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Book Review

The Central Asian economies in the twenty-first century: Paving a New Silk Road. Princeton, NJ: Princeton University Press, 2019, ISBN 9780691185408, 0691185409

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Introduction

Central Asian "-stan" countries, namely, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, declared their independence in the same year, 1991. The countries chose diverse ways of transition from centrally planned to the market-based economic system.

Today, it is time to assess the result of those diverse transition ways. In this regard, the book of Professor Richard Pomfret[1] narrates the story of the Central Asian (CA) economy based on accurate key dates, notable events, statistical numbers, and facts. Analysis toward each country shows a neutral stance as the author himself is from neither CA country.

The book has three main parts. "The Background" talks about challenges and opportunities for creating a market-based economy in CA. The second part, "The National Economies," visits each economy of five CA states one-by-one and uniquely analyzes them. A reader finds regional problems and opportunities, other countries interest in CA and forgoing new Silk Road projects in the last "The External Context," part.

Part I: The background

The collapse of the Soviet Union left the CA government officials in panic and economy in disorganization. Hence, all five nations saw stagnation and hyperinflation.

Resource endowment in Central Asian states affected the decision of the government in terms of the transition from a centrally planned economy to a market-based economy. Uzbekistan and Turkmenistan, for example, postponed economic and political reforms by taking advantage of easily transported cotton export and the increase in cotton prices in 1992–1996. Kyrgyzstan, in contrast, had to take the most radical reform path as the country has a lack of readily exportable resources. Even though Kazakhstan had abundant coal, minerals, and potential oil reserves, the stagnation in world energy prices after 1992 did not let the economy thrive. Instead, the Kazakh government focused on signing agreements with international oil companies and therefore distracted from rapid reforms. Meanwhile, Tajikistan was busy tackling the civil war in the country against President Rahmon Nabiyev.

Part II: The national economies

The next decade after independence showed that the economic performance of the five states was dominated by their natural resource endowment rather than their choice of the transition strategy. Kazakhstan and Turkmenistan enjoyed a substantial increase in energy prices after 2000 and saw energy-driven booms. Uzbekistan could not benefit much, while Kyrgyzstan and Tajikistan fell behind. Since Russia's economy also flourished because of the energy price rise, the labor migration from the last three countries to Russia increased dramatically.

Kazakhstan has been on an economic roller coaster since its independence since the economy mainly relies on oil and gas revenues. At first, the economy was hit by the Russian crisis in 1998 and later boosted from 2000 to 2007. Nevertheless, the growth was interrupted by the collapse in oil prices as well as the banking crisis during 2007–2008. The steep decline in world oil prices in 2014 shook the economy once again, ceasing the rapid growth which took place during 2009–2013.

Uzbekistan, in Pomfret's words, "self-styled gradual reformer," is the most populous and second-biggest economy in the region. Uzbekistan was fortunate with a rise in cotton prices after the independence and in gold, copper, and other minerals' prices after 2003. The gradual growth of Uzbekistan was called the "Uzbek Paradox" by observers. It was due to the good economic performance despite the poor policies. Even during the 2008 financial crisis, Uzbekistan grew 7–9% per year.

After 2016, the new president, Mirziyoyev, made several notable reforms. The new administration banned child labor, freed exchange rate, increased activity in foreign financial markets, and resumed WTO negotiations.

Turkmenistan is the richest in gas but one of the most closed countries in the world. After independence, the country enjoyed a buoyant world cotton price. Gas-driven export resulted in economic boom after the 2000s. Russia was monopsony in importing Turkmen gas until the completion of the TurkmenistanChina pipeline in 2009. Gas-exporter, Turkmenistan, suffered from an energy price drop in 2014. Even though there are some signs for reintegrating into the regional and global communities recently, no bright shreds of evidence exist for economic diversification and political reforms.

Kyrgyzstan was the most reformist among CA states. It also broke the record by entering WTO in 2 years. Nevertheless, economic performance was unsatisfactory due to the limited resources and weak institutions. The Kumtor gold mine was only the most prominent source to monetize the economy. The economy revived in 2000–2004 because of robust growth in Kazakhstan and Russia. By 2010, the Kyrgyz Republic had the third-highest ratio of remittances, from migrant laborers in Russia to GDP in the world.

Tajikistan remains the poorest country in CA. Tajikistan's economy is a simple one based on the export of two resources: labor and water. Remittances became a significant source of income, along with revenue from exporting cotton and aluminum. By 2010, Tajikistan had the highest ratio of remittances to GDP in the world. Meanwhile, poverty fell from over 83–31% between 2000 and 2015. An ambitious National Development Strategy 2030 plans to raise real GDP by 250%.

Part III: The external context

CA countries' trade was highly oriented toward CIS markets during and after the Soviet Union. After independence, several regional agreements, for example, CIS and Central Asian Economic Unity agreements, were signed.[2] However, none of them had any practical effect without any appetite to follow-up on commitments in restoring the common market in CA. Pomfret sees that "High costs of international trade in CA are a symptom and a cause of regional disintegration." The high costs are due to the poor soft infrastructure, although the hard infrastructure has improved somehow.

Uzbekistan was (and still is) the most protectionist with a simple average import tariff of 15.4%, while WTO member, Kyrgyzstan, is the most liberalist with a 4.7% average tariff. Turkmenistan and Uzbekistan preferred import-substitution policies and Kazakhstan, slower to diversify markets, continued relying on oil-pipelines and mineral-processing links to Russia. According to the book, if CA countries joined WTO earlier, the accession would benefit the region by separating trade from politics.

After the Soviet dissolution, participants of the New Great Game, such as Russia, China, the EU, and the US, competed for power in CA. Today, the China-led Shanghai Cooperation Organization (SCO), sometimes viewed as a counterweight to NATO, and the Russia-led Eurasian Economic Union (EAEU) operate actively in the region.

The book claims that CA could decline trade costs by improving soft infrastructure and transform itself from landlockedness to land-linkedness. The ChinaEurope Land Bridge (i.e., One Belt One Road China initiative) could signal a new opportunity for CA.

Conclusion

The book, which one of the readers rates as "All the incomprehensible stuff in one place!" amazingly could put all of CA states' economy in a single masterpiece. The accurate timeline of events and dates helps a reader to understand the economy of CA easily yet comprehensively.

Notes

1. Richard Pomfret is professor of economics and the Jean Monnet Chair on the Economics of European Integration at the University of Adelaide and is adjunct professor of international economics at the Johns Hopkins University School of Advanced International Studies in Bologna. His books include The Economies of Central Asia and The Central Asian Economies since Independence (both Princeton).
2. Table 9.4 in the book provides all regional agreements involving CA countries.