. This approach ensures sustainable competitiveness in the context of globalisation and promotes the transition from raw material dependence to offerings with high intellectual and consumer value.

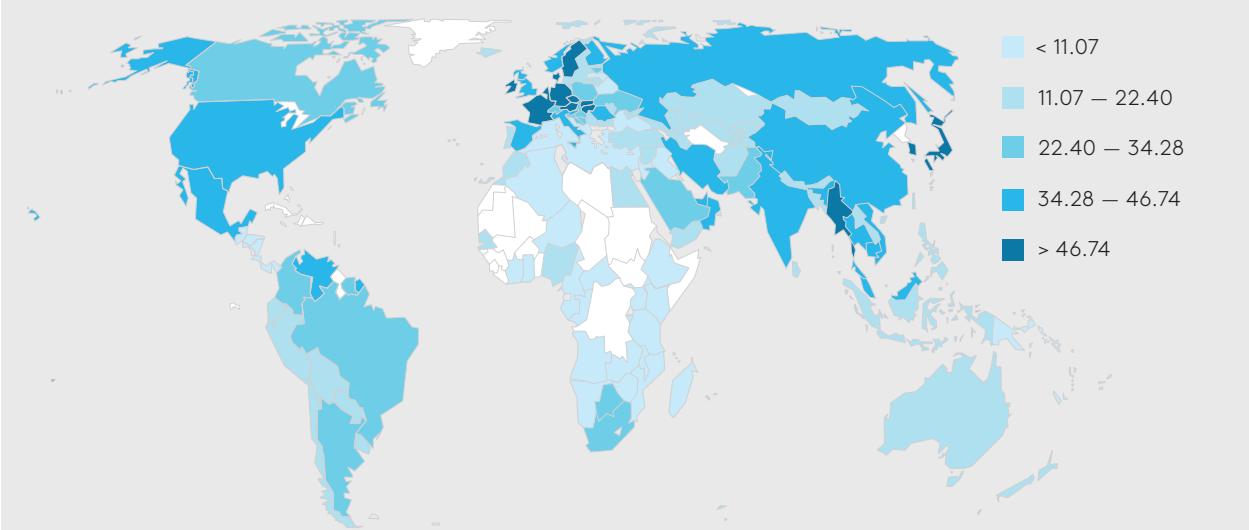
The development of high-value-added industries is very important for various economic entities, including states, corporations and research centres. For developed countries, this sector plays a critical role in maintaining global competitiveness and technological

[1] For the purposes of this study, the Eurasian region includes the EDB member states: Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan.

leadership. For developing economies, high-value-added industries represent a strategic tool for diversifying the industrial structure and transitioning to innovative development. For corporations, the key value of this sector lies in its ability to create sustainable competitive advantages, reduce costs and create knowledge-intensive products with high added value. State support in the form of programmes to finance scientific research, create innovative infrastructure and develop educational initiatives is becoming a decisive factor in the successful integration of high technologies into industrial production.

The leaders in the development of high-tech industries are countries that are consistently implementing strategies for technological sovereignty and digital transformation. Industrialised countries have a high concentration of the share of value added by the most technologically advanced industries in the total value added of the manufacturing industry. This indicator is highest in developed countries (*the United States, Germany, South Korea, Japan, France, and the United Kingdom*), as well as in countries actively developing industrial policy (*China, India, Oman, Turkey, Brazil, Malaysia, etc.*).

↓ Figure 1. Shares of medium- and high-tech industries in the total value added of the manufacturing industry, 2022, %



Source: World Bank based on UNIDO data.

Today, industrialisation through the development of high-value-added industries is entering a new phase. Renewed interest in active industrial policy is evident in all three historical centres of industrial development: the North Atlantic, East Asia and the Eurasian region.

In the North Atlantic countries, the return to industrialisation has been a response to geo-economic fragmentation, growing dependence on imports of critical technological components for industrial development, climate transition and productivity decline in the era of deindustrialisation. The largest developed economies are shaping industrial policies with a focus on "reindustrialisation". The United States, the European Union and the United Kingdom are launching large-scale programmes — the CHIPS and Science Act, Horizon Europe 2025–2027, Green Deal

Industrial Plan, Industrie 4.0, etc., to restore their technological advantage, reduce their dependence on China and cut CO_2 emissions.

In these countries, industrial policy acts as a systemic tool to ensure "high-road competitiveness" focused on achieving goals that go beyond GDP growth, such as sustainability, inclusiveness and digitalisation (Capello and Cerisola 2022; Mazzucato 2011). In 2023, according to the IMF (Evenett et al., 2024) and Global Trade Alert (Global Trade Alert, 2025), these countries accounted for more than 48% of all new industrial measures worldwide. Direct subsidies, incentives for green technologies, reindustrialisation of manufacturing and the creation of sustainable supply chains have once again become central elements of Western countries' economic strategies.

In the second centre of industrialisation, East Asia, interest in industrial development has remained strong and has intensified in new forms. China, South Korea, Japan and the ASEAN countries are adapting their traditional export models to the new conditions. China is investing in green technologies, semiconductors and the processing of critical metals, while South Korea and Taiwan are focusing on advanced value chains in microelectronics and electric transport. These countries are seeking not only to strengthen their global competitiveness, but also to respond to pressing challenges such as ageing populations, rising energy prices and growing protectionism. Amid slowing growth and a declining share of exports in GDP, the focus is shifting towards domestic industrial renewal and strengthening regional cooperation.

In the countries of the third centre of industrialisation — the post-Soviet states, which the authors group under the general name of the Eurasian region — the revival of interest in industrialisation has been a reaction to decades of deindustrialisation, structural degradation and loss of position in global value chains. After the collapse of the USSR, many of these countries experienced a sharp decline in industrial production, a loss of technological expertise and the destruction of links between production clusters. As a result, they descended in the technological hierarchy, becoming suppliers of raw materials, energy and semi-finished products, while their own processing industry was marginalised.

The countries of the Eurasian region face a challenge — not simply to achieve an increase in exports and import substitution, but to build a modern industrial system capable of ensuring domestic processing of resources, creating new jobs and accelerating technological development. The region's potential lies in its combination of natural advantages and the opportunity to rebuild strategic sectors of the economy based on modern industrial policies focused on sustainable development goals (UNIDO, 2024). These countries have a strong raw material and energy base, ranging from rare earth and metallurgical resources to water and agricultural assets. For instance, the full realisation of the production and resource potential of the agro-industrial complex in the Eurasian region will enable the region to feed 240 million people and a further 360 million people in third countries by 2035 (Vinokurov et al., 2023). Alternatively,

increasing oil and gas processing could potentially double the production of polymer products to 20 million tonnes by 2035 (Ahunbaev et al., 2024). The region has the potential to become a leader in a new wave of industrialisation focused on added value, sustainability and energy transformation.

The development of high-value-added industries in the Eurasian region is not simply a matter of economic diversification, but a fundamental prerequisite for long-term sustainable development. Investments in these sectors directly contribute to the achievement of national development goals that go beyond simply increasing gross domestic product. This is because value is created not only by the volume of goods produced, but also by their complexity, knowledge intensity and innovative nature. The transition to such production means a profound transformation of the region's economic philosophy, shifting the focus from quantitative indicators to qualitative ones, from volume to added value. This makes it possible to increase the stability of the economy, stimulate innovation and strengthen the region's position in the global market.

Since 2022, the countries of the Eurasian region have been demonstrating record growth rates in manufacturing. Given the momentum of growth in manufacturing and the looming global "green transition," the timing seems right to develop new industrial support programmes and stimulate the production of higher-value-added products. Industrial policy has long been on the sidelines of economists' interest, so that to date there are no uniform scientifically based standards for determining industrial development priorities. This report aims to form a cross-section of such priorities in a unified methodology for the countries of the Eurasian region.

The aim of the report is to identify niche industries with high value added for each country in the Eurasian region, based on the identified industrial development potential. To achieve this goal:

- Chapter 1 identifies the fundamental characteristics of industrial development and the structure of the region's economy. These include: the structure of exports and imports by industry, industrial development dynamics, technological complexity, areas of specialisation, the importance of mutual trade, prospects for production cooperation, etc.

- Chapter 2 determines the potential for industrial development. For each of the target countries, a narrow range of competitive niche industries that could become the basis for industrial specialisation in the long term has been identified using a system of filters.

- Chapter 3 assesses the macroeconomic effects of realising export potential and import substitution potential. These effects reflect the possible direct and indirect beneficial impact of realising industrial potential on related sectors of the economy.

CHAPTER 1. IDENTIFYING THE FUNDAMENTAL CHARACTERISTICS OF INDUSTRIAL DEVELOPMENT AND THE ECONOMIC STRUCTURE OF THE EURASIAN REGION

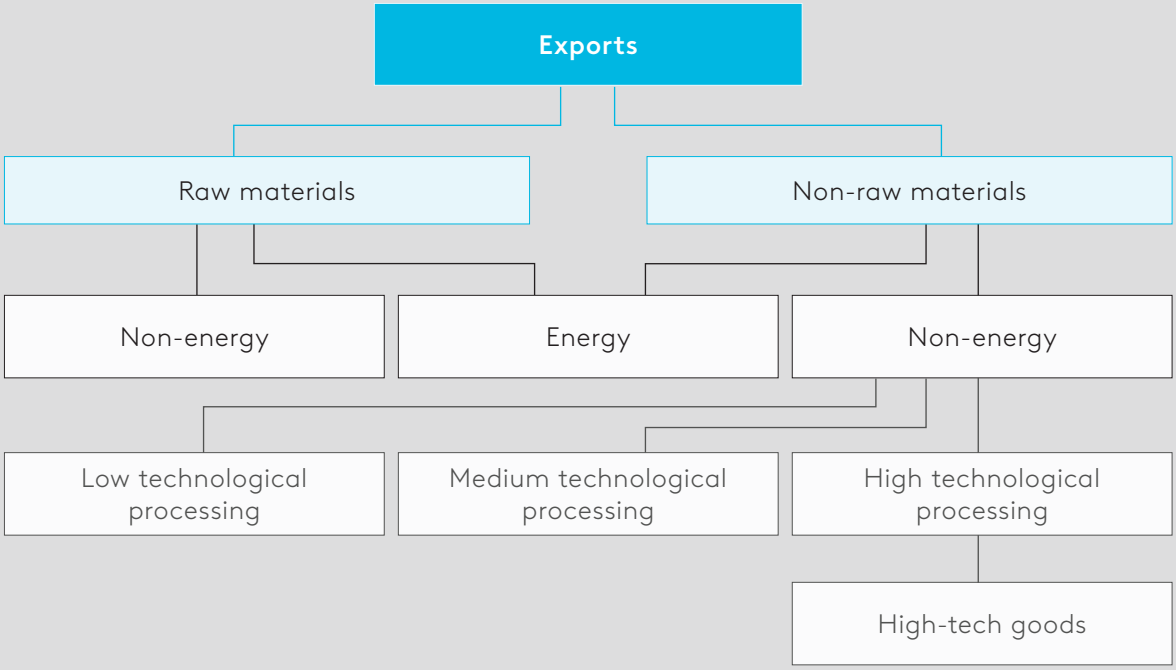
1.1. The dynamics of economies, trade and technological complexity of industry in the countries of the Eurasian region

General characteristics

Industry is the largest sector of the Eurasian region's economy, accounting for about 31% of the region's total GDP, equivalent to $834 billion as of 2024. Within this sector, manufacturing plays a key role, generating 44.2% of the gross value added of industry, or about $368 billion, which accounts for 13.6% of regional GDP. The manufacturing industry encompasses critically important sectors that provide the technological basis for the development of high-value-added products, which is why it is the focus of this study (Box 1).

Box 1. Classification of manufacturing industry by level of processing

The study uses the classification of the Russian Export Centre (REC), which divides the manufacturing industry into two levels of processing. The first stage includes non-raw energy products, such as petroleum products, liquefied hydrocarbon gases and bituminous mixtures, as well as lower-value-added products, including primary metals and basic chemicals. These goods are characterised by a low degree of processing and limited added value. They are usually exported as semi-finished products and do not require the creation of complex production chains. In the industrial structure of countries with an export-oriented raw materials model, such goods traditionally occupy a leading position, forming the basis of foreign trade, but at the same time limiting the potential for economic diversification.



Second-stage processing includes the medium and high processed manufacturing products. These are industries such as machine building, fine and specialised chemicals, pharmaceuticals, electronics, and finished products of light industry, etc. Such products require more complex technological processes and ensure greater involvement in global value chains. Increasing the share of second-stage-processing products in exports and in the structure of industrial production is one of the key indicators of industrial modernisation and movement towards a more sustainable development model.

The REC classification allows manufacturing industries to be structured according to their degree of complexity and technological maturity, creating an analytical basis for assessing the current situation and determining strategic priorities in industrial policy.

Source: REC, see: https://www.exportcenter.ru/international_markets/classification/

At the global level, the manufacturing industry in the Eurasian region accounts for 2.2% of global value added in the sector. This corresponds to the region's share of global GDP, which stood at 2.4% in 2024. This ratio indicates potential for further increases in technological complexity and integration into international production chains, especially if processing is enhanced and the share of high-value-added products is increased.

The manufacturing industry in the Eurasian region is highly heterogeneous in the competitiveness and technological complexity of its industries. The most industrially developed country is Russia, which ranks 33rd out of 153 in the Industrial Competitiveness Index (UNIDO, 2025), with a high share of midstream and upstream

products (*34.9% as of 2022*). Belarus also demonstrates a high level of industrial development: it ranks 56th, and its manufacturing output is the highest in the region at $1,470 per capita. Kazakhstan, with a comparable level of output (*$1,248 per capita*), ranks 63rd. Uzbekistan and Armenia rank 83rd and 89th, respectively. Uzbekistan is gradually building up its industrial potential, and in 2024, the share of manufacturing in its GDP reached a historic high (*20.2%*). Kyrgyzstan and Tajikistan bring up the rear in the regional ranking (*115th and 121st place, respectively*): low levels of value added and an extremely limited share of upstream products point to the structural vulnerability of their industrial sectors.

↓ Figure 1. Importance of manufacturing in the Eurasian region, 2024

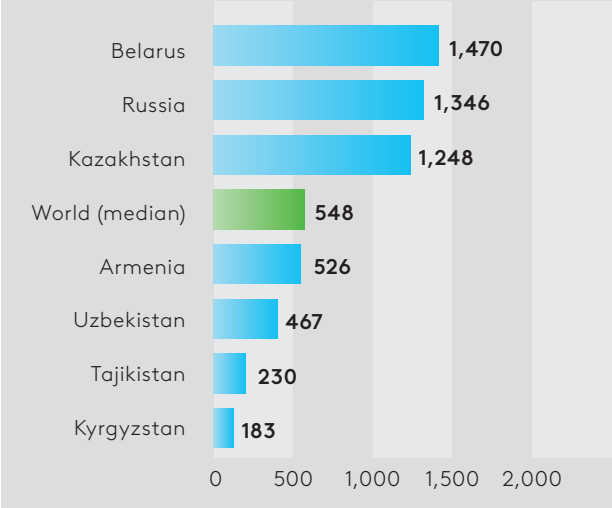
Source: EDB calculations based on UNIDO and World Bank data.

Currently, the countries in the region are predominantly classified by UNIDO as "industrialising and in transition with middle income" — with the exception of Russia, which is recognised as "industrialised with high income", and Belarus, which is classified as " industrialised with middle income". Despite common challenges, such as a low share of upstream products and limited export diversification, a gradual recovery of industry is observed. In the long term, the key challenges remain the modernisation and technological upgrading of production facilities, increasing the value added of manufactured products, and integration into global value chains with a focus on high-tech products.

The historical trajectory of industrial development in the Eurasian region was largely determined by industrialisation during the Soviet period, when manufacturing played a systemic role in the economy and ensured high employment and technological specialisation. In the early 1990s, most countries reached the maximum share of manufacturing in both GDP and employment: 35.6% of GDP in Armenia, 31.4% in Kyrgyzstan, and 59.1% in Tajikistan. However, with the collapse of the USSR and the

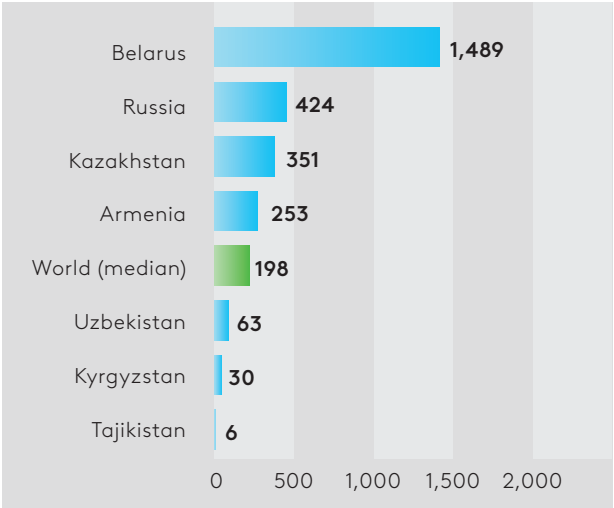
subsequent transition to a market economy, there was a sharp decline in industrial production, accompanied by deindustrialisation, the loss of production chains, a decline in investment and technological degradation. This process was most acute in the region's small economies, where by 2020 the share of industry in GDP had more than halved compared to its peak values.

↓ Figure 2. Value added of manufacturing per capita (in constant 2015 prices, USD, average for 2019–2023)



Source: EDB calculations based on UNIDO data.

↓ Figure 3. Exports of medium- and high-value-added products (in dollars per capita, average for 2019–2023)



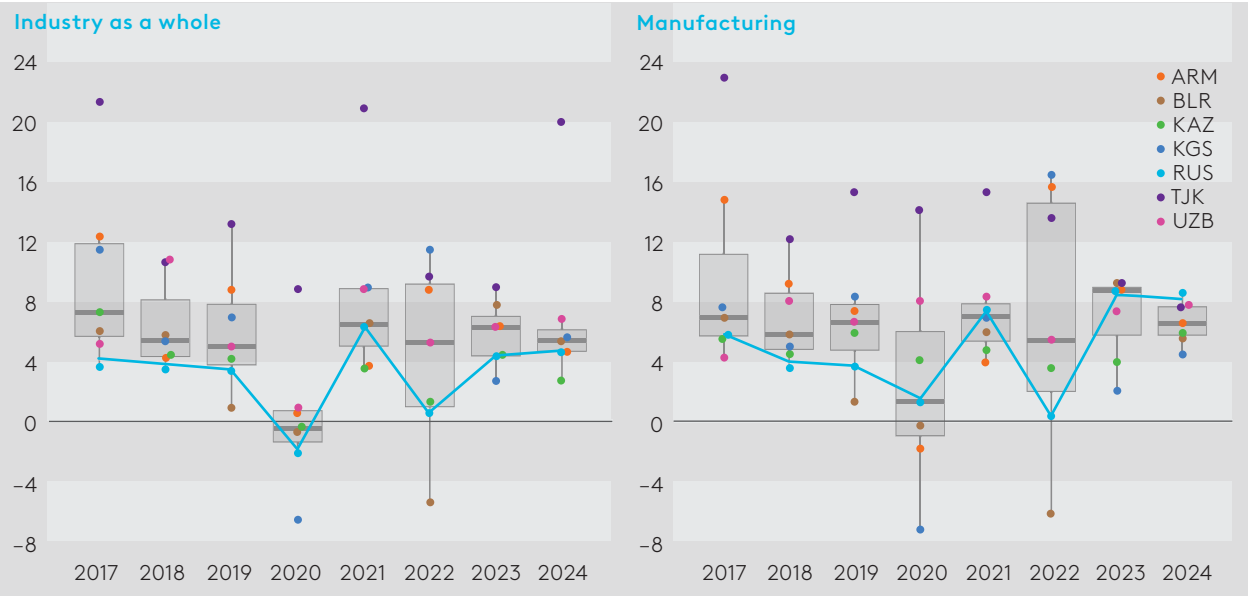
Source: EDB calculations based on UNIDO data

Economic growth

In recent years, most countries in the Eurasian region have demonstrated rapid economic development, with average GDP growth rates for 2017–2024 exceeding 6% in Armenia, Tajikistan and Uzbekistan, 5% in Kyrgyzstan and 4% in Kazakhstan. Two countries in the region, Russia and Belarus, grew at moderate rates (2–3%). After the external shock of 2022, which led to a record variation of GDP growth rates (*from growth of more than 12% in Armenia to a decline of almost 5% in Belarus)*, all countries in the region adapted fairly quickly to the new conditions. In 2023–2024, there was a unique combination of high median GDP growth rates and relatively low variation between countries. Growth in the region is becoming increasingly sustainable.

The development of the economies of the Eurasian region was accompanied by dynamic industrial growth — for all countries, the average growth rate of industrial production in comparable prices in 2017–2024 exceeded the GDP growth rate. In most countries in the region — Armenia, Kazakhstan, Russia and Uzbekistan — manufacturing grew faster than industry as a whole, especially in the last two years (Figure 4). This was facilitated by stagnation in mineral extraction since 2022 in the countries mentioned and a noticeable acceleration in manufacturing growth in 2023–2024 compared to 2017–2021 in Russia and Belarus (*more than twice as fast)*, as well as in Armenia (*one and a half times)*.

↓ **Figure 4. Physical volume index in the Eurasian region, %**



Source: EDB assessment based on data from national statistical committees.

However, in most countries of the Eurasian region, there was no acceleration in the growth of manufacturing in 2023–2024. For example, in Kyrgyzstan, a sharp surge in manufacturing activity was observed in 2022 (*mainly reflecting an increase in gold production)*, after which growth rates returned to previous levels. In Kazakhstan, acceleration to 6% was recorded only in 2024 (*mainly due to metallurgy)*. In Uzbekistan, manufacturing growth rates remained high after 2022 but did not accelerate, while in Tajikistan, on the contrary, a significant slowdown was observed (*mainly due to a decline in the raw cotton harvest from 405,000 tonnes in 2022 to 253,000 tonnes in 2024 and, consequently, a reduction in processing volumes)*.

Foreign trade

Foreign trade in medium- and high-value-added products in the Eurasian region also reflects disparities in both the level of industrial development and the degree of integration into global value chains. Belarus occupies a leading position with $1,489 per capita (Figure 3), which significantly exceeds the global median (*$198, according to UNIDO)* and is associated with export-oriented industries in the chemical, machine-building and electronics sectors. Russia, despite its high overall industrial competitiveness index, exports $424 per capita. Kazakhstan ($351) and Armenia ($253) are approaching the median values and demonstrate potential in certain niche industries, while Uzbekistan ($63), Kyrgyzstan ($30) and especially Tajikistan ($6) lag significantly behind, well below the global median. Most countries in the region remain on the periphery of global industrial exports, which limits their participation in high-income segments of the world economy and increases their dependence on external demand for raw materials.

Industrial goods dominate the export structure of the Eurasian region. However, in Kazakhstan, Russia and Tajikistan, the contribution of extractive industries is most pronounced, while in other countries, manufacturing industries predominate (Figure 5). As a rule, the products exported by the manufacturing industries are mainly in the first stage of processing, with low added value; the exceptions are Armenia and Belarus, where products in the second stage of processing predominate (*made possible by the supply of a significant share of such products to Russia*).

↓ Figure 5. Export volumes of countries in the Eurasian region 2017–2023, $ billions

Note: the manufacturing industries are divided into levels of processing based on the REC's classification: non-resource energy products (petroleum products) and lower-level manufacturing products are classified as "first-stage processing", while medium- and upper-level manufacturing products are classified as "second-stage processing".

Source: EDB assessment based on UN data (for Belarus for 2021–2023, for Russia for 2022–2023 and for Tajikistan for 2023 — based on aggregated national data and mirror data from partners).

Although most countries in the Eurasian region have not historically specialised in second-stage manufacturing, since 2022 there has been a clear trend towards an increase in exports of such goods in all countries in the region except Russia. At the same time, the main growth factor has been supplies to the Russian market, which, in terms of second-stage processing, was principally saturated by imports from the EU and China before the sanctions shock. Thus, the new trend emerged not so much as a result of the expansion of the region's production capacity, but rather as a result of its integration into a new configuration of foreign trade logistics.

Technological complexity

Various indicators are used in global practice to reflect certain aspects of technological development, ranging from simple indicators such as the number of exported goods and the share of industry in exports to indicators such as the Finger and Kreinin product diversification index (Finger and Kreinin, 1979), the Taylor indices of diversification by product and market (Bruckner, 2023), and the economic complexity index (Hausmann et al., 2014). The latter index combines several measurements, taking into account both the diversity of exports and the rarity of exported goods. It correlates most strongly with the Finger-Kreinin diversification index, which takes the global import structure as a benchmark (Table 1): export specialisation is important not in itself, but in the context of the structure of global demand.

↓ **Table 1. Economic complexity index: correlating indicators**

Indicator	Correlation	Source
Finger-Kreinin export diversification index (by goods)	0.9	UNCTAD
Number of exported goods	0	UNCTAD
Share of industry in export structure	0	Authors' calculations based on UN data
Taylor's export diversification index (by goods)	0.7	UNCTAD
Thiel export diversification index (by market)	0	UNCTAD
Share of second-stage manufacturing in export structure	0	authors' calculations based on UN data

Note: Cross-country correlation was calculated for all countries in the region for 2017–2023; before calculating correlations, all indicators were brought to a common scale (normalised).

Source: compiled by the EDB based on data from UNCTAD, the UN, and the Economic Complexity Observatory.

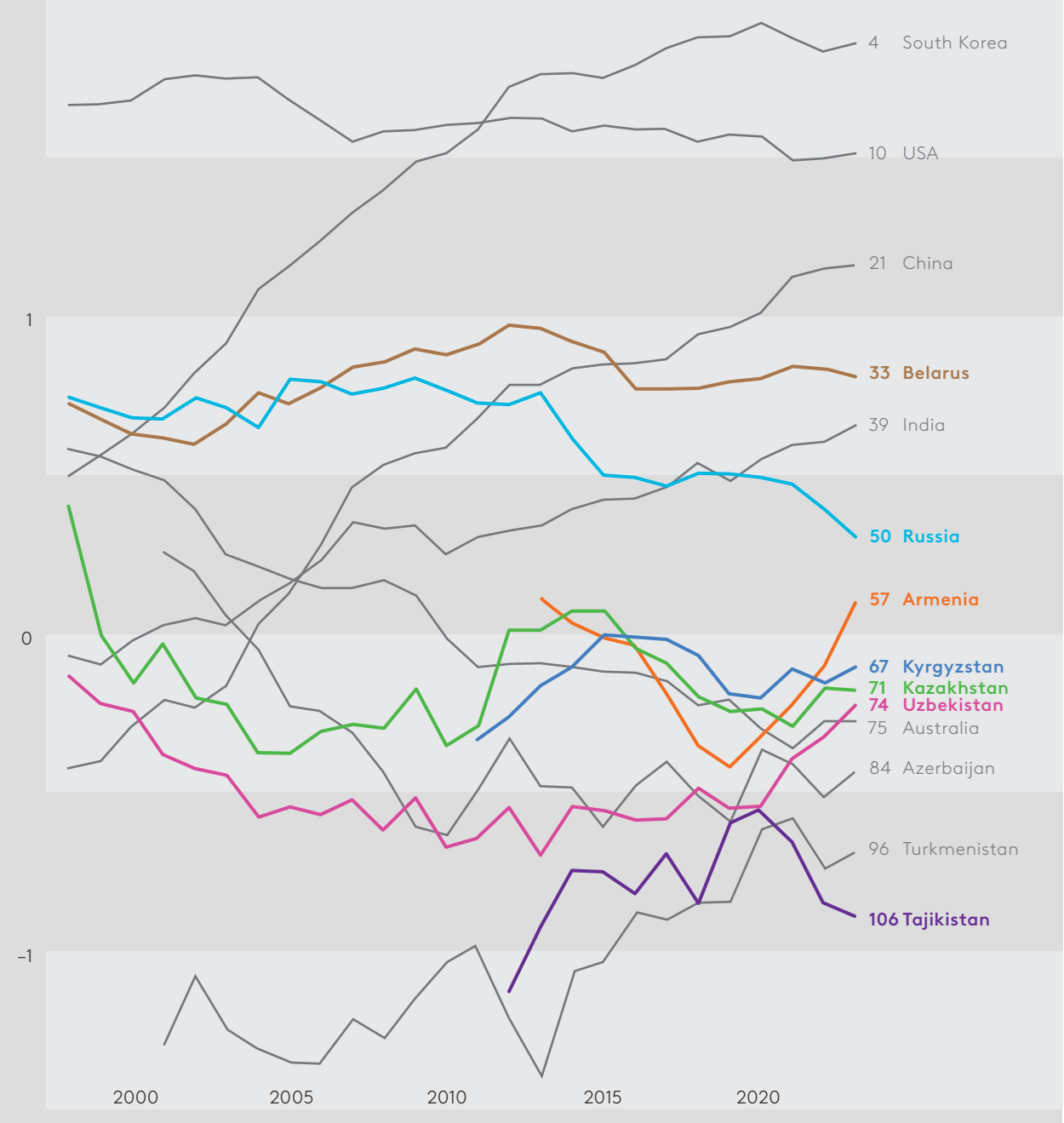
Box 2. Various aspects of countries' technological development

The level of technological development of industry is difficult to measure using a single indicator. The available indicators assess not technological development as such, but rather its consequences. In particular, the higher the level of technological development in a country, the wider the range of goods it is capable of producing and exporting, and the greater the share of manufacturing goods, including high-tech goods. The emphasis on exports rather than production allows for consideration of a country's ability to bring goods to foreign markets — i.e., it focuses on competitive goods. A high degree of diversification of a country's exports in terms of sales markets highlights its ability to sell its products worldwide, which is indicative of good product quality. The similarity of the country's export structure to the structure of world imports allows it to derive greater benefits from trade.

It should be noted that the economic complexity index only moderately correlates with the share of second-stage manufacturing in the export structure. This is because a reasonable economic development strategy is not to increase the share of high- value-added products at any cost, but to achieve a balanced economic structure that allows the country to use its natural competitive advantages as a direct source of income (*exporting raw materials in volumes that do not suppress incentives for other activities and correspond to global demand)* and as a foundation for the development of related industries. Previous studies have shown that the export structure of countries with a high level of economic development is much closer to the structure of global demand than that of less developed countries, as the latter specialise in peripheral goods but are unable to gain a foothold in the global market for the largest traded goods (Gnidchenko, 2021).

As of 2023 (*the latest available data*), the countries of the Eurasian region can be divided into three groups based on the economic complexity index (Figure 6). The first group includes Belarus and Russia. They are among the top 50 in the global ranking, but Russia has lost several positions compared to its stable level in 2015–2021, which is associated with a slowdown in sales of non-resource goods after the loss of European markets. Belarus maintains its leading position among the countries of the region, largely thanks to its very high level of integration with Russia, especially in terms of sales of medium- and high-value-added goods on the Russian market. The second group of countries includes Kazakhstan, Kyrgyzstan, Armenia and Uzbekistan. The latter two countries have been actively improving their positions in the global ranking for several years: Armenia mostly by increasing supplies of second-stage processed products to Russia, and Uzbekistan largely through supplies to other countries (Figure 5). The economic complexity index of Kazakhstan and Kyrgyzstan has remained generally stable in recent years. Finally, Tajikistan stands apart, falling outside the top 100 of the ranking, which is due, in particular, to the high share of agriculture in its export structure.

↓ Figure 6. Economic complexity index in 1998–2023



Note: the position in the global ranking for 2023 is indicated before the name of each country.
Source: EDB assessment based on data from the Economic Complexity Observatory.

1.2. Assessment of areas of specialisation and import dependence

One of the most fundamental characteristics of a country's industrial development and economic structure is its specialisation profile. Traditionally, a country's specialisation in a particular product is understood as a comparative advantage in international trade, an idea that dates back to the works of D. Ricardo. Analytical practice has developed in such a way that **comparative advantage** is most often identified using the Balassa index (Balassa, 1965), which shows the relative intensity

of a country's exports of a particular product in comparison with a reference group of economies (*most often the global economy as a whole*). The share of a product in a country's exports that exceeds the world average will indicate the country's comparative advantage for that product.

It is advisable to supplement the study of the specialisation profile with an analysis of **the import dependency profile**, which can be constructed in exactly the same way based on the import intensity index. Comparing a country's sectoral specialisation and import dependency profiles will then provide an insight into the structure of its production capabilities. This comparison can be made in various ways. For example, T. Vollrath (Vollrath, 1991) directly calculates the difference between the export and import intensity indices. However, this approach is fraught with structural distortions: the sign of the Vollrath index may not coincide with the sign of the foreign trade balance; to solve this problem, studies have proposed a net comparative advantage index (Gnidchenko and Salnikov, 2021). However, to identify groups of specialisation and import dependency industries, it is preferable to consider two indices separately: export and import intensity. Their combination will then allow each industry to be classified into one of four types (Table 2).

↓ **Table 2. Types of industries by trade intensity indices**

Types of industries	Export index	Import index
Import-dependent	<= 1	> 1
Locally oriented	<= 1	<= 1
Specialisation sectors	> 1	<= 1
Overtraded	> 1	> 1

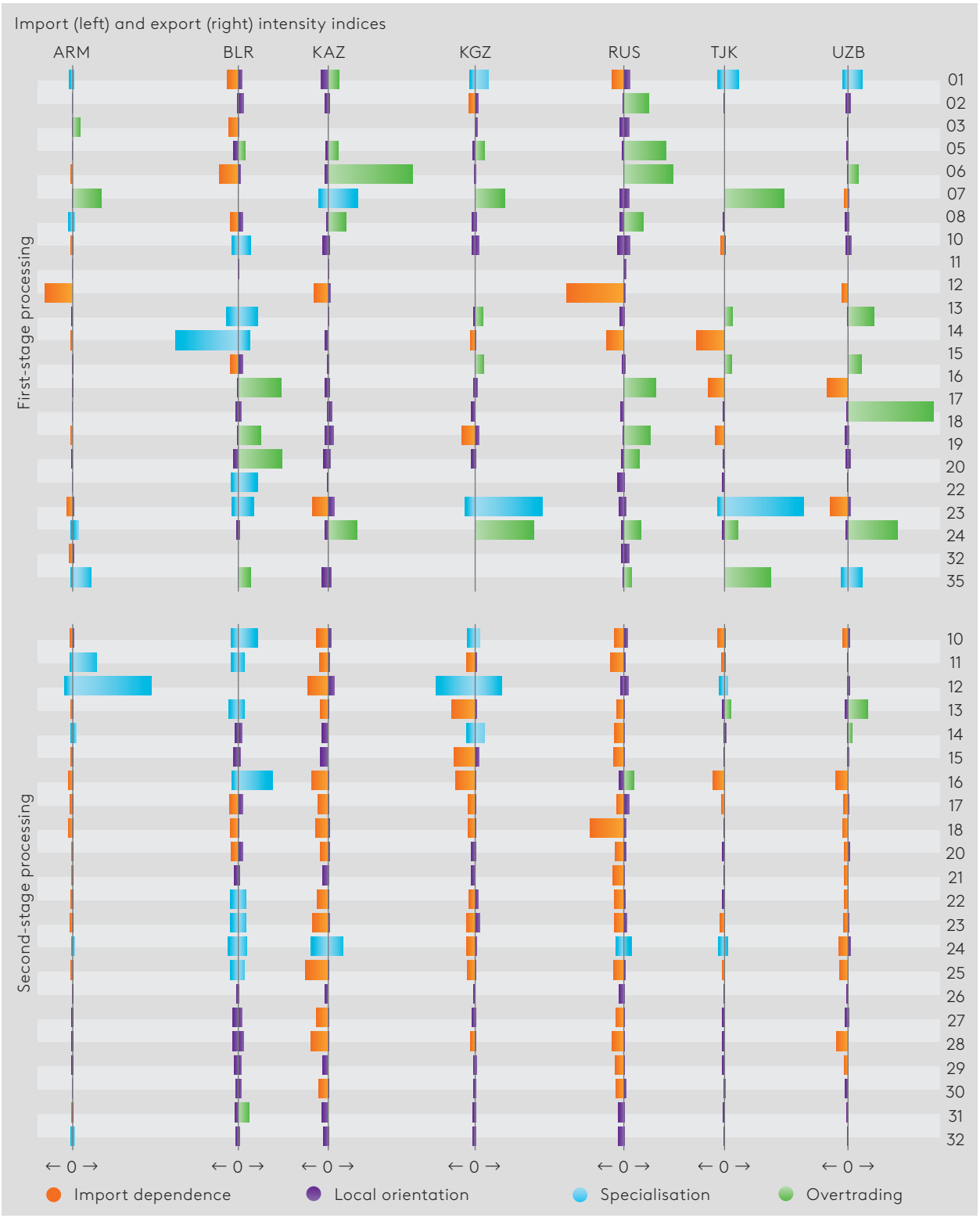
Source: compiled by the EDB.

The areas of specialisation and import dependence of the countries in the region are assessed separately for the first stage, which includes agriculture and forestry, mining and a number of manufacturing products, and the second stage, which includes manufacturing products with higher added value.

The countries of the region specialise mainly in *first-stage processing* (Figure 7). For Armenia, the main segments of specialisation in this group of industries are metal ores and fish, for Belarus — wood products, chemical industry products and petroleum products, for Kazakhstan — oil, metals and wheat, for Kyrgyzstan — metals and metal ores, for Russia — oil and gas, coal, petroleum products, timber, fertilisers and metals; for Tajikistan — metal ores, electricity, chemical and light industry products; and for Uzbekistan — pulp and paper products, chemical products and textiles. Import dependence of the group's industries is often caused by a lack of relevant resources, such as tobacco raw materials in Armenia, Kazakhstan, Russia and Uzbekistan, oil in Belarus, and timber in Tajikistan and Uzbekistan. Overtrading is observed in sectors

such as agriculture in Armenia, Kyrgyzstan, Tajikistan and Uzbekistan; metal ore mining in Kazakhstan; food production, light industry and rubber and plastics manufacturing in Belarus; construction materials production in Belarus, Kyrgyzstan and Tajikistan; metallurgy in Armenia; and electric power in Armenia and Uzbekistan.

↓ Figure 7. Areas of specialisation and import dependence of countries in the region



Note: Industry codes in accordance with OKVED2 are explained in Appendix 3.

Source: EDB assessment based on UN data for 2019.

Box 3. Assessment of production capacity based on foreign trade data

There are at least three reasons why countries' competitiveness in the global market is usually assessed based on foreign trade data rather than production data.

The formal reason is the high level of detail in trade data and its availability for a wide range of countries, which facilitates international comparisons, which are by definition necessary when assessing competitiveness.

There are two substantive reasons. First, it is believed that focusing on exports allows one to concentrate on competitive goods: due to the need to overcome barriers, the most productive firms become exporters (Wagner, 2007). Goods produced principally for the domestic market appear less competitive in such a configuration.

Second, in the modern global economy, intra-industry trade is highly significant, and taking only exports into account would distort the picture. A country may actively export goods through participation in assembly or re-export schemes, which would reflect not the country's productive capacity, but favourable trading conditions associated with a wide variety of factors. It can be concluded that net exports are equivalent to the difference between output and consumption, otherwise known as excess output, based on the precise measurement of the volume of resources (production + imports) and their utilisation (consumption + exports), as well as the accumulation and expenditure of stocks (Leamer, 1984). In fact, excess output should be the focus of attention when assessing competitiveness, as it adjusts the production structure to domestic demand. Ultimately, according to the Heckscher-Ohlin theory, a country has an excess output of those goods that use factors of production that are surplus in that country.

The most pronounced dependence on imports in the countries of the Eurasian region is mostly in *the second stage*. This pattern is most pronounced in Russia and Kazakhstan, which have the largest markets. In these two countries, import dependence is high in almost all sectors of the second stage of processing (*with the notable exceptions of the chemical industry and wood processing in Russia, which can be explained by the abundance of resources)*. For Belarus, dependence on imports is largely expressed in the chemical and pulp and paper industries, while most sectors are characterised by overtrading and the furniture industry by specialisation. Overtrading is also observed in food products and clothing in Kyrgyzstan, beverages in Armenia, and tobacco products in both countries and Tajikistan. Uzbekistan and Tajikistan specialise in second-stage textile products.

1.3. Assessment of the importance of mutual trade in the Eurasian region

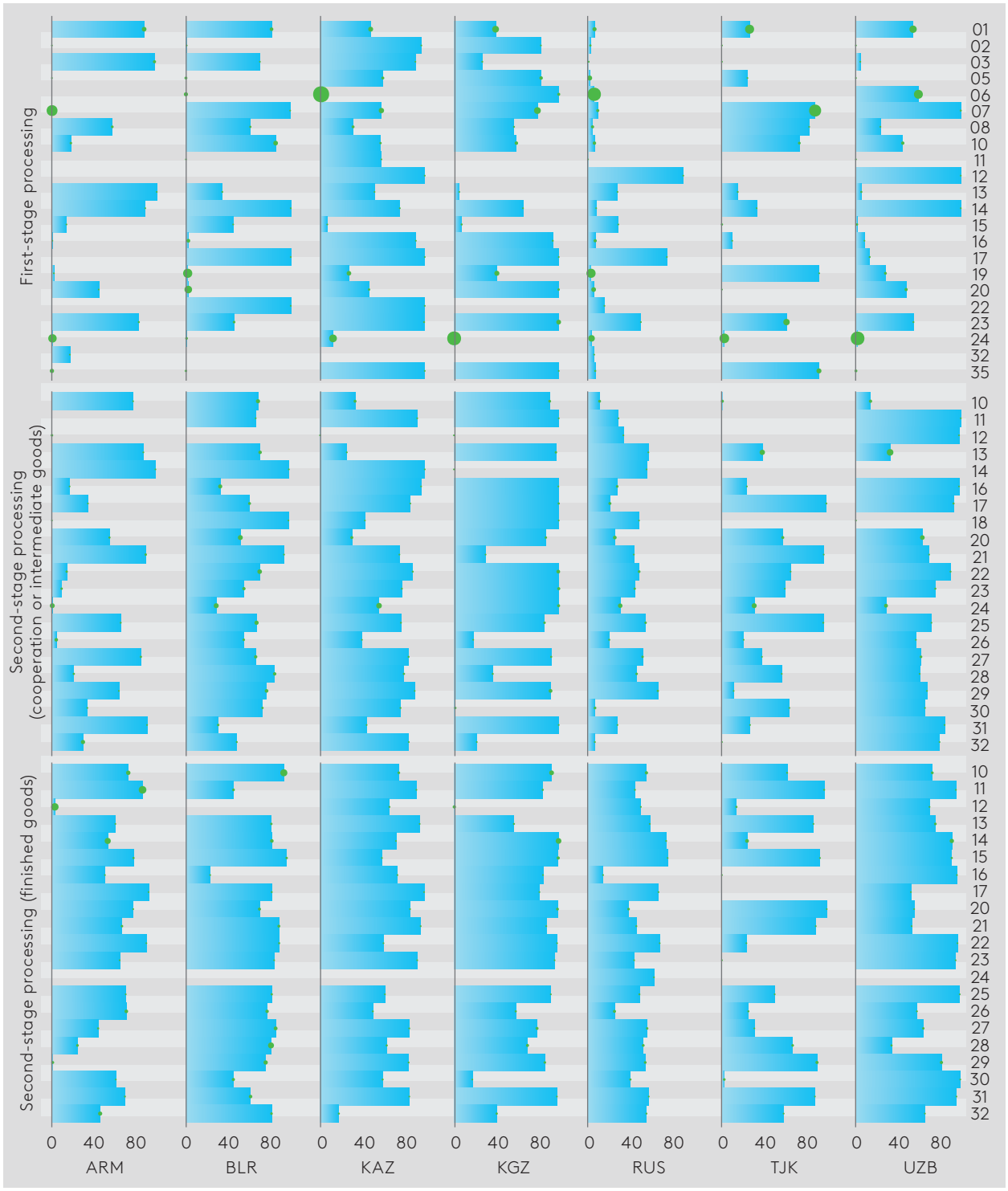
The importance of the Eurasian region as a market and supplier

For the countries of the Eurasian region, mutual trade is an important *sales* channel, principally for second-stage processed goods (Figure 8). Even for Russia, whose economy exceeds the combined economies of all other countries in the region, the share of such products in the region averages 37%. For other countries, this figure is significantly higher: for Kyrgyzstan — over 85%, for Belarus — 70%, for Kazakhstan — 57%, and for Uzbekistan — 53%. The situation is similar for Armenia in most sectors, but due to the high share of tobacco exports, mainly to the Middle East, the average share of second-stage goods supplied from Armenia to the Eurasian region is 43%. The share of exports of such goods to the Eurasian region is less significant for Tajikistan, at 39%.

As a rule, for most countries in the Eurasian region, the share of second-stage intermediate goods supplied to other countries in the region is lower than the share of final goods in the same group, reflecting the insufficient development of production cooperation in the region, and at the same time indicating opportunities for its further expansion. The vast majority of first-stage processed products are supplied to external markets (*e.g., oil from Russia and Kazakhstan, fertilisers from Belarus and Russia, metals from most countries in the region)*. Countries in the region account for half of the sales of such goods from Tajikistan (*due to metal ores and agricultural products)* and about a quarter from Kyrgyzstan and Uzbekistan (*gas in Uzbekistan, metal ores in Kyrgyzstan, food in both countries)*.

For all countries except Russia, the Eurasian region is *the main supplier* of first-stage processing goods, accounting for more than 90% of such imports to Kyrgyzstan and Tajikistan, 80% to Belarus and Kazakhstan, three quarters to Uzbekistan, and more than half to Armenia, reflecting the comparative advantages of each country (Figure 9). The share of second-stage processed products from the region is significantly lower, as a large part of demand can currently only be met by imports from third countries due to insufficient economies of scale or difficulties in mastering technologies. These problems are most acute in the machine-building and pharmaceutical industries and least acute in the food industry, metallurgy and the chemical complex.

↓ **Figure 8. Share of exports to the Eurasian region by sector, %**



Note: Industry codes in accordance with OKVED2 are explained in Appendix 3. The size of the dots corresponds to the share of each sector (taking into account the level of processing) in each country's exports.

Source: EDB assessment based on UN data for 2019

↓ **Figure 9. Share of imports from Eurasian countries by sector, %**

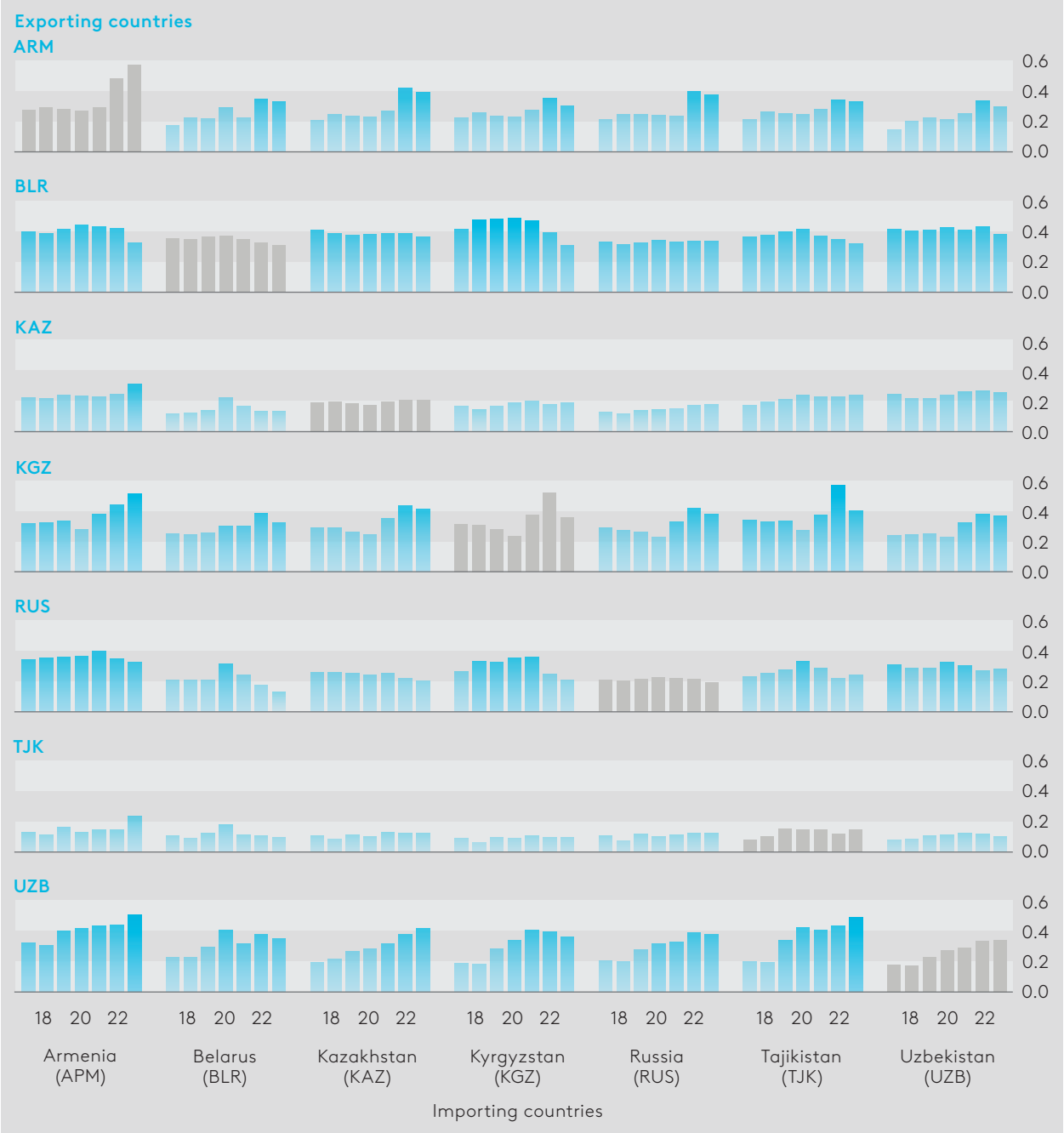
Note: Industry codes in accordance with OKVED2 are explained in Appendix 3. The size of the dots corresponds to the share of each sector (taking into account the level of processing) in each country's exports.

Source: EDB assessment based on UN data for 2019

Trade complementarity in the Eurasian region

Among the natural constraints on mutual trade, one of the most important is the mismatch between the export and import structures of trading countries, which approximates the differences in the production capabilities of exporting countries and the needs of the domestic market of importing countries. The trade complementarity index (Michaely, 1996) is used to assess this factor.

↓ **Figure 10. Trade complementarity index in 2017–2023**



Note: mirror data from partner countries are used for Russia, Belarus and Tajikistan; the trade complementarity index was assessed according to three-digit OKVED2 sectors.

Source: EDB assessment based on UN data for 2017–2023.

Since the structure of imports varies much less between countries than the structure of exports, the index is differentiated primarily by exporting countries (Figure 10). In 2017–2021, the export structure of Belarus, Uzbekistan and Russia most closely matched the structure of demand in the region. Tajikistan had the lowest trade complementarity index, which explains the low share of this country's exports to the Eurasian region.

In 2022–2023, after the introduction of Western sanctions, Armenia, Kyrgyzstan and Uzbekistan became the countries with the highest trade complementarity within the Eurasian region, with all three countries seeing a significant increase in their trade complementarity index values. For Armenia and Kyrgyzstan, this was largely a consequence of their integration into new foreign trade supply routes, as indirectly confirmed by the convergence of the export and import structures of each of these countries since 2022. Uzbekistan has demonstrated more stable growth in the trade complementarity index (*since 2019*).

1.4. Segmentation of real sector industries in the Eurasian region

Principles of real sector segmentation

Although the use of trade data to assess the competitiveness of countries has a number of advantages, it is advisable to segment tradable industries (*i.e. industries in the real sector of the economy*) according to their degree of foreign trade orientation in order to verify the results. In different industries, exports and imports can play a crucial role or minimally supplement the main axis of interaction between production and consumption. To determine the role of each real sector industry, import dependency and export orientation indices are calculated, taking into account both import and export volumes and gross value added by industry. The combination of these indices allows us to identify four segments of the real sector of the economy (Table 3).

↓ **Table 3. Segments of the real sector of the economy**

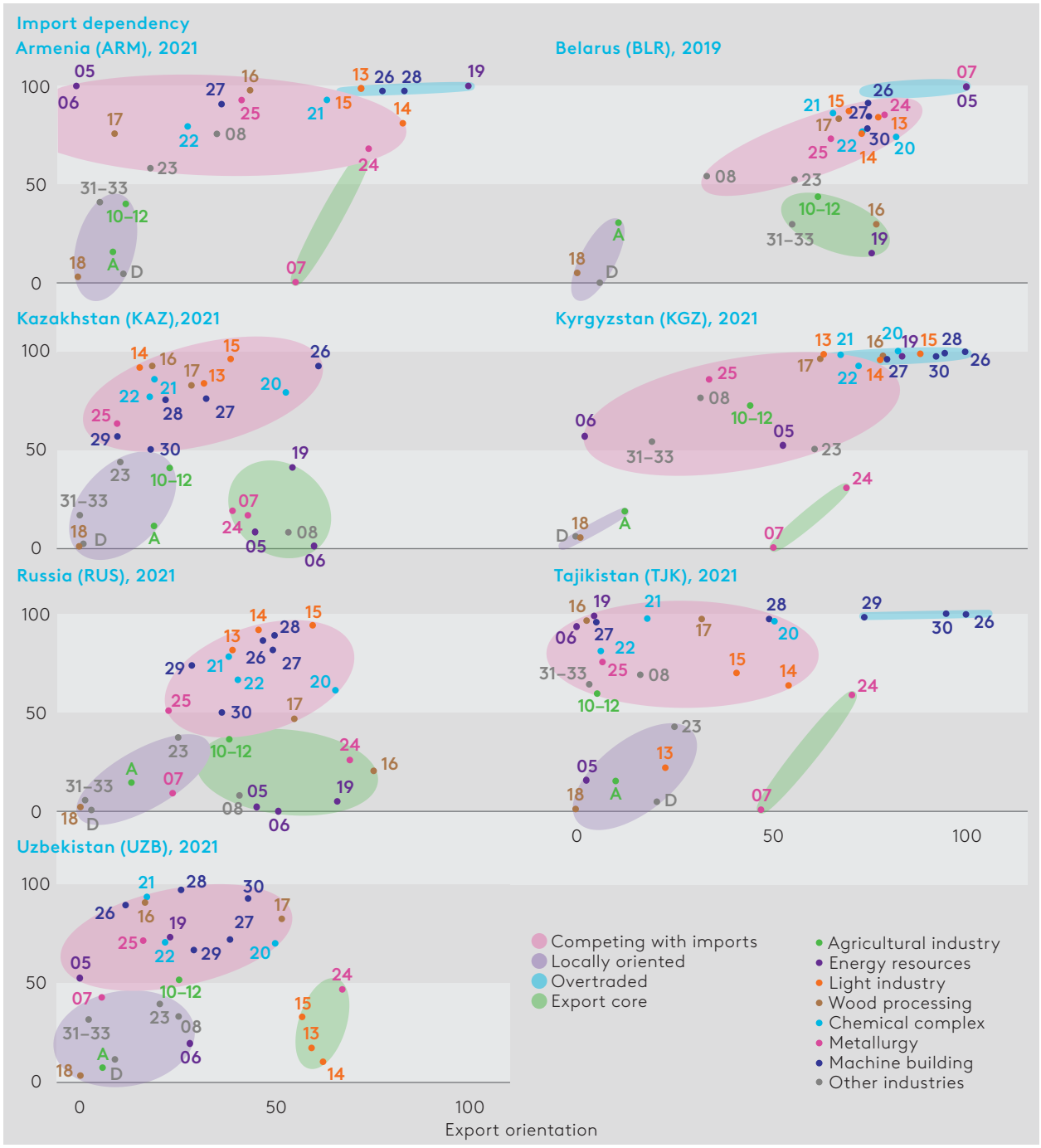
Segment	Condition for segment identification
Locally oriented	{XO ≤ 33; MD < 45}
Export core	{XO > 33; MD < 45} ∪ {XO ≥ 66; MD < 70}
Import-competing	{XO ≤ 66; MD ≥ 45} ∪ {XO > 66; 70 ≤ MD ≤ 95}
Overtraded (assembly/re-export)	{XO > 66; MD > 95}

Note: MD — import dependency index, XO — export orientation index.
Source: compiled by the EDB.

Characteristics of selected segments of the real sector

Three real sector industries are classified *as locally oriented* in all countries of the region: agriculture and fisheries, printing, and electricity. For Belarus and Kyrgyzstan, this is an exhaustive list, as foreign trade plays a significant role in other industries in these countries. In Tajikistan and Uzbekistan, coal mining and the oil and gas sector are also locally oriented industries; in most countries, this group includes construction materials, in Armenia and Kazakhstan — food products, and in Russia and Uzbekistan — metal ores.

↓ **Figure 11. Foreign trade orientation indices, %**



Note: Industry codes in accordance with OKVED2 are explained in Appendix 3.

Source: EDB assessment based on UN data, CIS Statistical Committee.

The export core in many countries in the region is represented by metallurgy and metal ore mining. For Armenia, Kyrgyzstan and Tajikistan, this is an exhaustive list. In Uzbekistan, light industry is the core export sector alongside metallurgy. In Russia and Kazakhstan, there is a high export orientation towards energy resources, while in Russia and Belarus, it is towards wood processing and food production.

Most industries in all countries in the region are classified as *import-competing*. These are typically high-value-added industries such as machinery, metal products, pharmaceuticals, chemical products, rubber and plastic products, pulp and paper, as well as light manufacturing. In some countries, this group also includes food products (*in Kyrgyzstan, Tajikistan and Uzbekistan)* and construction materials (*in Armenia, Belarus and Kyrgyzstan)*.

This group is joined by a number of *highly traded* industries. In Armenia, Kyrgyzstan and Tajikistan, these are machine building and light industry (*re-export against a backdrop of small production capacities)*, while in Belarus they are extractive industries (*until 2022, raw materials were resold)*.

1.5. Interaction between countries in the Eurasian region

Areas of competition, complementarity and potential industrial cooperation

Assessment of the areas of specialisation and import dependence of the countries of the Eurasian region, as well as the importance of mutual trade, makes it possible to identify the industries in which the countries of the region compete with each other (*coincidence of specialisation)*, are complementary trading partners (*coincidence of specialisation and import dependence)* and have prospects for industrial cooperation in the form of production cooperation (*with the aim of increasing the complexity of the products manufactured)*.

By comparing import and export intensity indices and taking into account the results of the segmentation of the real sector, it is possible to identify *areas of competition* between countries in the region where there is a need for coordinated economic policy measures.

In all extractive industries, there is competition between two or more countries in the Eurasian region:

- In coal mining — between Kazakhstan, Kyrgyzstan and Russia; oil and gas — between Kazakhstan, Russia and Uzbekistan; metal ores — between Armenia, Kyrgyzstan, Tajikistan and, to a lesser extent, Kazakhstan; other minerals — between Kazakhstan and Russia.

- In light industry, producers of the first stage processing textile and leather products (*principally raw silk, wool and cotton waste, tanned leather or leather crust)* from Kyrgyzstan, Tajikistan and Uzbekistan, as well as producers of second-stage textile products (*cotton yarn)* from Tajikistan and Uzbekistan.

- In the timber industry, the only overlap in specialisation is between Belarus and Russia in the field of wood processing. In the first stage of processing, this mainly includes coniferous timber, while in the second stage, it includes wood-based panels and plywood.

- In oil refining, according to formal criteria, there is also competition between Russia and Belarus, However, given that Belarus does not have its own raw material reserves, this industry is more of an example of production cooperation — the development of a processing industry in one country of the region based on imports of intermediate products (*in this case, resources)* from another country.

- In the chemical complex, there is competition between Belarus and Russia in the first stage of processing, which concerns potash and complex fertilisers; to a lesser extent, acyclic hydrocarbons.

- Metallurgy is the industry with the most overlapping specialisation among the countries of the Eurasian region: Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan compete in the export of first-stage processed metals. However, this is largely explained by the diversity of the range of metals exported: for example, Kyrgyzstan specialises only in gold from first-stage processed metals and competes with Russia and Uzbekistan, while Tajikistan specialises only in aluminium, with Russia and Kazakhstan as its competitors in the region. Copper is a common area of specialisation for Russia, Kazakhstan and Uzbekistan.

- In machine building, the countries of the region have specific areas of specialisation (*for individual products*), which, as a rule, do not overlap significantly between countries, although there are some exceptions, such as the production of refrigerators and trucks in Russia and Belarus, and the assembly of passenger cars in Russia and Uzbekistan.

- Finally, in the electricity sector, formal criteria indicate competition between Belarus, Russia and Tajikistan. However, given the low tradability and predominantly border-based nature of electricity exports, this sector should be viewed more as an area of partnership.

- Based on the same system of indicators, *areas of complementarity* between the countries of the Eurasian region have been identified, in which the production capacities of some countries coincide with the needs of others:

- In mineral extraction, the specialisation of a number of countries in the region, as described above, is combined with the needs of Armenia and Belarus for imports of oil, gas and other minerals, as well as Uzbekistan's demand for copper ore imports.

- In light industry products of the first stage of processing, there is complementarity in the import of wool and leather to Belarus, in which Kyrgyzstan, Tajikistan and Uzbekistan specialise. In terms of second-stage processing, there are differences in specialisation and import dependence at the product level: cotton yarn is an area of specialisation, while imports are very active across a wide range of products (*e.g., synthetic fibre fabrics)*.

- In the timber industry, relatively high demand for imports of wood products in Tajikistan and Uzbekistan (*for all stages of processing*) and in Kazakhstan and Kyrgyzstan (*for second-stage products*) is complemented by specialisation in these products on the part of Belarus and Russia.

- In oil refining, the dependence of Armenia, Kyrgyzstan and Tajikistan on imports of petroleum products is combined with the specialisation of Belarus and Russia in their export.

- In the chemical industry, the areas of complementarity are linked to the narrow areas of specialisation of the countries. For example, Russia specialises in the production of synthetic rubber, fuel and lubricant additives and polymers; Belarus has a demand for fuel and lubricant additives, while Belarus, Kazakhstan and Tajikistan have a demand for polymers (*apart from Russia, Uzbekistan is able to meet the demand for polyethylene)*. Another example is Belarus's specialisation in the production of lubricant additives, which are in demand in Russia. Most of the narrow areas of complementarity relate to the second stage of processing.

- In the first stage of metal processing, the specialisation described above of a number of countries complements the needs of Armenia, Belarus and Uzbekistan for aluminium imports, Belarus's demand for copper imports, and the needs of Armenia, Kazakhstan and Kyrgyzstan for gold imports. In terms of second-stage processing of metals, many countries in the Eurasian region are highly dependent on imports, combined with specialisation in certain areas (*steel bars and wire in Belarus, natural uranium in Kazakhstan, rolled steel and copper wire in Russia, antimony in Tajikistan)*. These narrow areas demonstrate the complementary nature of the countries in the region.

- In machine building, the widest range of products is manufactured in Russia and Belarus. Key specialised goods are mainly supplied to foreign markets under large contracts, which is partly due to purchases for national security purposes (*radar equipment, heat exchangers, turbojet engines*). Such goods are in very limited demand in the countries of the region. The areas of specialisation of Russia and Belarus generally coincide (*with the exception of large-tonnage dump trucks)*.

Finally, based on an assessment of the importance of mutual trade in the Eurasian region and after identifying areas of competition and complementarity between countries, we analyse *areas for possible industrial cooperation*. It appears that cooperation in the form of primary resource processing is already well developed in the countries of the region, as can be seen from the examples considered earlier (*oil refining and the production of lubricant additives in Belarus, flour production in Uzbekistan)* and by the fact that the Eurasian region is the main supplier of first-stage processed goods (Figure 9). Therefore, the prospects for industrial cooperation between the countries of the region are basically linked to higher levels of processing.

This can be achieved in the following areas:

- Within the chemical complex, there are signs of development of a production chain for goods that actively use energy resources. The first steps in this direction are already being taken, in particular, the production of polymers is increasing in Russia and Uzbekistan. Further development may follow the path of using polymers as raw materials for more complex goods, such as plastic products used in various sectors of the economy (*construction, machine building, etc.)*.

- The metallurgical industry is also gradually moving towards more complex products. For example, Belarus and Russia export bars, rolled products and wire, but this range could be significantly expanded: for example, in 2020, Belarus began producing tinplate, but production volumes are not yet sufficient to meet demand in other countries in the region. Further development could partially replace imports of highly processed metal products (*such as special steel rolled products*) with production and mutual supplies within the region, with subsequent use in machine building.

- Undoubtedly, the greatest potential for industrial cooperation in the future lies in machine building, especially in equipment that supports the investment cycle in traditional sectors of specialisation (*such as mining and mineral processing, metallurgy*), as high demand for such equipment will allow sufficient economies of scale to be achieved. However, success here will most likely depend on cooperation in simpler industries, such as the chemical complex and metallurgy.

1.6. Challenges for industrial development in the Eurasian region

The manufacturing industry in the Eurasian region is currently facing major structural constraints. The qualitative characteristics of its development remain weak.

The main obstacle is the continuing high share of the first stage processing products — such as petroleum products, primary metals and basic chemicals — in the region's export structure. The industries that produce them are characterised by low value added, extremely simple technological chains and weak integration into global

value chains. Even in countries with a relatively developed industrial sector, such as Russia and Kazakhstan, the share of medium- and high-complexity products in exports remains limited. In most other countries (*especially in Tajikistan, Kyrgyzstan, and Uzbekistan),* the manufacturing industry focuses on the primary stages, with exports of high-value-added products per capita tens of times lower than the global median (*$198 according to UNIDO)*: $6 in Tajikistan, $30 in Kyrgyzstan, and $63 in Uzbekistan.

The second systemic challenge is high import dependence in the most technologically advanced and capital-intensive industries of the second stage of processing. Even in countries with a high concentration of industrial production, there is significant dependence on imports in machine building, pharmaceuticals, fine chemicals and electronics — industries that are the main drivers of industrial modernisation. This dependence is reflected both in direct indicators of import dependence and in the trade profile: the share of high-tech products supplied from countries outside the Eurasian region significantly exceeds the share of similar goods produced and exported within the region itself. For example, in Russia and Kazakhstan, virtually all sectors of the secondary manufacturing industry, with the exception of certain areas of chemicals and wood processing, demonstrate a sustained dependence on imports. Belarus, despite its relative diversification, also depends on imports in the pharmaceutical and chemical industries. In the region's small economies, high-tech manufacturing is largely absent. The development of complex manufacturing is hampered by insufficient domestic demand, a limited technological base and weak knowledge transfer. The fragmentation of the region's production structure is exacerbated by low levels of industrial cooperation, especially in the intermediate goods segment. Most countries supply each other mainly with final products (*second stage)*, but do not participate jointly in production chains, which limits synergies and the scalability of output.

The third challenge is the low technological complexity of export flows and lagging economic complexity indicators. The economic complexity index, which integrates the diversity and uniqueness of exported products, clearly demonstrates the hierarchy within the region: only Belarus and Russia are in the top 50 of the global ranking, while Tajikistan falls outside the top 100, and Kazakhstan, Armenia, Kyrgyzstan and Uzbekistan rank within the top 100. The reasons for this are the poor alignment of the export structure with global demand, narrow specialisation in peripheral commodity items and the inability of countries to gain a foothold in the most dynamically growing and capital-intensive sectors of global industry.

CHAPTER 2. DETERMINING THE DEVELOPMENT POTENTIAL OF HIGH-LEVEL PROCESSING INDUSTRIES IN THE EURASIAN REGION

2.1. Mechanism for the development of high-value-added industry

The state of the manufacturing industry in the Eurasian region shows significant challenges that have accumulated in the region's economy and are hindering sustainable development in the long term. These challenges require work beyond a local and fragmented approach to industrial development. The task is to choose the optimal path of development. To do this, it is important to draw on the international experience of successful industrialisation and transition to high-value-added industries.

The historical experience of industrialisation in countries that have successfully transitioned from an agrarian or raw materials economy to a high-tech economy demonstrates a sustainable model known as the "industrial ladder". This model involves a gradual transition from labour-intensive industries to complex sectors of the knowledge economy and innovative production.

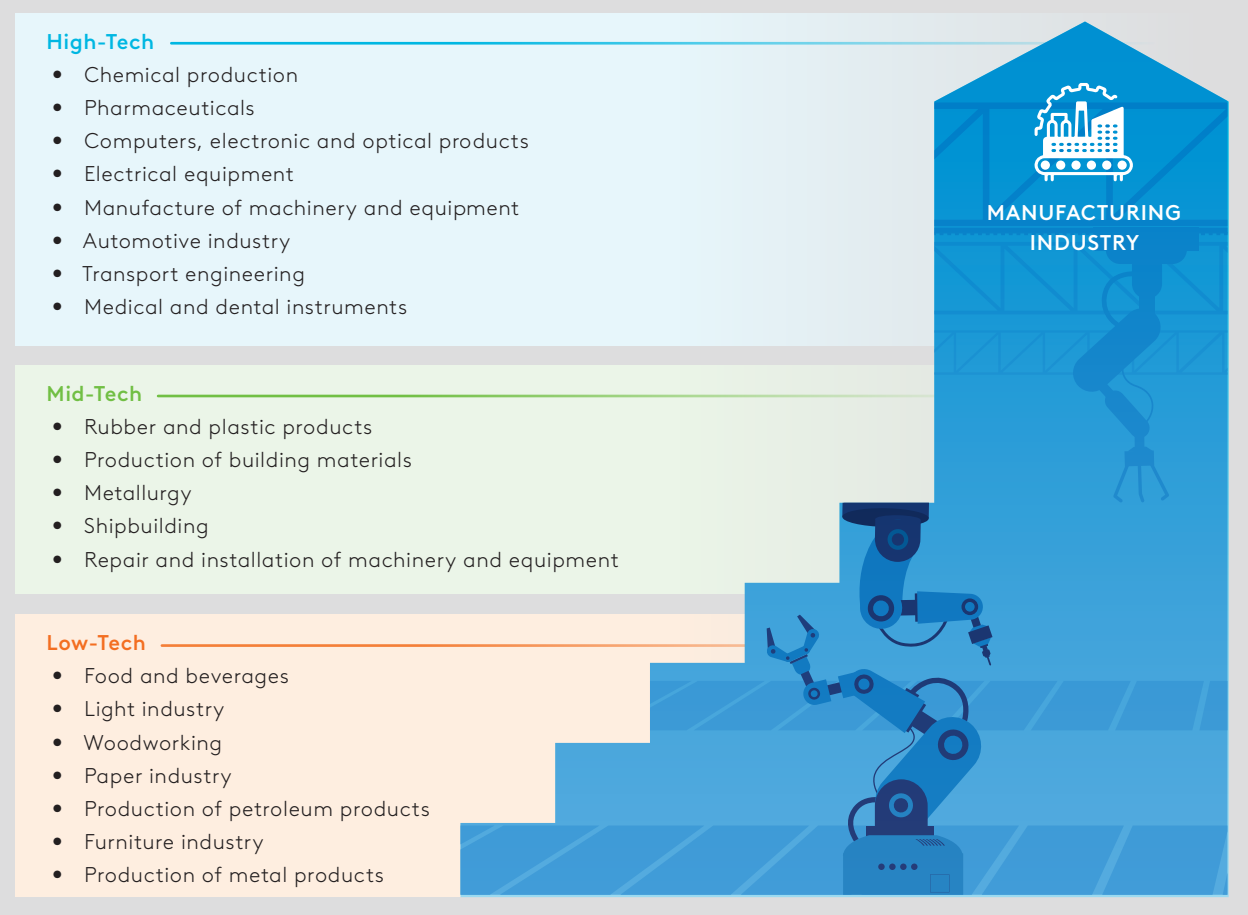
- The first stage of industrialisation is based on the involvement of a large workforce in labour-intensive industries with simple technological cycles. The main objectives at this stage are to create mass employment, stimulate domestic demand and launch export activity. Priority is given to industries with low barriers to entry, high scalability and an orientation towards the external market.

- In the second stage, countries transition from an export-assembly model to the formation of their own production base. This medium-term stage involves the development of an industrial platform and import substitution. At this stage, there is systematic construction of heavy and capital-intensive industries, including metallurgy, machine building, energy and chemicals.

- The third stage of industrialisation — the transition to a high-tech economy and knowledge exports — occurs when a country reaches maturity in its manufacturing industries and is ready to move on to the creation of high-tech industries. This is the stage of a knowledge economy based on R&D,

start-ups, technology exports and an innovative ecosystem. Here, the focus shifts to information technology, microelectronics, biopharmaceuticals, medical equipment, financial technology and new energy solutions.

↓ **Figure 12. Classification of high-tech industries industry**



Source: UNIDO Industrial Development Report 2022.

A consensus has emerged in academic and applied literature that industrialisation does not happen by itself. It requires an active role on the part of the state — not a directive one, but a strategic and adaptive one. Industrial policy is necessary not only for developing countries to eliminate their technological lag, but also for developed economies to maintain their leadership in the face of technological and geo-economic competition. In the context of today's new geopolitics, digitalisation and environmental constraints, industry is regaining its central role. It is becoming the core of national development strategies, determining a country's place in the global economy and requiring coordination among the state, business and the scientific sector.

International experience shows that the state should not be a passive observer, but an active strategist. It is called upon to design transitions between stages, prioritising sectors and supporting them through investment, education and scientific infrastructure. This means that industrial development is not a linear or deterministic process, but rather a managed strategic progression. The success of the transition

between stages critically depends on the state's ability to accurately identify the optimal industries for each phase and to implement support mechanisms in a coordinated manner.

Two tasks must be addressed in parallel to formulate an effective industrial policy. On the one hand, following the conclusions of classical structuralism (Prebisch, 1950), it is necessary to identify industries with high import substitution potential in order to overcome dependence on external supplies of finished products and move away from the peripheral role of a raw material exporter. On the other hand, in the spirit of J. Lin's "New Structural Economics" (Lin, 2012), it is important to identify sectors that have competitive advantages and are capable of integrating into global production and technology chains. This approach requires an adaptive strategy: at each stage of development, support should be given to those industries that correspond to current resource and institutional capabilities, while creating the conditions (*infrastructural, institutional and educational)* for a transition to more complex production.

As a result, the key task is **to develop a methodology for identifying niche industries with potential for import substitution, export and integration into global innovation trends**. This is what will ensure long-term competitiveness and sustainable economic growth.

An assessment of the industrial development potential of the Eurasian region should be based on an understanding of the likely sales channels for goods. To this end, it is necessary to outline the future significance of the domestic market and exports for various industries. This task is solved on the basis of the previously conducted segmentation of the real sector industries (Figure 11).

The development of industry in the countries of the region through *the domestic market* will, first of all, take place in sectors that compete with imports and are highly traded, since new production will first develop the domestic market or, at most, the markets of the countries of the region, and only then, if it successfully competes with imports, will it enter foreign markets. Thus, for most machine building industries, even achieving a high level of self-sufficiency for the domestic market is already a very ambitious goal. Secondly, locally oriented industries will also mainly retain their focus on the domestic market. Exceptions may be certain industries that are already showing success in export markets in other countries in the region, such as the food industry.

The development of industry in the countries of the region through *exports* will continue in those sectors that are identified as the export core, due to the inertia of the processes of specialisation change. The group of specialised industries may be expanded to include new industries, some of which will outgrow the domestic market (*and move from the locally oriented group*), while others will be transformed by increasing their

export component while simultaneously reducing imports (*moving from the import-competing group)*. In a number of countries, such transforming industries may include pulp and paper production, the chemical complex, metal products manufacturing, and, to some extent, machine building (*or certain narrow segments within it)*.

2.2. Justification of the approach to assessing the development potential of high-level processing industries

Conceptual framework

The development potential of industry is assessed in the study as the potential for export growth and import substitution, as well as the growth of macroeconomic indicators by economic sector as a result of realising the potential of the first two types.

The prospects for growth in exports and imports, as well as other indicators, can be assessed in different ways, depending on the task at hand. For the purposes of forecasting exports and imports as a whole, macroeconomic models are used that link foreign trade with other variables such as GDP, exchange rates and oil prices. The obvious advantage of this approach is its systematic nature, which allows for the assessment of expected export and import volumes in different scenarios. At the same time, macroeconomic models do not allow for detailed estimates, i.e., determining which sectors will see higher or lower growth in foreign trade. In most cases, such models assume that the structure of the economy will remain unchanged or, at most, estimate dynamics for large sectors (*for example, taking into account individual factors affecting the dynamics of energy exports)*.

To obtain detailed estimates of the potential for export growth and import substitution by sector, and even more so by individual goods, other approaches must be used. First, it is necessary to assess not the forecast change in exports and imports by a certain year, but the potential for export growth and import substitution by sector, which reflects the long-term possibilities for changes in the structure of foreign trade under unchanged external conditions. Second, the main focus should be on factors that are well differentiated by product group or partner country: indicators such as comparative advantage indices for products, geographical distance between partner countries, or relative import tariffs of trading countries can be used.

Among the most well-known assessments of export potential are those published by the International Trade Centre (ITC) as part of its open service Export Potential Map. The service presents two non-overlapping approaches: the *export potential indicator (EPI)*, which implies the expansion of exports of already exported goods to existing and new markets, and the *product diversification indicator (PDI)*, which implies the development of exports of new goods in which the country does not specialise, but which are complementary to the existing export basket.

↓ **Table 4. Export potential of countries in the Eurasian region according to the International Trade Centre (ITC Export Potential Map) methodology**

Country	Export potential	Including share of commodity item with the highest potential	
	$ billions		Commodity item name and HS code
Armenia	2	10	grape-based spirits (220820)
Belarus	6	5	rapeseed oil (151411)
Kazakhstan	17	11	uranium (284410)
Kyrgyzstan	1	4	gold in unprocessed form (710812)
Russia	1	6	gold in unprocessed form (710812)
Tajikistan	0.68	2	zinc ores (260800)
Uzbekistan	6	3	gold in semi-manufactured form (710813)

Note: The Foreign Economic Activity codes listed are valid in the 2002, 2007, 2012, 2017, and 2022 editions.
Source: compiled by the EDB based on data from the ITC Export Potential Map: https://exportpotential.intracen.org/

The EPI approach is based on an assessment of a country's trade growth potential with its partner countries based on the expected GDP dynamics of the trading countries, the distance between them, actual tariff levels and their planned changes in accordance with trade agreements. The results of this assessment for the countries of the Eurasian region reflect the potential for increasing exports of leading goods (Table 4) and are not particularly suitable for assessing the prospects for the development of high-value-added industries.

The PDI approach is based on assessing a country's trade growth potential for goods in which it does not yet have a comparative advantage (*i.e., it exports them less intensively than do other countries*). It uses the concept of "product space" developed by R. Hausmann and co-authors (Hausmann and Klinger, 2007; Hidalgo et al., 2007). A key element is the calculation of the proximity between goods: two goods are considered related in terms of export diversification opportunities if a significant share of countries exports both goods with a comparative advantage, as measured by the Balassa index. Then, the likelihood of a country's specialisation in each product will be determined by its proximity to all other products, taking into account the comparative advantages of these products.

Conceptually, this approach makes it possible to focus on export diversification, i.e., to assess the potential for export growth for new (*or relatively new*) goods. This is of particular interest to countries in the Eurasian region in the context of assessing the potential for development of high-value-added industries. However, the original version of the approach has a number of shortcomings that prevent it from being used in its current form.

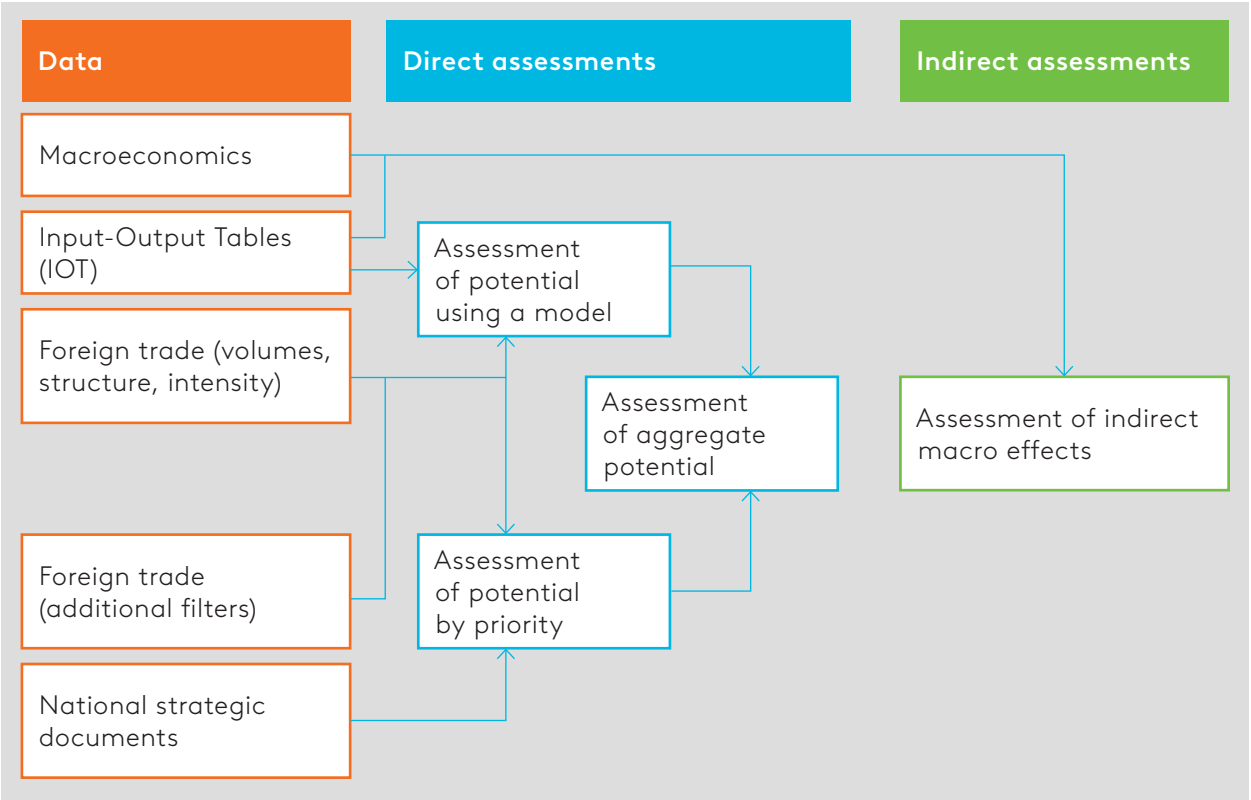
First, it does not allow for estimates of export potential in value terms, but only provides a ranked list of product groups according to two criteria: the likelihood of specialisation in the product and the weighted average GDP per capita of countries specialising in the product. Second, the original version focuses only on exports, while the development of new production capacities will obviously also supply the domestic market by replacing imports. Third, it does not take into account the indirect effects of export growth and the corresponding increase in production of the economy as a whole, such as output or gross value added and the number of employees. Fourth, it ignores the national sectoral priorities set out in strategic documents, which could give additional impetus to the development of exports and import substitution through state support programmes.

This report takes an approach that addresses all of the above shortcomings while retaining the basic idea of a "product space" — the development of production and, along with it, exports of products from industries related to the current areas of specialisation. This involves leveraging existing advantages, which may include resources, transport infrastructure, the quality of human capital and any other factors that shape the structure of production and exports. The main premise of the approach is that the structure of foreign trade reflects a combination of all critical factors. As a result, the prospects for export growth for a given product are determined by the existing intensity of exports of related products, the production of which requires a similar set of factors. Pairs of related goods are identified in accordance with global trade patterns. The approach is accompanied by an assessment of the possible additional effect of export growth and import substitution in sectors related to national priorities.

Methodology for assessing export potential and import substitution prospects

The approach used in the report consists of several blocks, each of which uses different data (Diagram 1). First, the potential for export growth and import substitution is estimated using a model based on a modified "product space" approach. To this end, data on the volume, structure and intensity of exports and imports of the Eurasian region countries for 2019, as well as Input-Output Tables (*hereinafter referred to as IOT)* data, are used. Second, we calculate the possible additional impetus for export growth and import substitution as a result of the implementation of national sectoral priorities. To this end, expert assessments of the priority of commodity items obtained on the basis of national strategic documents, data on foreign trade volumes, and a set of additional filter indicators based on broader foreign trade data are used. Third, we assess the indirect effects of realising the potential for export growth and import substitution on the economy as a whole. To this end, macroeconomic data on output and employment, as well as data on inter-sectoral balances in the countries of the region, are used.

↓ **Diagram 1. Structure of the approach to assessing industrial development potential**



Source: compiled by the EDB.

The model assessment of potential is carried out in several stages. The methodology used is partly based on previous work (Gnidchenko, 2016; Apoquin et al., 2017; Gnidchenko, 2025). The UN Comtrade database on world trade for 2019 at the six-digit HS level is used, as well as the Russia's IOT published in early 2025 for the base year 2021.

At the first stage, pairs of goods (*influential and prospective*) are selected for which it is appropriate to assess regressions (*reflecting global patterns of foreign trade*). Pairs of goods exported (*for export potential)* or imported (*for import substitution potential)* by less than a quarter of countries are excluded, as are pairs of goods belonging to economic sectors with weak technological interlinkages according to the IOT (*with a direct cost ratio not exceeding a certain threshold)*. This reduces the likelihood of unreliable regression results due to a small number of observations, as well as false correlations between pairs of goods from unrelated industries. Goods not related to the manufacturing industry are excluded from the list of prospective goods (*assumption of development towards higher value added*).

At the second stage, regression equations are calculated for each pair of goods: the dependence of Balassa indices (*for export potential)* or import intensity indices (*for import substitution potential)* for one product on the same indices for another product is estimated for a sample of countries that export or import both products. The output is regression coefficients and significance parameters of regression equations for each pair of influential and promising goods.

In the third stage, the calculation is performed separately for each country in the Eurasian region, taking into account the intensity of exports (*or imports*). For each promising product, a set of model index values is determined, estimated based on its regression relationship with each of the influencing products (*the number of such products is determined by the number of regressions that meet the minimum significance criteria)*, as well as the country's index values for the influencing products. At the same time, some influencing goods are excluded in advance, for which indirect indicators point to a high probability of re-export predominance.

At the fourth stage, the calculation is performed separately for each country in the Eurasian region, taking into account the structure of exports (*or imports*). For each promising commodity, the potential Balassa index (*or import intensity)* is estimated by weighting a set of model indices, taking into account the structure of the country's exports (*or imports)* in order to reflect the relative importance of influential commodities. The potential for export growth (*or import substitution)* is determined taking into account the volume of exports (*imports)* in the base year 2019 and the ratio of the potential Balassa index (*import dependency)* to the actual index.

At the fifth stage, a system of filters is applied to the obtained estimates of export growth potential, but only for those promising goods that correspond to low export diversification of influential goods. An adjustment coefficient is applied, taking into account three factors:

- the geographical concentration of global exports of the product (*the presence of strong leading countries makes it difficult to enter the global market*);

- the share of friendly countries in global imports of the product (*applies to Belarus and Russia: exports of the product to unfriendly countries that have imposed sanctions against Belarus and Russia will be difficult*);

- the average sustainable growth rate of global exports of goods, estimated on the basis of robust regression for the period 2017–2023 (*entering the global market for goods growing at a rate slower than the median sustainable growth rate will be difficult due to limited demand*).

A different two-stage filter system is used to assess import substitution potential. The first stage involves discounting the import substitution potential for all goods in relation to the ratio of a country's foreign trade balance to its foreign trade turnover: the greater the excess of imports over exports, the lower the potential. The second stage, by analogy with export growth potential, is applied only to promising goods characterised by low diversification of imports of influential goods. At this stage, an adjustment coefficient is applied to take into account the geographical concentration of global exports of goods.

The assessment of potential based on national sectoral priorities involves taking into account the importance of product groups within the national industrial policy priorities of the countries of the Eurasian region. To this end, 19 strategic documents of the Eurasian region countries were analysed (Appendix 1 for a complete list), on the basis of which national sectoral priorities were identified and broken down into individual commodity items (Appendix 2). In doing so, first- and second-priority sectors and goods were identified: the highest priority was assigned based on the presence in strategic documents of such formulations as "national security", "technological sovereignty", "critical technologies", "priority sectors" and so on, as well as to those industries and goods for which the documents predicted relatively high growth rates (*if such information was available*). Other industries mentioned in the documents were considered second-priority industries. Details down to individual commodity items were provided directly when specific goods were mentioned, and in the case of industries, based on expert assessment (*taking into account the structure of trade and other information from open sources*).

The effect of the development of exports and import substitution of goods belonging to sectors of national priority is assessed normatively on the basis of hypothetical growth rates and a system of filters. First of all, it is assumed that support programmes for the declared national priority sectors will continue for at least 10 years. Then, provided that average annual growth rates of 3.5% for first-priority goods and at least 1% for second-priority goods are achieved, the potential for export growth and import substitution, without taking into account other limiting factors, will be around 40% of the initial level for first-priority goods and around 10% for second-priority goods.

For imports, the baseline is taken from 2019 import volumes (*which directly corresponds to the import substitution target*). A different approach is used for exports, as basing the calculation on export volumes would leave out goods that are currently not exported or exported in minimal volumes. Therefore, a combined indicator is used as the reference point for exports, which takes into account both export and import volumes: the latter reflects domestic demand, i.e., it is indirectly linked to the size of the national economy. This indicator represents the volumes of exports and imports weighted non-linearly using the Grubel-Lloyd index. When exports and imports are equal, the formula allows one of the flows to be used as a reference point, which eliminates double counting and reduces distortions in the calculations caused by re-exports.

In the next step, a system of filters is applied to the estimates of the maximum possible potential for export growth and import substitution. For exports, an adjustment coefficient is used that takes into account three factors: the geographical concentration of world exports of goods; the share of friendly countries in global imports of the goods; and the average sustainable growth rate of global exports of the goods. For imports, an adjustment coefficient is used that only takes into account the geographical concentration of global exports of the goods (*the presence of clear*

leaders makes it difficult to compete with imported products even on the domestic market). The other two factors — the share of friendly countries in global imports of goods and the average sustainable growth rate of global exports of goods — are not taken into account.

The combined potential for export growth and import substitution is estimated as the sum of the potential according to the model and the potential according to national sectoral priorities. This approach is related to the fact that in the first case, the potential reflects growth only for goods related to the country's current specialisation (*such as higher value-added goods based on the processing of surplus resources, the dissemination of successful practices and competencies to related industries)*, while in the second case, the potential may reflect growth in any product, both specialised goods and innovative goods that are as far removed from them as possible. However, this does not mean that, in order to fully realise the potential identified by the model, the state does not need to make efforts to remove possible barriers that may be related to the costs of introducing new capacities, access to external markets and logistical constraints. For example, recent estimates for Russia show that the absence of policies aimed at removing these barriers could lead to the incomplete realisation of the diversification potential of export growth, blocking up to two-thirds of the possible effect (Gnidchenko, 2025).

The indirect macroeconomic effects of net export growth will be assessed using the IOT. This allows for both direct and indirect effects on output and value-added growth (*taking into account the sectoral structure of a particular economy*) as well as on job creation. At the core of this calculation scheme is the multiplication of the IOT's modified total factor cost matrix by the net export vector (*or, separately, by the export and import change vectors)*. The modification of the total factor cost matrix consists in introducing labour costs (*an additional row)* and final household consumption (*an additional column)* to account for the induced effects of the multiplication (*redistribution and secondary use)* of additional income in the economy arising from the initial positive impulse from demand.

2.3. Assessment of the growth potential of export-oriented high-level processing industries in the Eurasian region

Volume and dynamics of export growth potential

The potential for industrial growth in the Eurasian region as a result of increased exports through the development of industries with competitive advantages is estimated at $71 billion. This potential varies significantly across countries (Table 5), which is due to significant differences in export volumes. At the same time, it is characteristic that the growth rates of this potential also vary significantly. Thus, the fastest development

of export potential is expected in Kyrgyzstan, Uzbekistan and Armenia (*growth of 25–28%*). On the other hand, according to estimates, moderate growth in potential (*12–17%*) should be expected in Russia, Belarus, Kazakhstan and Tajikistan. This is mainly due to differences in the size of the countries' economies and the initial level of diversification of their exports: all other things being equal, the export potential of small and poorly diversified economies will grow faster.

↓ **Table 5. Export potential of countries in the region**

Country	Export growth potential	Growth rate	Share of countries in total exports of the region in 2019	Share of countries in the region's total export growth potential
	$ billions	%	%	%
Armenia	0.6	25	0.49	0
Belarus	5.07	16	6.15	7.18
Kazakhstan	7.75	13	10.80	10.97
Kyrgyzstan	0.56	28	0	0
Russia	52.61	12	79.30	74.46
Tajikistan	0.15	17	0	0
Uzbekistan	3.8	2	2.78	5.4

Source: EDB estimates based on UN data in accordance with the methodology outlined above.

↓ **Table 6. Export potential by two components**

Country	Export growth potential	Including share of commodity item with the highest growth potential	
	$ billions	%	Commodity item and HS code
Assessment based on a modified «product space» model			
Armenia	0	1	hot-rolled rolled products in coils (720839)
Belarus	3	4	packaged medicines (300490)
Kazakhstan	5	2	benzene (290220)
Kyrgyzstan	0	3	wiring harnesses for transport (854430)
Russia	3	5	packaged medicines (300490)
Tajikistan	0.1	6	refined copper cathodes (740311)
Uzbekistan	3	3	packaged medicines (300490)

Assessment based on analysis of national sectoral priorities			
Armenia	0	3	packaged medicines (300490)
Belarus	1	12	dump trucks (870410)
Kazakhstan	2	8	ferrous metal structures (730890)
Kyrgyzstan	0	1	wide knitted fabrics (600410)
Russia	1	8	packaged medicines (300490)
Tajikistan	0	1	other Portland cement (252329)
Uzbekistan	0	2	packaged medicines (300490)

Note: Foreign economic activity codes refer to the 2012 edition; code explanations are available on the World Customs Organisation website: https://www.wcotradetools.org/en/harmonized-system/2012/ru

Source: EDB estimates based on UN data in accordance with the methodology outlined above.

For all countries in the Eurasian region, the main part of the export growth potential is the potential obtained using the modified "product space" model, which is based on diversifying the export structure by using current comparative advantages (Table 6). Most goods with such potential are more highly processed products, although in some cases the potential may also include first-stage processed goods (e.g., *refined copper cathodes for Tajikistan).*

Another part of the export growth potential, linked to the implementation of national sectoral priorities set out in the strategic documents of the countries in the region, is also most often provided by relatively highly processed goods (*with the exception of Portland cement for Tajikistan*). This potential is more concentrated, which makes it possible to focus efforts on a relatively narrow range of key goods (*this may be important in the case of limited resources).*

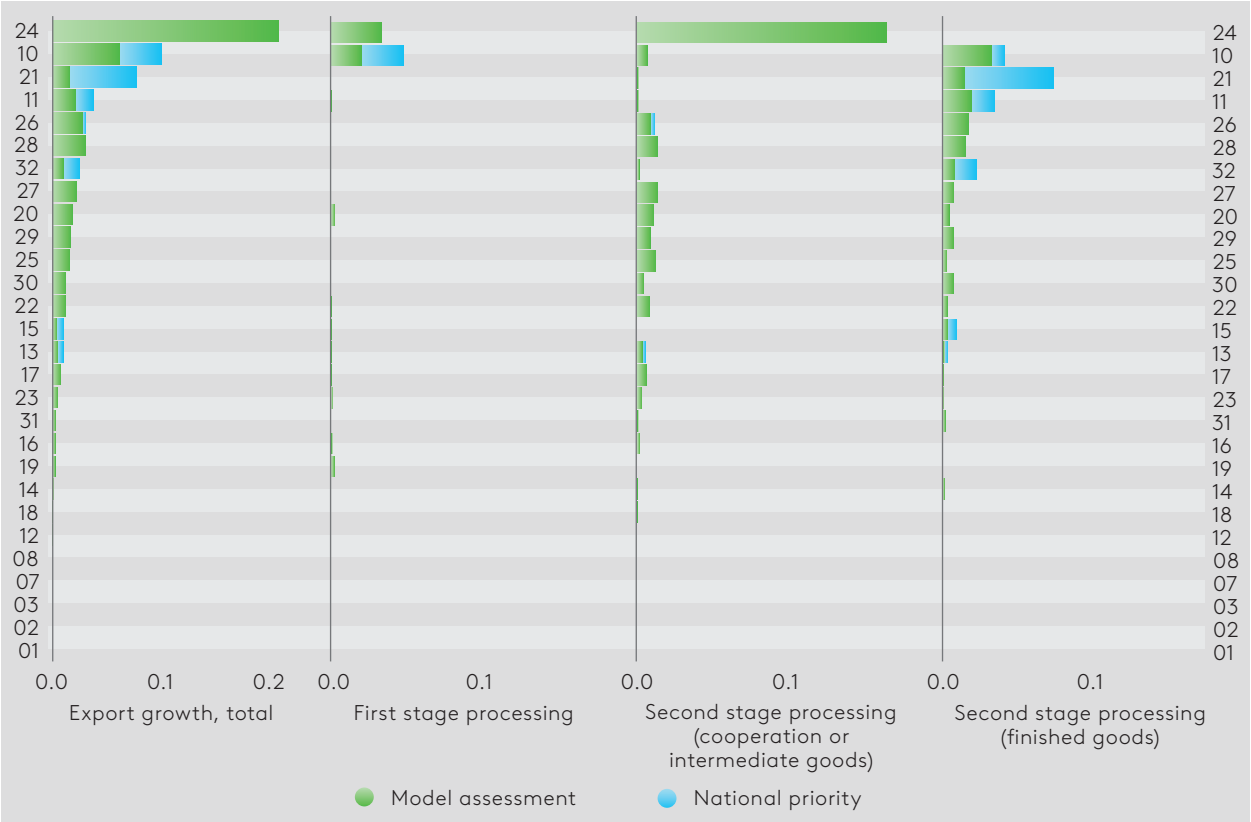
In the future, new technologies will be developed in the countries of the Eurasian region, which will involve the export of related goods, but it is difficult to quantify the export potential of such products at this stage.

Sectoral structure of export growth potential, by country

Armenia's export growth potential is estimated at $660 million per year. It is predominantly generated by such industries as metallurgy, food production and pharmaceuticals, with the strongest growth momentum in the form of national priorities in pharmaceuticals and food and beverage production (Figure 13). It should be noted that the national priorities set out in strategic documents have minimal impact on intermediate goods of the second stage of processing, which could serve as a basis for developing cooperation with other countries in the region, even though model estimates suggest that exports of such goods will grow at least as much

as exports of final goods. This indicates that it would be useful to consider some of these goods as priorities in future national programmes. A list of goods with the greatest potential for export growth for Armenia and other countries is provided in Appendix 4.

↓ Figure 13. Armenia's export growth potential by sector, $ billions

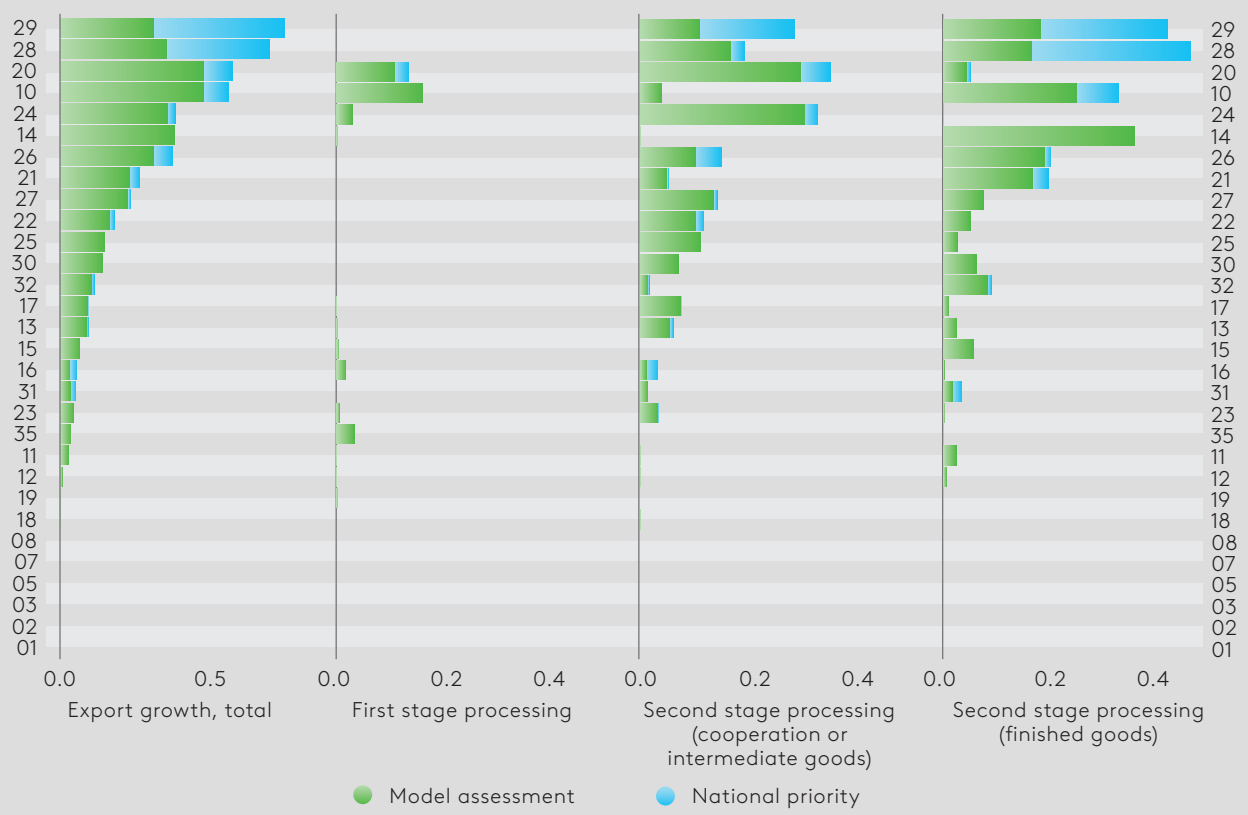


Note: Industry codes in accordance with OKVED2 are explained in Appendix 3.

Source: EDB assessment based on UN data and national strategic documents.

Belarus's export growth potential, estimated at $5 billion per year, is dominated by the machine building industry — principally automotive, machinery and equipment manufacturing — as well as the chemical and food industries (Figure 14). The scale of the potential impact of implementing national priorities across the sectoral structure is consistent with the model estimates. In both cases, second-stage goods are widely represented, both as final and intermediate products, creating opportunities for industrial cooperation. This highlights the relative balance of the country's strategic documents in the context of the sectoral structure of national development priorities. At the same time, at the level of individual goods, development priorities organically complement opportunities for diversification. in the automotive industry, model estimates reveal potential for export growth mainly in the assembly of passenger cars, while the national development priorities separately identify such a significant product category as dump trucks, including those used in quarries.

↓ **Figure 14. Belarus's export growth potential by sector, $ billions**

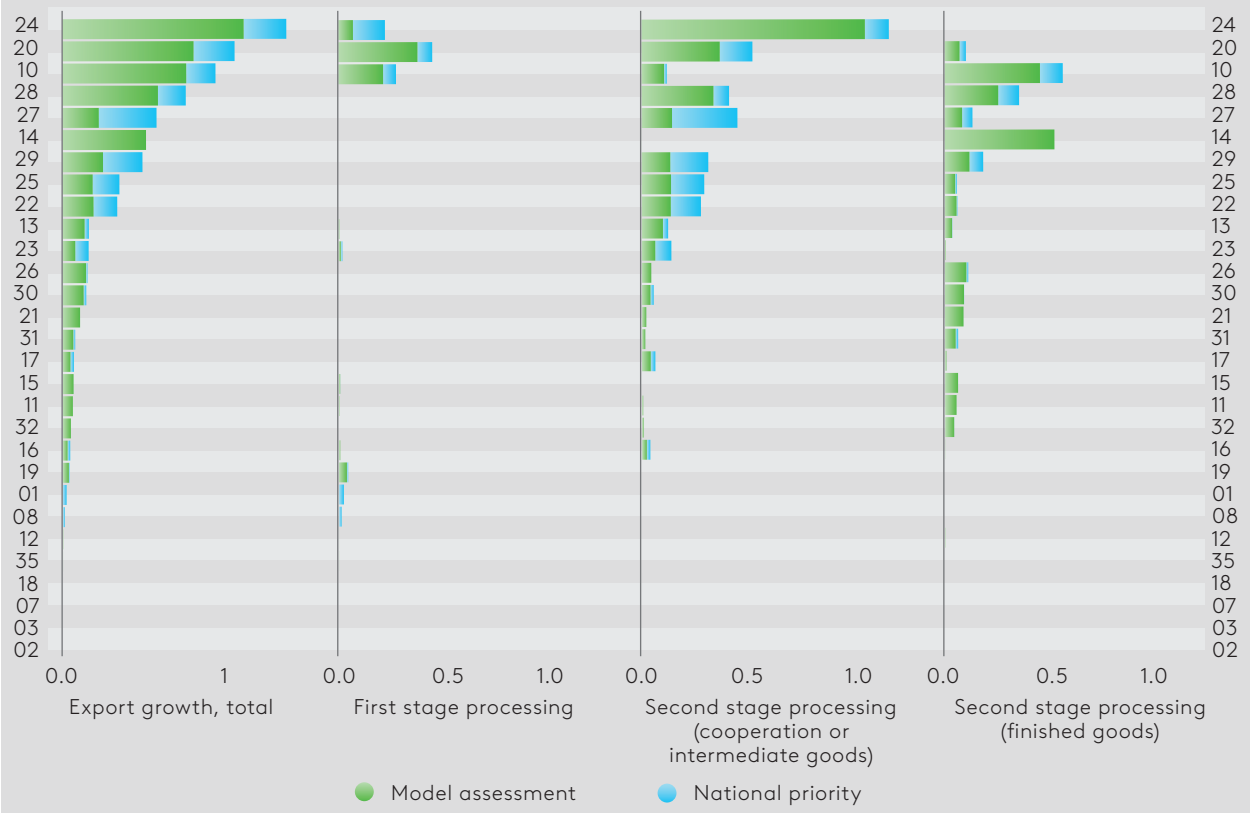


Note: Industry codes in accordance with OKVED2 are explained in Appendix 3.

Source: EDB estimates based on UN data and national strategic documents.

The largest contribution to *Kazakhstan's* export growth potential (*USD 7.8 billion per year*) comes from metallurgy, chemicals and food processing, and machinery and equipment manufacturing (Figure 15). In the latter case, this principally involves energy-related equipment such as gas turbines, pipeline valves and pumps. Unlike other countries in the region, the importance of intermediate products of the second processing stage is higher in Kazakhstan. This is because in the chemical industry, and especially in metallurgy, the share of final products is by definition small. It is worth noting the high contribution of electrical engineering according to national priorities in comparison with model estimates. Additional support measures may be needed to realise the potential of this industry, as the country's existing specialisation does not provide the conditions for active export growth in the industry.

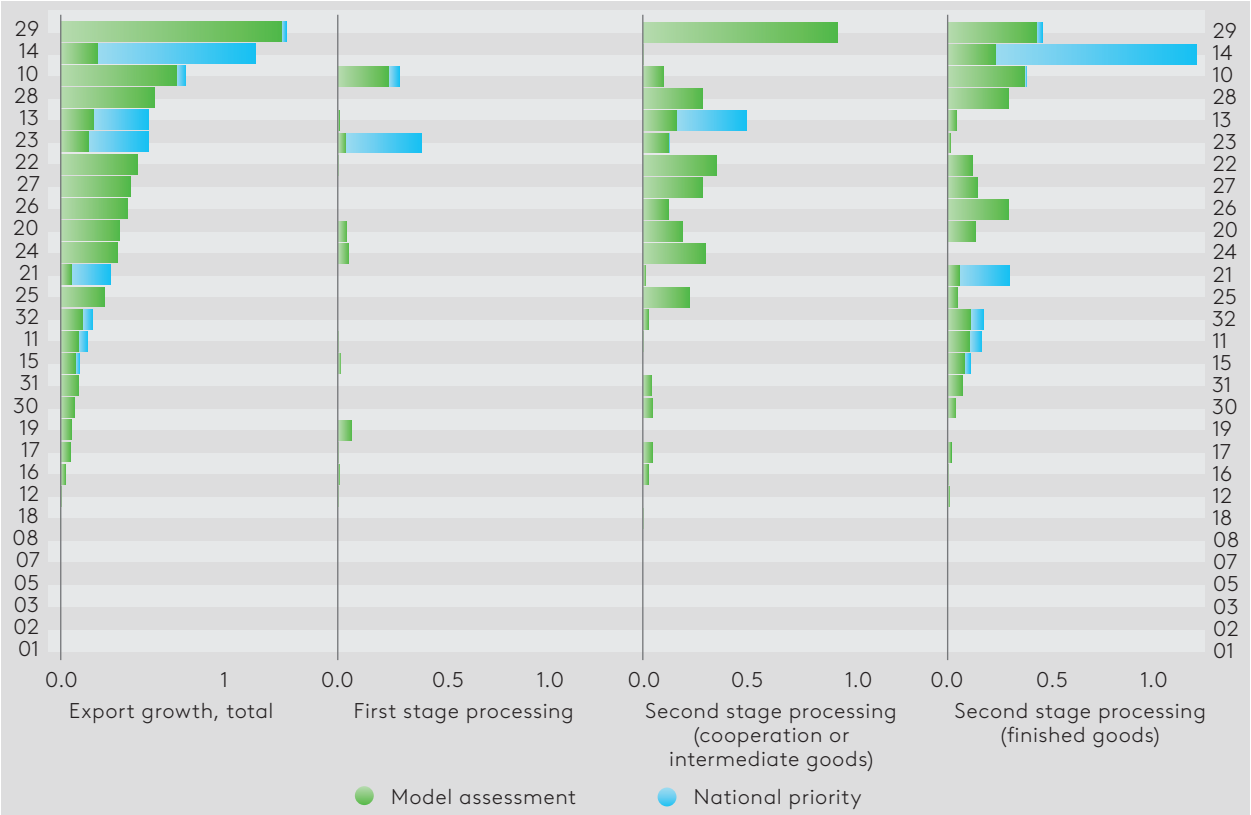
↓ **Figure 15. Kazakhstan's export growth potential by industry, $ billions**



Note: Industry codes in accordance with OKVED2 are explained in Appendix 3.

Source: EDB estimates based on UN data and national strategic documents.

↓ **Figure 16. Export growth potential of Kyrgyzstan by sector, $ billions**



Note: Industry codes in accordance with OKVED2 are explained in Appendix 3.

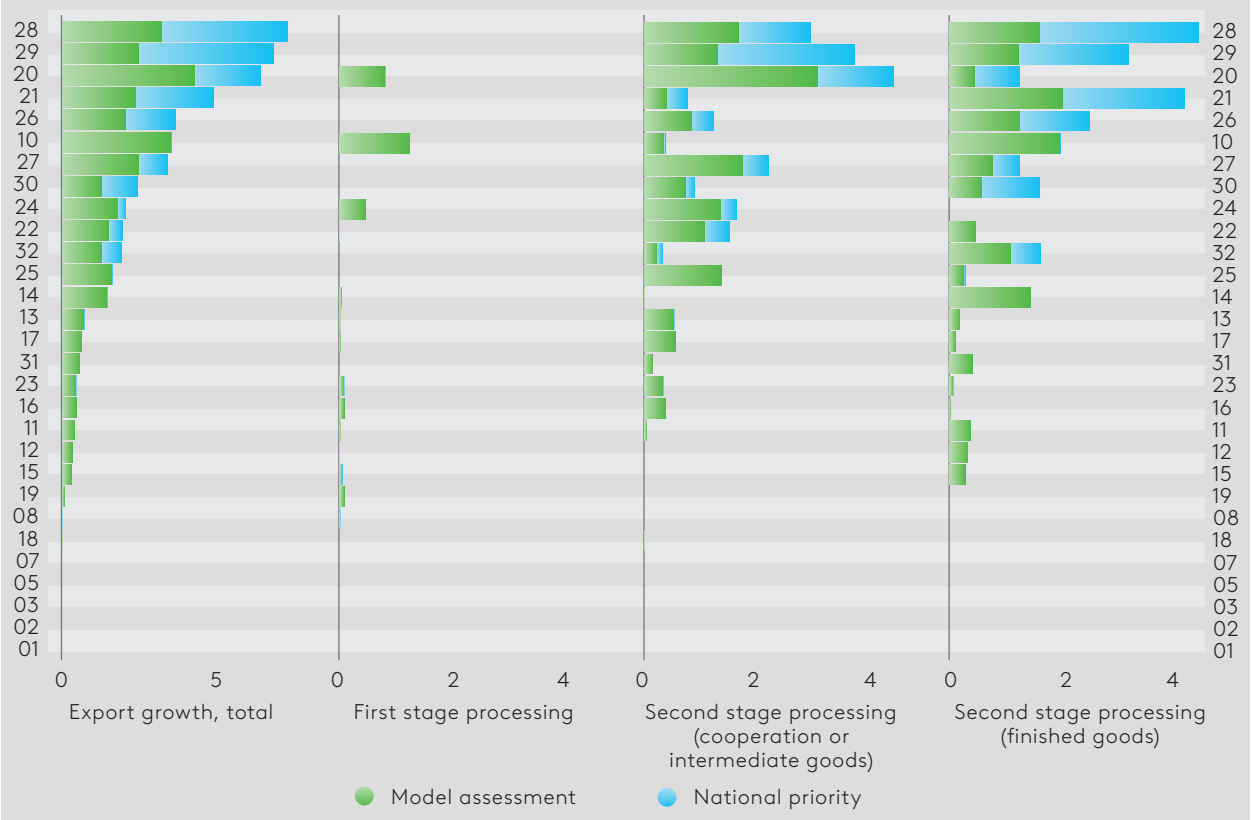
Source: EDB estimates based on UN data and national strategic documents.

The key sectors in *Kyrgyzstan's* export growth potential (*USD 560 million per year*) are automotive, clothing and the food industry (Figure 16). It should be noted that in the automotive industry, the potential for export growth comes not only from car assembly, but also from the production of components (*limited replication of experience in the production of radiators for the manufacture of other components, such as wires and body parts)*. The structure of potential in accordance with national priorities differs significantly from the model estimates: the strategic documents state that priority should be given to clothing, textiles, construction materials and medicines. It seems that in conditions of high concentration of model potential based on the development of already established comparative advantages, such a discrepancy will be useful, as measures to implement national priorities will further improve the structure of the economy, shifting the focus towards goods with a higher degree of processing.

Russia's export growth potential (*USD 53 billion per year*) is predominantly generated by the machine-building and chemical industries (Figure 17). the contribution of this potential, as assessed according to national sectoral priorities, is higher than in other countries in the region due to the high level of detail in the strategic documents (*including a very detailed list of niche industries designed to ensure the country's technological sovereignty)*. In the overall structure of export growth potential, both according to the model and in line with national priorities, second-stage-processing products clearly predominate. The distribution of export growth potential between intermediate and final goods is relatively even, which highlights Russia's broad opportunities for entry into foreign markets both for the sale of final products and for industrial cooperation.

Tajikistan's export growth potential (*USD 150 million per year*) is dominated by goods from sectors such as light industry, metallurgy and chemical production (Figure 18). However, the potential obtained using the modified "product space" approach differs significantly from the potential in accordance with national priorities. In the first case, the main industries are clothing, metallurgy, textiles, and machinery and equipment manufacturing, while in the second case, they are textiles, chemicals, and construction materials. The main contribution to the potential growth of exports of final products of the second stage of processing is expected to come from clothing manufacture, and in terms of possible cooperative supplies, from the textile industry and metallurgy.

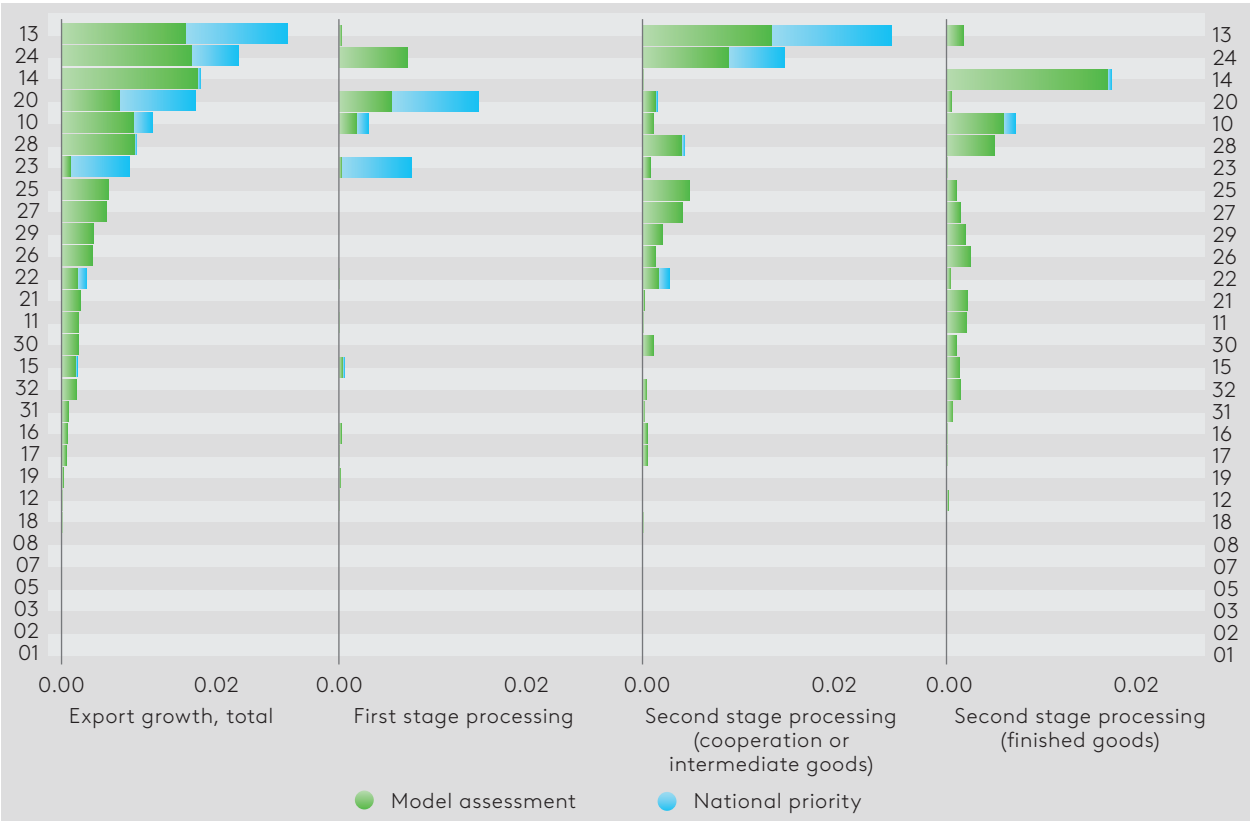
↓ Figure 17. Russia's export growth potential by sector, $ billions



Note: Industry codes in accordance with OKVED2 are explained in Appendix 3.

Source: EDB estimates based on UN data and national strategic documents.

↓ Figure 18. Tajikistan's export growth potential by sector, $ billions

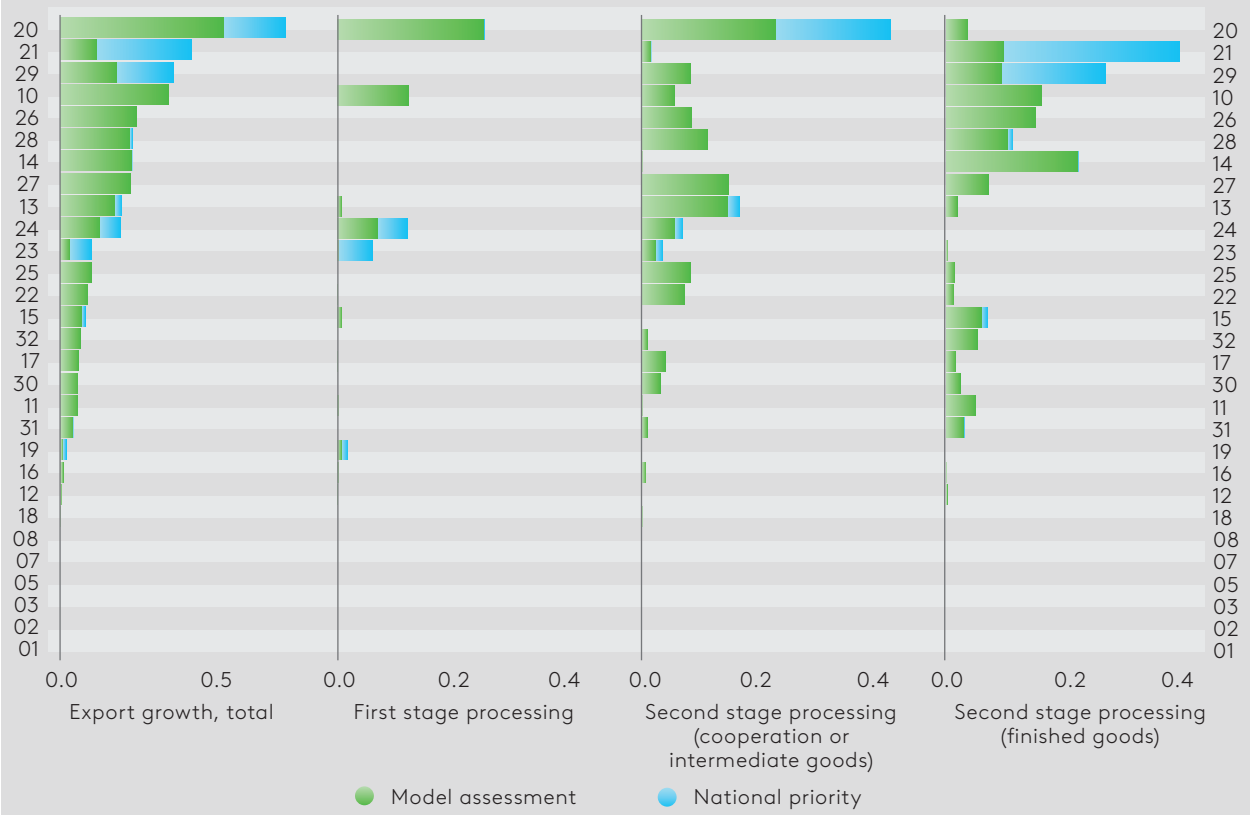


Note: Industry codes in accordance with OKVED2 are explained in Appendix 3.

Source: EDB estimates based on UN data and national strategic documents.

Uzbekistan's export growth potential (*USD 3.9 billion per year*) comes mostly from chemical, pharmaceutical, automotive and food industries (Figure 19). In recent years, the country has been pursuing an active policy to increase the processing of manufactured goods. There are successful cases related to the assembly of passenger cars, the production of wheat flour, the manufacture of copper wire, and the processing of energy resources into petrochemical products. The resulting list of goods with the greatest potential for export growth corresponds to the current trends noted above, with polymers and motor vehicles occupying the leading positions. The implementation of national strategic priorities may provide an additional impetus for the growth of exports of pharmaceuticals and metallurgical products (*copper cathodes and copper wire*), which is fully in line with the trends observed in the metallurgical industry. Among the leading sectors in terms of export growth potential (*excluding the chemical complex*), final products of the second stage of processing predominate, while industrial cooperation may be of great importance for sectors with lower potential.

↓ Figure 19. Uzbekistan's export growth potential by industry, $ billions



Note: Industry codes in accordance with OKVED2 are explained in Appendix 3.
Source: EDB assessment based on UN data and national strategic documents.

Even if their export potential is fully realised, the main structural features of the Eurasian region's economies will remain unchanged: specialised industries (*such as metallurgy and mining*) will continue to account for a significant share of exports. At the same time, the economy will become more complex — the share of machine building will increase in all countries, and new specialised industries may take root in a

number of countries, such as the chemical industry in Uzbekistan, pharmaceuticals and food processing in Armenia, and clothing manufacture in Belarus, Kyrgyzstan and Tajikistan.

↓ **Table 7. Comparison of Eurasian countries by share of second-stage processing in exports and export growth potential**

Country	Exports			Potential export growth	
	initial	potential	total	according to the model	according to national priorities
Armenia	4	56	85	87	80
Belarus	60	65	92	90	98
Kazakhstan	11	19	85	86	84
Kyrgyzstan	24	38	89	92	81
Russia	19	28	93	90	10
Tajikistan	16	25	77	85	5
Uzbekistan	30	41	82	81	8

Note: Second-stage sub-sectors include medium- and high-level manufacturing products according to the REC classification.

Source: EDB estimates based on UN data in accordance with the methodology outlined above.

All countries will increase the sustainability of their export revenues, as the share of second-stage-processing products in exports will increase significantly (Table 7). In particular, if the share of such goods in the exports of three countries in the region — Kazakhstan, Russia and Tajikistan — does not exceed 20%, after full realisation of export potential it will increase by one and a half times or more, and two countries in the region — Armenia and Belarus — will be able to obtain a predominant share of export earnings from exports of medium- and high-value-added products according to the REC classification.

2.4. Assessment of the growth potential of high-level processing industries focused on domestic demand and import substitution in the Eurasian region

Volume and dynamics of import substitution potential

Potential industrial growth as a result of import substitution is estimated at a total of $81 billion per year. This potential varies significantly across the countries of the region (Table 8), which is explained by the significant differentiation in actual import volumes. However, in relative terms, the prospects for most countries are very similar:

according to estimates, in all countries except Russia, between 11% and 17% of imports could potentially be replaced. In Russia, the import substitution potential reaches 26% of imports, which is explained by the greater potential in terms of national industry priorities (Table 9), while the share of imports replaced according to the model potential ranges from 10% to 14% for all countries in the region.

↓ **Table 8. Import substitution potential of countries in the region**

Country	Import substitution potential	Share of replaced imports	Share of countries in total imports of the region in 2019	Share of countries in the region's total import substitution potential
	$ billions	%	%	%
Armenia	0.69	14	1.40	0.85
Belarus	5.01	13	10.92	6.21
Kazakhstan	6.7	17	10.98	8.31
Kyrgyzstan	0	16	1.38	0.97
Russia	63.46	26	68.35	78.71
Tajikistan	0	1	0	0.47
Uzbekistan	3.61	16	6.05	4.47

Source: EDB estimates based on UN data in accordance with the methodology outlined above.

For all countries in the Eurasian region, import substitution potential is principally determined by the potential estimated using a modified "product space" model, according to which the prospective change in each country's import structure is determined by its current structure (Table 9). Since import dependence is mainly expressed in high-value-added goods, most goods with significant import substitution potential belong to the second stage (*medium and high-value-added goods according to the REC classification*). In some cases, high import substitution potential has been identified for lower-stage goods; the most striking example is alumina (*aluminium oxide*) for Tajikistan.

The import substitution potential associated with national sectoral priorities outlined in the strategic documents of the countries in the region is, on average, significantly more concentrated than the model potential, which allows efforts to be focused on a small range of key commodity items. As in the case of model potential, sectoral national priorities are mostly focused on medium- and high-value-added goods (*with the exception of urea for Tajikistan*).

↓ Table 9. Import substitution potential by two components

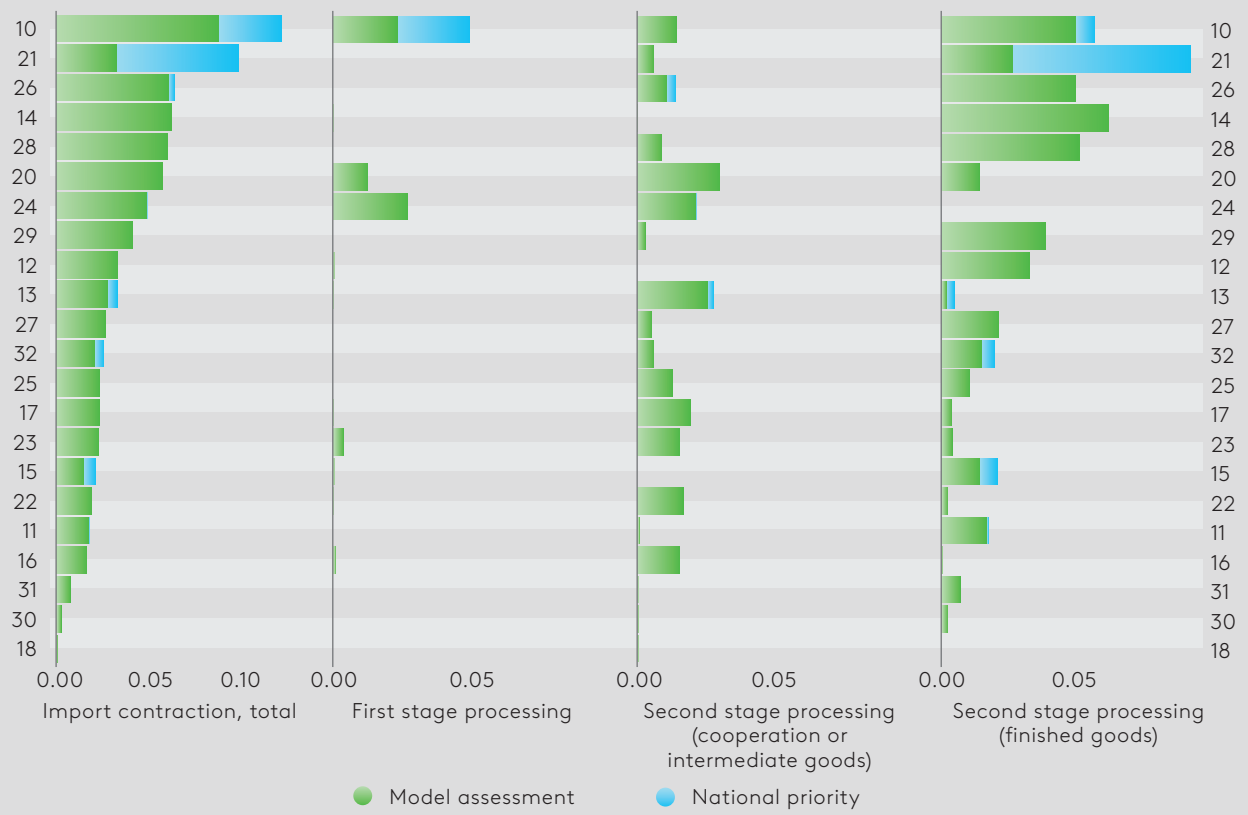
Country	import substitution potential	including share of commodity item with the highest substitution potential	
	$ billions	%	Commodity item and HS code
Assessment based on a modified «product space» model			
Armenia	0	6	cigarettes (240220)
Belarus	4	3	petrol cars, 1500–3000 cc (870323)
Kazakhstan	4.78	4	fittings, including for pipelines (848180)
Kyrgyzstan	0	8	other footwear made of rubber or plastics (640299)
Russia	3	2	mobile phones (851712)
Tajikistan	0	7	alumina (281820)
Uzbekistan	2.9	4	prefabricated building structures (940600)
Assessment based on analysis of national industry priorities			
Armenia	0	4	packaged medicines (300490)
Belarus	1	21	petrol cars, 1500–3000 cc (870323)
Kazakhstan	1	8	ferrous metal structures (730890)
Kyrgyzstan	0	1	packaged medicines (300490)
Russia	3	9	packaged medicines (300490)
Tajikistan	0	35	carbamide (310210)
Uzbekistan	0	35	packaged medicines (300490)

Source: EDB estimates based on UN data in accordance with the methodology outlined above.

Sectoral structure of import substitution potential, by country

Armenia's import substitution potential is estimated at $690 million per year. It is mainly formed by food products, medicines, clothing, and communications equipment (*mobile phones and base stations*); at the same time, the growth momentum in the form of the implementation of national priorities is most pronounced in the pharmaceutical, food, and leather industries (Figure 20). It is important to note that in Armenia, as in other countries in the region, most of the potential in the pharmaceutical industry is represented by "packaged medicines" (HS 300490), which contains a variety of medications and cannot be broken down further. It appears that the potential for import substitution will principally be linked to an increase in the production of generic drugs, while a number of unique life-saving drugs to meet the full range of patient needs will continue to be imported. A list of goods with the greatest import substitution potential for all countries in the region, including Armenia, is provided in Appendix 5.

↓ **Figure 20. Armenia's import substitution potential by sector, $ billions**

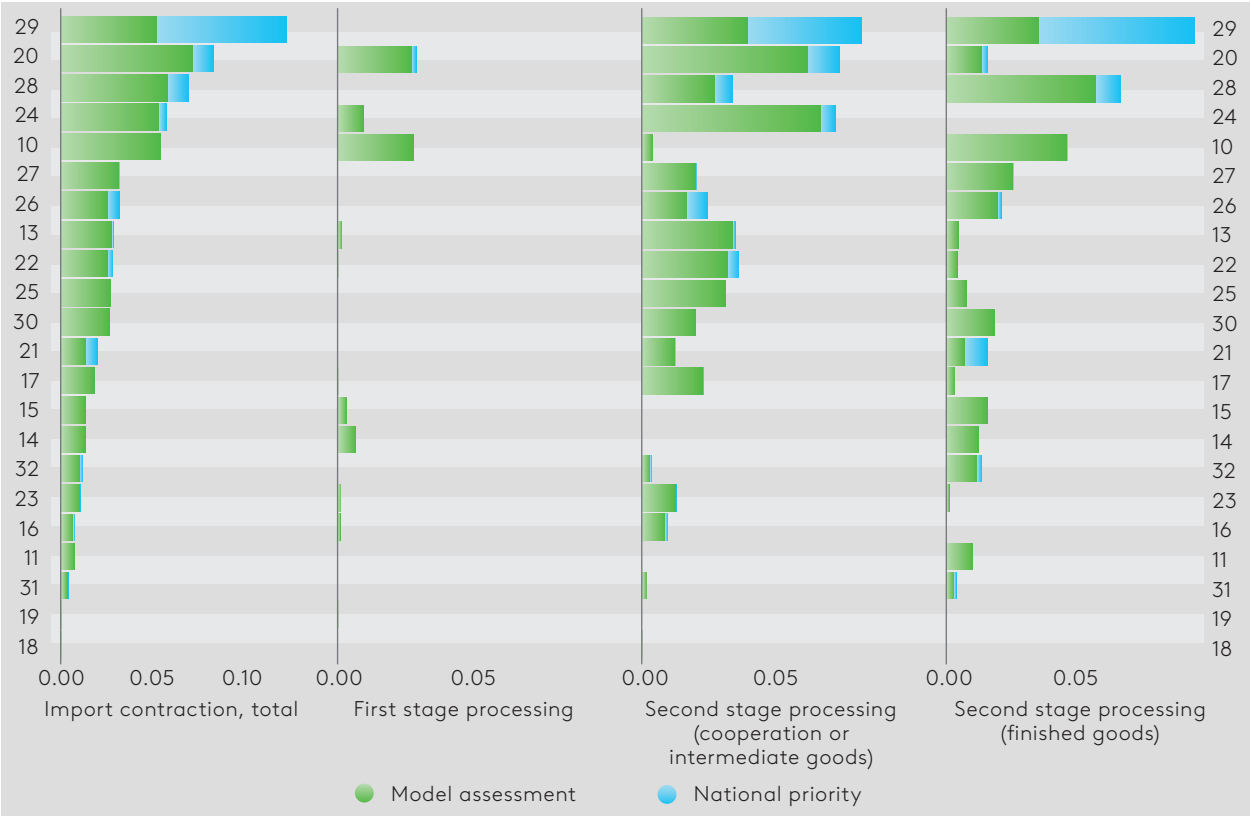


Note: Industry codes in accordance with OKVED2 are explained in Appendix 3.

Source: EDB assessment based on UN data and national strategic documents.

Belarus's import substitution potential is $5 billion per year. It is represented by automobile manufacturing, the chemical industry, machinery and equipment production, metallurgy, and food production (Figure 21). The sectoral structure of the potential, based on an analysis of national strategic priorities, is close to the structure of potential estimated using the model. With the exception of the chemical, food and metallurgical industries, import substitution potential is linked exclusively to second-stage goods, with almost equal shares of intermediate and final goods. There is a noticeable difference in approaches to assessing potential in the distribution between final and intermediate goods in the pharmaceutical sector: while national priorities are focused more on increasing the production of finished medicines, the potential according to the model is more related to intermediate goods, such as pharmaceutical substances and veterinary vaccines. The same shift, but less pronounced, is observed in automobile manufacturing due to the high priority given to increasing the assembly of passenger cars. It should be noted that the model estimates reveal import substitution potential in a number of important segments, such as tractor units and semi-trailers.

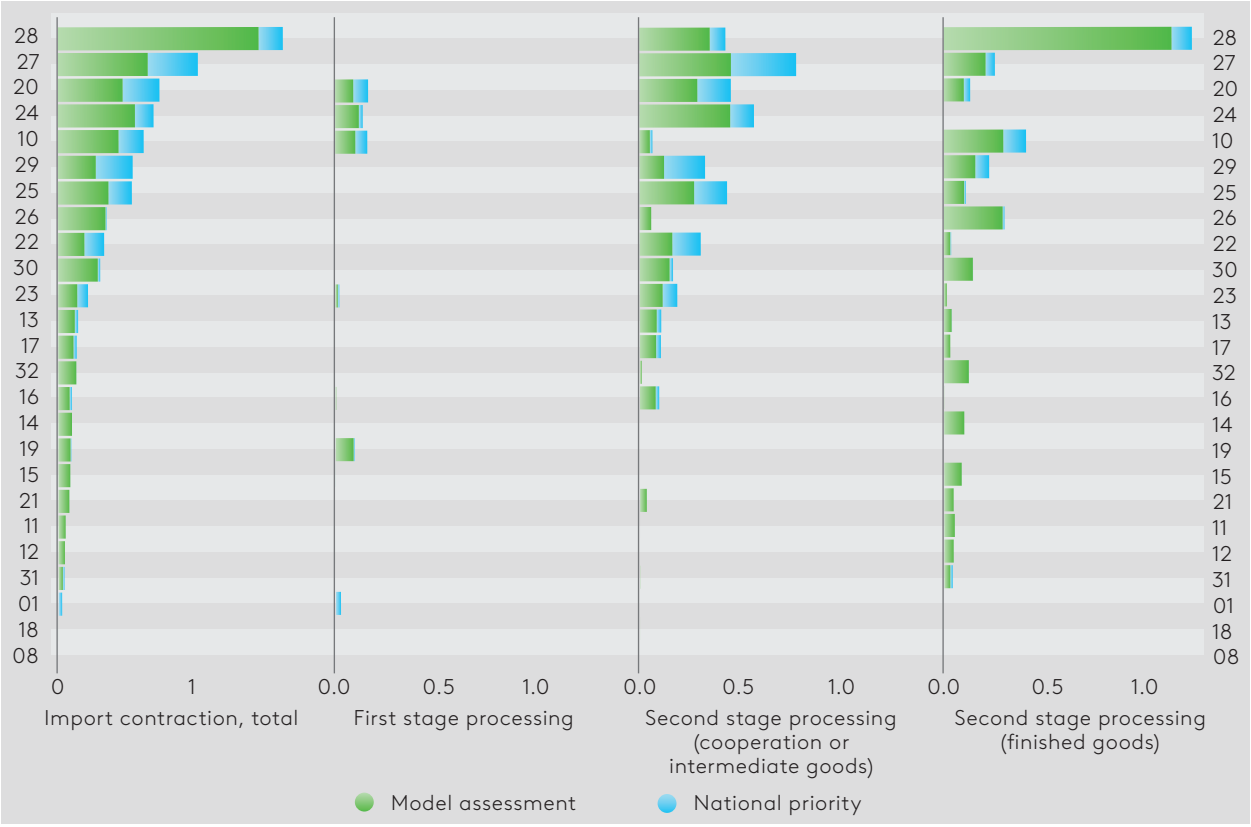
↓ **Figure 21. Belarus's import substitution potential by sector, $ billions**



Note: Industry codes in accordance with OKVED2 are explained in Appendix 3.

Source: EDB estimates based on UN data and national strategic documents.

↓ **Figure 22. Kazakhstan's import substitution potential by sector, $ billions**



Note: Industry codes in accordance with OKVED2 are explained in Appendix 3.

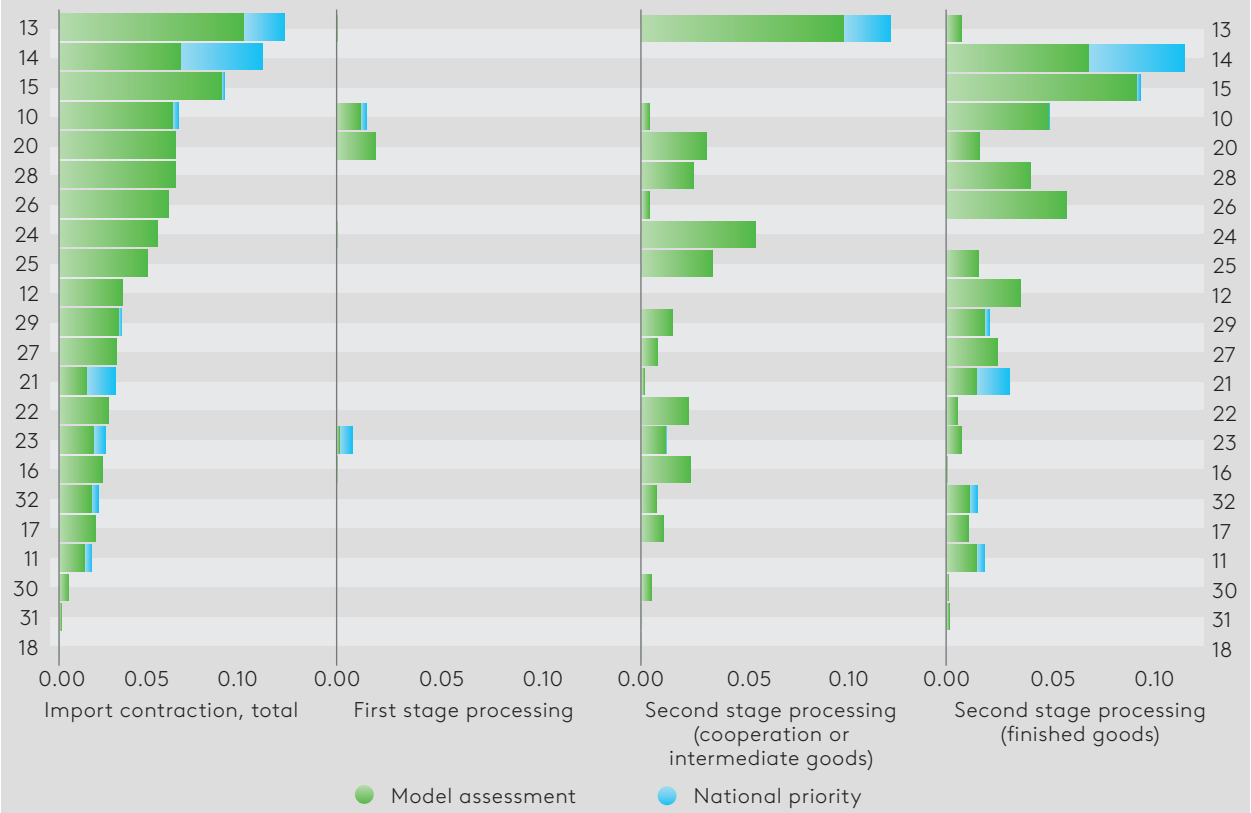
Source: EDB estimates based on UN data and national strategic documents.

The largest contribution to *Kazakhstan's* import substitution potential, estimated at $6.7 billion per year, is expected to come mainly from machinery and equipment, electrical equipment, as well as the chemical industry and metallurgy (Figure 22). Among the goods with high potential are pipeline valves, metal structures, pumps and compressors, drilling rigs, oil well pipes, excavators and polyethylene. The resulting list of the most promising goods confirms that the country's resource specialisation can serve as the basis for the development of related industries by moving up the raw materials processing chain (*polymers*) and thanks to high domestic demand for machinery and equipment for mineral extraction. Overall, the lists of key promising industries obtained in accordance with model estimates and based on an analysis of national priorities are similar, but strategic documents attach slightly greater importance to electrical engineering and the production of automotive components.

As regards *Kyrgyzstan's* import substitution potential (*USD 790 million per year*), light industry sectors dominate, namely the manufacture of textiles and textile products, clothing, leather and leather products, and footwear (Figure 23). In the textile industry, the potential is focused on intermediate goods (*such as synthetic fibre fabrics and knitted fabrics)*, while in the other two leading industries, the focus is expected to be on finished goods (*such as cotton clothing and footwear)*. It is important to note that a number of industries with high import substitution potential according to model estimates are not sufficiently reflected in Kyrgyzstan's national strategic documents. This applies to footwear, food production (*in particular, potential has been identified for chocolate)*, and the chemical complex (*e.g. polyethylene terephthalate)*.

Russia's import substitution potential is estimated at $63 billion per year. It is largely formed by products of the machine-building and chemical industries (Figure 24). The potential is more oriented towards substitution of final consumer goods, with this pattern being more pronounced in estimates based on model calculations. The contribution of the potential according to national strategic priorities is significantly higher than in other countries in the region for two reasons: firstly, the greater detail of strategic documents in Russia, and, secondly, the larger market. In sectors such as automotive, machinery and equipment manufacturing, and pharmaceuticals, the potential based on national sectoral priorities even exceeds the model potential, which may indicate some redundancy in the list of key sectors ensuring national sovereignty.

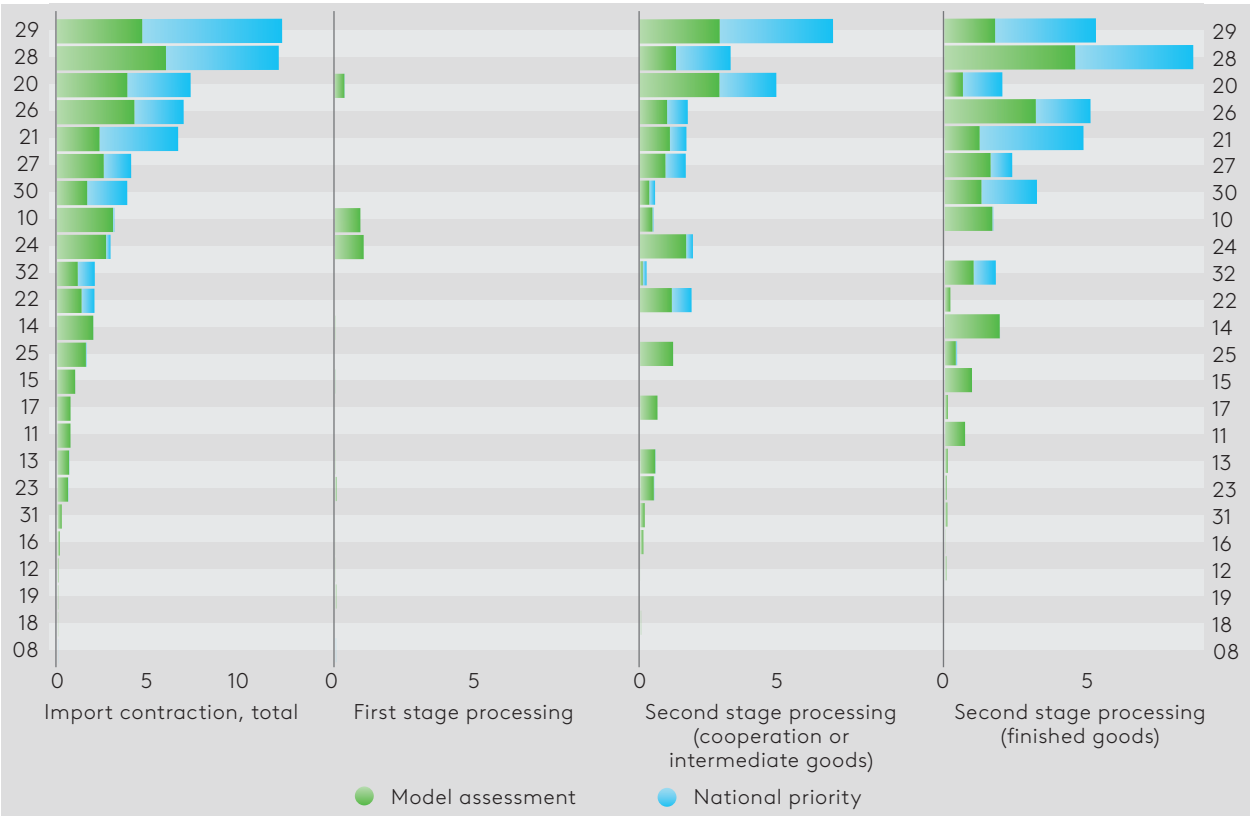
↓ **Figure 23. Kyrgyzstan's import substitution potential by sector, $ billions**



Note: Industry codes in accordance with OKVED2 are explained in Appendix 3.

Source: EDB assessment based on UN data and national strategic documents.

↓ **Figure 24. Russia's import substitution potential by industry, $ billions**

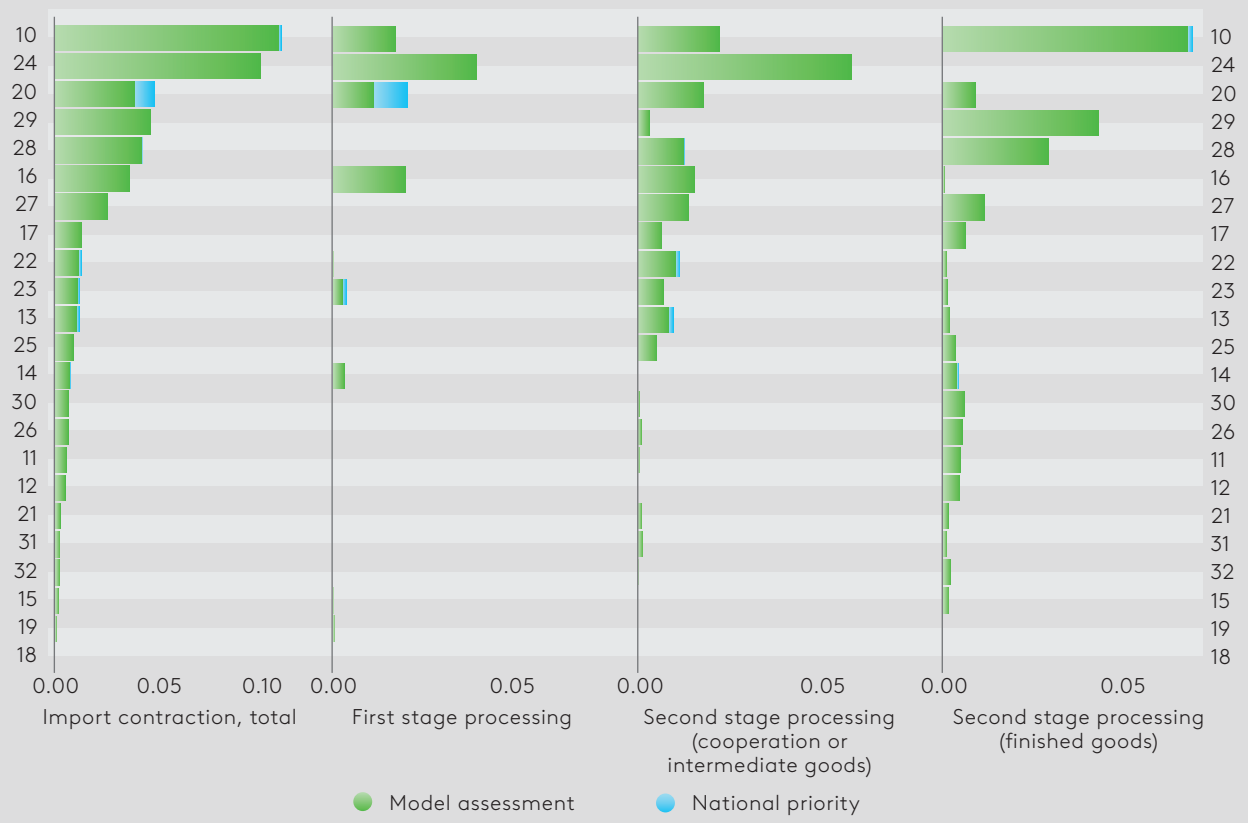


Note: Industry codes in accordance with OKVED2 are explained in Appendix 3.

Source: EDB assessment based on UN data and national strategic documents.

Tajikistan's import substitution potential (*USD 380 million per year*) is principally concentrated in sectors such as food processing and metallurgy (Figure 25). In the first case, the goods with the greatest import substitution potential are sunflower oil, sugar and flour, while in the second case, it is alumina, aluminium, reinforcing bars and hot-rolled products. The very low import substitution potential identified by the country's national strategic priorities is noteworthy. This is due to the low level of sectoral and product detail in development plans, which are mainly focused on existing areas of specialisation (*light industry, metallurgy, fertiliser production*), which makes national development strategies and programmes of little use for analysing import substitution potential (*with the exception of nitrogen fertilisers, but these are classified as low-value products according to the REC classification*).

↓ Figure 25. Tajikistan's import substitution potential by sector, $ billions

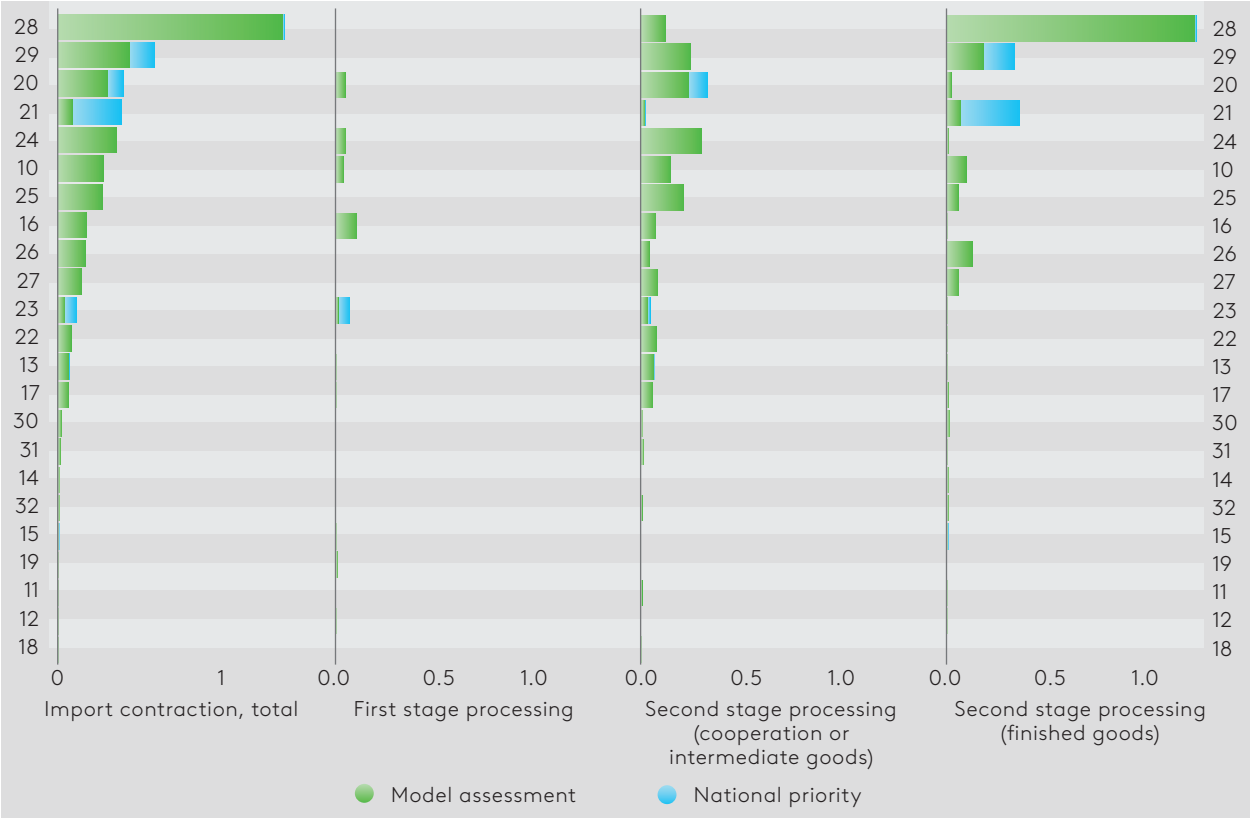


Note: Industry codes in accordance with OKVED2 are explained in Appendix 3.
Source: EDB assessment based on UN data and national strategic documents.

Uzbekistan's import substitution potential is estimated at $3.6 billion per year. It consists predominantly of products from the machine-building, chemical, pharmaceutical and metallurgical industries (Figure 26). The country has significant potential to replace imports of machinery and equipment across a wide range of products, including equipment for crushing or grinding stone and ore, compressors and turbochargers, excavators, and textile spinning machines. However, this industry is virtually absent from the national sectoral priorities (*with the exception of agricultural and food processing equipment, such as agricultural tractors and milk processing equipment*). The greatest discrepancy between the model's assessment of import substitution

potential and national strategic priorities is in the pharmaceutical industry (extremely low potential according to the model and maximum potential according to strategic priorities) and the production of construction materials (*higher potential according to national priorities, largely due to cement, for which demand is growing rapidly in the country*).

↓ Figure 26. Uzbekistan's import substitution potential by sector, $ billions



Note: Industry codes in accordance with OKVED2 are explained in Appendix 3.
Source: EDB assessment based on UN data and national strategic documents.

If the import substitution potential is fully realised, machinery will still account for the bulk of imports in the Eurasian region, although the intensity of purchases in this sector will decline. In a number of countries and sectors, import dependence may shift from high to moderate in the future. Russia has such potential in the automotive industry, machinery and equipment manufacturing, and the chemical industry; Armenia and Tajikistan in the food industry; Kyrgyzstan in light industry, Belarus in car manufacturing and the chemical industry, and Kazakhstan and Uzbekistan in machinery and equipment production.

↓ **Table 10. Comparison of Eurasian countries by share of second-stage processed products in imports and import substitution potential, %**

Country	Imports			Import substitution potential	
	initial	potential	total	according to the model	according to national priorities
Armenia	69	66	8	91	78
Belarus	64	60	90	88	99
Kazakhstan	85	84	92	93	90
Kyrgyzstan	79	76	96	96	91
Russia	89	87	97	93	100
Tajikistan	64	62	78	80	30
Uzbekistan	83	81	93	93	91

Source: EDB estimates based on UN data in accordance with the methodology outlined above.

The share of second-stage goods in imports will decline in all countries of the region (Table 10). This will reflect a reduction in import dependence on such goods. At the same time, the overall share of medium- and high-value-added goods according to the REC classification (*especially machinery)* will remain quite high for the countries in the region: all other things being equal, the higher the share, the richer the country in natural resources and the larger and more solvent its market.

CHAPTER 3. ASSESSMENT OF INDIRECT MACROECONOMIC EFFECTS OF THE DEVELOPMENT OF HIGH-LEVEL PROCESSING INDUSTRIES IN THE EURASIAN REGION

3.1. Summary of macroeconomic effects of realising the potential

The direct and indirect impact of the potential for export growth and import substitution on the macroeconomic indicators of the countries in the region is assessed on the basis of the IOT's data. Preference is given to official statistical publications: for Belarus, Kyrgyzstan and Tajikistan, national data for 2019 are used, while for Kazakhstan and Russia, data for 2021 are used (*direct foreign trade effects, which were estimated for 2019, are normalised to the export volumes contained in the IIB)*. For Armenia, in the absence of official IOT's data, the estimated IOT's for 2019 developed by the Asian Development Bank is used. For Uzbekistan, there are no official data or public estimates of the IOT, so further analysis for this country is limited to aggregate macroeconomic effects without sectoral breakdown.

↓ Table 11. Summary of potential macroeconomic effects

Country	GVA or output	increase in demand	effect on GVA or output			GVA or output multiplier
			total	induced		
		$ billions		$ billions	%	
Gross value added						
Armenia	12.1	1.48	0.91	1.12	9.3	1.241
Belarus	55.9	9.84	5.44	7.49	13.4	1.377
Kazakhstan	185.2	16.90	14.46	19.93	10.8	1.378
Kyrgyzstan	7.6	1.20	0.77	0.91	12.0	1.181
Russia	1,639.5	163.75	120.36	169.05	10.3	1.405
Tajikistan	7.5	0.40	0.31	0.42	5.6	1.366
Uzbekistan	61.8	7.47	5.2	6.9	11.1	1.324

Output						
Armenia	18.8	1.48	1.80	2.11	11.2	1.174
Belarus	123.7	9.84	15.46	19.73	16.0	1.276
Kazakhstan	327.2	16.90	29.33	38.35	11.7	1.308
Kyrgyzstan	16.8	1.20	1.81	2.11	12.5	1.166
Russia	3,350.4	163.75	338.13	433.26	12.9	1.281
Tajikistan	15.3	0.40	0.71	0.93	6.1	1.306
Uzbekistan	91.4	7.47	12.3	15.4	16.9	1.252

Source: EDB estimates based on UN data on foreign trade and national statistics (output, value added, IOT); due to the lack of IOT's data for Uzbekistan, estimates for this country were based on the average multiplier for other countries in the region.

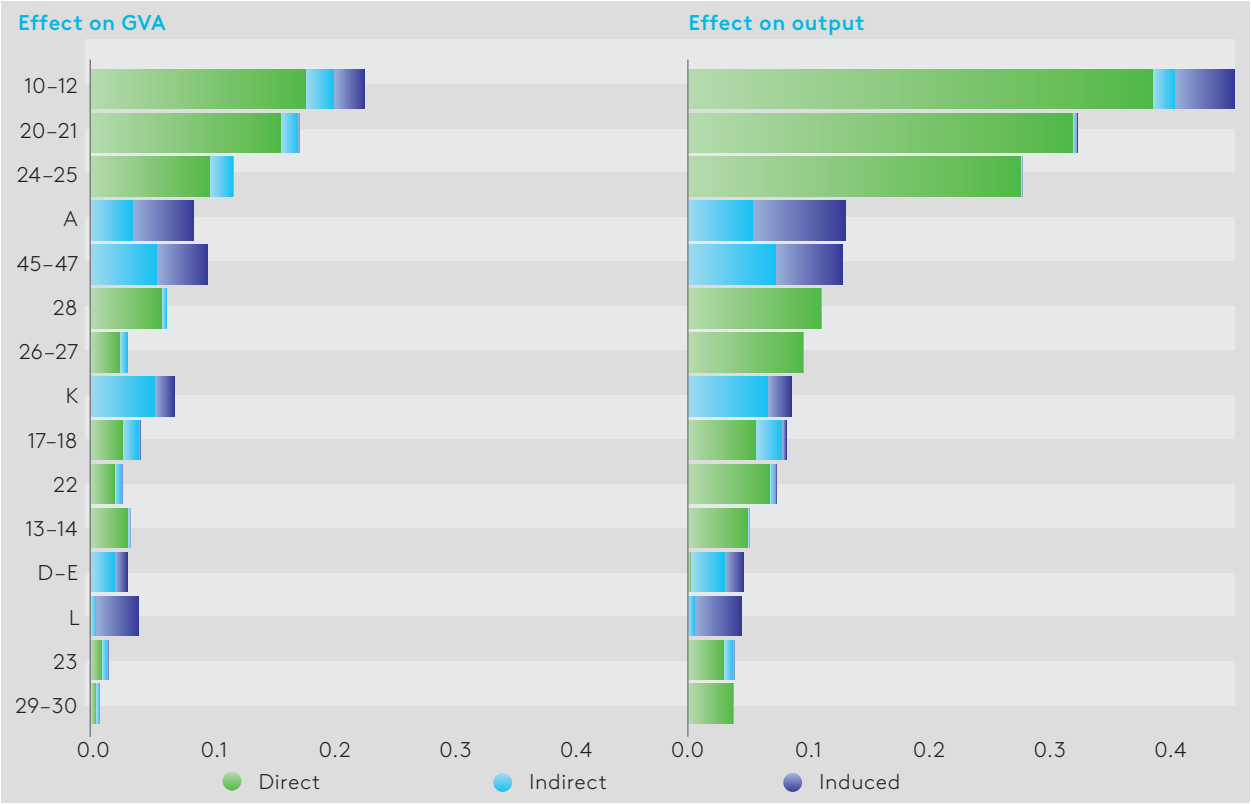
The impulse for macroeconomic effects is generated by the aggregate foreign trade potential, which consists of the potential for export growth and import substitution. The aggregate potential is transformed into demand growth, which represents the direct effect of realising the potential (Table 11). The full effect on GVA or output also includes indirect effects associated with the spread of the demand growth impulse along the supply chain of domestic intermediate products, as a result of which GVA is lower than the direct increase in demand (*since part of the demand is satisfied by imports)*, while output, on the contrary, is higher than the direct increase in demand (*to increase output in industries for which demand has increased, the output of intermediate products from other industries is required).* The induced effect also takes into account the redistribution and secondary use of additional income in the economy resulting from increased demand.

As a result of all effects, both full and induced, the additional output in the economy resulting from the realisation of export potential (*$71 billion per year*) and import substitution potential (*$81 billion per year*) in the Eurasian region is estimated at $361 billion. In terms of GVA, the increase could amount to $147 billion. In the countries of the region, GDP will increase by an additional 6% in Tajikistan (*due to the low openness of the economy)*, by about 10% in Armenia and Russia, by 11% in Kazakhstan and Uzbekistan (*in the latter case, the estimate is approximate due to the lack of official IIB data)*, and most significantly in Kyrgyzstan (+12%) and Belarus (+13%). The most significant growth in output is expected in Uzbekistan and Belarus (*more than 16%)*, while in the other countries the potential effect is within the range of 11–13% (*the lowest in Tajikistan — only 6%)*. The lowest multiplier (*reflecting income redistribution)* for both GVA and output is characteristic of Kyrgyzstan and Armenia, as a significant part of income in these countries comes from external sources (*transfers)* and is not subject to demand shocks. The effects on output and GVA are broken down by economic sector in the next stage of the analysis.

The effect on employment is estimated only at the aggregate level due to the lack of sectoral employment data in the IOT for most countries in the region. Such aggregate estimates show that the number of people employed as a result of the additional demand impulse could increase as follows: in Armenia — from 1.1 to 1.2 million people, in Belarus — from 4.3 to 4.9 million, in Kazakhstan — from 8.8 to 9.8 million, in Kyrgyzstan — from 2.4 to 2.7 million, in Russia — from 71.1 to 79.1 million, in Tajikistan — from 2.5 to 2.8 million, and in Uzbekistan — from 13.5 to 15 million.

3.2. Sectoral macroeconomic effects of realising the potential, by country

↓ **Figure 27. Macroeconomic effects for Armenia, in $ billions**



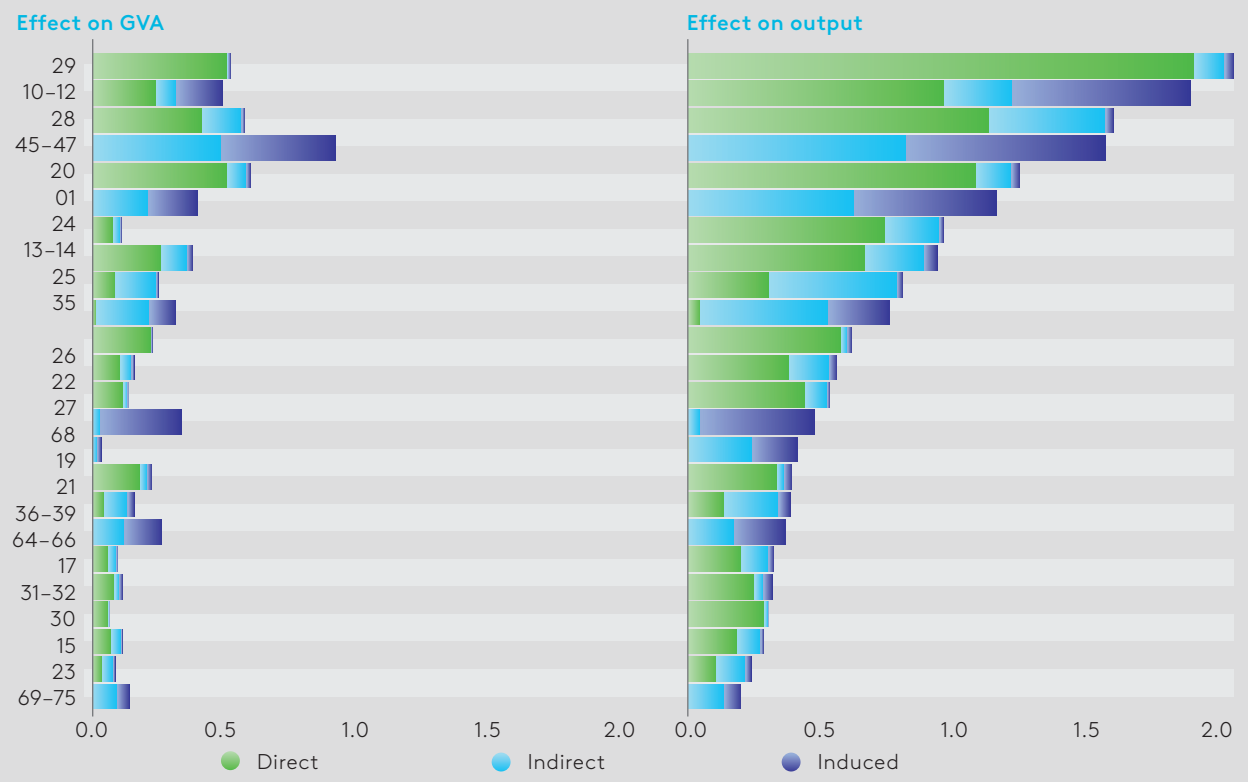
Note: Industry codes used in IOT are given in accordance with OKVED2.

Source: EDB estimates based on UN external trade data and national statistics (output, value added, IOT); sectors covering 95% of the total effect are presented.

In *Armenia,* as a result of realising export potential and import substitution, the additional output growth in related sectors of the economy is estimated at $757 million per year. The main direct effect is concentrated in the food industry, and the chemical and metallurgical complexes (Figure 27). Large indirect and induced effects are expected in three other sectors: agriculture, wholesale and retail trade, and financial and insurance activities. The electricity sector, as an important element of the production infrastructure, will feel a significant indirect effect. A noticeable induced effect is expected in real estate activities. It is important to note that the effect in the machinery industry in terms of GDP will be significantly lower than in terms of output, due to high dependence on imported components, especially in the automotive industry.

In *Belarus,* as a result of realising export potential and import substitution, the additional increase in output in related sectors of the economy is estimated at $9.7 billion per year. The direct effect of realising foreign trade potential is largely generated by the production of motor vehicles, machinery and equipment, and chemical products (Figure 28). However, indirect and induced effects significantly supplement this picture. First, the role of the food industry increases significantly, mainly due to induced effects, as well as the supply of intermediate products from agriculture. Second, wholesale and retail trade benefit equally from indirect and induced effects, and in terms of GVA growth, become the leader. Third, due to their important role in supplying intermediate products, the contribution of industries such as the manufacture of fabricated metal products, electricity, and oil refining to the overall effect increases significantly. Fourth, a large induced effect is expected in services related to real estate, as well as financial and insurance activities.

↓ Figure 28. Macroeconomic effects for Belarus, $ billions



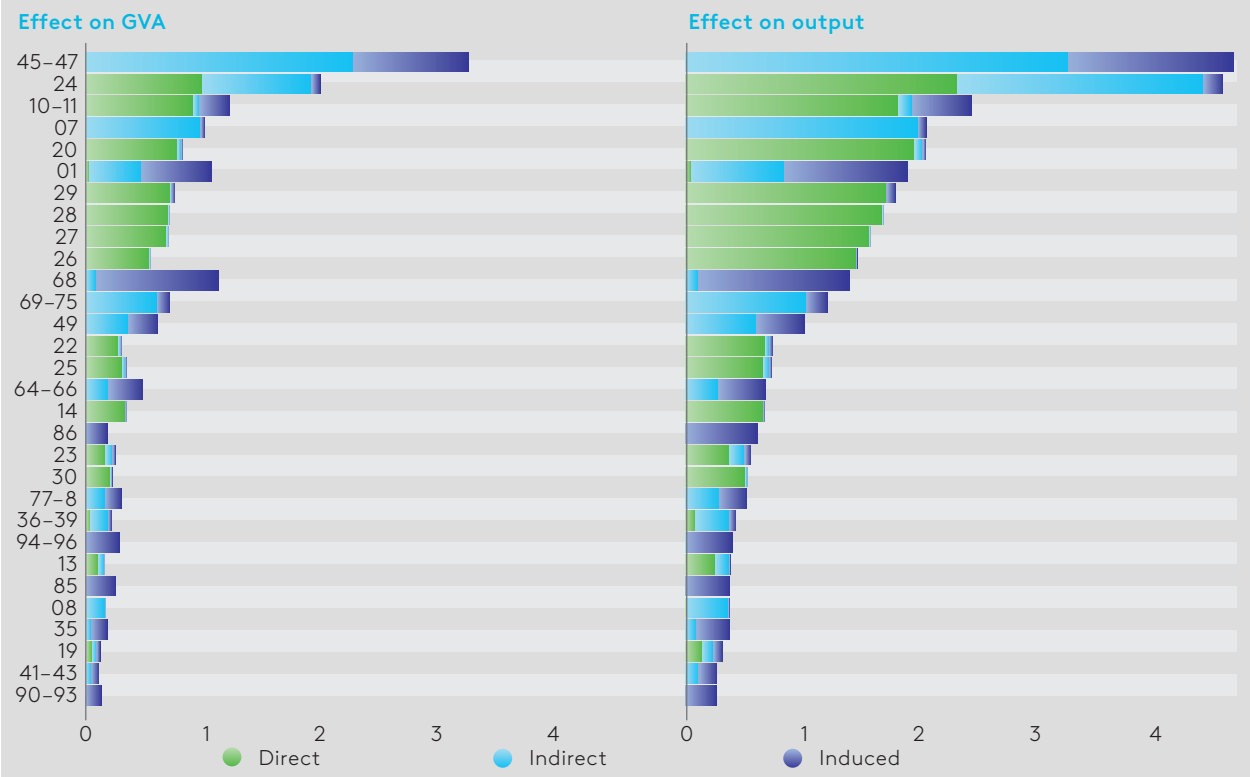
Note: Industry codes used in IOT are given in accordance with OKVED2.

Source: EDB estimates based on UN data on foreign trade and national statistics (output, value added, IOT); sectors covering 95% of the total effect are presented.

In *Kazakhstan,* as a result of realising export potential and import substitution, the additional output growth in related sectors of the economy is estimated at $23.4 billion per year. The leading sectors in terms of direct effect are metallurgical production, and the chemical and food industries (Figure 29). Taking into account macroeconomic effects, wholesale and retail trade will benefit the most in terms of both output and GVA. A very significant additional increase in the effect is also characteristic of metallurgy, mainly due to indirect effects, which reflects the high metal-intensity

of the country's economy. In turn, along the production chain of the metallurgical complex, a significant indirect effect is generated in the extraction of metal ores, and within the agro-industrial complex, in agriculture. In addition, a significant indirect effect will be generated in land transport services, as well as professional, scientific and technical services. The largest induced effects are expected in trade, agriculture, real estate services and health services.

↓ **Figure 29. Macroeconomic effects for Kazakhstan, $ billions**

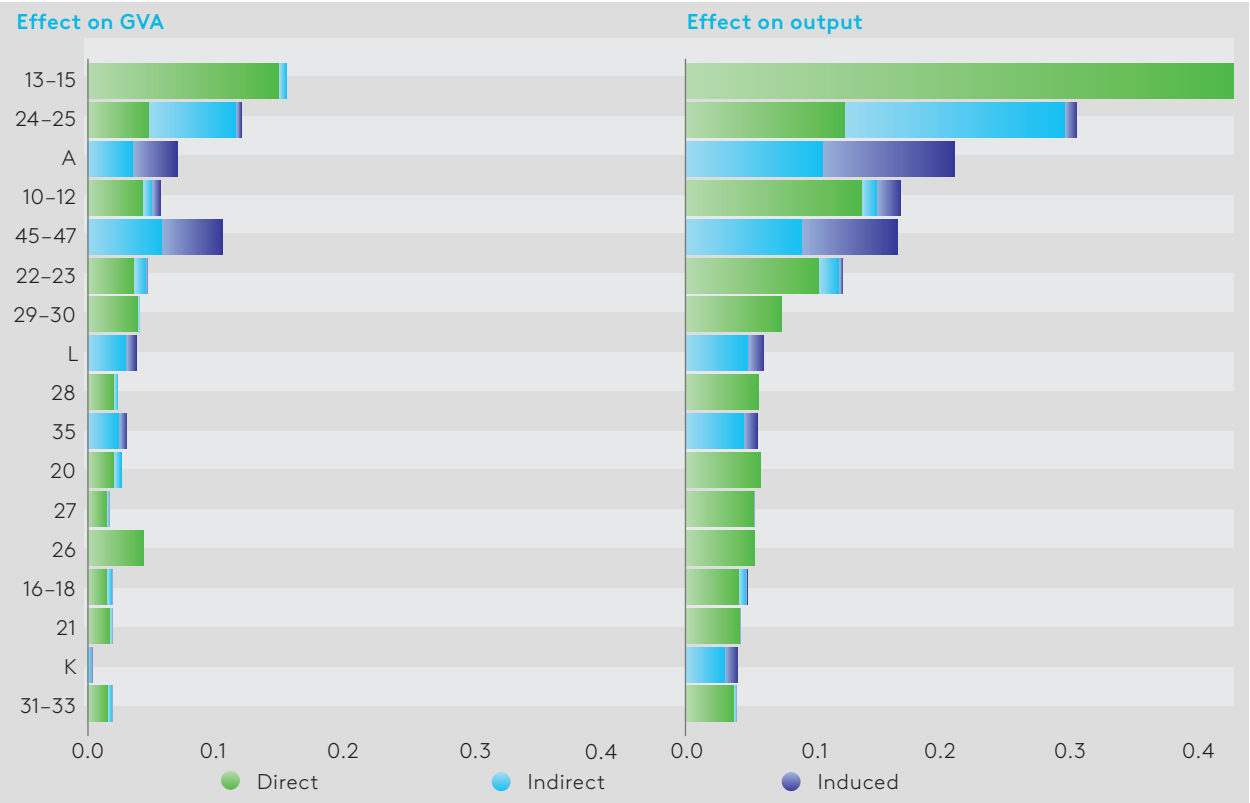


Note: Industry codes used in IOT are given in accordance with OKVED2.

Source: EDB estimates based on UN data on foreign trade and national statistics (output, value added, IOT); sectors covering 95% of the aggregate effect are presented.

In *Kyrgyzstan,* as a result of realising export potential and import substitution, the additional increase in output in related sectors of the economy is estimated at $767 million per year. The main direct effect of realising foreign trade potential is concentrated in light and food industries, metal production and finished metal products (Figure 30). Metallurgy, taking into account indirect (*mostly*) and induced effects, more than doubles its gains and ranks second among the leading industries in terms of both GVA and output growth. Five other industries — agriculture, wholesale and retail trade, real estate, electricity, financial intermediation and insurance — benefit exclusively from indirect and induced effects. It should be noted that the growth in output and GVA in agriculture, taking into account macroeconomic effects, will be even higher than in the food industry, mainly due to the high contribution of induced effects, i.e., income redistribution in the economy.

↓ **Figure 30. Macroeconomic effects for Kyrgyzstan, $ billions**

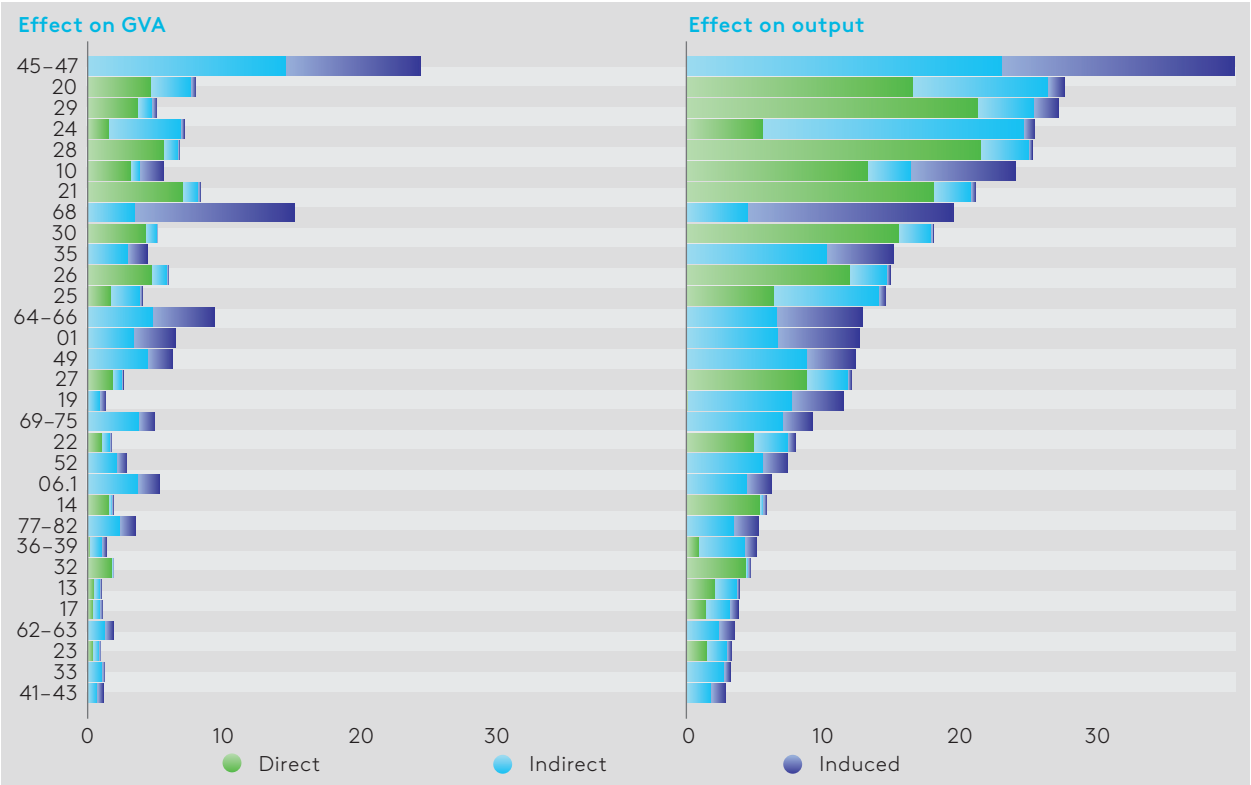


Note: Industry codes used in IOT are given in accordance with OKVED2.

Source: EDB estimates based on UN data on foreign trade and national statistics (output, value added, IOT); sectors covering 95% of the total effect are presented.

In *Russia*, as a result of realising export potential and import substitution, the additional increase in output in related sectors of the economy is estimated at $317.2 billion per year. The direct effect in the form of an increase in output from the realisation of foreign trade potential is mainly generated in the manufacture of machinery and equipment, motor vehicles, pharmaceuticals and in the chemical complex (Figure 31). The direct effect in the form of GVA growth in the production of machinery and equipment, and especially in the automotive industry, is significantly lower than in output due to the high share of imported components. Taking into account indirect and induced effects, the list of leading industries is supplemented by wholesale and retail trade (with approximately equal contributions from both effects), metallurgy (*mainly due to the indirect effect of supplying other industries with intermediate products*), the food industry (*mainly due to the induced effect of income redistribution in the economy*), real estate services (*also largely due to induced effects*), and electric power industry (*indirect effects*). It should be noted that even with the predominance of second-stage goods in the direct effect, a moderate increase in output and GVA is expected in agriculture, oil refining and oil extraction due to indirect and induced effects.

↓ **Figure 31. Macroeconomic effects for Russia, $ billions**

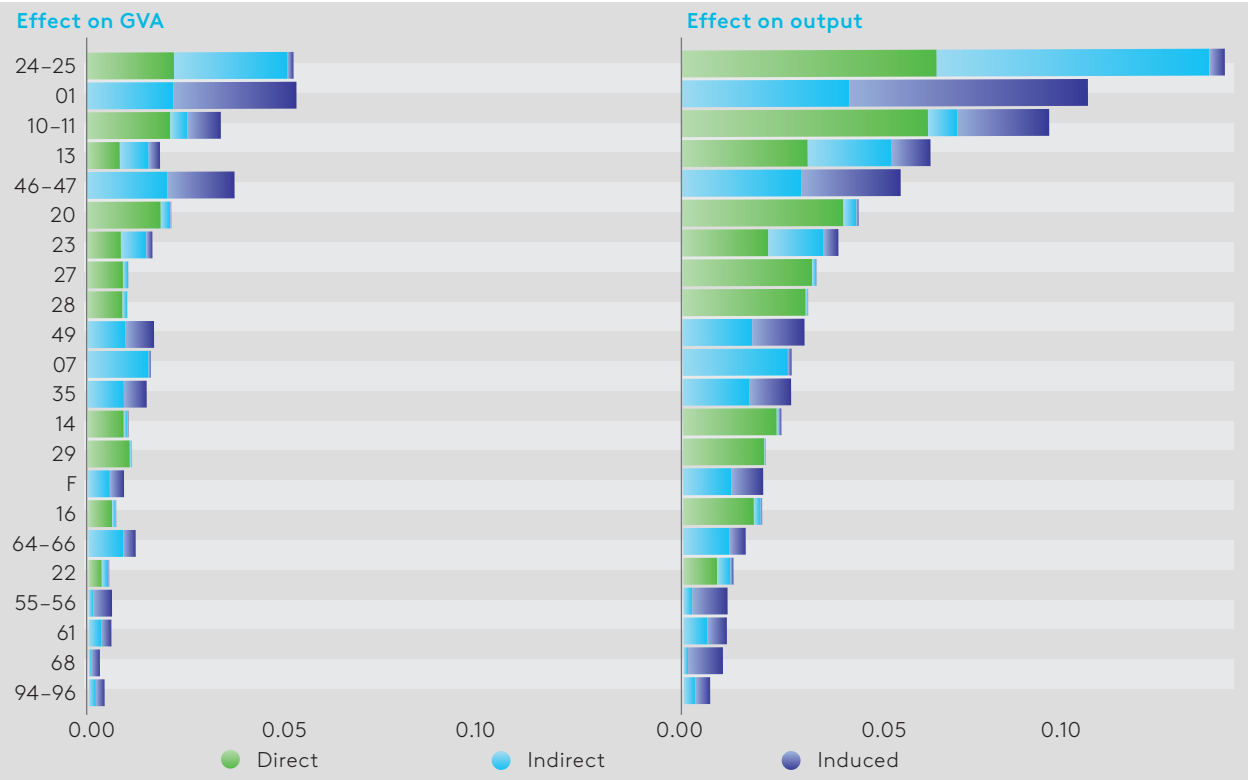


Note: Industry codes used in IOT are given in accordance with OKVED2.

Source: EDB estimates based on UN data on foreign trade and national statistics (output, value added, IOT); sectors covering 95% of the total effect are presented.

In *Tajikistan,* as a result of realising export potential and import substitution, the additional increase in output in related sectors of the economy is estimated at $399 million per year. The main direct effect is in the metallurgy and food production sectors (Figure 32). At the same time, indirect and induced effects bring significant benefits to sectors such as agriculture, wholesale and retail trade, textiles, land transport, metal ore mining, electricity and construction. As in Kyrgyzstan, additional indirect and induced effects in agriculture offset the growth in both output and GVA of the food industry, indicating a high share of agricultural products in final household consumption (*domestic demand for food is met to a greater extent by agricultural products than by food industry products).* A significant induced effect is expected in sectors such as hotels and catering, and real estate services.

↓ **Figure 32. Macroeconomic effects for Tajikistan, $ billions**



Note: Industry codes used in IOT are given in accordance with OKVED2.

Source: EDB estimates based on UN data on foreign trade and national statistics (output, value added, IOT); sectors covering 95% of the aggregate effect are presented.

The overall impact on the countries of the Eurasian region of realising the potential for export growth and import substitution, taking into account indirect and induced macroeconomic effects, is much more pronounced for output than for GDP. This situation is due to the fact that the production of second-stage goods in the countries of the region is, as a rule, heavily dependent on imported materials and components from third countries. As a result, the significant growth potential in sectors such as transport equipment manufacturing (*production could double in Belarus and increase by 1.5 times in Russia)* will only partially be reflected in GVA growth. Nevertheless, the share of machine building, the industry with the highest share of upper processing products, will increase not only in output but also in the GVA of the countries of the region (*the share of this industry in the GVA of Armenia will increase from 0.3% to 1.1%, Belarus — from 4.7% to 6.6%, Kazakhstan — from 1.0% to 2.3%, Kyrgyzstan — from 0.2% to 1.7%, Russia — from 2.3% to 3.4%, Tajikistan — from 0.3% to 0.8%).*

3.3. Combined effects of unlocking the export potential and import substitution potential of high-level processing industries in the Eurasian region

The countries of the Eurasian region specialise mainly in raw materials and low-value-added products, which keeps the issue of transforming the economic structure towards higher-value-added products relevant. As the study shows, the specialisation of countries in the region can be used to develop the production of second-stage goods, including medium- and high-value-added products according to the REC classification. On the one hand, it is unlikely that second-stage industries will become areas of specialisation for the countries of the region even in the 10–15 year perspective: forecasts of changes in the export and import structure as a result of realising the potential for export growth and import substitution show that traditional industries (*such as metallurgy and mining)* will continue to account for a significant share of exports, while highly processed goods will account for a significant share of imports. On the other hand, new growth points will emerge, both export-oriented and focused on the domestic market and import substitution. These prospects are most often found in industries such as machine building, chemical production, food and textiles. An important indirect effect will be an increase in the stability of export revenues due to the increase in the share of second-stage-processing products in exports.

At the same time, the redistribution of benefits from the realisation of foreign trade potential, taking into account indirect and induced effects, will lead to an increase in output and GVA in a wide range of industries, including the raw materials sectors. For example, in Kazakhstan, the high potential of the metallurgical industry will be a factor in the additional growth of metal ore mining, while in Kyrgyzstan, the significant potential of the food industry will lead to an increase in agricultural production. In a number of countries, the structure of domestic demand may limit the full realisation of effects through production chains and income redistribution. In Kyrgyzstan and Tajikistan, household demand for agricultural goods exceeds demand for food industry products, which will lead to more pronounced growth in output and GVA in agriculture. Another problem is dependence on imported components, as a result of which a significant part of the growth in demand is spent on paying for imported components needed to set up production.

The cumulative effect of export growth, import substitution and increased output, after realising the development potential of high-value-added industries in the Eurasian region, exceeds $510 billion per year (*in 2019 base prices*), with 70% of this effect being generated by indirect and induced effects of increased output. The remaining effect is distributed approximately equally between export growth and import substitution: about two-thirds of the effect in both directions is generated by the "product space" model, which takes into account the existing specialisation of the countries in the region and global trade patterns. The remaining third of the effect is formed on the

basis of a list of strategic industries in the countries of the region, taking into account national development strategies and programmes.

In 2024 prices (*reflecting dollar inflation*), the estimated total effect of realising the development potential of high-value-added industries rises to almost $590 billion per year, and taking into account the EDB's forecast for GDP growth in the region's countries until 2035, to $830 billion per year in the baseline scenario and more than $875 billion per year in the optimistic scenario, which is only slightly less than the current total foreign trade turnover of the countries in the region. The effect is interpreted as the annual additional volume of output going to exports, the domestic market (*as a result of import substitution)* and the provision of primary demand stimulus (*in the form of indirect and induced effects)*, which can be achieved by 2035.

The aggregate effect is dominated by the chemical industry (*including pharmaceuticals*), machine building (*principally transport, in particular automotive*), metallurgy, and food processing. Significant indirect and induced effects from the development of high-value-added industries in the region are felt by such sectors as electric power, wholesale and retail trade, transport services, agriculture, as well as chemical production and metallurgy. On the one hand, this highlights the importance of the parallel development of traditional sectors, which will serve as a basis for the development of new products. On the other, it slows down the transformation of the economic structure of the countries in the region, as a significant part of demand is still concentrated in traditional sectors. At the same time, it shows that the development of new sectors of the economy indirectly supports, among other things, the incomes of people employed in traditional sectors.

Thus, based on the development of industries related to current comparative advantages (*by increasing the level of value added along the chain)* and the use of the characteristics of domestic demand (*incentives for the priority development of goods that are in high demand on the local market)*, the countries of the region may achieve significant growth in exports and import substitution across a wide range of goods in the future. However, in order to fully overcome the rut of inertial development and transform the export-raw material model, it is necessary to master the production of a wide range of necessary components and develop domestic demand for more highly processed products.

CONCLUSION

The economies of the Eurasian region have historically developed according to an export-raw material model based on the extraction and primary processing of resources and their export in exchange for imports of high-value-added goods. This means that countries in the region benefit from global value chains mainly during periods of high commodity prices, while remaining dependent on imports of machinery, equipment and components for investment and production. In addition, the similarity of many countries' export specialisation (*they compete on a number of similar raw materials)* and the limited size of the regional market hinder deep economic integration: excess production capacity is forced to focus on third-country markets.

The region's industry is characterised by insufficient and uneven technological sophistication. The most industrially developed countries — Russia and Belarus — have a relatively high share of medium- and high-value-added products (*Russia ranks 33rd in the world in terms of industrial competitiveness, Belarus 56th*). The smaller economies such as Kyrgyzstan (*115th place)* and Tajikistan (*121st)* produce virtually no high-value-added products, demonstrating the vulnerability of their industrial sectors. Common challenges for most countries include a low share of high-tech products in the structure of output and exports and insufficient export diversification. Exports continue to be dominated by low-value-added, low-processing goods (*first stage of processing)*, such as semi-finished metal products, basic chemicals, and petroleum products. Together, they form the basis of the region's foreign trade, keeping it on the periphery of global industrial expansion. There are a few exceptions: for example, in Armenia and Belarus, a significant share of exports already consists of more highly processed goods, facilitated by access to the large Russian market.

Overall, however, **the region's** limited presence in high-income segments of the global economy increases **its dependence on fluctuations in external demand for raw materials**. There is also a high degree of import dependence in the most technology-intensive industries. Even countries with developed industries are heavily dependent on imports of machinery, pharmaceuticals, fine chemicals and other knowledge-intensive products. Despite better diversification, Belarus remains dependent on external supplies, for example in the chemical complex and pharmaceuticals; and in the region's small economies, high-tech manufacturing is largely absent. The potential for developing complex industries is limited by the narrowness of the domestic market and demand, which makes import substitution a particularly pressing issue.

Another limiting factor is **the lack of production cooperation between countries in the region in medium- and high-level processing**. Integration processes have been hampered by the fact that countries have tended to compete in the same areas rather than complement each other in industrial cooperation. Nevertheless, analysis

shows that there is potential for cooperation. Sectors have been identified where the capabilities of some countries coincide with the needs of others, forming the basis for complementarity and production cooperation. In other words, the specialisation of individual countries in certain products can be used to supply other countries in the region that need them, instead of importing them from third countries. Such complementary profiles create the conditions for joint production of more complex products within the region. For example, oil refining in Belarus actually operates on raw materials imported from Russia, demonstrating a successful model of inter-country industrial integration within the framework of the second stage of processing. Expanding such ties would allow for broader use of the Eurasian region's aggregate industrial potential.

The structural problems of the current development model can be overcome by diversifying production and exports, shifting the focus to higher-value-added products. Global experience shows that as countries' economies grow, they expand their export range to include more and more high-tech goods. The development of high-value-added industries serves as a catalyst for economic growth, creating new niche industries, reducing environmental impact and promoting the transition to a technologically sovereign development model. In the context of global technological transformations, it is precisely the focus on complex, knowledge-intensive industries that becomes a determining factor for long-term stability and innovative leadership.

The study shows that realising the identified potential for development of the medium and high processing segments of the manufacturing industry in the Eurasian region could generate over **$510 billion in cumulative effect** annually **through export growth, import substitution and overall increase in output**. The main drivers of this growth could be the chemical industry (*including pharmaceuticals*), machine building (*principally transport, in particular automotive)*, metallurgy and the food industry. It is these industries, with their competitive advantages and resource base, that will make the largest contribution to increasing the region's added value and export earnings. The growth of high-value-added industries will have significant macroeconomic effects: in addition to a direct increase in output and employment in the target industries, it will have a multiplier effect on related sectors of the economy through the development of related industries and services. Thus, industrial modernisation will give a comprehensive positive impetus to economic development.

The countries of the Eurasian region face a strategic challenge: not simply to increase exports or replace imports, but **to build a modern industrial system** capable of maximising the processing of its own resources, creating jobs and generating technological development. The transition from export and raw material dependence to an economy based on high-value-added products is a necessary condition for ensuring sustainable growth, technological independence and increasing the region's competitiveness on a global scale.

PRACTICAL RECOMMENDATIONS

Strategic recommendations

Active industrial policy and diversification. Adhere to a strategy of accelerated industrialisation aimed at diversifying the economy through the development of medium- and high-level processing industries. The state should act as an active strategist for industrial development, prioritising promising sectors and providing them with comprehensive support through investment, incentives, and the development of education and scientific and innovative infrastructure. Such policies should be scientifically sound and long-term, with clear targets for increasing the share of high-tech products in GDP and exports.

Dual focus: import substitution and export growth. When formulating industrial policy, it is necessary to proceed from the need to solve two tasks in parallel. On the one hand, it is important to develop industries with high import substitution potential in order to reduce critical dependence on imports of finished products and components (*especially in machine building, pharmaceuticals, electronics, etc.)*. On the other, particular emphasis should be placed on identified competitive sectors for export in which the countries of the region have comparative advantages and which are capable of integration into global production and technology chains. This approach will make it possible to simultaneously move away from a peripheral raw materials role and occupy niches in high-profit segments of the global market.

Interstate coordination and division of specialisation. Strengthen economic policy coordination among countries in the region in the industrial sector. National industrial strategies need to be coordinated to minimise direct competition in the same industries and maximise the effects of complementarity. To this end, inter-country mechanisms (*joint working groups, industrial development councils within integration structures)* are useful for developing complementary specialisations. Each country could focus on the niche high-value-added industries in which it is strongest, with the support of partners supplying the necessary raw materials, components or technologies. Such a division of labour would foster the formation of regional value chains and strengthen the mutual integration of economies.

Strategies for technological sovereignty and digital transformation. Develop and implement long-term national programmes aimed at achieving technological sovereignty and introducing digital technologies into industry. Global experience shows that countries that consistently implement strategies for technological sovereignty and industrial digitalisation become leaders in high-value-added industries. Eurasian countries should follow this example by adopting strategic documents that provide for the growth of high-tech industries, the development of their own critical technologies and a reduction of dependence on external supplies. It is important

that such strategies be backed by material resources and political will for their implementation, and that they take into account the specific characteristics of each country and its competitive advantages.

Sectoral recommendations

Priority development of key high-value-added industries. Concentrate resources on supporting those industries that are capable of delivering the greatest impact in the event of an industrial breakthrough. These include the chemical industry (*including pharmaceuticals)*, machine building (*especially transport and automotive)*, metallurgy and the food industry. It is advisable to implement special development programmes in these sectors: to provide tax and financial incentives for investors, create clusters and special economic zones, and support exports through export credit agencies and trade fairs. It is necessary to eliminate bottlenecks in infrastructure (*e.g., logistics, energy supply)* and human resources in these industries to ensure their accelerated growth.

Support for niche industries in each country. For each country in the region, a narrow range of niche industries in the second stage of processing should be supported, which have been identified as promising and competitive for long-term specialisation. The development of these niches (*e.g., the production of certain types of specialised machinery, fine chemicals, high-value-added agro-industrial products)* should be aimed at creating national "growth points". It is important for governments, in cooperation with business, to develop roadmaps for the development of such niche industries — from the creation of the necessary capacities and attraction of technologies to entry into foreign markets. Realising the potential of niche industries will diversify the industrial structure of each country and strengthen its export specialisation.

Localisation of component production and reduction of import dependence. To transform the export-raw material model, it is necessary to master the production of a wide range of necessary components and materials within the region. It is recommended to encourage the localisation of production of intermediate goods that are currently most dependent on imports (*e.g., components and parts for machine building, electronics, and chemical synthesis)*. At the same time, it is necessary to develop domestic demand for more highly processed products, for example through public procurement, localisation requirements and the promotion of domestic products. These measures will ensure that new production facilities are utilised, give them time to strengthen their position in domestic competition, and then enable them to enter foreign markets. Achieving at least partial self-sufficiency in machine building, pharmaceuticals and other knowledge-intensive industries will be an important step towards enhancing economic security and the balance of foreign trade.

Development of production cooperation within the region. Expand inter-country production chains within the Eurasian region, moving from competition to cooperation. In practical terms, this means supporting joint projects where raw materials or semi-finished products from one country are processed into finished products in another country. There are already examples of this: oil refining in Belarus has developed on the basis of crude oil imports from Russia, which is in fact a successful model of cooperation. The creation of similar cooperation schemes in other sectors should be encouraged, such as joint production of agricultural machinery, where some participants supply metal components and engines, while others assemble and fine-tune the machinery. Such integration of production will allow countries to share costs and risks, increase output and master more complex products than each could achieve alone. To stimulate cooperation, integration associations (*EAEU, etc.)* can use tools such as the unification of technical standards, special funds to support cooperation projects, simplification of the movement of components across borders, and protection of joint production in the region's domestic market.

Technological recommendations

Digitalisation and automation of industry. Accelerate the introduction of modern digital technologies and Industry 4.0 concepts in the manufacturing sector. This involves creating "smart" factories with a high degree of automation, using artificial intelligence, robotisation, the Internet of Things and virtual modelling of production processes. Such technologies will dramatically increase labour productivity, flexibility and production efficiency, and reduce costs. It is necessary to expand industrial enterprises' access to digital solutions through the creation of demonstration centres, support for pilot projects on industrial automation, and training programmes for personnel. The digital transformation of industry will become the basis for increasing the technological complexity of manufactured products and integrating the region into global high-tech chains.

Environmental sustainability and a circular economy. Improve the environmental performance of industrial growth through energy-efficient and low-carbon technologies and the introduction of circular economy principles. It is recommended to modernise enterprises with a focus on reducing energy consumption and emissions, to introduce modern energy management systems, clean production technologies, and switch to renewable energy sources where possible. At the same time, it is important to develop waste recycling and resource reuse in the production cycle (*recycling, upcycling)*, thereby reducing the environmental impact. Such measures are not only in line with the global trend towards a green transition, but also reduce costs in the long term, increase independence from fluctuations in raw material prices and make the region's products more attractive in markets that require compliance with environmental standards.

Development of biotechnology and new materials. Particular attention should be paid to promising technological areas of the next wave of industrial development. These include, first, the biotechnology industry: projects in pharmaceuticals, biomedicine, agrobiotechnology, biochemical production and bioenergy should be supported. These areas are capable of producing high-value-added products and forming new export niches. Second, the advanced materials industry: the development and production of nanomaterials, composites, new-generation polymers, special chemicals and electronics based on them should be encouraged. It is important for Eurasian countries not to lag behind global trends related to the materials and biotechnology revolution, which is why it is necessary to support research centres, pilot production laboratories and start-ups in these areas. Building up skills in biotech and materials science will make the region more independent in terms of tech and set the stage for breakthrough innovations.

Development of sustainable production and technology networks. Take advantage of regional integration to form sustainable production networks based on advanced technologies. Intensifying knowledge and technology exchange between countries (*e.g. through joint scientific and technical programmes, exchange of experience in implementing Industry 4.0, creation of a single information space for business cooperation)* will accelerate the technological development of all participants. Initiate regional megaprojects in areas defined by global megatrends (*digitalisation, green energy, new materials, etc.)*, involving consortia of companies and scientific institutions from different countries. This approach will ensure a synergistic effect by combining resources and competencies to achieve technological breakthroughs, which will then become the basis for industrial growth.

Management recommendations

A tripartite partnership among the state, business and science. Ensure close coordination among the government, the private sector and the scientific and educational community in the planning and implementation of industrial policy. Platforms for ongoing dialogue need to be established, such as industrial development councils or technology consortia, bringing together representatives of government, industry and leading universities/academic institutions. Such structures will help to jointly identify priorities (*technological and sectoral)*, coordinate support measures and monitor their implementation. Institutionalising interaction between business and science with state support will accelerate technology transfer to industry and lead to more balanced management decisions.

Improving the management and monitoring of industrial policy. Introduce modern methods of managing industrial programmes and continuously monitor their effectiveness. The success of diversification largely depends on the state's ability to accurately identify the optimal sectors for support and to implement the necessary measures in a coordinated manner. Introduce a system of indicators and KPIs for the

sectors being evaluated (*share of high-value-added products, export volume by niche, level of localisation, etc.)* and regularly measure progress. Policy adjustments should be made based on monitoring data: resources should be concentrated on the most effective areas, and support measures should be optimised or redirected if targets are not met. In addition, transparency and accountability should be ensured by openly publishing results and conclusions, which will increase business and public confidence in industrial policy.

Human capital and skills development. Invest in training the personnel needed for high-value-added industries. Educational initiatives and retraining programmes should keep pace with industrial development. The curricula of technical universities and colleges need to be modernised with an emphasis on practical skills in working with modern equipment, digital systems and quality management systems. Particular attention should be paid to the development of engineering and design competencies, project management skills, and technology commercialisation. State support may include scholarships and grants for training specialists in priority sectors, the creation of competence centres and innovation laboratories at universities. Without a sufficient number of qualified engineers, technologists, researchers and managers, it will be difficult to achieve a technological breakthrough, so investment in human capital will pay off through increased efficiency and innovation in the economy.

Institutional environment and investment climate. Continue reforms aimed at improving conditions for industrial business and investment projects. This involves removing excessive administrative barriers, ensuring investor protection, and transparent and stable rules for business. It is important to strengthen the role of development institutions (*e.g. regional development banks, industrial support funds)* in financing promising high-value-added projects. Management decisions should be aimed at reducing risks for investors: introducing public-private partnership mechanisms, export credit insurance, and long-term tax preferences. Harmonise technical regulations and standards within the region to facilitate market access for enterprises in neighbouring countries. Improving the institutional environment will accelerate the inflow of investment into new production and increase the overall manageability of industrial transformation.

All the proposed measures are interrelated and require **comprehensive implementation**. Strategic initiatives set the overall direction and coordination of efforts; sectoral measures focus on specific growth areas; technological steps ensure long-term competitiveness; and management reforms create favourable conditions for transformation. Based on the strengths and weaknesses identified in this analysis, these recommendations are designed to help the countries of the Eurasian region work together towards a more complex industrial structure, reduce their vulnerability to external shocks and ensure sustainable economic growth on a new technological basis.

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ABBREVIATIONS

CIS	Commonwealth of Independent States
EAEU	Eurasian Economic Union
EDB	Eurasian Development Bank
EU	European Union
GDP	Gross Domestic Product
GVA	Gross Value Added
HS	HS code (Harmonized System code)
IOT	Input-Output Tables
INP RAS	Institute for National Economic Forecasting of the Russian Academy of Sciences
ITC	International Trade Centre
OKVED	All-Russian Classifier of Economic Activities
OKVED2	All-Russian Classifier of Economic Activities (ed. 2)
REC	Russian Export Centre
TN VED	Commodity Nomenclature Code of the Foreign Economic Activity or HS code (Harmonized System code)
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
USA	United States of America
USSR	Union of Soviet Socialist Republics
ARM	Armenia
BLR	Belarus
KAZ	Kazakhstan
KGZ	Kyrgyzstan
RUS	Russia
TJK	Tajikistan
UZB	Uzbekistan

APPENDIX 1. STRATEGIC DOCUMENTS OF THE EURASIAN REGION COUNTRIES DEFINING NATIONAL SECTORAL PRIORITIES

↓ Table 1. Strategic documents and basis for their adoption

Country	Document	Basis
Armenia	1. Programme of the Government of the Republic of Armenia for 2021–2026	Decree of the Government of the Republic of Armenia No. 1363-A of 18 August 2021
	2. Programme of Activities of the Government of the Republic of Armenia for 2021–2026	Decree of the Government of the Republic of Armenia No. 2300-L of 25 December 2023
Belarus	1. National Strategy for Sustainable Socio-Economic Development of the Republic of Belarus for the Period until 2030	Minutes of the meeting of the Presidium of the Council of Ministers of the Republic of Belarus No. 10 of 2 May 2017
	2. National Strategy for Sustainable Socio-Economic Development of the Republic of Belarus for the Period until 2035	Minutes of the meeting of the Presidium of the Council of Ministers of the Republic of Belarus No. 3 dated 4 February 2020
	3. Draft National Strategy for Sustainable Socio-Economic Development of the Republic of Belarus for the period up to 2040	Draft published by the Ministry of Economy of the Republic of Belarus for public discussion
Kazakhstan	1. Concept for the development of the manufacturing industry of the Republic of Kazakhstan for 2023–2029	Decree of the Government of the Republic of Kazakhstan No. 259 of 28 March 2023
	2. National Development Plan of the Republic of Kazakhstan until 2029	Decree of the President of the Republic of Kazakhstan No. 611 dated 30 July 2024
	3. Programme for the development of domestic value and export-oriented industries	Resolution of the Government of the Republic of Kazakhstan No. 452 of 30 June 2022
Kyrgyzstan	1. National Development Strategy of the Kyrgyz Republic for 2018–2040	Decree of the President of the Kyrgyz Republic No. 221 of 31 October 2018 (as amended on 12 October 2021)
	2. National Development Programme of the Kyrgyz Republic until 2026	Decree of the President of the Kyrgyz Republic dated 12 October 2021 No. 435 (as amended and supplemented as of 30 July 2024)
	3. Action Plan of the Cabinet of Ministers of the Kyrgyz Republic for the Implementation of the National Development Programme of the Kyrgyz Republic until 2026	Resolution of the Cabinet of Ministers of the Kyrgyz Republic dated 25 December 2021 No. 352
	4. Forecast of the socio-economic development of the Kyrgyz Republic for 2023–2027	Decree of the Cabinet of Ministers of the Kyrgyz Republic No. 484 of 6 September 2022
Russia	1. Priority areas for technological sovereignty projects and structural adaptation projects for the economy of the Russian Federation	Decree of the Government of the Russian Federation No. 603 of 15 April 2023
	2. Strategy for scientific and technological development of the Russian Federation	Decree of the President of the Russian Federation No. 145 of 28 February 2024
	3. Consolidated Strategy for the Development of the Manufacturing Industry of the Russian Federation until 2030 and for the Period until 2035	Order of the Government of the Russian Federation No. 2436-r of 9 September 2023
Tajikistan	1. National Development Strategy of the Republic of Tajikistan until 2030	Resolution of the Government of the Republic of Tajikistan No. 392 of 1 October 2016
	2. Medium-Term Development Programme of the Republic of Tajikistan for 2021–2025	Decree of the Government of the Republic of Tajikistan No. 168 of 30 April 2021
Uzbekistan	1. Development Strategy of New Uzbekistan for 2022–2026	Decree of the President of the Republic of Uzbekistan No. UP-60 of 28 January 2021
	2. Strategy «Uzbekistan — 2030»	Decree of the President of the Republic of Uzbekistan No. UP-158 of 11 September 2023

Source: compiled by the EDB based on open sources.

APPENDIX 2. SELECTED NATIONAL SECTORAL PRIORITIES

↓ Table 1. Breakdown of national priorities by commodity group

Priority	Commodity group	OKVED2	HS 2012
Armenia			
1	Meat products	10	0201, 0202, 0203, 0204, 0205, 0206, 0207, 0208, 0209, 0210, 1601, 1602
1	Preservation	10	0710, 0711, 0712, 0811, 0813, 2001, 2002, 2004, 200570, 200799, 200819, 200850, 200860, 200870, 200880, 2009
1	Textiles	13.9	5701, 5702, 5703, 5704, 5705, 5901, 5902, 5903, 5907, 5908, 5909, 5910, 5911, 6302, 940430, 940490
1	Footwear	1	6403, 6404, 6405
1	Pharmaceutical	21.2	3003, 3004
1	Solar technology	27.20.3	854140
1	Jewellery	32	7113, 7114, 7115, 7116, 7117
2	Strong alcoholic beverages	11	220820, 220870, 220890
2	Wine	11.02	2
2	Copper production	24.44	7403, 7407, 7408, 7409, 741110
Belarus			
1	Fine chemicals	20.42, 20.53	3301, 3302, 3303
1	Rubber products	2	870870
1	Plastics	22	390210, 390330, 390740, 390791, 392061, 392062, 392190, 870810
1	Microelectronics	26.1	8542
1	Photonics, optoelectronics, laser technologies	26	845610, 854140, 854470, 900130, 9005, 9011, 9013
1	Agricultural machinery	2	843320, 843330, 843340, 843351, 843353, 843359, 843360, 843390, 8434, 870110, 870190
1	High-precision engineering	2	845811, 845891, 845921, 845931, 845951, 845961, 846011, 846021, 846031, 846221, 846231, 846241
1	Automotive	29	8702, 8703, 8704, 870830, 870840, 870850, 870880, 870891, 870892, 870893, 870894, 870895, 870899, 840734, 840820, 840991, 840999, 848340
2	Meat and dairy industry	10.1, 10.5	0406, 1601, 1602
2	Textiles and flax processing	13	5007, 5111, 5112, 5208, 5209, 5210, 5211, 5212, 5306, 5309
2	Woodworking	16	4410, 4411
2	Pulp, paper and cardboard	17	470329, 481092
2	Chemical industry	20.13–20.16	2814, 284700, 283620, 291814, 292249, 3105, 390760
2	Chemical fibres and yarns	2	5402, 5403, 5404, 5405, 5501, 5502, 5503, 5504
2	Pharmaceuticals	21	3003, 3004
2	Abrasives	23.91	680421, 680422

Priority	Commodity group	OKVED2	HS 2012
2	Rolled metal	24.10	7218, 7219, 7220, 7221, 7222, 7223, 7224, 7225, 7226, 7227, 7228, 7229, 7304
2	Batteries	27	850760
2	Household appliances	27.51, 28.25	841510, 842211
2	Microwave generators	27	854320
2	Loaders	28.2	842720
2	Wooden furniture	31	940330, 940340, 940350, 940360, 940391
2	Medical equipment and supplies	32	901812, 901831, 901832, 901839, 902121, 902129, 902131, 902139, 902212, 902213, 902214, 9402
Kazakhstan			
1	Food industry	1	0207, 0406, 080810, 1601, 1602, 1701
1	Textile industry	1	5106, 5107, 5108, 5109, 5110, 5111, 5112, 5205, 5206, 5207, 5208, 5209, 5210, 5211, 5212
1	Oil and gas chemistry	20	3901, 3902, 290511, 291736, 390760, 271114
1	Other chemical products	2	251110, 2814, 281511, 281512, 283620, 283711, 3101, 310210, 310230, 360300, 3804, 853090
1	Building materials	2	2715, 382450, 392111, 392113, 4814, 5904, 6806, 6810, 6904, 6907, 6910, 730890
1	Castings	25.7	848
1	Electrical engineering	27	850421, 850422, 850423, 850431, 850432, 850433, 850434, 8535, 8537, 8544
1	Automotive	2	4011, 7007, 848340, 850760, 870421, 870422, 870423, 870431, 870432, 870490, 8707, 870810, 870829, 870840, 870850, 870870, 870880
2	Leather processing	1	4104, 4105, 4106, 4107
2	Wood processing	16.21	4410, 4411
2	Chemical industry	2	280410, 290512, 291030, 310221, 310229, 310240, 310250, 310260, 310280, 310290, 3104, 3304, 3402, 380893, 390410, 390421, 390422, 390730
2	Ferrous metallurgy	2	280461, 280469, 7202, 7207, 7213, 7218, 7219, 7220, 7221, 7222, 7223, 7224, 7225, 7226, 7227, 7228, 7229, 7303, 7304, 7305, 7306, 731010, 902129
2	Non-ferrous metallurgy	2	7407, 7408, 7411, 7413, 7604, 7605, 7606, 761010, 761290, 7614, 761699, 810411, 8111, 811292, 811299
2	Electronics	2	852610, 852691, 903180
2	Oil and gas engineering	2	841319, 841370, 841950, 842129, 842139, 843041, 843049, 848180
2	Railway engineering	30	7302, 860691, 8607
2	Furniture and wooden panels	31	940330, 940340, 940350, 940360, 940391
Kyrgyzstan			
1	Cotton fabrics	13	5208, 5209, 5210, 5211, 5212
1	Knitted fabrics	13.9	6001, 6002, 6003, 6004, 6005, 6006
1	Knitted fabrics	14	6101, 6102, 6103, 6104, 6105, 6106, 6107, 6108, 6109, 6110, 6111, 6112, 6113, 6114, 6115, 6116, 6117

Priority	Commodity group	OKVED2	HS 2012
1	Building materials	2	2523, 7005, 7007
1	Jewellery	32	7113, 7114, 7115, 7116, 7117
2	Halal meat	1	0201, 0202, 0204, 0205, 0207, 1601, 160210, 160220, 160232, 160239, 160250, 160290
2	Non-alcoholic beverages	11	2
2	Leather industry	15	4202, 4203
2	Localisation of pharmaceutical production	2	30
2	Assembly of passenger cars	29.10	870
Russia			
1	Chemical industry	20, 21.1	252921, 252922, 280920, 281111, 281122, 2817, 2819, 2820, 2821, 2822, 2823, 2824, 2825, 283711, 291821, 291822, 292241, 292242, 2923, 2924, 293220, 293311, 293319, 293359, 293361, 293369, 2935, 2936, 2937, 2938, 2939, 2940, 2941, 3001, 300290, 3201, 3202, 3203, 3204, 3205, 3206, 3207, 3208, 3209, 3210, 3211, 3212, 3213, 3214, 3215, 3303, 3304, 3305, 3306, 3307, 340111, 340130, 3808, 381121, 381190, 3822, 3823, 3906, 3907, 390930, 390950, 4011, 5402, 5403, 5404, 5405, 5501, 5502, 5503, 5504
1	Pharmaceutical	21.2	3003, 3004
1	Energy	25	380110, 8402, 8502, 8507, 8535, 854442, 854449, 854460, 854470
1	Medical industry	26.6, 32.5	3005, 9018, 901920, 9021, 902212, 902213, 902214
1	Electronics and electrical engineering	26	280530, 283691, 284690, 3818, 8418, 847170, 847130, 847150, 847190, 850440, 8505, 851761, 851770, 852352, 853120, 8532, 854140, 8542, 8545, 8546, 902730
1	Agricultural machinery	28.3	8432, 843351, 843352, 843353, 843359, 843360, 843390, 843610, 843621, 843629, 843410, 870110, 870190, 870790, 871620
1	Machine tools and heavy machinery	28.4, 28.9	842831, 8429, 843010, 843020, 843031, 843039, 843061, 843069, 843149, 8454, 8455, 8456, 8457, 8458, 8459, 8460, 8461, 8462, 8463, 8464, 8465, 8466, 8474, 8477, 847910, 847950, 8482, 8483, 8486, 854330, 870130, 870410
1	Specialised engineering	28.9, 29.1	841939, 843050, 843141, 843142, 843710, 8438, 8441, 847050, 847290, 8514, 8609, 8705, 8709, 871639
1	Oil and gas machinery	2	381511, 381512, 381519, 730422, 730423, 730424, 730429, 731100, 841370, 841480, 841950, 841960, 842129, 842139, 843041, 843049, 843143, 848180, 901580
1	Automotive	2	840734, 840820, 841330, 851140, 851150, 851190, 870210, 870290, 8703, 870421, 870422, 870423, 870431, 870432, 870490, 8708, 8711
1	Shipbuilding	30	890120, 890130, 890190, 8902, 8904, 840721, 840729, 840810
1	Railway engineering	30	8601, 8602, 8605, 860719, 860721, 860729, 860800
1	Aviation industry	3	880230, 880240, 841191, 841221, 841229, 852691, 852692, 902000, 940110
2	Animal feed	1	2
2	Natural fabrics	13	5007, 5111, 5112, 5208, 5209, 5210, 5211, 5212, 5309

Priority	Commodity group	OKVED2	HS 2012
2	Leather	15.1	4104, 4107, 4115
2	Building materials	2	2522, 6806, 681091, 690410
2	Rolled metal	24.10	7218, 7219, 7220, 7221, 7222, 7223, 7224, 7225, 7226, 7227, 7228, 7229, 730411, 730419, 730431, 730439, 730441, 730449, 730451, 730459, 730490
2	Automotive filters	28.2	842123, 842131
2	Socially significant goods	14	6111, 611211, 611212, 482020, 9608, 9609
Tajikistan			
1	Preservation	10	0710, 0711, 0712, 0811, 0813, 2001, 2002, 2004, 2008
1	Cotton fibres	13.1	5205, 5206, 5207
1	Cotton fabrics	13.20	5208, 5209, 5210, 5211, 5212
1	Hosiery	14	611521, 611522, 611529, 611530, 611594, 611595, 611596, 611599
1	Nitrogen and phosphorus fertilisers	20.15	3102, 3103
1	Production of antimony	24.45	8110
2	Silk fabrics	13.20.11	5007
2	Wool fabrics	13.20.12	5111, 5112
2	Leather	15	4104, 4105, 4106, 4107
2	Inorganic chemicals	20	2807, 281511, 281512, 282612
2	Building materials	2	2523, 3917, 6904, 6906, 7003, 7004, 7005, 7006, 7007, 848180
Uzbekistan			
1	Cotton fabrics	1	5208, 5209, 5210, 5211, 5212
1	Leather and footwear industry	15	4202, 4203, 6403, 6404, 6405
1	Gas chemistry	20	271112, 271113, 271114, 271119, 271129, 280410, 280430, 280440, 281121, 290511, 3901, 3902, 3905, 390760
1	Pharmaceutical	21	3003, 3004
1	Building materials	2	2523, 680610, 681011, 6904, 690790
1	Assembly of passenger cars	2	870
2	Production of copper	24	7403, 7407, 7408, 7409, 7410, 7411, 7412
2	Agricultural machinery	2	843351, 8434, 870110, 870190
2	Wooden furniture	3	940330, 940340, 940350, 940360, 940391

Note: HS codes are given in the 2012 edition, due to limitations of the model for assessing export potential and import substitution prospects; the codes are explained on the World Customs Organisation website: https://www.wcotradetools.org/en/harmonized-system/2012/ru

Source: compiled by the EDB based on the texts of strategic documents (*Appendix 1*).

APPENDIX 3. CODES FOR SECTORS OF THE REAL ECONOMY

↓ Table B1. Codes for sectors of the real economy according to OKVED2

Code	Industry name
A	**Agriculture, forestry and fishing**
0	Crop and animal production, hunting
0	Forestry and logging
0	Fishing and fish farming
B	**Mining**
05	Extraction of hard coal and lignite
0	Extraction of crude petroleum and natural gas
07	Extraction of metal ores
08	Mining of other minerals
C	**Manufacturing**
1	Manufacture of food products
1	Beverage production
12	Tobacco product manufacturing
13	Textile manufacturing
14	Clothing manufacturing
15	Leather production, leather goods, footwear production
16	Wood processing and manufacture of wood products
17	Manufacture of paper and paperboard
18	Printing
19	Manufacture of coke and refined petroleum products
20	Production of chemical products
21	Manufacture of pharmaceutical products
2	Manufacture of rubber and plastic products
23	Manufacture of other non-metallic mineral products
24	Manufacture of basic metals
25	Manufacture of fabricated metal products, except machinery and equipment
26	Manufacture of computers, electronic and optical equipment
27	Manufacture of electrical equipment
28	Manufacture of machinery and equipment not included in other groups
29	Manufacture of motor vehicles
30	Manufacture of other transport equipment
3	Manufacture of furniture
32	Manufacture of other finished products
3	Repair and installation of machinery and equipment
D	**Electricity, gas and steam supply; air conditioning**
35	Electricity, gas and steam supply; air conditioning

Source: compiled by the authors in accordance with the OKVED2 classification.

APPENDIX 4. NICHE INDUSTRIES OF THE SECOND STAGE PROCESSING WITH EXPORT POTENTIAL

↓ Table 1. Armenia's niche industries and goods with export potential

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Production of cast iron, steel and ferroalloys	Medium	24.1	1	15	0	720839 (42%), 720838 (40%), 720917 (5%)
Manufacture of medicinal products and materials	High	21	79	15	63	300490 (89%), 300420 (4%), 300439 (2%)
Beverage production	High	1	3	2	1	220421 (43%), 220820 (42%), 220410 (6%)
Manufacture of precious and non-ferrous metals, manufacture of nuclear fuel	Medium	24	2	25	0	760612 (76%), 760611 (6%), 760720 (5%)
Manufacture of jewellery, jewellery articles and related articles	High	3	15	0	1	711319 (83%), 711311 (8%), 711719 (6%)
Manufacture of other general-purpose machinery and equipment	High	2	1	10	0	841850 (6%), 842121 (6%), 844399 (6%)
Manufacture of electric motors, generators, transformers and distribution equipment	High	2	9	9	0	853710 (28%), 850440 (19%), 853890 (10%)
Shoe manufacturing	High	1	9.4	2	6	640399 (34%), 640419 (33%), 640391 (13%)
Manufacture of other food products	High	1	9	9	0	210,690 (46%), 170,490 (13%), 180,632 (8%)
Manufacture of other special-purpose machinery	High	2	9	9	0	843149 (16%), 847989 (15%), 842959 (6%)
Manufacture of parts and accessories for motor vehicles	High	2	8	8	0	870899 (43%), 870829 (18%), 870830 (6%)
Manufacture of general-purpose machinery and equipment	High	2	8	8	0	848180 (20%), 840999 (13%), 841391 (5%)
Manufacture of other fabricated metal products	High	2	8	8	0	761699 (22%), 732690 (21%), 732599 (7%)
Manufacture of control and measuring instruments and navigation instruments; manufacture of watches	High	2	8	8	0	903180 (12%), 903289 (11%), 852691 (5%)
Manufacture of communication equipment	High	2	8	8.5	0	851712 (38%), 851762 (28%), 851770 (10%)
Processing and preservation of fruits and vegetables	High	1	8	1	7	200570 (13%), 200819 (11%), 200799 (9%)
Manufacture of motor vehicles	High	2	7	7	0	870322 (22%), 870332 (15%), 870421 (12%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions* Summary	Model	National	Main products (HS codes and contribution to potential)
Manufacture of aircraft and related equipment	High	3	7	7	0	880240 (52%), 880330 (36%), 841191 (6%)
Manufacture of other textile products	High	1	6	1	5	630260 (10%), 590390 (10%), 590320 (8%)
Manufacture of electronic equipment components and printed circuits (boards)	High	2	6	3	3	854140 (54%), 854231 (19%), 854239 (10%)
Manufacture of basic chemicals, fertilisers, plastics	Medium	2	6	6	0	390210 (12%), 390110 (10%), 390120 (10%)
Manufacture of plastic products	High	22	6	6	0	392690 (38%), 392310 (12%), 392321 (10%)
Manufacture of cables and cable fittings	High	2	6	6	0	854449 (34%), 854442 (17%), 853650 (13%)
Manufacture of pulp, wood pulp, paper and cardboard	Medium	17	5	5	0	470329 (85%), 481159 (3%), 480300 (1%)
Processing and preserving of fish, crustaceans and molluscs	Medium	10	5	5	0	030441 (23%), 030444 (22%), 030541 (18%)
Manufacture of medical instruments and equipment	High	3	4	4	0	900130 (30%), 901890 (10%), 900410 (8%)
Manufacture of bakery and flour confectionery products	High	10	4	4	0	190590 (49%), 190531 (34%), 190532 (13%)
Manufacture of computers and peripheral equipment	High	2	4	4	0	847330 (28%), 847130 (14%), 847170 (12%)
Manufacture of metal structures and products for construction	High	2	4	4	0	730890 (65%), 940600 (13%), 761090 (9%)
Production of dairy products	Medium	10.5	4.2	4.2	0	040120 (30%), 040210 (18%), 040410 (12%)
Manufacture of plastic products	Medium	22	4	4	0	392010 (21%), 392190 (16%), 392020 (8%)
Manufacture of washing and cleaning products, perfumes and cosmetics	High	20	3	3	0	330499 (32%), 340220 (19%), 330590 (8%)
Manufacture of other food products	Medium	10	3	3	0	170199 (77%), 210210 (8%), 180500 (4%)
Processing and preservation of meat and meat products	High	10	3	0	2	160100 (50%), 160232 (21%), 160250 (8%)
Manufacture of other electrical equipment	High	27	2	2	0	854370 (44%), 851590 (8%), 853120 (4%)
Manufacture of dairy products	High	10	2	2	0	040690 (67%), 040610 (21%), 040620 (6%)
Manufacture of vegetable and animal oils and fats	Medium	10	2	2	0	151411 (33%), 151219 (27%), 151211 (24%)

* *Summary* — summary assessment of potential; *Model* — model assessment of potential; *National* — assessment of potential based on national priorities.

Note: The main niche industries covering 90% of the potential are listed; HS codes are given in the 2012 edition; the codes are explained on the World Customs Organisation website: https://www.wcotradetools.org/en/harmonized-system/2012/ru

Source: EDB estimates based on UN data and strategic documents.

↓ Table 2. Belarus's niche industries and goods with export potential

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of motor vehicles	High	29	4	1	2	870323 (21%), 870322 (12%), 870423 (12%)
Manufacture of clothing, except fur clothing	High	1	3	3	0	610910 (17%), 620342 (12%), 610990 (10%)
Manufacture of other special-purpose machinery	High	2	248	111	136	870410 (55%), 842951 (9%), 843149 (4%)
Manufacture of pharmaceuticals and pharmaceutical materials	High	2	2	206	32.3	300490 (75%), 300210 (13%), 300439 (3%)
Manufacture of components and accessories for motor vehicles	High	29	229	1	1	870899 (24%), 870829 (11%), 854430 (11%)
Manufacture of basic chemicals, fertilisers, plastics	Medium	2	2	176	3	390210 (20%), 282520 (10%), 390740 (4%)
Production of cast iron, steel and ferroalloys	Medium	2	204	191	13	722592 (25%), 721049 (16%), 721070 (7%)
Manufacture of machinery and equipment for agriculture and forestry	High	2	161	6	1	870190 (80%), 843390 (4%), 843359 (3%)
Manufacture of other general-purpose machinery and equipment	High	2	120	118	1	844399 (9%), 841590 (7%), 843139 (5%)
Manufacture of communication equipment	High	2	109	109	0	851712 (34%), 851762 (32%), 851770 (14%)
Manufacture of general-purpose machinery and equipment	High	2	1	89	19	840999 (16%), 840991 (13%), 848340 (11%)
Manufacture of electric motors, generators, transformers and distribution equipment	High	2	94	94	0	853710 (21%), 850440 (18%), 853890 (11%)
Manufacture of aircraft and related equipment	High	3	92	92	0	880330 (48%), 880240 (26%), 841191 (10%)
Manufacture of dairy products	High	1	90	1	7	040690 (64%), 040610 (15%), 040630 (14%)
Manufacture of electronic equipment and printed circuits (boards)	High	2	86	51	3	854140 (33%), 854231 (25%), 854239 (14%)
Manufacture of other food products	High	1	74	74	0	210690 (48%), 210390 (16%), 170490 (13%)
Manufacture of plastic products	High	22	73	7	0	392690 (48%), 392410 (15%), 392321 (14%)
Manufacture of other fabricated metal products	High	25	72	72	0	732690 (32%), 761699 (18%), 761290 (9%)
Manufacture of plastic products	Medium	22	69.2	53.5	15	392190 (21%), 391990 (12%), 392062 (10%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of medical instruments and equipment	High	32	6	59	9	901890 (45%), 901839 (8%), 902110 (5%)
Manufacture of cables and cable fittings	High	2	56	50	5	853690 (30%), 854442 (23%), 853650 (19%)
Manufacture of computers and peripheral equipment	High	2	55	55	0	847330 (30%), 847130 (17%), 847170 (15%)
Manufacture of control and measuring instruments and navigation instruments; manufacture of watches	High	2	55	55	0	903289 (12%), 901580 (7%), 910211 (6%)
Manufacture of detergents, cleaning preparations, perfumes and cosmetics	High	2	52	44	7	330499 (25%), 340220 (18%), 330300 (16%)
Manufacture of steel pipes, hollow profiles and fittings	Medium	24	52	42	1	730630 (25%), 730429 (18%), 730661 (9%)
Manufacture of knitted and crocheted clothing	High	1	51	51	0	611020 (48%), 611030 (30%), 611011 (12%)
Furniture manufacturing	High	31	4	3	1	940190 (27%), 940360 (26%), 940320 (10%)
Manufacture of other chemical products	High	2	47	42	5	382200 (18%), 330290 (14%), 381512 (13%)
Manufacture of paper and paper products	High	1	4	43	0	481910 (56%), 481920 (15%), 481820 (7%)
Manufacture of pulp, wood pulp, paper and cardboard	Medium	17	42	40	2	470321 (19%), 481159 (14%), 470329 (7%)
Manufacture of precious and non-ferrous metals, manufacture of nuclear fuel	Medium	24	41	41	0	760429 (42%), 760612 (32%), 740811 (6%)
Processing and preserving of fish, crustaceans and molluscs	Medium	10	3	3	0	030471 (28%), 030441 (13%), 030481 (10%)
Shoe manufacturing	High	1	3	3	0	640399 (35%), 640419 (14%), 640411 (13%)
Manufacture of cutlery, tableware, tools and general hardware	High	25.7	36.6	36.6	0	820730 (10%), 830242 (7%), 830230 (7%)
Manufacture of other textile products	High	13	3	3	0	630790 (20%), 940490 (14%), 590320 (6%)
Manufacture of other steel products by primary processing	Medium	24	34	32	2	722020 (22%), 721720 (18%), 721230 (17%)
Production of bakery and flour confectionery products	High	10	32	32	0	190590 (54%), 190531 (31%), 190532 (7%)
Manufacture of vegetable and animal oils and fats	Medium	10	32	32	0	151219 (49%), 151211 (23%), 151419 (16%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of optical instruments, photographic and cinematographic equipment	High	26	3	4	2	901390 (48%), 901310 (15%), 901380 (6%)
Manufacture of other chemical products	Medium	2	29	29.4	0	382,490 (67%), 382,600 (15%), 350,400 (7%)
Manufacture of products from wood, cork, straw and materials for weaving	Medium	16	29	7	21	441011 (26%), 441192 (15%), 441114 (15%)
Manufacture of other electrical equipment	High	2	2	28	0	854370 (32%), 854390 (9%), 854511 (8%)
Manufacture of basic chemicals, fertilisers, plastics	High	2	2	2	0	293499 (23%), 293339 (16%), 293379 (12%)
Manufacture of machinery and equipment for processing metals and other hard materials	High	2	26	12	1	845811 (20%), 846221 (14%), 845610 (9%)
Manufacture of textile fabrics	Medium	1	2	19	6	530911 (7%), 520942 (6%), 540752 (5%)
Beverage production	High	1	2	2	0	220421 (57%), 220830 (9%), 220429 (8%)
Shipbuilding, construction of boats and ships	High	30	22	2	0	890120 (64%), 890110 (14%), 890392 (6%)

* *Summary* — summary assessment of potential; *Model* — model assessment of potential; *National* — assessment of potential based on national priorities.

Note: The main niche industries covering 90% of the potential are listed; HS codes are given in the 2012 edition; code explanations are available on the World Customs Organisation website: https://www.wcotradetools.org/en/harmonized-system/2012/ru

Source: EDB estimates based on UN data and strategic documents.

↓ Table 3. Kazakhstan's niche industries and goods with export potential

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Production of pig iron, steel and ferroalloys	Medium	24	927	905	21	720838 (13%), 720839 (11%), 720837 (11%)
Manufacture of clothing, except fur clothing	High	1	4	4	0	610910 (15%), 620342 (10%), 610990 (8%)
Manufacture of basic chemicals, fertilisers, plastics	Medium	2	359	217	143	390120 (18%), 283711 (10%), 390760 (10%)
Manufacture of general-purpose machinery and equipment	High	2	356	232	1	841182 (21%), 848180 (20%), 841370 (9%)
Manufacture of electric motors, generators, transformers and distribution equipment	High	27	333	79	254	853710 (33%), 853720 (31%), 850434 (7%)
Manufacture of parts and accessories for motor vehicles	High	2	1	126	72	870899 (22%), 870850 (17%), 870829 (12%)
Manufacture of metal structures and products for construction	High	2	1	44	1	730890 (89%), 940600 (4%), 761010 (2%)
Manufacture of other general-purpose machinery and equipment	High	2	1	144	4	842139 (17%), 841950 (7%), 842129 (5%)
Manufacture of motor vehicles	High	2	182	117	6	870423 (22%), 870323 (14%), 870332 (8%)
Manufacture of other special-purpose machinery	High	2	1	169	7	843143 (22%), 843149 (13%), 847989 (12%)
Manufacture of rubber products	High	2	1	27	133.9	401110 (36%), 401120 (25%), 401194 (23%)
Manufacture of cables and cable fittings	High	2	1	61	98	854449 (52%), 854442 (13%), 854460 (12%)
Manufacture of dairy products	High	10.5	155.4	125.5	29	040690 (79%), 040610 (15%), 040630 (5%)
Manufacture of steel pipes, hollow profiles and fittings	Medium	2	147	68	78	730661 (21%), 730630 (17%), 730429 (11%)
Manufacture of other food products	Medium	10	124	70	53	170199 (45%), 170114 (41%), 210210 (4%)
Manufacture of bodies for motor vehicles; manufacture of trailers and semi-trailers	High	2	114	7	1	870710 (75%), 870790 (19%), 871690 (2%)
Manufacture of plastic products	High	22	113	108.9	4	392690 (36%), 392310 (11%), 392321 (10%)
Manufacture of other food products	High	10	99	99	0	210690 (34%), 180690 (16%), 180631 (13%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of pharmaceuticals and pharmaceutical materials	High	21	92	92	0	300490 (88%), 300450 (2%), 300390 (1%)
Manufacture of other fabricated metal products	High	2	92	84	7	732,690 (31%), 761,699 (12%), 830,990 (6%)
Manufacture of detergents, cleaning products, perfumes and cosmetics	High	2	92	64	2	330499 (36%), 340220 (22%), 330300 (9%)
Milk production	Medium	1	82	82	0	040120 (27%), 040510 (22%), 040210 (14%)
Furniture manufacturing	High	3	77	65	1	940360 (32%), 940190 (12%), 940320 (10%)
Manufacture of knitted and crocheted clothing	High	1	69	6	0	611020 (47%), 611030 (31%), 611011 (6%)
Manufacture of other chemical products	High	2	68	62	6	381512 (52%), 360300 (10%), 382200 (6%)
Processing and preservation of meat and meat products	High	1	65	2	36	160100 (67%), 160232 (17%), 160249 (4%)
Manufacture of plastic products	Medium	22	58	49.9	8	392010 (19%), 392190 (14%), 392113 (10%)
Manufacture of railway locomotives and rolling stock	High	30.2	57	4	1	860500 (35%), 860719 (20%), 860310 (18%)
Manufacture of textile fabrics	Medium	13	56	3	1	521,225 (14%), 701,959 (5%), 520,942 (4%)
Beverage production	High	1	5	50	0	220421 (33%), 220860 (18%), 220300 (14%)
Manufacture of paper and paper products	High	17	50	28	2	481420 (41%), 481910 (14%), 481920 (11%)
Manufacture of precious and non-ferrous metals, manufacture of nuclear fuel	Medium	24	49	39	9	740811 (35%), 760612 (13%), 760511 (5%)
Manufacture of communication equipment	High	2	4	4	0	851762 (31%), 851712 (26%), 851770 (14%)
Manufacture of aircraft and related equipment	High	3	47	4	0	880330 (41%), 880240 (26%), 841191 (9%)
Shoe manufacturing	High	1	4	4	0	640399 (36%), 640391 (17%), 640419 (13%)
Manufacture of other textile products	High	13	41	41	0	630790 (22%), 630260 (11%), 940490 (11%)
Manufacture of control and measuring instruments and navigation instruments; manufacture of watches	High	26	40	32	8	903180 (30%), 852610 (6%), 902780 (6%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of abrasive and non-metallic mineral products	Medium	23	40	17	2	680610 (48%), 680620 (18%), 680690 (7%)
Manufacture of ceramic building materials	Medium	2	3	2	3	690790 (99%)
Manufacture of household appliances	High	27	35	35	0	851660 (11%), 841810 (8%), 842211 (7%)
Manufacture of medical instruments and equipment	High	32	34	34	0	901890 (52%), 901839 (8%), 902121 (5%)
Manufacture of other steel products by primary processing	Medium	24	34	32.6	1	721230 (23%), 721720 (15%), 722850 (12%)
Manufacture of products from wood, cork, straw and materials for weaving	Medium	16.2	33	17	1	441011 (23%), 441820 (12%), 441113 (12%)
Production of bakery and flour confectionery products	High	10	3	3	0	190590 (46%), 190532 (38%), 190531 (9%)
Preparation and spinning of textile fibres	Medium	13	3	2	6	520524 (25%), 520512 (9%), 520513 (7%)
Processing and preservation of fruits and vegetables	High	1	3	3	0	200819 (12%), 200799 (10%), 200520 (10%)
Production of chemical fibres	Medium	2	31	31	0	550130 (50%), 540244 (30%), 550320 (9%)

* *Summary* — summary assessment of potential; *Model* — model assessment of potential; *National* — assessment of potential based on national priorities.

Note: The main niche industries covering 90% of the potential are listed; HS codes are given in the 2012 edition; the codes are explained on the World Customs Organisation website: https://www.wcotradetools.org/en/harmonized-system/2012/ru

Source: EDB estimates based on UN data and strategic documents.

↓ Table 4. Kyrgyzstan's niche industries and goods with export potential

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of clothing, except fur clothing	High	14	6	1	4	610610 (23%), 610342 (10%), 610910 (9%)
Manufacture of components and accessories for motor vehicles	High	2	57	57	0	854430 (21%), 870899 (18%), 870829 (13%)
Manufacture of motor vehicles	High	2	3	3	2	870323 (29%), 870322 (28%), 870332 (10%)
Manufacture of other textile products	Medium	13	23	3	2	600410 (66%), 600240 (13%), 600622 (5%)
Manufacture of pharmaceuticals and pharmaceutical materials	High	2	1	4	1	300490 (84%), 300420 (6%), 300410 (2%)
Manufacture of knitted and crocheted clothing	High	14	16	1	15	611595 (36%), 611020 (23%), 611596 (21%)
Manufacture of plastic products	High	22.2	14.2	14.2	0	392690 (39%), 392310 (13%), 392350 (12%)
Manufacture of other general-purpose machinery and equipment	High	2	12	12	0	842139 (5%), 844399 (4%), 841899 (4%)
Manufacture of plastic products	Medium	22	12	12	0	392020 (19%), 392010 (17%), 392190 (16%)
Manufacture of general-purpose machinery and equipment	High	2	12	12	0	848180 (16%), 840999 (9%), 840991 (5%)
Production of cast iron, steel and ferroalloys	Medium	2	11	11	0	721049 (15%), 721070 (7%), 722830 (6%)
Manufacture of communication equipment	High	2	11	11	0	851712 (62%), 851762 (17%), 851770 (6%)
Beverage production	High	1	1	6	3	220210 (32%), 220421 (25%), 220300 (19%)
Manufacture of electric motors, generators, transformers and distribution equipment	High	27	1	10	0	853710 (19%), 850440 (13%), 850423 (10%)
Manufacture of other food products	High	1	8	8	0	210690 (43%), 210390 (14%), 170490 (10%)
Manufacture of other fabricated metal products	High	2	8	8	0	732,690 (37%), 761,699 (7%), 731,815 (6%)
Manufacture of other special-purpose machinery	High	2	8	8	0	847989 (15%), 843149 (10%), 847990 (7%)
Manufacture of cables and cable fittings	High	2	7	7	0	853650 (22%), 853690 (19%), 854449 (17%)
Furniture manufacturing	High	3	7	7	0	940190 (32%), 940360 (19%), 940320 (11%)
Manufacture of detergents, cleaning preparations, perfumes and cosmetics	High	2	7	7	0	340220 (30%), 330590 (12%), 340290 (9%)
Manufacture of medical instruments and equipment	High	3	5	5	0	901890 (40%), 901839 (12%), 902139 (8%)
Manufacture of textile fabrics	Medium	13.2	5.3	3.8	1	520821 (10%), 520812 (9%), 540720 (5%)
Production of vegetable and animal oils and fats	Medium	10	5	5	0	151219 (58%), 151211 (28%), 151411 (3%)
Manufacture of glass and glass products	High	2	4	4	0	701090 (69%), 702000 (10%), 701349 (4%)
Manufacture of jewellery, jewellery and related articles	High	32	4	0	4	711319 (44%), 711719 (37%), 711311 (10%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of control and measuring instruments and navigation instruments; manufacture of watches	High	26	4	4	0	903180 (15%), 903289 (11%), 902780 (4%)
Manufacture of cutlery, tableware, tools and general hardware	High	2	4	4	0	848071 (12%), 830241 (8%), 820730 (8%)
Manufacture of household appliances	High	2	4	4	0	851680 (8%), 851690 (7%), 845011 (7%)
Manufacture of basic chemicals, fertilisers, plastics	Medium	2	4	4	0	390690 (13%), 390422 (12%), 390810 (9%)
Manufacture of electronic equipment components and printed circuits (boards)	High	2	4	4	0	854140 (31%), 854231 (20%), 854239 (16%)
Manufacture of computers and peripheral equipment	High	2	3	3	0	847330 (23%), 847130 (19%), 847170 (11%)
Shoe manufacturing	High	1	3	3	0	640419 (26%), 640299 (14%), 640411 (11%)
Manufacture of other textile products	High	13	3	3	0	940490 (18%), 630790 (8%), 590320 (7%)
Manufacture of metal structures and products for construction	High	2	3	3	0	730890 (62%), 761090 (12%), 730840 (9%)
Manufacture of rubber products	High	2	3	3	0	401110 (31%), 401699 (18%), 401693 (12%)
Processing and preservation of fruits and vegetables	High	10	3	3	0	200819 (17%), 200599 (10%), 200899 (10%)
Tanning and finishing of leather, manufacture of leather products; dressing and dyeing of fur	High	15	3	1	1	420292 (38%), 420221 (12%), 420229 (11%)
Manufacture of steel pipes, hollow profiles and fittings	Medium	2	3	3	0	730630 (22%), 730729 (11%), 730640 (9%)
Manufacture of paints, varnishes and similar coating materials, printing inks and mastics	High	2	3	3	0	321519 (20%), 320890 (19%), 320810 (13%)
Manufacture of other electrical equipment	High	27	2	2	0	854370 (27%), 854511 (18%), 854390 (7%)
Manufacture of other steel products by primary processing	Medium	24	2	2	0	722850 (15%), 721230 (13%), 722220 (13%)
Manufacture of machinery and equipment for processing metals and other hard materials	High	2	2	2	0	846694 (17%), 845811 (10%), 845710 (10%)
Manufacture of machinery and equipment for agriculture and forestry	High	2	2	2	0	843390 (22%), 843290 (11%), 843699 (10%)
Manufacture of other food products	Medium	10	2	2	0	170114 (40%), 180310 (13%), 090121 (12%)
Manufacture of aircraft and related equipment	High	3	2	2	0	880330 (65%), 880240 (16%), 841191 (13%)
Preparation and spinning of textile fibres	Medium	13	2	2	0	520513 (13%), 520512 (13%), 551110 (10%)

* *Summary* — summary assessment of potential; *Model* — model assessment of potential; *National* — assessment of potential based on national priorities.

Note: The main niche industries covering 90% of the potential are listed; HS codes are given in the 2012 edition; the codes are explained on the World Customs Organisation website: https://www.wcotradetools.org/en/harmonized-system/2012/ru

Source: EDB estimates based on UN data and strategic documents.

↓ Table 5. Russia's niche industries and goods with export potential

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of pharmaceuticals and materials	High	21.2	4489	2228	2261	300490 (76%), 300439 (4%), 300420 (4%)
Manufacture of motor vehicles	High	29.1	3	1181	2349	870323 (19%), 870333 (13%), 840734 (10%)
Manufacture of parts and accessories for motor vehicles	High	2	3112	1218	1894	870899 (26%), 870829 (14%), 870840 (11%)
Manufacture of other special-purpose machinery	High	2	2534	1034	1	842952 (10%), 843143 (7%), 842951 (7%)
Production of basic chemicals, fertilisers, plastics	Medium	20	247	1827	643	390110 (13%), 390120 (10%), 390690 (7%)
Manufacture of general-purpose machinery and equipment	High	2	237	1048.9	1	848180 (25%), 841480 (8%), 841370 (7%)
Manufacture of aircraft and related equipment	High	30	1565	815	750	880240 (50%), 880330 (34%), 841191 (7%)
Manufacture of electric motors, generators, transformers and distribution equipment	High	27	1440	1089.6	350	850440 (28%), 853710 (18%), 853890 (8%)
Manufacture of other general-purpose machinery and equipment	High	2	1440	920	519	842139 (11%), 841950 (6%), 841869 (5%)
Manufacture of medical instruments and equipment	High	3	1,338	717	621	901890 (38%), 901839 (10%), 902190 (8%)
Manufacture of computers and peripheral equipment	High	2	1267	424.5	843	847130 (32%), 847150 (30%), 847170 (15%)
Manufacture of clothing, except fur clothing	High	14	1240	1234	6	610910 (14%), 610990 (8%), 620342 (8%)
Manufacture of detergents, cleaning preparations, perfumes and cosmetics	High	2	953	3	579	330499 (30%), 330300 (15%), 330590 (8%)
Manufacture of plastic products	High	22	873	873	0	392690 (43%), 392310 (10%), 392321 (10%)
Manufacture of cables and cable fittings	High	27	845	650	194	854449 (26%), 854442 (19%), 853690 (18%)
Manufacture of other fabricated metal products	High	2	812	806.8	5.9	732,690 (38%), 761,699 (12%), 731,815 (8%)
Manufacture of communication equipment	High	26	740	552	187	851762 (30%), 851770 (25%), 851761 (15%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Production of cast iron, steel and ferroalloys	Medium	2	721	606	115	720838 (11%), 721049 (9%), 721420 (8%)
Manufacture of electronic equipment components and printed circuits (boards)	High	2	709	394	3	854239 (29%), 854231 (26%), 854140 (20%)
Manufacture of other chemical products	High	2	647	411	2	382200 (23%), 381121 (11%), 381512 (8%)
Shipbuilding	High	30	595	317	2	890190 (35%), 890120 (29%), 890110 (11%)
Manufacture of control and measuring instruments and navigation devices; manufacture of watches	High	26	583	485.6	97	852,691 (9%), 903,289 (8%), 902,780 (8%)
Manufacture of rubber products	High	22	581	1	443	401110 (32%), 401120 (21%), 401194 (20%)
Furniture manufacturing	High	3	551	551	0	940360 (22%), 940190 (19%), 940161 (12%)
Manufacture of machinery and equipment for processing metals and other hard materials	High	2	551	134	417	845710 (11%), 845811 (10%), 846693 (7%)
Manufacture of paints, varnishes and similar coating materials, printing inks and mastics	High	20	467	144	3	321519 (17%), 320890 (15%), 321410 (14%)
Manufacture of plastic products	Medium	22	455	455	0	392010 (18%), 391990 (16%), 392190 (14%)
Manufacture of paper and paper products	High	17	448	447	0	481910 (44%), 481920 (9%), 961900 (6%)
Manufacture of machinery and equipment for agriculture and forestry	High	2	437	103	3	870190 (32%), 843290 (10%), 843390 (10%)
Manufacture of other electrical equipment	High	2	434.6	295	138	854370 (20%), 854511 (17%), 854390 (6%)
Production of dairy products	High	10.5	417.5	417.5	0	040690 (82%), 040610 (16%), 210500 (2%)
Manufacture of precious and non-ferrous metals, manufacture of nuclear fuel	Medium	24	411	411	0	760612 (33%), 740819 (8%), 741110 (7%)
Production of dairy products	Medium	10	406	4	0	040120 (41%), 040510 (17%), 040210 (16%)
Manufacture of cutlery, tableware, tools and general hardware	High	25	3	3	0	848,071 (14%), 830,242 (7%), 820,730 (6%)
Beverage production	High	11	3	3	0	220830 (20%), 220421 (20%), 220210 (12%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of other food products	High	10	35	3	0	210,690 (61%), 180,632 (9%), 170,490 (6%)
Manufacture of pharmaceutical substances	High	2	336	116	219	300290 (16%), 293359 (14%), 294190 (12%)
Manufacture of metal structures and products for construction	High	2	326	326	0	730890 (41%), 761090 (20%), 761010 (11%)
Manufacture of basic chemicals, fertilisers, plastics	High	20	325	2	3	293,499 (18%), 320,417 (12%), 293,339 (11%)
Manufacture of tobacco products	High	12	322	322	0	240220 (100%)
Manufacture of other textile products	High	13	313	313	0	630790 (15%), 940490 (12%), 630533 (12%)
Manufacture of jewellery, jewellery and related articles	High	32	304	3	0	711319 (87%), 711311 (5%), 711719 (4%)
Manufacture of pesticides and other agrochemical products	High	2	2	125	17	380893 (33%), 380891 (31%), 380892 (23%)
Manufacture of electric accumulators and batteries	High	2	294	154	139	850710 (44%), 850720 (25%), 850760 (18%)
Manufacture of products from wood, cork, straw and materials for weaving	Medium	16	268	2	0	441520 (21%), 441299 (15%), 441872 (10%)
Manufacture of irradiation and electrotherapeutic equipment	High	26	26	81	179	902214 (26%), 901812 (24%), 901819 (10%)
Manufacture of steel pipes, hollow profiles and fittings	Medium	2	2	126	132	730429 (30%), 730799 (14%), 730423 (8%)
Manufacture of other chemical products	Medium	2	227	227	0	382,490 (70%), 382,600 (10%), 151,800 (4%)
Manufacture of bodies for motor vehicles; manufacture of trailers and semi-trailers	High	2	2	93	1	871,639 (44%), 870,790 (19%), 860,900 (17%)

* *Summary* — summary assessment of potential; *Model* — model assessment of potential; *National* — assessment of potential based on national priorities.

Note: The main niche industries covering 90% of the potential are listed; HS codes are given in the 2012 edition; the codes are explained on the World Customs Organisation website: https://www.wcotradetools.org/en/harmonized-system/2012/ru

Source: EDB estimates based on UN data and strategic documents.

↓ Table 6. Tajikistan's niche industries and goods with export potential

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Preparation and spinning of textile fibres	Medium	1	1	7	11	520512 (24%), 520524 (22%), 520513 (13%)
Manufacture of clothing, except fur clothing	High	1	1	16	0	610510 (8%), 620520 (8%), 611120 (7%)
Manufacture of precious and non-ferrous metals, manufacture of nuclear fuel	Medium	24	10	4	6	811090 (61%), 760429 (27%), 760511 (3%)
Manufacture of textile fabrics	Medium	13	5	3	1	520942 (29%), 521225 (10%), 520812 (5%)
Manufacture of other general-purpose machinery and equipment	High	2	3	3	0	841590 (13%), 842121 (8%), 842810 (6%)
Processing and preservation of fruits and vegetables	High	1	3	1	1	200819 (35%), 200290 (10%), 200570 (10%)
Production of cast iron, steel and ferroalloys	Medium	24	2	2	0	721049 (22%), 722490 (10%), 721070 (8%)
Manufacture of other textile products	High	13.9	2.7	2.7	0	630260 (16%), 630532 (10%), 630231 (10%)
Manufacture of electric motors, generators, transformers and distribution equipment	High	27	2	2	0	853890 (28%), 853710 (16%), 853810 (14%)
Manufacture of other special-purpose machinery	High	2	2	2	0	847989 (12%), 843149 (9%), 847990 (7%)
Manufacture of pharmaceuticals and related materials	High	2	2	2	0	300490 (94%), 300420 (2%), 300450 (2%)
Manufacture of general-purpose machinery and equipment	High	2	2	1	0	848180 (30%), 840999 (9%), 840690 (5%)
Manufacture of other textile products	Medium	13	2	2	0	600622 (50%), 600410 (14%), 600632 (9%)
Manufacture of other fabricated metal products	High	2	2	2	0	761,699 (40%), 732,690 (9%), 830,990 (5%)
Beverage production	High	11	2	2	0	220421 (56%), 220300 (26%), 220429 (7%)
Manufacture of motor vehicles	High	2	1	1	0	870322 (30%), 870332 (16%), 870421 (11%)
Manufacture of components and accessories for motor vehicles	High	2	1	1	0	870899 (43%), 870829 (16%), 870830 (6%)
Manufacture of metal structures and products for construction	High	2	1	1	0	730890 (42%), 761010 (28%), 730810 (13%)
Manufacture of plastic products	Medium	22	1	0	1	391723 (26%), 391740 (12%), 391732 (12%)
Manufacture of cutlery, tableware, tools and general hardware	High	2	1	1	0	830241 (19%), 830242 (18%), 821210 (8%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of machinery and equipment for processing metals and other hard materials	High	2	1	1	0	846693 (17%), 846694 (13%), 845710 (11%)
Manufacture of other food products	High	1	1	1	0	210690 (29%), 170410 (20%), 210111 (9%)
Manufacture of steel pipes, hollow profiles and fittings	Medium	24.	1	1	0	730661 (33%), 730630 (28%), 730531 (5%)
Manufacture of cables and cable fittings	High	2	1	1	0	854449 (27%), 854411 (27%), 853690 (11%)
Manufacture of control and measuring instruments and navigation instruments; manufacture of watches	High	2	1	1	0	903180 (18%), 903289 (13%), 902780 (8%)
Manufacture of knitted and crocheted clothing	High	14	1	0	0	611090 (32%), 611595 (19%), 611599 (16%)
Manufacture of dairy products	Medium	10	1	1	0	040291 (26%), 040210 (25%), 040120 (24%)
Shoe manufacturing	High	1	1	1	0	640399 (27%), 640610 (15%), 640391 (12%)
Manufacture of communication equipment	High	2	1	1	0	851762 (28%), 851712 (27%), 851770 (14%)
Manufacture of aircraft and related equipment	High	3	0	0	0	880330 (68%), 880220 (12%), 841191 (11%)
Manufacture of medical instruments and equipment	High	3	0	0	0	901890 (41%), 901839 (17%), 902190 (6%)
Manufacture of other steel products by primary processing	Medium	24	0	0	0	722020 (36%), 722850 (18%), 721720 (12%)
Manufacture of other electrical equipment	High	27	0	0	0	854370 (24%), 853120 (20%), 854511 (14%)
Furniture manufacturing	High	31	0	0	0	940360 (25%), 940390 (17%), 940340 (12%)
Manufacture of plastic products	High	22	0	0	0	392690 (38%), 392310 (13%), 392390 (8%)
Production of basic chemicals, fertilisers, plastics	Medium	2	0	0	0	282612 (44%), 390110 (12%), 390120 (12%)
Manufacture of rubber products	High	22	0	0	0	401110 (28%), 401161 (17%), 401699 (15%)

* *Summary* — summary assessment of potential; *Model* — model assessment of potential; *National* — assessment of potential based on national priorities.

Note: The main niche industries covering 90% of the potential are listed; HS codes are given in the 2012 edition; the codes are explained on the World Customs Organisation website: https://www.wcotradetools.org/en/harmonized-system/2012/ru

Source: EDB estimates based on UN data and strategic documents.

↓ Table 7. Uzbekistan's niche industries and goods with export potential

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of pharmaceuticals and materials	High	2	4	1	3	300490 (78%), 300420 (7%), 300450 (5%)
Production of basic chemicals, fertilisers, plastics	Medium	2	386	190	1	390120 (31%), 390110 (24%), 390210 (14%)
Manufacture of motor vehicles	High	2	2	97	1	870323 (62%), 870322 (15%), 870324 (7%)
Manufacture of clothing, except fur clothing	High	1	198	198	0	620342 (16%), 610990 (10%), 620462 (10%)
Manufacture of electric motors, generators, transformers and distribution equipment	High	2	96	96	0	853710 (30%), 850440 (19%), 853890 (10%)
Manufacture of textile fabrics	Medium	13	80	59	2	520942 (14%), 520812 (13%), 551513 (2%)
Manufacture of parts and accessories for motor vehicles	High	2	76	76	0	870899 (36%), 870829 (19%), 854430 (8%)
Manufacture of general-purpose machinery and equipment	High	2	75	75	0	848180 (17%), 840999 (16%), 840991 (6%)
Manufacture of other general-purpose machinery and equipment	High	2	70	7	0	844399 (8%), 842139 (6%), 841590 (5%)
Manufacture of communication equipment	High	2	70	7	0	851762 (34%), 851712 (32%), 851770 (15%)
Preparation and spinning of textile fibres	Medium	1	57	57	0	520623 (25%), 550953 (14%), 510710 (7%)
Manufacture of cables and cable fittings	High	27.3	52	52	0	854442 (25%), 853690 (18%), 853650 (17%)
Manufacture of other special-purpose machinery	High	2	52	51	1	847989 (18%), 848630 (12%), 843149 (9%)
Shoe manufacturing	High	1	52	4	9	640399 (29%), 640391 (14%), 640299 (9%)
Manufacture of control and measuring instruments and navigation instruments; manufacture of watches	High	2	50	5	0	903180 (14%), 903289 (10%), 902790 (6%)
Manufacture of computers and peripheral equipment	High	2	4	49	0	847330 (20%), 847130 (19%), 847150 (11%)
Manufacture of other fabricated metal products	High	25	4	4	0	732690 (38%), 761699 (11%), 731815 (6%)
Beverage production	High	1	4	4	0	220421 (72%), 220290 (9%), 220210 (5%)
Manufacture of precious and non-ferrous metals, manufacture of nuclear fuel	Medium	24	48	3	13	760429 (22%), 760612 (22%), 740819 (12%)
Manufacture of electronic equipment components and printed circuits (boards)	High	2	4	4	0	854231 (28%), 854239 (16%), 853400 (15%)
Furniture manufacturing	High	3	3	38.	1	940360 (30%), 940390 (12%), 940320 (11%)
Manufacture of detergents, cleaning preparations, perfumes and cosmetics	High	2	35	3	0	330499 (21%), 340220 (11%), 330300 (9%)
Manufacture of other food products	High	10	32	32	0	210690 (31%), 180690 (10%), 180632 (9%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of paper and paper products	High	17	32	3	0	961900 (26%), 481820 (12%), 482390 (11%)
Manufacture of other electrical equipment	High	2	31	31	0	854370 (28%), 854390 (8%), 853224 (7%)
Manufacture of plastic products	High	22	2	2	0	392690 (34%), 392321 (10%), 392310 (10%)
Manufacture of other textile products	High	13	2	2	0	940490 (13%), 630790 (13%), 590220 (6%)
Manufacture of medical instruments and equipment	High	3	2	2	0	901890 (37%), 901849 (7%), 901839 (7%)
Milk production	Medium	1	2	2	0	040120 (28%), 040291 (18%), 040210 (16%)
Manufacture of other food products	Medium	10	27	2	0	170114 (53%), 210210 (14%), 180400 (8%)
Manufacture of plastic products	Medium	2	27	2	0	392190 (47%), 392010 (9%), 392020 (6%)
Manufacture of aircraft and related equipment	High	3	2	2	0	880330 (80%), 841191 (18%), 841112 (1%)
Manufacture of knitted and crocheted clothing	High	1	2	2	0	611030 (36%), 611020 (29%), 611596 (14%)
Processing and preservation of fruits and vegetables	High	1	2	2	0	200599 (11%), 200190 (10%), 200520 (10%)
Manufacture of rubber products	High	22	2	23	0	401120 (22%), 401110 (21%), 401699 (17%)
Manufacture of pulp, wood pulp, paper and cardboard	Medium	17	22	22	0	470200 (33%), 480257 (10%), 481141 (10%)
Manufacture of cutlery, tableware, tools and general hardware	High	25.	21	21	0	830241 (16%), 848071 (7%), 820780 (7%)
Manufacture of bread, pastry and confectionery products	High	10	2	2	0	190590 (61%), 190531 (21%), 190532 (13%)
Manufacture of other textile products	Medium	13	19	19	0	600632 (19%), 600622 (8%), 600410 (8%)
Manufacture of vegetable and animal oils and fats	Medium	10	18	18	0	151411 (25%), 151211 (17%), 151219 (16%)
Processing and preservation of meat and meat products	High	1	18	18.5	0	160100 (52%), 160232 (20%), 160249 (15%)
Tanning and finishing of leather, manufacture of leather products; dressing and dyeing of fur	High	15	18	15	2	420222 (22%), 420292 (17%), 420221 (15%)
Manufacture of metal structures and products for construction	High	2	17	17	0	730890 (47%), 761090 (15%), 940600 (14%)
Manufacture of dairy products	High	1	1	17	0	040610 (39%), 040690 (35%), 210500 (13%)
Manufacture of railway locomotives and rolling stock	High	3	16	16	0	860310 (87%), 860799 (7%), 860711 (2%)

* *Summary* — summary assessment of potential; *Model* — model assessment of potential; *National* — assessment of potential based on national priorities.

Note: The main niche industries covering 90% of the potential are listed; HS codes are given in the 2012 edition; the codes are explained on the World Customs Organisation website: https://www.wcotradetools.org/en/harmonized-system/2012/ru

Source: EDB estimates based on UN data and strategic documents.

APPENDIX 5. NICHE INDUSTRIES OF THE SECOND STAGE PROCESSING WITH IMPORT SUBSTITUTION POTENTIAL

↓ Table 1. Armenia's niche industries and goods with import substitution potential

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of pharmaceuticals and materials	High	21	92	2	66	300490 (85%), 300230 (4%), 300420 (3%)
Manufacture of clothing, except fur clothing	High	1	4	4	0	611490 (19%), 620213 (9%), 620342 (8%)
Manufacture of tobacco products	High	12	3	3	0	240220 (100%)
Manufacture of motor vehicles	High	29	27	27	0	870323 (36%), 870120 (18%), 870324 (16%)
Manufacture of other special-purpose machinery	High	2	2	2	0	847420 (14%), 847490 (12%), 847910 (6%)
Manufacture of communication equipment	High	2	2	2	0	851712 (87%), 851762 (12%)
Manufacture of other food products	High	10.8	18.4	18.4	0	180690 (67%), 180631 (13%), 170490 (9%)
Shoe manufacturing	High	15	16	9	6	640299 (31%), 640419 (22%), 640399 (17%)
Beverage production	High	11	15	14	0	220860 (47%), 220820 (32%), 220210 (12%)
Manufacture of household appliances	High	27	12	12	0	841810 (22%), 845011 (20%), 851660 (10%)
Manufacture of other general-purpose machinery and equipment	High	2	11	11	0	842240 (26%), 842230 (15%), 841850 (6%)
Manufacture of products from wood, cork, straw and materials for weaving	Medium	16	11	11	0	441011 (38%), 441114 (14%), 441820 (13%)
Manufacture of basic chemicals, fertilisers, plastics	Medium	2	11	11	0	283010 (20%), 390760 (16%), 390410 (15%)
Manufacture of textile fabrics	Medium	13	11	11	0	540,742 (23%), 551,442 (12%), 520,852 (7%)
Production of cast iron, steel and ferroalloys	Medium	2	1	1	0	721049 (30%), 721420 (22%), 720839 (13%)
Manufacture of control and measuring instruments and navigation instruments; manufacture of watches	High	26	9	9	0	902830 (17%), 902990 (14%), 911430 (11%)
Manufacture of knitted and crocheted clothing	High	14	9	9	0	611020 (34%), 611030 (34%), 611011 (13%)
Manufacture of glass and glass products	High	23	9	9	0	701090 (81%), 701349 (8%), 701328 (3%)
Manufacture of jewellery, jewellery and related articles	High	32	9	4	5	711319 (51%), 711311 (33%), 711719 (11%)
Manufacture of other textile products	High	13	9	4	5	630533 (14%), 630260 (11%), 590390 (8%)
Manufacture of detergents, cleaning products, perfumes and cosmetics	High	2	9	9	0	340220 (32%), 330590 (17%), 330510 (11%)
Processing and preserving fruit and vegetables	High	10.3	8.9	4	4	200570 (28%), 200290 (9%), 200990 (9%)
Production of dairy products	Medium	10	8	8	0	040510 (58%), 040210 (25%), 040390 (10%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of pulp, wood pulp, paper and cardboard	Medium	17	8	8	0	481092 (57%), 480519 (10%), 480300 (8%)
Manufacture of medical instruments and equipment	High	3	8	8	0	901839 (30%), 901890 (15%), 902190 (14%)
Manufacture of electronic equipment components and printed circuits (boards)	High	2	7	3	3	854140 (90%), 852352 (9%)
Manufacture of rubber products	High	2	6	6	0	401194 (36%), 401699 (21%), 401110 (20%)
Manufacture of metal tanks, reservoirs and other containers	High	2	6	6	0	840310 (56%), 730900 (29%), 731100 (11%)
Manufacture of other fabricated metal products	High	2	6	6	0	761699 (36%), 732611 (21%), 830990 (10%)
Manufacture of paper and paper products	High	17	6	6	0	481320 (20%), 481420 (16%), 481810 (15%)
Manufacture of irradiation and electrotherapeutic equipment	High	26	6	6	0	902212 (52%), 902214 (27%), 901812 (7%)
Furniture manufacturing	High	3	5	5	0	940350 (25%), 940360 (18%), 940320 (12%)
Manufacture of household electrical goods	High	2	5	5	0	852872 (81%), 852859 (10%), 851830 (2%)
Manufacture of plastic products	Medium	22	5	5	0	392020 (17%), 392043 (16%), 392113 (13%)
Manufacture of prepared animal feeds	High	10	5	5	0	230990 (100%)
Manufacture of vegetable and animal oils and fats	Medium	10.4	5	5	0	151219 (96%), 150420 (2%)
Manufacture of general-purpose machinery and equipment	High	2	4	4	0	841090 (27%), 841370 (19%), 841480 (13%)
Manufacture of chemical fibres	Medium	2	4	4	0	550200 (85%), 550320 (5%), 540231 (5%)
Manufacture of paints, varnishes and similar coating materials, printing inks and mastics	High	2	4	4	0	321210 (40%), 320820 (14%), 320910 (10%)
Manufacture of other textile products	Medium	13	3	3	0	600621 (34%), 600622 (18%), 580410 (8%)
Manufacture of products	High	3	3	3	0	960719 (32%), 950510 (17%), 961310 (7%)
Processing and preservation of meat and meat products	High	10	3	1	2	160100 (87%), 160232 (8%), 160250 (3%)
Manufacture of other food products	Medium	1	3	3	0	130219 (65%), 210210 (10%), 090230 (8%)
Manufacture of bodies for motor vehicles; manufacture of trailers and semi-trailers	High	2	3	3	0	871639 (98%), 871631 (2%)

* *Summary* — summary assessment of potential; *Model* — model assessment of potential; *National* — assessment of potential based on national priorities.

Note: The main niche industries covering 90% of the potential are listed; HS codes are given in the 2012 edition; the codes are explained on the World Customs Organisation website: https://www.wcotradetools.org/en/harmonized-system/2012/ru

Source: EDB estimates based on UN data and strategic documents.

↓ Table 2. Belarus's niche industries and goods with import substitution potential

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	*Model*	*National*	
Manufacture of motor vehicles	High	29	698	2	442	870323 (48%), 840820 (25%), 870332 (3%)
Manufacture of parts and accessories for motor vehicles	High	2	258	1	157	870870 (25%), 870880 (13%), 870830 (13%)
Production of basic chemicals, fertilisers, plastics	Medium	2	2	1	57	390210 (19%), 390910 (8%), 390740 (7%)
Manufacture of railway locomotives and rolling stock	High	30.2	186.2	186.2	0	860719 (34%), 860692 (19%), 860799 (13%)
Production of cast iron, steel and ferroalloys	Medium	2	1	1	20	722830 (13%), 722540 (12%), 721499 (10%)
Manufacture of general-purpose machinery and equipment	High	2	180	150	3	848180 (31%), 840999 (8%), 848340 (8%)
Manufacture of plastic products	Medium	22	112	87	25	392190 (24%), 392010 (21%), 391620 (11%)
Manufacture of electric motors, generators, transformers and distribution equipment	High	2	101	101.5	0	853710 (31%), 853720 (14%), 850153 (12%)
Manufacture of machinery and equipment for agriculture and forestry	High	2	10	61	3	843390 (16%), 843290 (10%), 870190 (10%)
Manufacture of pharmaceuticals and pharmaceutical materials	High	2	99	45	54	300490 (35%), 300420 (18%), 300440 (12%)
Manufacture of steel pipes, hollow profiles and fittings	Medium	2	80	69	1	730439 (31%), 730661 (18%), 730429 (10%)
Manufacture of other general-purpose machinery and equipment	High	2	78	76	2	842119 (9%), 841950 (8%), 842240 (7%)
Manufacture of other textile products	Medium	1	78	78	0	600410 (14%), 600632 (11%), 600622 (8%)
Shoe manufacturing	High	1	77	77	0	640291 (31%), 640391 (21%), 640399 (15%)
Manufacture of other special-purpose machinery	High	2	77	74	2	847981 (21%), 847989 (14%), 843780 (12%)
Manufacture of textile fabrics	Medium	1	74	69.4	5	540,761 (16%), 520,852 (5%), 551,443 (5%)
Manufacture of detergents, cleaning products, perfumes and cosmetics	High	2	67	54	1	330300 (22%), 340220 (16%), 330590 (15%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	*Model*	*National*	
Manufacture of machinery and equipment for processing metals and other hard materials	High	2	67	46	2	845811 (13%), 846221 (10%), 846591 (9%)
Manufacture of electronic equipment components and printed circuits (boards)	High	2	66	2	4	854140 (53%), 854231 (14%), 854290 (11%)
Manufacture of cutlery, tableware, tools and general hardware	High	2	65	65	0	830241 (21%), 830242 (13%), 820220 (9%)
Manufacture of other fabricated metal products	High	2	62	62	0	732690 (33%), 761699 (10%), 831110 (9%)
Manufacture of household appliances	High	2	61	60	1	845011 (22%), 841810 (11%), 850819 (9%)
Manufacture of control and measuring instruments and navigation instruments; manufacture of watches	High	2	57	57	0	903290 (26%), 903120 (8%), 852610 (5%)
Manufacture of pulp, wood pulp, paper and cardboard	Medium	17	55	52	2	481190 (26%), 481092 (13%), 480591 (11%)
Manufacture of other food products	High	1	55	55	0	210111 (29%), 170490 (20%), 180690 (14%)
Manufacture of paper and paper products	High	17	54	54	0	481420 (40%), 961900 (26%), 481910 (18%)
Manufacture of products from wood, cork, straw and materials for weaving	Medium	16	51	45	6	441820 (21%), 441011 (18%), 441113 (15%)
Manufacture of medical instruments and equipment	High	3	4	3	14	902139 (26%), 900130 (19%), 902129 (15%)
Manufacture of precious and non-ferrous metals, manufacture of nuclear fuel	Medium	2	4	4	0	760511 (30%), 760421 (24%), 740811 (12%)
Manufacture of plastic products	High	22	4	46	0	392590 (30%), 392390 (24%), 392490 (10%)
Manufacture of other steel products by primary processing	Medium	24	44	42	2	721710 (28%), 721691 (26%), 721550 (11%)
Manufacture of clothing, except fur clothing	High	1	4	4	0	620193 (11%), 620293 (9%), 620213 (5%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	*Model*	*National*	
Beverage production	High	11	44	44.5	0	220300 (35%), 220820 (32%), 220429 (13%)
Manufacture of rubber products	High	22	44	44	0	401120 (26%), 401699 (20%), 401161 (15%)
Processing and preservation of fruits and vegetables	Medium	10	44	44	0	081190 (35%), 071080 (31%), 081120 (20%)
Manufacture of other chemical products	High	2	40	33	7	340319 (44%), 330210 (11%), 340399 (8%)
Manufacture of pharmaceutical substances	High	21	39	39	0	300290 (31%), 294190 (23%), 300190 (14%)
Manufacture of communication equipment	High	2	3	38	0	852990 (74%), 851712 (21%), 853110 (3%)
Manufacture of metal structures and products for construction	High	2	3	3	0	730890 (92%), 730810 (5%), 730830 (2%)
Manufacture of chemical fibres	Medium	2	3	26	7	540219 (31%), 550320 (14%), 540231 (13%)
Manufacture of household electrical appliances	High	2	3	3	0	852859 (42%), 852872 (30%), 852871 (11%)
Furniture manufacturing	High	3	2	2	5	940390 (29%), 940140 (17%), 940360 (15%)
Manufacture of other electrical equipment	High	2	2	28	0	854511 (42%), 853090 (19%), 851531 (8%)
Processing and preservation of fruits and vegetables	High	1	2	2	0	200520 (31%), 200540 (10%), 200979 (8%)
Manufacture of other textile products	High	13	2	2	0	630260 (25%), 570242 (22%), 630221 (14%)
Manufacture of pesticides and other agrochemical products	High	2	21	21	0	380893 (68%), 380892 (21%), 380894 (10%)
Manufacture of glass and glass products	High	2	21	2	0	701090 (51%), 701010 (8%), 700991 (8%)
Manufacture of other food products	Medium	10	20.9	20.9	0	090230 (32%), 090121 (22%), 180310 (10%)

* *Summary* — summary assessment of potential; *Model* — model assessment of potential; *National* — assessment of potential based on national priorities.

Note: The main niche industries covering 90% of the potential are listed; HS codes are given in the 2012 edition; the codes are explained on the World Customs Organisation website: https://www.wcotradetools.org/en/harmonized-system/2012/ru

Source: EDB estimates based on UN data and strategic documents.

↓ Table 3. Kazakhstan's niche industries and goods with import substitution potential

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of electric motors, generators, transformers and distribution equipment	High	27	589.3	331	257	853720 (32%), 850300 (25%), 853710 (24%)
Manufacture of general-purpose machinery and equipment	High	2	551	423	127	848180 (43%), 841480 (19%), 841370 (15%)
Manufacture of other general-purpose machinery and equipment	High	2	403	3	41	841989 (31%), 842139 (21%), 842121 (12%)
Manufacture of basic chemicals, fertilisers, plastics	Medium	2	2	112	152	390120 (35%), 390760 (19%), 390110 (6%)
Manufacture of metal structures and products for construction	High	2	2	92	1	730890 (94%), 730830 (2%), 940600 (1%)
Manufacture of steel pipes, hollow profiles and fittings	Medium	2	2	164	83	730429 (28%), 730419 (12%), 730439 (10%)
Manufacture of other special-purpose machinery	High	2	2	210	7	842952 (12%), 843041 (12%), 870410 (11%)
Manufacture of rubber products	High	22	214	79	135	401110 (30%), 401194 (28%), 401120 (19%)
Manufacture of motor vehicles	High	2	2	146	67	870423 (29%), 840734 (14%), 870324 (14%)
Manufacture of railway locomotives and rolling stock	High	30	1	171	17	860719 (35%), 860610 (14%), 860500 (12%)
Production of cast iron, steel and ferroalloys	Medium	2	172	152	20.7	720890 (13%), 721499 (12%), 721650 (12%)
Manufacture of bodies for motor vehicles; manufacture of trailers and semi-trailers	High	29.2	1	2	1	870710 (71%), 870790 (24%), 871639 (4%)
Manufacture of cables and cable fittings	High	2	1	26	102	854449 (66%), 854460 (16%), 854442 (10%)
Manufacture of parts and accessories for motor vehicles	High	2	1	45	77	870870 (32%), 870880 (17%), 870840 (14%)
Manufacture of other fabricated metal products	High	2	114	106	8	732690 (46%), 761290 (9%), 732611 (7%)
Manufacture of machinery and equipment for agriculture and forestry	High	2	1	1	0	870190 (22%), 843351 (21%), 843230 (15%)
Manufacture of household appliances	High	2	96	96	0	845011 (20%), 841810 (16%), 851660 (9%)
Manufacture of communication equipment	High	2	89	89	0	851712 (78%), 851769 (12%), 853110 (3%)
Manufacture of other food products	Medium	10	86	31	54	170199 (74%), 170114 (14%), 090230 (8%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of other food products	High	10	86	8	0	180,690 (35%), 170,490 (16%), 210,390 (9%)
Manufacture of detergents, cleaning products, perfumes and cosmetics	High	2	76	4	2	340220 (39%), 330499 (15%), 330510 (10%)
Manufacture of paper and paperboard products	High	1	75	52	2	481,420 (51%), 961,900 (29%), 481,940 (8%)
Manufacture of products from wood, cork, straw and materials for weaving	Medium	16	75	57	17	441011 (40%), 441113 (20%), 441820 (15%)
Manufacture of control and measuring instruments and navigation instruments; manufacture of watches	High	2	68	59	9	903180 (20%), 852610 (15%), 902610 (12%)
Shoe manufacturing	High	1	6	6	0	640291 (42%), 640690 (15%), 640299 (11%)
Manufacture of clothing, except fur clothing	High	1	57.5	57.5	0	620419 (17%), 620193 (7%), 611610 (5%)
Processing and preservation of meat and meat products	High	1	55	18	36	160100 (74%), 160232 (19%), 160250 (3%)
Manufacture of aircraft and related equipment	High	3	53	53	0	841112 (91%), 880320 (4%), 880220 (3%)
Manufacture of metal tanks, reservoirs and other containers	High	2	53	53	0	731100 (45%), 730900 (30%), 840310 (20%)
Manufacture of other textile products	High	13	49	49	0	630533 (19%), 570242 (14%), 940490 (10%)
Manufacture of pharmaceuticals and pharmaceutical materials	High	2	4	48	0	300420 (23%), 300210 (18%), 300440 (14%)
Manufacture of games and toys	High	3	47	47	0	950300 (95%), 950490 (5%)
Manufacture of textile fabrics	Medium	13	44	2	2	521225 (37%), 521039 (6%), 551299 (5%)
Manufacture of dairy products	High	1	44	12	3	040690 (43%), 040610 (31%), 040630 (18%)
Manufacture of ceramic building materials	Medium	2	43	6	3	690790 (100%)
Manufacture of abrasive and non-metallic mineral products	Medium	23	38	21	1	680610 (64%), 680710 (10%), 680690 (6%)
Manufacture of plastic products	High	2	3	33	4	392,590 (23%), 391,810 (19%), 392,321 (17%)
Beverage production	High	11	3	37	0	220210 (49%), 220860 (26%), 220300 (9%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of computers and peripheral equipment	High	26	3	3	0	847150 (65%), 847130 (13%), 847170 (11%)
Manufacture of other chemical products	High	2	3	3	6	360300 (24%), 381190 (21%), 381519 (18%)
Manufacture of tobacco products	High	12.0	35.5	35.5	0	240220 (100%)
Furniture manufacturing	High	31	3	22	1	940360 (42%), 940350 (24%), 940140 (9%)
Manufacture of pesticides and other agrochemical products	High	2	3	26	7	380893 (75%), 380892 (18%), 380891 (6%)
Manufacture of electronic equipment components and printed circuits (boards)	High	2	3	34	0	854140 (89%), 852352 (5%), 854239 (2%)
Manufacture of dairy products	Medium	1	3	3	0	040390 (36%), 040210 (30%), 040291 (6%)
Manufacture of cutlery, tableware, tools and general hardware	High	2	32	27	4	820719 (28%), 830241 (16%), 848071 (4%)
Processing and preservation of fruit and vegetables	High	1	32	3	0	200819 (34%), 200520 (19%), 200290 (10%)

* *Summary* — summary assessment of potential; *Model* — model assessment of potential; *National* — assessment of potential based on national priorities.

Note: The main niche industries covering 90% of the potential are listed; HS codes are given in the 2012 edition; the codes are explained on the World Customs Organisation website: https://www.wcotradetools.org/en/harmonized-system/2012/ru

Source: EDB estimates based on UN data and strategic documents.

↓ Table 4. Kyrgyzstan's niche industries and goods with import substitution potential

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of clothing, except fur clothing	High	14	7	4	3	610342 (19%), 611420 (10%), 610910 (7%)
Shoe manufacturing	High	1	64	64	0	640299 (84%), 640690 (7%), 640291 (4%)
Manufacture of textile fabrics	Medium	13	51	50.3	1	551599 (46%), 540833 (8%), 551299 (8%)
Manufacture of communication equipment	High	2	40	40	0	851712 (88%), 851770 (6%), 851762 (5%)
Manufacture of other textile products	Medium	13	3	15	21.7	600410 (69%), 600240 (16%), 600622 (3%)
Manufacture of tobacco products	High	12	3	3	0	240220 (100%)
Manufacture of knitted and crocheted clothing	High	14	29	13	15	611595 (41%), 611596 (28%), 611020 (20%)
Manufacture of other special-purpose machinery	High	2	2	2	0	843149 (22%), 845430 (14%), 847490 (13%)
Production of cast iron, steel and ferroalloys	Medium	2	2	2	0	721420 (28%), 720890 (23%), 721049 (9%)
Manufacture of cutlery, tableware, tools and general hardware	High	2	27	27	0	830242 (63%), 821420 (11%), 848049 (6%)
Manufacture of pharmaceuticals and pharmaceutical materials	High	2	27	11	15	300490 (77%), 300420 (12%), 300410 (3%)
Manufacture of products from wood, cork, straw and materials for weaving	Medium	16	17	17	0	441113 (31%), 441820 (30%), 441011 (25%)
Manufacture of motor vehicles	High	2	1	14	2	870120 (28%), 870324 (23%), 870423 (11%)
Manufacture of other food products	High	1	15	15	0	180690 (43%), 170490 (17%), 180631 (10%)
Manufacture of household appliances	High	2	15	15	0	845012 (22%), 841821 (18%), 850819 (9%)
Beverage production	High	1	15	11	3	220210 (83%), 220290 (7%), 220820 (4%)
Manufacture of paper and paperboard products	High	17	13	13	0	961,900 (52%), 481,420 (30%), 482,110 (5%)
Production of basic chemicals, fertilisers, plastics	Medium	2	10	10	0	390760 (53%), 380690 (16%), 390311 (6%)
Manufacture of parts and accessories for motor vehicles	High	2	1	1	0	870899 (53%), 870891 (31%), 870880 (3%)
Manufacture of other textile products	High	13	9.5	9.5	0	581,092 (39%), 570,242 (27%), 630,239 (8%)
Manufacture of detergents, cleaning products, perfumes and cosmetics	High	2	9	9	0	340220 (42%), 330499 (20%), 330510 (16%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of steel pipes, hollow profiles and fittings	Medium	2	9	9	0	730661 (65%), 730630 (19%), 730429 (10%)
Manufacture of bakery and flour confectionery products	High	10	9	9	0	190590 (41%), 190531 (27%), 190532 (20%)
Manufacturing of products	High	32.	8	8	0	961800 (20%), 960719 (15%), 960621 (15%)
Production of vegetable and animal oils and fats	Medium	10	8	8	0	151219 (75%), 151221 (14%), 151211 (9%)
Manufacture of plastic products	High	22	8	8	0	392321 (44%), 590410 (16%), 392490 (15%)
Manufacture of machinery and equipment for agriculture and forestry	High	2	7	7	0	843390 (27%), 870190 (26%), 843290 (26%)
Manufacture of general-purpose machinery and equipment	High	2	7	7	0	840890 (19%), 841381 (16%), 848340 (7%)
Manufacture of plastic products	Medium	22	7	7	0	391620 (47%), 391722 (10%), 392111 (9%)
Manufacture of other fabricated metal products	High	2	6	6	0	731812 (14%), 732394 (11%), 830629 (10%)
Tanning and finishing of leather, manufacture of leather products; dressing and dyeing of fur	High	1	6	4	1	420221 (33%), 420292 (30%), 420229 (16%)
Manufacture of jewellery, jewellery and related articles	High	32	6	2	4	711319 (44%), 711719 (38%), 711311 (11%)
Manufacture of other general-purpose machinery and equipment	High	2	5	5	0	842240 (27%), 847050 (11%), 841850 (8%)
Manufacture of rubber products	High	2	5	5	0	401194 (60%), 401120 (13%), 640620 (11%)
Manufacture of chemical fibres	Medium	20.6	4.7	4.7	0	550320 (91%), 540233 (8%)
Manufacture of other porcelain and ceramic products	High	2	4	4	0	691200 (76%), 691390 (15%), 690919 (6%)
Manufacture of paints, varnishes and similar coating materials, printing inks and mastics	High	2	3	3	0	321410 (30%), 321490 (23%), 320810 (18%)

* *Summary* — summary assessment of potential; *Model* — model assessment of potential; *National* — assessment of potential based on national priorities.

Note: The main niche industries covering 90% of the potential are listed; HS codes are given in the 2012 edition; the codes are explained on the World Customs Organisation website: https://www.wcotradetools.org/en/harmonized-system/2012/ru

Source: EDB estimates based on UN data and strategic documents.

↓ Table 5. Russia's niche industries and goods with import substitution potential

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of motor vehicles	High	29	607	1887	4190	870323 (23%), 870333 (17%), 840734 (14%)
Manufacture of pharmaceuticals and related materials	High	2	5340.3	1507	3832	300490 (63%), 300210 (8%), 300420 (6%)
Manufacture of parts and accessories for motor vehicles	High	2	490	1640	3269	870829 (20%), 870840 (16%), 870880 (10%)
Manufacture of other special-purpose machinery	High	2	3534	1281	2,253	842952 (9%), 870410 (6%), 843041 (6%)
Manufacture of general-purpose machinery and equipment	High	2	3322	1318	2	848,180 (29%), 841,370 (11%), 841,480 (9%)
Manufacture of computers and peripheral equipment	High	2	2283.9	961.5	1,322	847150 (35%), 847130 (25%), 847170 (24%)
Manufacture of other general-purpose machinery and equipment	High	2	220	1418	787	842,139 (13%), 841,989 (10%), 841,869 (5%)
Manufacture of aircraft and related equipment	High	3	2121	634	1487	880240 (94%), 841191 (3%), 880230 (2%)
Production of basic chemicals, fertilisers, plastics	Medium	2	2062.2	1,130.9	931.3	390690 (11%), 390930 (7%), 390720 (6%)
Manufacture of detergents, cleaning preparations, perfumes and cosmetics	High	20	1548	504	1044	330499 (29%), 330300 (19%), 330590 (9%)
Manufacture of communication equipment	High	26	1490	1106.7	384	851712 (43%), 852990 (25%), 851770 (14%)
Manufacture of medical instruments and equipment	High	32	128	3	911	901890 (40%), 902190 (9%), 901839 (6%)
Manufacture of clothing, except fur clothing	High	14	1165	1155	10	620193 (10%), 620293 (7%), 620462 (6%)
Manufacture of rubber products	High	22	1135	429	706	401110 (31%), 401194 (31%), 401120 (17%)
Manufacture of electric motors, generators, transformers and distribution equipment	High	27	1134	543	591	850440 (37%), 853710 (15%), 850220 (10%)
Manufacture of machinery and equipment for processing metals and other hard materials	High	2	1020.7	373	647	845710 (13%), 845811 (11%), 846221 (5%)
Production of cast iron, steel and ferroalloys	Medium	2	955.7	868	87	722,540 (13%), 721,420 (12%), 720,838 (9%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of household appliances	High	2	903	750	153	841810 (16%), 851660 (11%), 850819 (8%)
Manufacture of other chemical products	High	2	888	516	3	381519 (15%), 381121 (13%), 382200 (12%)
Manufacture of machinery and equipment for agriculture and forestry	High	2	862	379	4	870190 (21%), 843680 (15%), 843290 (10%)
Construction of ships, boats and vessels	High	30	765	2	477	890120 (41%), 890190 (23%), 890400 (16%)
Manufacture of electronic equipment components and printed circuits (boards)	High	2	698	1	535	854231 (44%), 854239 (25%), 854140 (16%)
Manufacture of paints, varnishes and similar coating materials, printing inks and mastics	High	2	680.9	1	5	321410 (18%), 320810 (17%), 321519 (13%)
Manufacture of other electrical equipment	High	27.9	672	443.9	228	854511 (42%), 854370 (21%), 854519 (8%)
Shoe manufacturing	High	1	670	670.4	0	640399 (29%), 640391 (27%), 640419 (24%)
Manufacture of control and measuring instruments and navigation instruments; manufacture of watches	High	26	662	488	173	852,691 (28%), 901,580 (9%), 902,730 (6%)
Manufacture of pharmaceutical substances	High	2	634	255	378	300290 (30%), 293712 (12%), 293359 (9%)
Manufacture of cutlery, tableware, tools and general hardware	High	2	554	554	0	830241 (11%), 830210 (8%), 830230 (7%)
Manufacture of other fabricated metal products	High	2	547	540	7	732,690 (34%), 731,814 (9%), 761,699 (6%)
Manufacture of railway locomotives and rolling stock	High	30	531	348	183	860719 (65%), 860610 (5%), 860699 (5%)
Beverage production	High	1	525	525	0	220421 (35%), 220820 (22%), 220300 (11%)
Manufacture of steel pipes, hollow profiles and fittings	Medium	24	429	296	132	730429 (22%), 730423 (14%), 730419 (8%)
Manufacture of irradiation and electrotherapeutic equipment	High	2	418	1	2	901812 (30%), 902214 (27%), 902212 (12%)
Manufacture of consumer electronics	High	2	3	391	0	852859 (41%), 851830 (23%), 950450 (9%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of bodies for motor vehicles; manufacture of trailers and semi-trailers	High	2	3	1	199	871639 (47%), 870790 (30%), 871690 (14%)
Manufacture of plastic products	Medium	22	371	371	0	392,190 (29%), 392,043 (10%), 391,990 (10%)
Manufacture of pulp, wood pulp, paper and cardboard	Medium	17	367	3	0	481092 (22%), 481151 (20%), 481190 (17%)
Manufacture of cables and cable fittings	High	2	355	69	286.2	854449 (39%), 854442 (31%), 854470 (8%)
Manufacture of pesticides and other agrochemical products	High	2	3	71	2	380893 (33%), 380891 (28%), 380892 (28%)
Manufacture of basic chemicals, fertilisers, plastics	High	2	335	270	65	293,499 (27%), 293,399 (18%), 293,361 (8%)
Manufacture of electric accumulators and storage batteries	High	2	324	82	242	850710 (44%), 850720 (35%), 850760 (14%)
Manufacture of dairy products	Medium	10	310	310.5	0	040510 (40%), 040390 (17%), 040120 (9%)

* *Summary* — summary assessment of potential; *Model* — model assessment of potential; *National* — assessment of potential based on national priorities.

Note: The main niche industries covering 90% of the potential are listed; HS codes are given in the 2012 edition; the codes are explained on the World Customs Organisation website: https://www.wcotradetools.org/en/harmonized-system/2012/ru

Source: EDB estimates based on UN data and strategic documents.

↓ Table 6. Tajikistan's niche industries and goods with import substitution potential

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Production of pig iron, steel and ferroalloys	Medium	2	3	37	0	721420 (55%), 720839 (11%), 721070 (7%)
Manufacture of motor vehicles	High	2	3	3	0	870323 (47%), 870590 (24%), 870324 (12%)
Manufacture of other special-purpose machinery	High	2	19	19	0	847490 (16%), 843041 (15%), 870410 (11%)
Manufacture of vegetable and animal oils and fats	Medium	10	18	18	0	151219 (56%), 151211 (15%), 151229 (13%)
Manufacture of other food products	Medium	10	17	17	0	170199 (95%), 210210 (2%), 090230 (2%)
Manufacture of other food products	High	10	13	13	0	180690 (45%), 190230 (21%), 170490 (15%)
Manufacture of products from wood, cork, straw and materials for weaving	Medium	16	10	10	0	441011 (65%), 441113 (13%), 441820 (9%)
Manufacture of electric motors, generators, transformers and distribution equipment	High	27.1	9	9	0	853710 (42%), 850423 (17%), 853530 (12%)
Manufacture of flour and cereal products	Medium	1	7	7	0	110100 (89%), 170230 (6%), 110812 (2%)
Manufacture of paper and paperboard products	High	17	7	7	0	961,900 (54%), 481,420 (30%), 482,020 (5%)
Production of basic chemicals, fertilisers, plastics	Medium	2	7	7	0	390210 (33%), 390410 (9%), 390422 (8%)
Manufacture of household appliances	High	2	6	6	0	851610 (24%), 845011 (15%), 845012 (13%)
Manufacture of plastic products	Medium	22	5	4	1	391620 (35%), 391723 (27%), 391732 (9%)
Manufacture of textile fabrics	Medium	13	4	3	1	551,430 (30%), 521,225 (21%), 521,223 (6%)
Manufacture of other general-purpose machinery and equipment	High	2	4	4	0	843139 (46%), 842230 (12%), 842139 (5%)
Manufacture of other steel products by primary processing	Medium	24	4	4	0	721710 (16%), 722990 (14%), 721240 (14%)
Manufacture of aircraft and related equipment	High	3	3	3	0	880220 (100%)
Manufacture of tobacco products	High	12	3	3	0	240220 (100%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Beverage production	High	11	3	3	0	220210 (66%), 220890 (20%), 220290 (8%)
Manufacture of detergents, cleaning products, perfumes and cosmetics	Medium	20	3	3	0	340119 (75%), 340111 (20%), 340120 (5%)
Manufacture of bread, pastry and confectionery products	High	10	3	3	0	190531 (45%), 190532 (36%), 190590 (13%)
Manufacture of general-purpose machinery and equipment	High	2	3	3	0	841090 (49%), 841490 (13%), 841370 (11%)
Manufacture of machinery and equipment for agriculture and forestry	High	2	2	2	0	843629 (34%), 870190 (32%), 843340 (7%)
Manufacture of detergents, cleaning products, perfumes and cosmetics	High	20	2	2	0	340220 (38%), 330510 (36%), 330720 (7%)
Manufacture of clothing, except fur clothing	High	1	2	2	0	621132 (13%), 621040 (10%), 621790 (7%)
Manufacture of other chemical products	Medium	2	2	2	0	360200 (44%), 382440 (26%), 382000 (22%)
Manufacture of other fabricated metal products	High	2	2	2	0	732611 (18%), 831110 (12%), 732690 (12%)
Processing and preservation of fruits and vegetables	High	10	2	1	1	200819 (47%), 200540 (12%), 200520 (12%)
Manufacture of plastic products	High	2	2	2	0	392330 (39%), 590410 (26%), 392590 (13%)
Manufacture of steel pipes, hollow profiles and fittings	Medium	24	2	2	0	730630 (31%), 730690 (20%), 730661 (13%)
Manufacture of paints, varnishes and similar coating materials, printing inks and mastics	High	2	2	2	0	320810 (40%), 320890 (19%), 321490 (14%)
Manufacture of concrete, cement and gypsum products	Medium	23	2	2	0	681140 (70%), 680911 (28%), 680800 (1%)
Manufacture of vegetable and animal oils and fats	High	10	2	2	0	151710 (100%)
Manufacture of other textile products	High	13	2	2	0	570320 (27%), 630590 (20%), 630510 (7%)
Manufacture of cutlery, tableware, tools and general hardware	High	25.	1	1	0	820190 (67%), 820110 (10%), 820713 (6%)
Manufacture of machinery and equipment for processing metals and other hard materials	High	2	1	1	0	846490 (21%), 846241 (12%), 846299 (12%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of parts and accessories for motor vehicles	High	2	1.8	1.8	0	870899 (54%), 870810 (22%), 870829 (11%)
Manufacture of pulp, wood pulp, paper and cardboard	Medium	17	1	1	0	480255 (46%), 480592 (36%), 480700 (4%)
Manufacture of dairy products	Medium	1	1	1	0	040390 (82%), 040210 (8%), 040299 (6%)
Furniture manufacturing	High	3	1	1	0	940389 (56%), 940350 (20%), 940330 (6%)
Manufacture of other electrical equipment	High	2	1	1	0	854370 (53%), 854519 (41%), 853210 (2%)

* *Summary* — summary assessment of potential; *Model* — model assessment of potential; *National* — assessment of potential based on national priorities.

Note: The main niche industries covering 90% of the potential are listed; HS codes are given in the 2012 edition; the codes are explained on the World Customs Organisation website: https://www.wcotradetools.org/en/harmonized-system/2012/ru

Source: EDB estimates based on UN data and strategic documents.

↓ Table 7. Uzbekistan's niche industries and goods with import substitution potential

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of other special-purpose machinery	High	2	546	545	1	847420 (12%), 847480 (10%), 842952 (7%)
Manufacture of medicinal products and materials	High	21	3	53	3	300490 (69%), 300420 (11%), 300450 (9%)
Manufacture of motor vehicles	High	2	3	142	1	870323 (56%), 870510 (9%), 870322 (7%)
Manufacture of other general-purpose machinery and equipment	High	2	222	2	0	841780 (17%), 841989 (12%), 842139 (11%)
Production of basic chemicals, fertilisers, plastics	Medium	2	193	98	95	390760 (23%), 390210 (17%), 390110 (10%)
Production of cast iron, steel and ferroalloys	Medium	24	172	172	0	721049 (19%), 721070 (16%), 720839 (9%)
Manufacture of parts and accessories for motor vehicles	High	2	167	1	0	870899 (43%), 870840 (24%), 870829 (6%)
Manufacture of general-purpose machinery and equipment	High	2	1	161	0	841480 (35%), 840991 (12%), 841370 (12%)
Manufacture of metal structures and products for construction	High	2	130	130	0	940600 (89%), 730890 (9%), 730840 (2%)
Manufacture of machinery and equipment for agriculture and forestry	High	2	77	69	7	870190 (23%), 843359 (20%), 842481 (14%)
Manufacture of control and measuring instruments and navigation devices; manufacture of watches	High	2	60	6	0	902830 (40%), 903289 (12%), 902890 (11%)
Manufacture of vegetable and animal oils and fats	Medium	10	57	57	0	151219 (74%), 151620 (22%), 151221 (2%)
Manufacture of electric motors, generators, transformers and distribution equipment	High	27	57	57	0	853710 (50%), 850153 (12%), 850423 (8%)
Manufacture of other food products	Medium	10	53	53	0	170113 (92%), 210210 (4%), 180500 (2%)
Manufacture of products from wood, cork, straw and materials for weaving	Medium	16	53	53	0	441011 (40%), 441113 (31%), 441114 (16%)
Production of flour and cereal products	Medium	10	51	51	0	110100 (93%), 110812 (2%), 110429 (2%)
Manufacture of other chemical products	High	2	3	3	0	381590 (31%), 381519 (26%), 330210 (17%)

Industry	Processing stage according to REC	OKVED	Potential, $ millions*			Main products (HS codes and contribution to potential)
			Summary	Model	National	
Manufacture of steel pipes, hollow profiles and fittings	Medium	24	36	36	0	730439 (20%), 730419 (18%), 730429 (17%)
Manufacture of machinery and equipment for processing metals and other hard materials	High	2	3	3	0	854330 (13%), 845610 (10%), 846410 (9%)
Manufacture of rubber products	High	2	3	3	0	401194 (52%), 401110 (21%), 401693 (8%)
Manufacture of pulp, wood pulp, paper and cardboard	Medium	17	2	2	0	480592 (21%), 480255 (17%), 481151 (16%)
Manufacture of household appliances	High	27	22.9	22.9	0	841810 (27%), 851610 (14%), 845012 (11%)
Manufacture of textile fabrics	Medium	13	2	16	4	520852 (26%), 540761 (14%), 520849 (8%)
Manufacture of metal tanks, reservoirs and other containers	High	2	1	19	0	730900 (45%), 840310 (33%), 732219 (22%)
Manufacture of other fabricated metal products	High	25	19	19	0	831110 (19%), 731815 (15%), 761290 (9%)
Manufacture of bodies for motor vehicles; manufacture of trailers and semi-trailers	High	2	1	1	0	871639 (66%), 870790 (29%), 871631 (4%)
Manufacture of other food products	High	1	1	17	0	190110 (29%), 180690 (23%), 180631 (14%)
Manufacture of paper and paper products	High	17	17	17	0	481420 (62%), 961900 (29%), 481920 (7%)
Manufacture of other electrical equipment	High	2	17	17	0	854511 (58%), 853010 (11%), 851580 (10%)
Manufacture of steam boilers, except central heating boilers	High	2	1	16	0	840219 (90%), 840410 (10%)
Manufacture of other textile products	Medium	13	15	15	0	600192 (37%), 560314 (12%), 600410 (11%)
Manufacture of cutlery, tableware, tools and general hardware	High	2	15	15	0	830230 (27%), 830210 (14%), 830140 (14%)

* *Summary* — summary assessment of potential; *Model* — model assessment of potential; *National* — assessment of potential based on national priorities.

Note: The main niche industries covering 90% of the potential are listed; HS codes are given in the 2012 edition; the codes are explained on the World Customs Organisation website: https://www.wcotradetools.org/en/harmonized-system/2012/ru

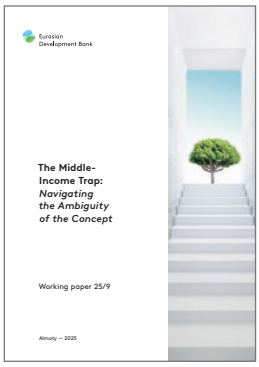
Source: EDB estimates based on UN data and strategic documents.

Research at the EDB website

Macroeconomic Outlook
(RU/EN)

Macroeconomic Outlook 2025–2027

The analysis examines economic developments in early 2025 and outlines key macroeconomic projections for late 2025, as well as forecasts for 2026 and 2027.



Working Paper 25/9
(RU/EN)

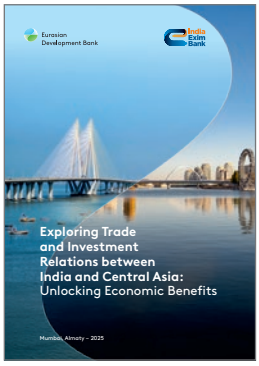
The Middle-Income Trap: Navigating the Ambiguity of the Concept

The study shows that diversity of interpretations of the "middle-income trap" makes it difficult to understand whether an economy is in it. The paper also identifies the factors of transition to a higher income: stable macroeconomics, ability to innovate, strong institutions and demographics.

Report 25/8
(RU/EN)

Investing in the future: projects of international financial organizations in Eurasia

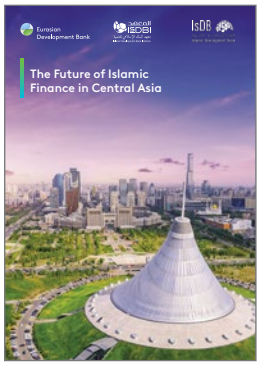
The report analyzes 10 fundamental trends in non-sovereign financing by international financial institutions in the Eurasian region and formulates a number of proposals for more active and diversified IFI investments in development projects.



Report
(RU/EN)

Exploring Trade and Investment Relations between India and Central Asia: Unlocking Economic Benefits

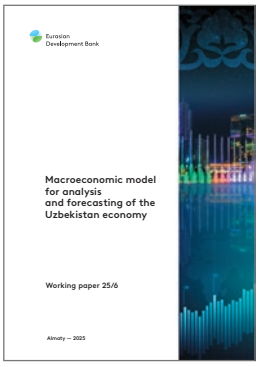
This joint report focuses on a comprehensive analysis of the current state and potential for improving bilateral trade and investment relations between India and Central Asia, and provides policy recommendations for closer cooperation.



Report
(RU/EN)

The Future of Islamic Finance in Central Asia

Joint report of the Eurasian Development Bank (EDB), the Islamic Development Bank Institute (IsDBI) and the London Stock Exchange Group (LSEG).



Working Paper 25/6
(RU/EN)

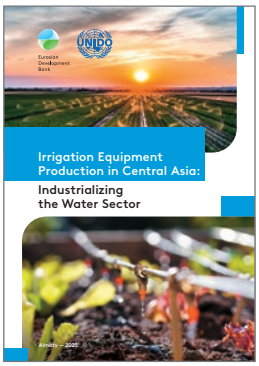
Macroeconomic model for analysis and forecasting of the Uzbekistan economy

The working paper presents the developed model of macroeconomic analysis and forecasting of the Uzbekistan economy. The integration of the new model into the EDB's model complex makes it possible to more accurately and comprehensively forecast the economic development of the Bank's region of operations, while taking into account close cross-country relationships.

Working Paper 25/5
(RU/EN)

Eurasian Transport Network: Projects Observatory and Interactive Map

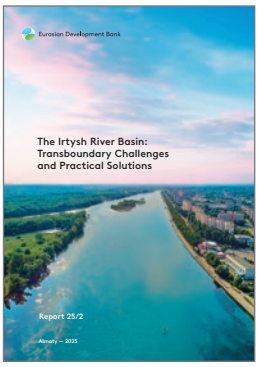
This working paper aims to facilitate the monitoring and coordination of infrastructure development along the corridors and routes of the Eurasian Transport Network



Report
(RU/EN)

Irrigation Equipment Production in Central Asia: Industrializing the Water Sector

Irrigation equipment production in Central Asia is becoming a strategic area for ensuring food security and efficient water resource management. A new report by EDB and UNIDO provides a detailed analysis of the current state of the market, a forecast of its development and recommendations for creating conditions for local production.



Report 25/2
(RU/EN)

The Irtysh River Basin: Transboundary Challenges and Practical Solutions

A recent study by the Eurasian Development Bank, titled "The Irtysh River Basin: Transboundary Challenges and Practical Solutions", presents the findings of a diagnostic analysis and a forecasting model of the basin's water resources. The study identifies the positions of the three countries involved and puts forward a series of practical solutions, including investment recommendations.

Report 25/1
(RU/EN)

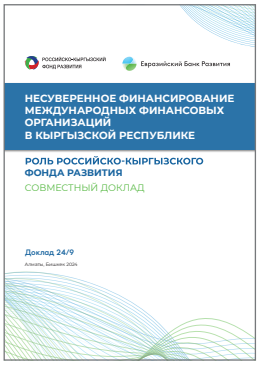
Mutual Investments on the Eurasian Continent: New and Traditional Partners

The report contains detailed information on the scale, dynamics, geographical and sectoral structure of mutual direct investment stock between the countries of the Eurasian region, on the one hand, and China, Türkiye, Iran, and the Gulf states, on the other hand, for the period from 2016 to the first half of 2024.

Report 24/10
(RU/EN)

EDB Monitoring of Mutual Investments — 2024. Eurasian Region

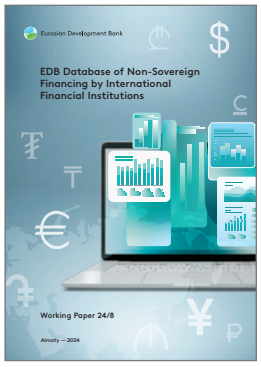
The report contains detailed information on the scale, dynamics, geographical and sectoral structure of mutual direct investments of the Eurasian region from 2016 to 1H of 2024.



Report 24/9
(RU)

Non-sovereign financing of international financial organizations in the Kyrgyz Republic

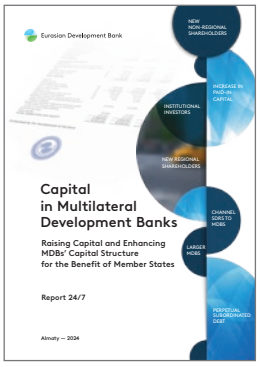
The report contains a comprehensive analysis of non-sovereign financing operations by international financial institutions in the Kyrgyz Republic over the last decade.



Working Paper 24/8
(RU/EN)

EDB Database of Non-Sovereign Financing by International Financial Institutions

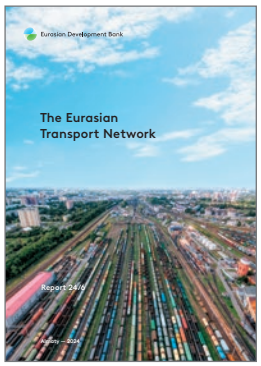
Non-Sovereign Financing (NSF) Database is EDB's new analytical project. The EDB Database is a dynamic tool for timely monitoring and analysis of non-sovereign operations of IFIs in the Eurasian region.



Report 24/7
(RU/EN)

Capital in Multilateral Development Banks

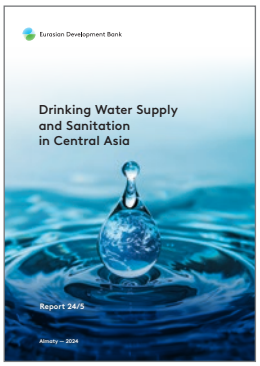
This paper covers the whole 'MDB family' of institutions but highlights regional and sub-regional MDBs because of their specifics of raising shareholders' capital. The study discusses seven standard and novel options for increasing capital.



Report 24/6
(RU/EN)

The Eurasian Transport Network

The report examines ten system elements of the Eurasian transport framework concept. Among them are the formation of a transport crossroads in Central Asia, priorities for intraregional transport connectivity, an impetus for realizing the agro-industrial potential of the countries of the region, and improvement of soft infrastructure.



Report 24/5
(RU/EN)

Drinking Wateer Supply and Sanitation in Central Asia

In Central Asia, 10 million people do not have access to safe drinking water. Given the priority importance of drinking water for public health and the scale of the challenges, a comprehensive approach is required in the region. A new EDB report presents a set of practical steps that shape such an approach.

Eurasian Development Bank

RESEARCH DEPARTMENT
EURASIAN DEVELOPMENT BANK

Your comments and suggestions concerning
this document are welcome at:
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