

DEVELOPMENT EXPERIENCE OF CENTRAL ASIAN COUNTRIES SINCE THEIR INDEPENDENCE

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ABSTRACT

Central Asian economies have experienced development and trend of positive foreign trade flows after their independence in 1991. The extraction of natural resources and agriculture production were the main causes for development of these five states. The countries like Turkey, India, China, Pakistan and United States are now concentrating on this region due to its abundant natural resources. The study is partitioned into four sections: First section contains introduction of five independent economies and the general methodology used in the present study. Second section examines economies' GDP growth, inflation and the pattern of merchandise trade in Central Asian region. Third section evaluates the growth and pattern of merchandise trade in Central Asia at country level and the last section summarizes the present study.

Keywords: Merchandise Trade, Extraction of natural resources, Dissolution of the USSR and Landlocked countries.

1. INTRODUCTION

The five Central Asian economies: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan became independent with the fall down of Soviet Union in 1991. The five “stans” had faced many challenges and became more differentiated with the shift from a centrally planned economy to market-based economy. At that point, many developments have taken time to expose them as a result of economic reforming and growing foreign investment. Before 1991, all economic policies and strategies were determined in Moscow. During the Russian empire these countries were treated as suppliers of raw material to the Russian manufacturing centers. The economic position of these republics during USSR was also as a supplier of cotton, oil, natural gas and mineral. The economic foundation of development for the Central Asian economies is the extraction of natural resources and agriculture production. The countries like Turkey, India, China, Pakistan and United States are concentrating on this region due to its abundant natural resources. The elements could serve as a good stand for development of the region’s economy namely are cultural diversity, rich natural resources and its educated labor force. In contrast, the factors which may create risk for region’s human development are its underdeveloped infrastructure, small market size, political instability and its landlocked area.

The civil war of 1992-93 had dominated region’s political advances and was the rationale of delayed execution of a consistent economic strategy. By the early twenty first century, a comparative position has been dominated by the explosion in oil prices. Kazakhstan has experienced an economic boom due to its significant oil and gas producer whose output performance was inferior to Uzbekistan’s during 1990. Turkmenistan has suffered from dependence on soviet-era pipelines to export its natural gas. But since 1999 country’s poor economic policies has been changed with the energy boom and with the opening of the Turkmenistan-China pipeline which transfers gas from eastern Turkmenistan through Uzbekistan and Kazakhstan into China's northwestern Xinjiang region at the end of 2009. Tajikistan is considered to be the poorest Soviet former republic, where more than half of the population is involved in the agricultural sector, and most of them are concerned with the activities related to cotton production.

For macroeconomic stability and effective economic reforms in the region, a national currency was only a necessary condition but not a sufficient condition and all five independent countries moved along a different reform path. The Kyrgyzstan is examined as one of the most dynamic reformers among the Soviet formers. It has been strongly supported by IMF and World Bank institutions and became the first former Soviet republic to accede to the WTO in July 1998. The Kyrgyz Republic was the first Central Asian economy to succeed in curbing hyperinflation and bringing the annual inflation rate below 50 percent in 1995 (Richard Pomfret, 2006). In 1998 and 1999, their economies were hit hard by the global economic crisis. By 2000, the turbulent period of these countries' development was mostly over and key market economy mechanisms were in place. The attacks of September 11, 2001 directed to dramatic change in Afghanistan, with significant impact on other CA countries. Altogether, these factors created a new environment which influenced foreign trade performance throughout the first decade of the 2000s. From 2000 to 2010, foreign trade activities in Central Asia were affected by numerous factors including macroeconomic, trade and structural policies of the governments and international price developments (Roman Mogilevskii, 2012).

The significance of trade facilitation has also been recognized within the framework of the WTO and negotiations were initiated on trade facilitation in July 2004. In terms of trade facilitation on the basis of the World Bank's cross-country LPI, CA countries are ranked the lowest. Overall trade in the region increases by 44% from advancements in LPI and intra-Central Asian economies' trade doubles. Exports are greater than imports however; imports contribute a larger share of the increase in total trade. In terms of the different factors, development of infrastructure lead to the largest gains in trade, followed by logistics and then customs. However, these gains should be evaluated against the ease of implementing. For example, from a short term perspective, development of infrastructure is relatively difficult and expensive to implement as opposed to custom efficiency. Though customs efficiency advancements may deliver quicker outcomes, infrastructure is important from the Central Asian countries' perspective, especially given their landlocked nature (Jesus Felipe and Utsav Kumar, 2010).

This paper has been divided into four sections. First section includes basic introduction about Central Asia and general methodology used in the present paper. Second section provides

economic development and growth in merchandise trade in Central Asia. Third section examines the growth and pattern of merchandise trade in Central Asia at country level. Last section provides conclusion and summary. The study is based on secondary data. The data has been collected through a variety of sources: Journals on international trade, ADB; Key Indicators for Asia and the Pacific 2013, World Bank, IMF; International Monetary Fund, World Economic Outlook Database, October 2013 and through different data sources, textbook, websites etc.

2. ECONOMIC DEVELOPMENT AND GROWTH OF MERCHANDISE TRADE IN CENTRAL ASIAN REGION

This section of the study presents economic development (via GDP growth and inflation) and growth of merchandise trade in Central Asian region.

Table1: Growth in Real GDP: 1993-2013 (Percentage Change)

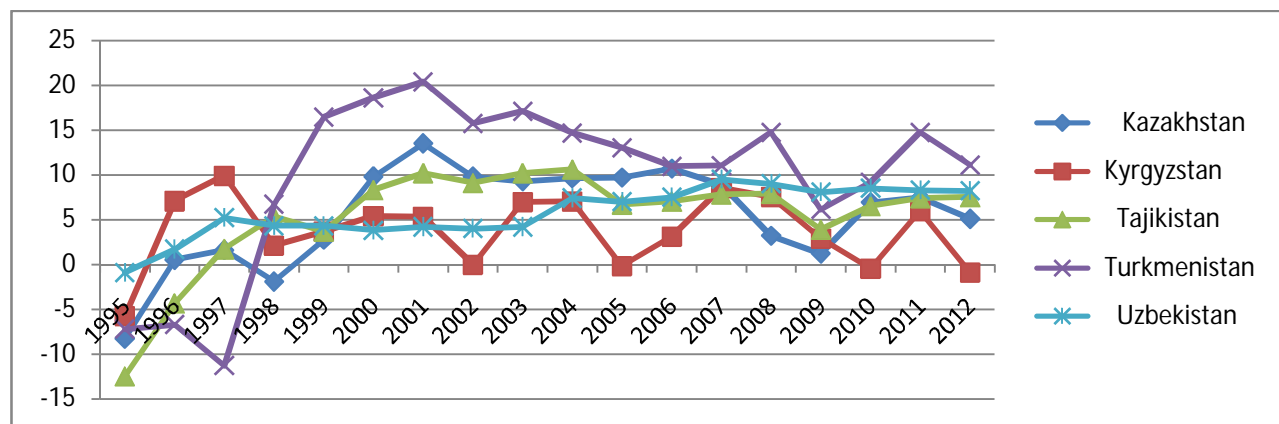
Year	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
1995	-8.26	-5.75	-12.49	-7.2	-0.9
1996	0.51	7.08	-4.36	-6.7	1.7
1997	1.61	9.9	1.7	-11.3	5.2
1998	-1.91	2.1	5.3	6.7	4.30
1999	2.74	3.7	3.69	16.49	4.3
2000	9.8	5.39	8.3	18.58	3.8
2001	13.5	5.3	10.2	20.39	4.2
2002	9.8	-0.02	9.1	15.76	4
2003	9.3	7	10.2	17.09	4.2
2004	9.6	7.02	10.6	14.69	7.4
2005	9.7	-0.16	6.7	13.04	7
2006	10.7	3.1	7	10.96	7.5
2007	8.9	8.54	7.8	11.05	9.5
2008	3.2	7.56	7.9	14.74	9
2009	1.20	2.9	3.9	6.13	8.1
2010	6.91	-0.47	6.5	9.16	8.5
2011	7.46	6	7.4	14.74	8.3
2012	5.09	-0.9	7.5	11.09	8.2

Source: International Monetary Fund, World Economic Outlook Database, October 2013.

Demand and supply associations based on under-valued transport inputs quickly collapsed in the early 1990s. Increase in prices and decline in the output became much worse after the dissolution

of the USSR and abolished residual central control over the Soviet economic area. Tajikistan was the only country among the region, not to evolve peacefully from Soviet republic to independent state under unchanged leadership. By the early twenty-first century all five independent economies had essentially completed the procedure of nation-building and the transition from central planning. However, the typology of market-based countries diverged substantially from the comprehensive price and trade liberalization and extensive privatization inaugurated in the Kyrgyz Republic between 1993 and 1998 to the non-reform in Turkmenistan (Richard Pomfret, 2006). During the year 1991-1998, Kazakhstan GDP was estimated at very low level. At that time the resources could not be exported at world price which was result in terms of resource abundance negativity. Growth in the countries of the CIS has generally been much better after 1998. Table1 shows that the GDP in Kazakhstan expanded 5.03 percent in the year of 2013 over the period of the previous year.

Figure 1: Growth in Real GDP: 1993-2013(percent change)



Source: World Bank

Rapid growth of GDP in this country was due to its high oil exports and also by increased investment in the oil and related sectors. Figure 1 shows that from 1999-2013, Kazakhstan GDP annual growth rate averaged 7.53 percent which is nearer to the average GDP of Tajikistan i.e. 7.56 percent and to the Uzbekistan average GDP 6.73 percent. Kyrgyzstan GDP annual growth rate averaged 4.1 percent during the same time period and a record low of -19.807 percent in the year 1994. Decline in the real GDP in Kyrgyzstan in the year 2002 was mainly due to the temporary supply-side disruption. Turkmenistan witnessed a double-digit average annual GDP

growth rate (13.74) during the same period. This independent state was the inferior and least developed former member of Soviet Union, but now the trend has been changed here and became one of the fastest growing economies in the recent years. The biggest sector of the economy is natural gas and oil extraction, which accounts for more than 60 percent of total GDP. Tajikistan was benefited from the economic expansion in the oil-exporters and growth in the country was also driven by strong domestic demand.

Table2: Inflation, average consumer price: 1991-2013 (percent change)

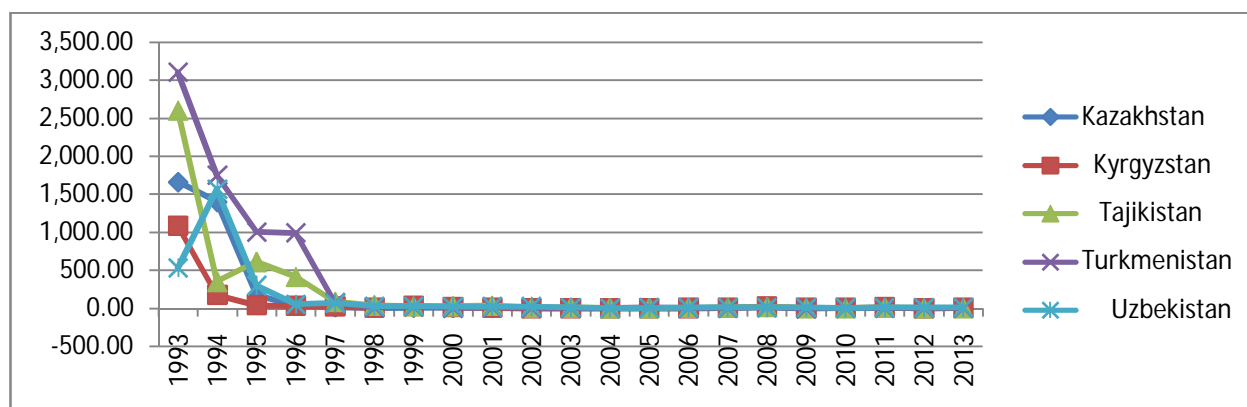
Year	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
1993	1,662.28	1,086.19	2,600.72	3,102.40	534.18
1994	1,401.99	180.68	350.35	1,748.30	1,568.33
1995	176.27	43.45	612.48	1,005.26	304.59
1996	39.12	31.96	418.47	992.38	53.96
1997	17.44	23.43	87.95	83.72	70.85
1998	7.29	10.44	43.17	16.77	28.98
1999	8.40	35.90	27.45	23.46	29.10
2000	13.33	18.71	32.85	8.04	25.00
2001	8.37	6.91	38.59	11.63	27.25
2002	5.85	2.05	12.22	8.75	27.29
2003	6.45	3.08	16.35	5.58	11.57
2004	6.88	4.10	7.20	5.88	6.59
2005	7.54	4.33	7.27	10.70	10.04
2006	8.57	5.55	9.96	8.15	14.22
2007	10.78	10.20	13.16	6.25	12.28
2008	17.14	24.53	20.42	14.53	12.74
2009	7.29	6.84	6.51	-2.67	14.08
2010	7.12	7.75	6.46	4.45	9.38
2011	8.32	16.58	12.42	5.27	12.81
2012	5.11	2.76	5.79	5.25	12.05
2013	6.31	8.61	7.49	7.63	12.07

Source: International Monetary Fund, World Economic Outlook Database, October 2013.

The excessive inflation of 1999 was due to the hyperinflation in 1992, which was the reason of unsuitable institutions of the ruble zone. In this difficult condition, five independent economies moved at differing speeds to stabilize their economies and institute market-based structures. The

Kyrgyzstan moved fastest and bringing annual inflation below 50 per cent in 1995, and also launched the most liberal reforms, reflected in 1998 in it becoming the first Soviet successor state to join the WTO. Kazakhstan is also considered a reformist regime although this oil-rich country has many resemblances to Russia in the way that privatization created powerful private interests that distorted the reform process. The other three Central Asian Countries were slower to stabilize their macro economy and had faced the problem of triple-digit inflation in 1996 (Richard Pomfret, 2003). Inflation is one of the major factor that directly affecting trade. Table 2 shows that over the period of time, inflation has come down and economic growth has been impressive. The five countries' balance of payment has reinforced and their international reserves have increased notably. In 2002, the rate of consumer prices came down in all the CA countries, which was an indication of increase in their exports at high pace. As a result, Kazakhstan, Turkmenistan and Uzbekistan experienced positive trade balance over the period of time. Whereas inflation in Tajikistan was much lower in 2002 as compared to the previous periods but imports are over its exports due to the enormous energy and food prices than the other countries.

Figure 2: Inflation, average consumer price: 1991-2013 (percent change)



Source: World Bank

Figure 2 explains the inflation rate in Kazakhstan was recorded at 6.31 percent in the year 2013, which is reported by the national bank of Kazakhstan. The averaged of inflation rate in Kazakhstan was 163.34 percent from 1993 to 2013, reaching an all time high of 1662.28 percent in the year of 1993 and a record low of 5.119 in 2012. Inflation rate in Kyrgyzstan averaged 73.05 percent from 1993 to 2013. In Kyrgyzstan, the main components of the consumer price

index are: food and non-alcoholic beverages. Whereas averaged inflation rate in Tajikistan was 206.54 percent, in Uzbekistan, inflation rate is averaged 133.21 percent and in Turkmenistan, the rate is averaged 336.75 percent during the same period and is recorded as high averaged inflation rate in the five independences.

Table 3: Growth rate of total trade in Central Asia

Period	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
1995-2000	5.34	-0.15	-2.35	0.22	-4.82
2001-2006	35.22	23.49	17.84	16.35	14.21
2007-2012	9.89	9.52	3.37	18.88	9.68
1995-2012	20.21	13.42	9.05	17.66	9.19

Source: Author's Calculation from Key Indicators for Asia and the Pacific 2013

All of the Central Asian republics are landlocked countries. Sea access for traded goods is through the Russian Federation or Islamic Republic of Iran. Uzbekistan is double landlocked due to the commodities have to pass two borders to arrive at the sea. High mountains and harsh winters are some other geographic barriers in Tajikistan and semi-arid situations throughout much of the region. This harsh climate and these geographic constraints lead to high costs for communications, energy, transport and transit as well as extended delivery times to international markets (Asia-Pacific Development, 2006). Kazakhstan is one of the top most developing country exporters, which largely exporting base metal and oil. Table 3 shows that growth rate of total trade in Kazakhstan was 35.22 percent from the period 2001 to 2006 as compared to 5.34 during 1995-2000 due to the high export revenues from exporting gas and crude oil. The country's trade was boosted by high metal and oil prices, which recorded huge export income in 2008, despite a decline in import growth during the same period. With the fall in commodity prices and demand in its important trading markets, namely Russia and European Union, Kazakhstan's exports are estimated to decrease from US\$71183 million in 2008 to US\$43195 million in 2009. During 2007-2012, Kyrgyzstan's trade growth rate dropped to estimate 9.52 percent from 23.49 percent the period before. This negative trend continued in the first half of 2009 when the decline in exports were projected, which was affected mainly by the fall in global aggregate demand. During the same period, imports were also measured to diminish. Tajikistan's trade growth was declined during the period 2007-2012. This was a result of a decline in growth of both exports and imports (from US\$4682 million in 2008 to US\$3580 million in 2009 for total

trade). High food and energy prices increased Tajikistan's imports of goods in the previous years. But with the global economic crisis, lower energy prices and decline in the commodity prices have caused Tajikistan's import receipt to contract and also its exports revenue was reduced, which was projected by IMF. Unlike the other CA countries, Turkmenistan's trade was not as much affected by the economic global crisis, because of the fact that its supply contract with Russia. As the above data shows that the total trade growth rate was increased during the period 2007-2012 in comparison to its previous years. The reason for insulation of exports of the country from the fall in commodity prices was rise in contract prices for the country's gas exports. Trade growth rate of Uzbekistan had increased enormously since 2000. The success of stabilization and currency liberalization has led to considerable progress in exports and imports in 2003. Both exports and imports have increased from US\$ 9500 million in 2005 to US\$ 11171.4 million in 2006. But with the decline in real growth rates of exports, however growth of imports were remain positive, it was expected that growth rate will come to a standstill in 2009.

Table 4: Percentage Share of Central Asian countries in overall trade

Year	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
1995	41.26958812	4.24320026	7.368186	16.98738249	30.1316431
1996	40.08758213	5.30349697	5.6782285	12.16317602	36.76751643
1997	44.50296953	5.41192181	6.1657414	7.19487617	36.7244911
1998	46.20910963	6.49025336	6.2646678	8.386416974	32.64955218
1999	45.76469854	5.06084058	6.4947854	12.1921342	30.48754125
2000	51.62586324	3.94530391	5.4375575	15.83935539	23.15191992
2001	53.10402123	3.32069547	4.717197	16.65452164	22.20356465
2002	55.70547311	3.67490318	4.9967442	16.08691182	19.53596765
2003	57.59273106	3.50570788	4.5295894	16.31516009	18.05681153
2004	62.8359447	3.18772385	4.0250293	13.38293586	16.56836625
2005	67.77405599	2.79288816	3.3571034	11.831728	14.2442244
2006	69.77087162	3.17965346	3.5196788	10.94345192	12.58634423
2007	68.38667427	3.49078103	3.4103428	11.35996657	13.35223532
2008	68.80169707	3.73931523	2.9533525	11.1346185	13.37101665
2009	59.958919	3.94665666	2.9977575	15.33654434	17.76012246
2010	64.95778115	3.56685881	2.7596642	12.81166223	15.90403361
2011	65.68034711	3.42651208	2.3514659	14.81154816	13.73012674
2012	65.33248271	3.46013397	2.445713	16.24673278	12.51493756

Source: Author's Calculation from Key Indicators for Asia and the Pacific 2013

Table 4 shows the percentage share of each five independent countries in overall trade of Central Asia. Kazakhstan's trading share was the highest in overall trade among the Central Asian countries followed by Uzbekistan and Turkmenistan, during all over the period. It was increased from 41.2 percent in 1995 to 65.3 percent in 2012. Kazakhstan's exports face a more favorable trading environment than Europe and Central Asia. Kyrgyzstan and Tajikistan has not contributed as much in the total trade of the region. Kyrgyz Republic's share was very less in overall trade due to more barriers to trade than other countries. The tariffs continued by agriculture and non-agricultural products were very high. The sum of percentage of total trade for Kyrgyzstan and Tajikistan was only 5.9 percent in 2012. Both the countries were critically dependent on imports of staple food.

3. GROWTH AND PATTERN OF MERCHANDISE TRADE IN CENTRAL ASIAN COUNTRIES

Macroeconomic, trade, structural policies of the governments and international price developments are the various factors, which had affected foreign trade in Central Asia. By following the deep recession linked with the conversion of the 1990s, the decade of 2000s emerged to be a period of economic renewal in Central Asia. This section examines trend pattern and growth of merchandise trade in the five independent countries.

Oil has played a significant role in the country's economic and political development. The privatization of the mid-1990s had similarities to that of Russia and politically well-connected citizens gaining control over the valuable assets. The system became more corrupt and the regime more autocratic. Kazakhstan ranked behind both the Kyrgyzstan and Uzbekistan according to the EBRD transition indices during 1995. The economic condition in Kazakhstan has looked brighter since 1999 and the recovery from the 1998 crisis was driven by market forces and by good fortune. At the same time, buoyant world oil prices in the early 2000s reinforced the positive trade developments. In Kyrgyzstan, economic performance was akin to that of Kazakhstan, with a substantial output fall followed by economic growth in 1996 and 1997. The currency made convertible, prices were liberalized and tariffs reduced. In July 1998, the Kyrgyz Republic became the first Soviet successor state to accede to the WTO.

Since 1997, government policies appear to be fairly liberal in Tajikistan. The government has courted the international financial institutions and has largely followed their policy recommendation. Economic performance has been disastrous. Output fell by two thirds in the early and mid-1990s. Foreign aid, mainly from Russia was primarily military aid, which contributed little to the economy apart from leaving Tajikistan with the highest debt/GDP ratio of any Soviet successor state. Although some recent years have seen some high annual growth rates, this is indicative of the low base rather than of real economic achievement. Turkmenistan has the most personalized and autocratic regime in the region. The president's absolute power is reinforced by control over the cotton and energy rents. Then after independence, he implemented a populist strategy of providing free electricity, gas, water, heating, salt and other necessities up to certain limits intended to include most household consumption. In Uzbekistan, macroeconomic stabilization was not an preliminary priority but, with the fall of the ruble zone at the end of 1993, Uzbekistan moved purposefully to reduce inflation. After January, 1994 macroeconomic policy followed standard IMF advice, and associations with the international financial institutions improved over this period. Uzbekistan responded to a balance of payments crisis by introducing forex controls, despite having made commitments to the IMF to adopt current account convertibility in October, 1996 (Richard Pomfret, 2003).

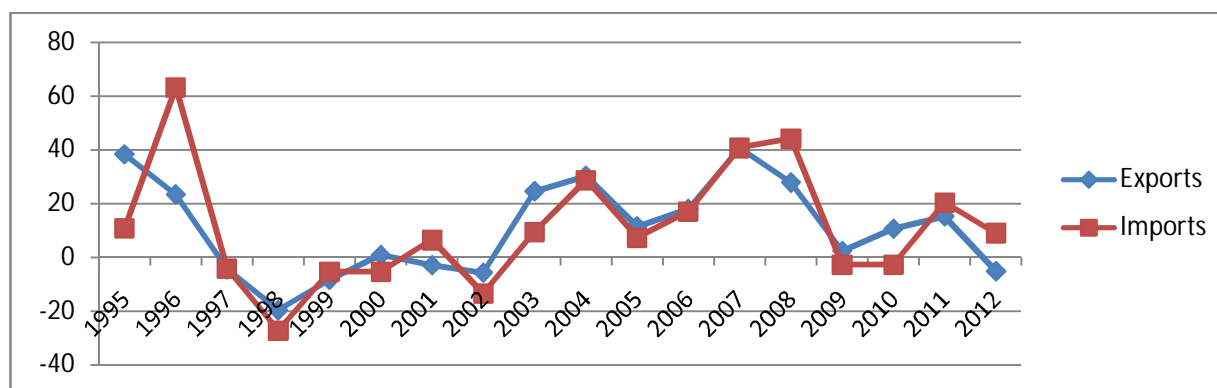
Since 2000, there has been tough economic growth in the region, but more limited advancements in living standards and poverty reduction. Also, several countries have experienced heightened social and political uncertainty. The strategic position of Central Asia at the crossroads of Europe and East and South Asia has been supported by the strong economic performance of the citizens' of China and India, the development of the Russian Federation and the gradual economic reintegration of Afghanistan. Further, the strong growth of the global economy, together with concerns about energy security, has meant record-high petroleum prices- a boon to those CAREC countries with significant petroleum resources (Asian Development bank, 2006). Insufficient development, poor state of infrastructure (transport infrastructure) & trade facilitation, inadequate quality of trade, underdeveloped logistics services and insufficient custom clearance processes were the important obstacles for trade in the Central Asian economies. But in 2010, these countries have achieved visible progress, especially in Kazakhstan and Uzbekistan. These factors are determined by the logistics performance index (LPI) by the

World Bank. In CA countries, the most prominent improvements are in rankings for infrastructure and suitability of international shipment. These outstanding improvements have taken place because of the enormous investments into transport infrastructure and energy sector of the region by its foreign partners, Iran, Russia, China and international development organizations. For example, the project include the electricity transmission line from Uzbekistan to Afghanistan, the construction of gas pipelines from Kazakhstan and Turkmenistan to China and also consist of the rehabilitation of automobile road corridors in the region.

Kazakhstan:

Since independence of Kazakhstan in 1991, trade liberalization and privatization achieved momentum in the mid-1990s. But its economic condition has looked brighter after 1999. The revival from the 1998 crisis was driven by market forces and by good fortune. With the real depreciation of the currency exports encouraged and helped to validate policy makers' understanding of market techniques and the buoyant world oil prices in the early 2000s supported the positive trade developments (Richard Pomfret, 2003).

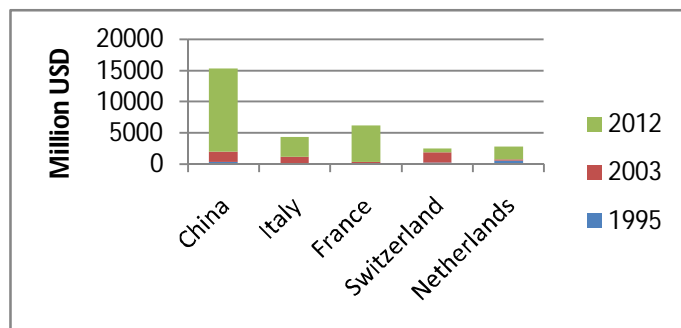
Figure 3: Annual Percentage Change in External Trade



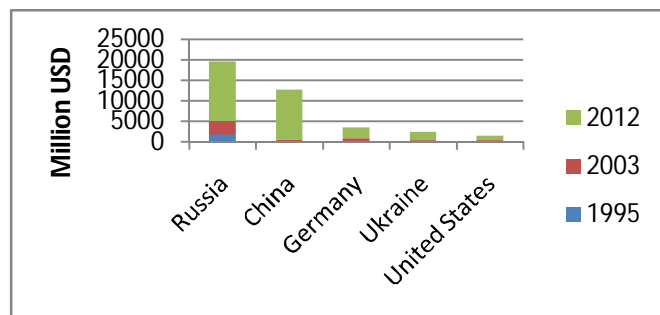
Source: Key Indicators for Asia and the Pacific 2013

Figure 4: Kazakhstan's Direction of trade

(a) Exports, Million USD



(b) Imports, Million USD



Sources: Key Indicators for Asia and the Pacific 2013

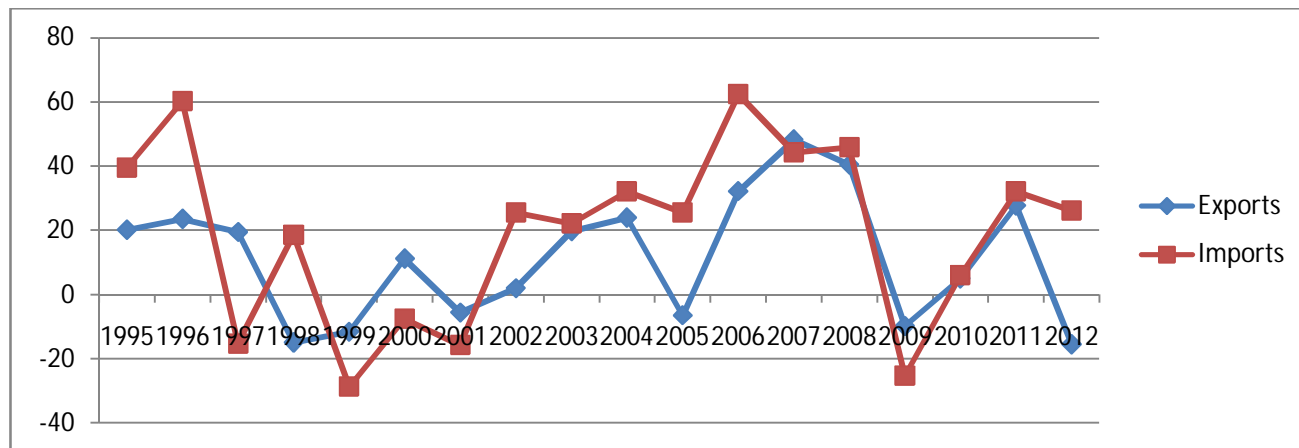
With the continuation of liberalization of foreign trade, government no longer allocated the export quotas. The list of controlled commodities was diminished after 1995. The average rate of custom duty was cut from 4.9% to 4.2%. The registration of export contracts was eliminated and the procedures for ordering exports became easy. During 1995-1999, these grew annually but the excess of imports over exports reached very high (Figure 3), which led to the increase in the trade deficit in Kazakhstan during the same period. Growth for Kazakhstan's foreign trade during the second decade was very fast, both exports and imports increased. But in 2009, the country touched negative growth in exports and imports due to the hit hard by the global crisis and fall of international prices. Increase in the Price of crude oil, radioactive elements, ores and oil products were the main factors of country's massive growth of exports. The China, People's Republic of, Italy and France are the main buyers of these commodities (Figure 4). Whereas country's imports are dominated by machinery and equipment and other items include crude oil, gas, oil products, and prepared food. Commodity structure of imports was remaining unchanged during the second decade. Key partners for Kazakhstan's imports are Russia, China, Germany, Ukraine and United States, in which Russia was with 38 percent share in 2010.

Kyrgyzstan:

With few natural resources, Kyrgyzstan was not so developed mountainous Soviet republic. In 1993, the Kyrgyz republic had replaced ruble by a national currency and as a part of economic reform program, its aimed was to curbing inflation so that relative prices could direct resource allocation. The country received support from the international financial institution and in July

1998, became the first Soviet part of WTO. During the entire period, Kyrgyz's trade balance was not so good. Country's imports were over to its exports. In 1996 annual change, percent of country's external exports were 23.6 percent and annual change, percent of its external imports were 60.4 percent as shown in the figure5. During the second decade, exports grew by just 29%, much less than that of Kazakhstan. Imports increased 2.5 times during the same period.

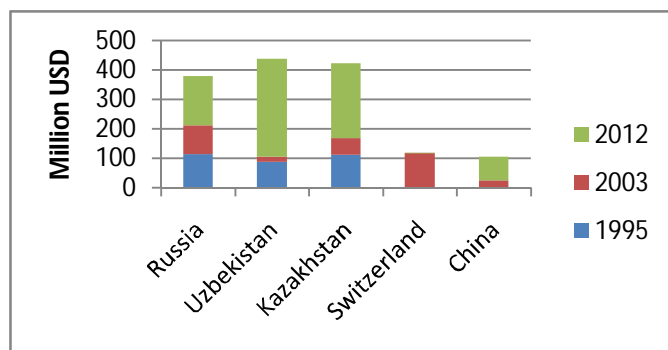
Figure 5: Annual Percentage Change in External Trade



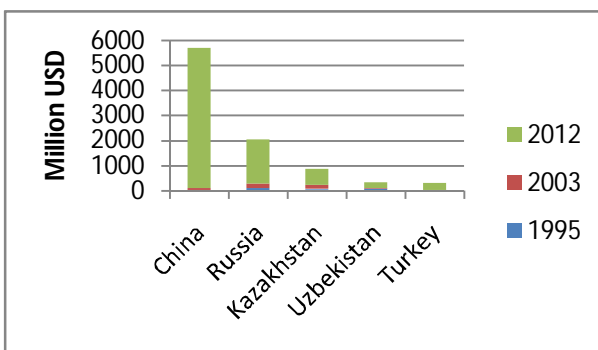
Source: Key Indicators for Asia and the Pacific 2013

Figure 6: Kyrgyzstan's Direction of trade

(a) Exports, Million USD



(b) Imports, Million USD



Sources: Key Indicators for Asia and the Pacific 2013

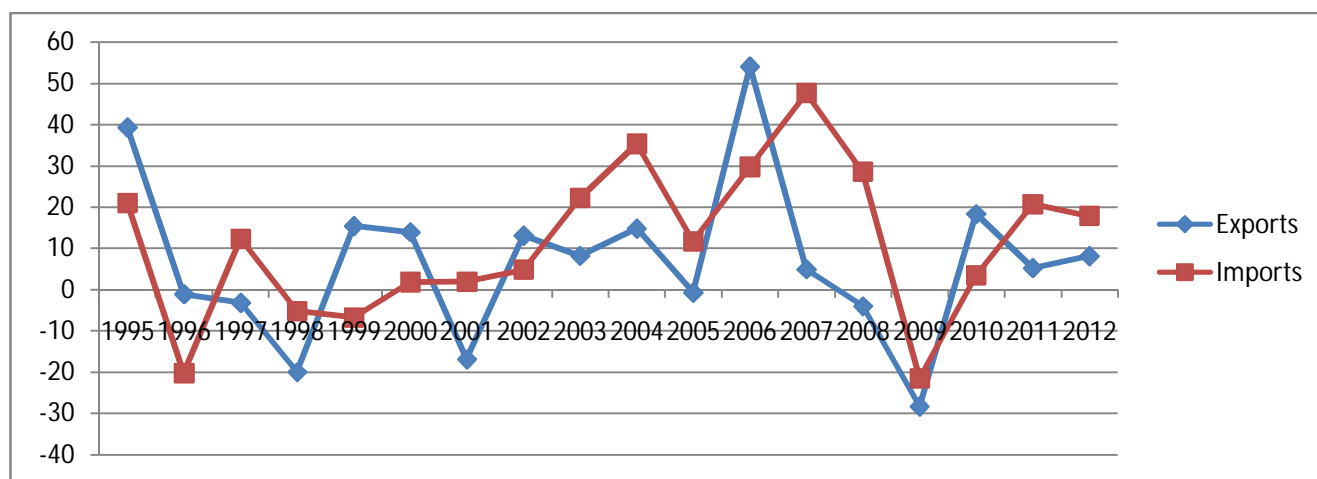
The gap between exports and imports started to broaden in 2005, with the increase in labor migration and informal re-exports, which are two major causes for financing the deficit. Because of the growth of imports, the openness of the economy attained the level of 40-50% of GDP. The main export commodity of Kyrgyzstan is gold. This was directed mainly to Switzerland, Germany, United Arab Emirates and China in different years. Figure 6 shows that the country's

other main exports are directed to Russia, Uzbekistan, Kazakhstan and their imports are directed from China, Russia, Kazakhstan, Uzbekistan and Turkey, where China was the leading exporter to Kyrgyzstan by exporting of 5580.6 million USD in 2012. This explains some of the significant transforms in the geographical structure of exports during the second decade, including the fall in the EU's share of total exports.

Tajikistan:

Economic performance of Tajikistan during the first decade after independence was unsuccessful. Many people were migrated to Russia because of lack of economic opportunity. Trade policy in Tajikistan has undergone a number of reforms since the end of the civil war in 1997 and policies appeared to be fairly liberal. Seven ad valorem tariff rates between 0% and 15% were introduced and tariff schedule was replaced in 2003.

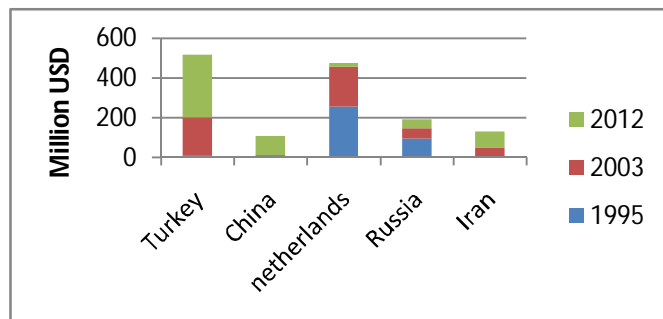
Figure 7: Annual Percentage Change in External Trade



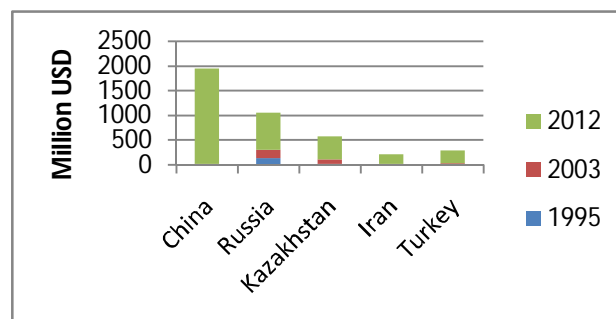
Source: Key Indicators for Asia and the Pacific 2013

Figure 8: Tajikistan's Direction of trade

(a) Exports, Million USD



(b) Imports, Million USD



Sources: Key Indicators for Asia and the Pacific 2013

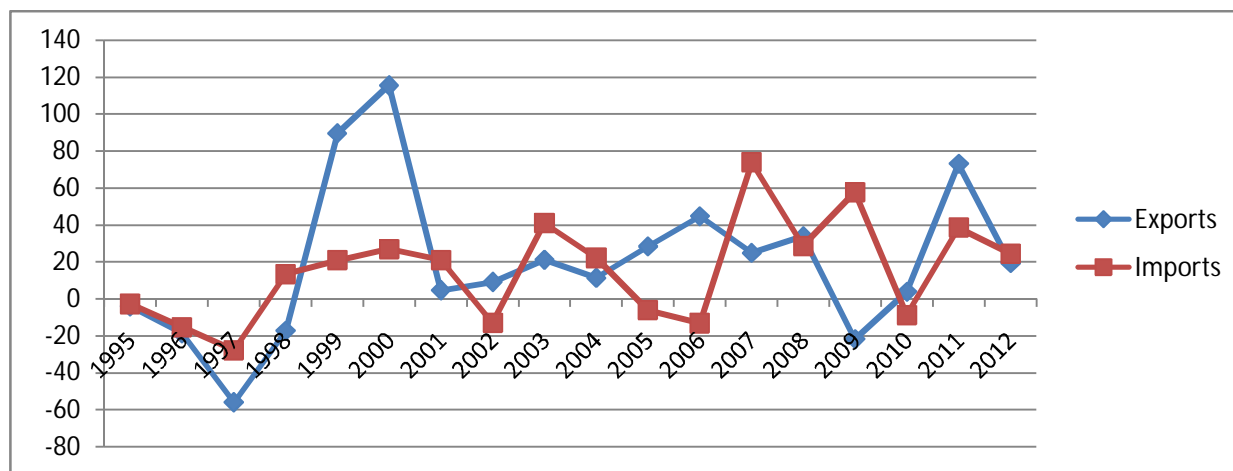
Tajikistan was the only Soviet former that registered a decline in exports measured at annual change, percentage (Figure 7); in 2010, exports were about 14.8% increased as compared to 13.9% in 2000. By contrast, annual change in imports was 35.3% in 2010 as compared to 1.8% in 2000. As a result, trade turnover changed very little and trade deficit is very large. Unwrought aluminum is the major export commodity of Tajikistan. Since 2000, its share in the total exports of the country increased from 51% to 62%. The direction of unwrought aluminum export had changed from European Union to Russia in 2000 and to China and Turkey in 2010. Recently Tajikistan has also increased its exports of fruits and vegetables and the destination is to Russia. But in the structure of imports, only a few changes have taken place in the country after 2000. The main reason behind that was a substantial decline in the imports of electricity from Uzbekistan and imports of machinery, metals, oil products increased considerably, reflecting the increase in public and private investments in the country in areas like: hydropower plant construction and housing construction.

Turkmenistan:

The Turkmenistan experienced rapid growth in the final Soviet decades based on natural gas and cotton, although it was historically one of the poorest former in the USSR. The country's GDP growth was negative in 1997, when other republics had begun to recover, but Turkmenistan's economic problem of cutting off gas supply to delinquent customers between 1997 to 1999 run

deeper than a simple strategic blip in the late 1990s. The government retained tight control over the farm sector with a structure similar to Uzbekistan's state marketing monopoly and with forex controls which were tightened after 1998 (Richard Pomfret, 2010).

Figure 9: Annual Percentage Change in External Trade

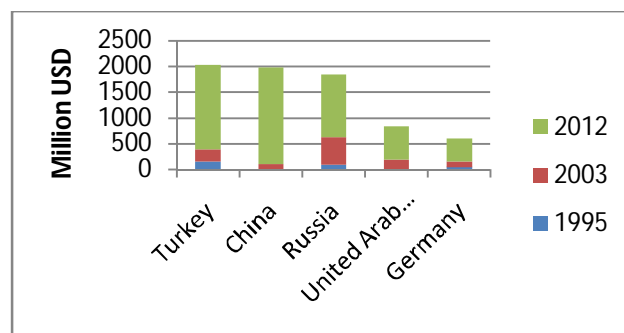
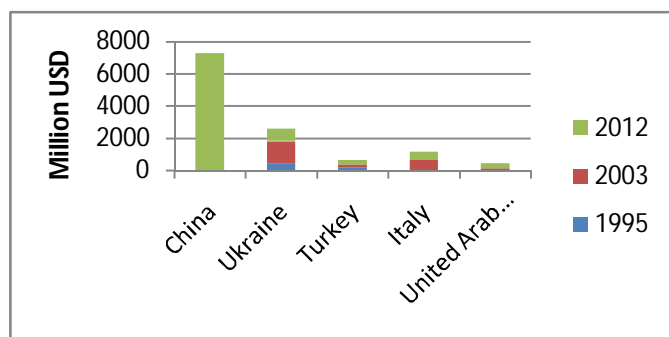


Source: Key Indicators for Asia and the Pacific 2013

Figure 10: Turkmenistan's Direction of trade

(a) Exports, Million USD

(b) Imports, Million USD



Sources: Key Indicators for Asia and the Pacific 2013

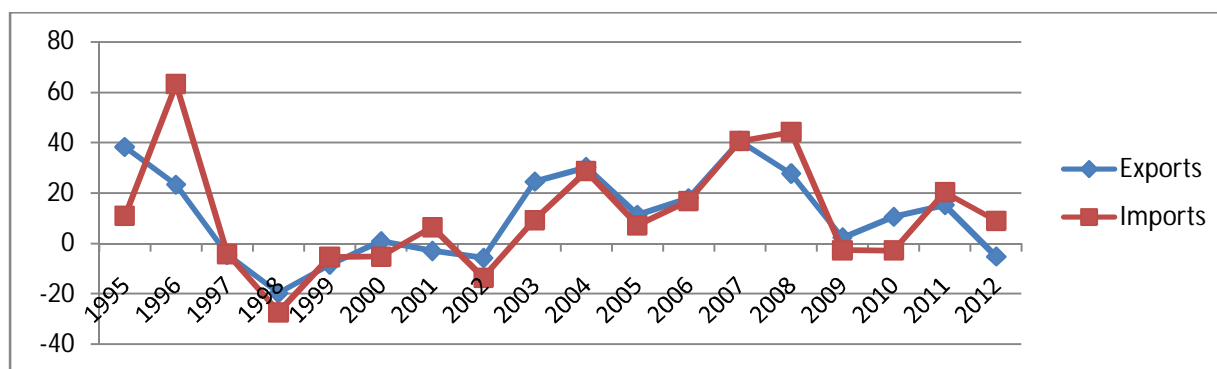
Since 2000, Turkmenistan revealed the fastest growth of trade in the region (Figure 9). Country's annual change in exports were 115.5 percent whereas annual change in imports were measured only 26.8 percent in the year 2000. Turkmenistan has a constantly positive balance of trade. As a result, there was high as 14.74 percent GDP in 2008. The major commodities of exports are natural gas, crude oil, cotton fiber and oil products and the commodity structure was unchanged during the second decade. Gas suppliers were re-oriented to China when new pipeline to this

country started functions in 2009 and 2010. The main imports of the country are machines and equipment, chemical products and metals. Imports trend line (Figure 9) shows significant change during the second decade. The largest source of imports for the country is Turkey, which is followed by China, Russia, United Arab Emirates and Germany (Figure 10).

Uzbekistan:

Beginning in 1991, Uzbekistan implemented a gradual approach to the transition from communism and was relying heavily on the trades, use of state controls, foreign exchange restrictions and large public investments. The trade scheme remains relatively restrictive, with several administrative measures aimed at suppressing domestic and international trade still in place. The government keeps curbing imports through non-tariff measures and high tariff protection, when the exports have grown in the period from 2002 to 2008. The country has import-exclusive excises, which considerably raise the rate of protection (world trade indicator 2009/10). The economy began with a zero trade balance and because of the faster growth of exports, the country managed to have a positive trade balance of 8.5% GDP in 2010 (Figure 11).

Figure 11: Annual Percentage Change in External Trade

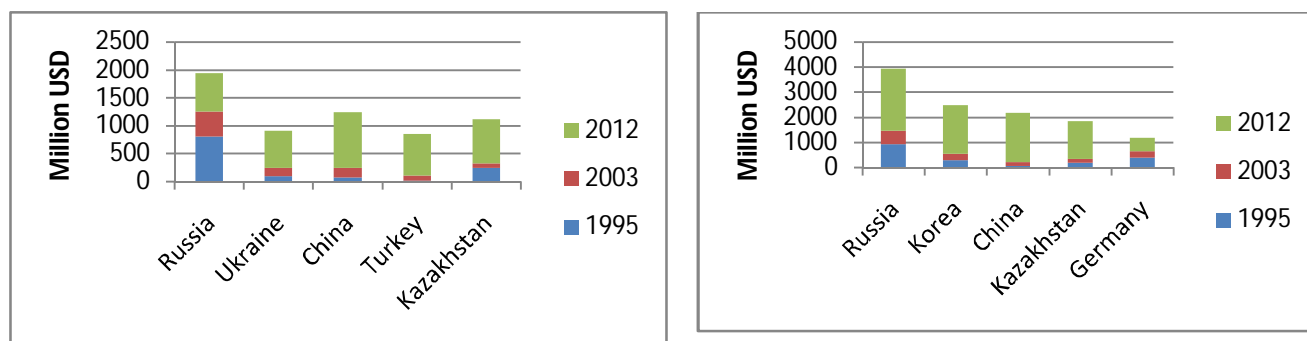


Source: Key Indicators for Asia and the Pacific 2013

Figure 12: Uzbekistan's Direction of trade

(a) Exports, Million USD

(b) Imports, Million USD



Sources: Key Indicators for Asia and the Pacific 2013

The major commodities of country's exports are metals, energy products, machines and equipments and other commodities. Export growth in Uzbekistan is primarily due to increased sales of natural gas. The country's exports are mainly directed to Russia, Ukraine and China, where Russia was the leading trading key partner for Uzbekistan.

According to official statistics, the share of machinery and equipment in total imports in Uzbekistan is the highest in the region. This reflects the government's policy directed at the industrial development of the economy and the government's higher degree of control over foreign exchange resources, which could be spent on imports. Another important feature of the import structure in Uzbekistan is the relatively low share of consumer goods (Roman Mogilevskii, 2012).

4. SUMMARY AND CONCLUSION

The five CA independents faced many difficulties with the termination of Soviet Union in 1991 and countries became unexpectedly independent by moving from a centrally planned economy to market-based economy. Economic performance of the five stans was not associated with the scope of transition. Kazakhstan, Tajikistan and Uzbekistan had almost an identical annual GDP growth rate average during 1995-2012. During the first decade, the countries (Kyrgyzstan, Kazakhstan and Turkmenistan) had same GDP performance, despite the absence of reforms in Turkmenistan. Tajikistan's economic performance was not so good because of the disruption of civil war. The countries faced negative shock of hyperinflation in 1992, output fell, poverty and a transitional recession. Deviations in economic performance since 2000, were devastatingly measured by natural resources and energy endowments. Kazakhstan experienced a rapid growth

due to increased energy prices in 1998-2008. But the resource-poor Kyrgyzstan slipped into the low growth.

On international stage, Central Asian Economies' foreign trade had affected by several elements. Natural resources, gas and oil had played an important position in the country's economic development. The privatization programme of the mid-1990s had connections to that of Russia and politically connected citizens. Kyrgyzstan became the first successor Soviet former to accede to the WTO in July, 1998. In Central Asian Economies, the major improvements are in the ranking for infrastructure and suitability of international shipment. Iran, Russia, China and international development organizations are the main investors of investing in transport, infrastructure and energy sector of the CA countries. In Kazakhstan, hike in the prices of crude oil, ores and oil products were the main factors of massive growth. Turkmenistan addressed the problem by cutting off gas supply to offending customers from 1997 to 1999. But the gas suppliers were re-orientated to China and the country revealed the growth of trade in the region. Development of energy, infrastructure and transport in the region has demonstrated its capacity to enhance trade volumes and change trade configuration significantly.

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