Is it really different? Patterns of regionalization in the post-Soviet Central Asia

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While the regional economic integration in the former Soviet Union turns out to be highly inefficient, there appears to be a stronger interest to the regionalism in smaller groups of more homogenous and geographically connected countries of the region, specifically, Central Asia. This paper attempts to understand whether the preconditions for the regional integration in Central Asia are indeed better than in the CIS in general. Using a new dataset of the System of Indicators of Eurasian Integration of the Eurasian Development Bank, it finds that although the economic links between the Central Asian countries are more pronounced than between that of the CIS in several key areas, this advantage has been disappearing fast over the last decade. In addition, the trend of economic integration of Central Asia seems to strongly correlate with that of the CIS in general, while Russia persists as the dominant gravitation pole for all of Central Asia. Currently Central Asia should be treated as a sub-region of the post-Soviet world rather than a definite integration region. On the other hand, however, we find that Kazakhstan emerges as a new center for regional integration, which can bear some potential for regionalism in Central Asia.

Keywords: regionalization, economic integration, post-Soviet space, Central Asia
JEL codes: F13, F15, F55, P27
1. Introduction

The last two decades of independence of the former Soviet Union (FSU) republics clearly demonstrated what was probably hidden beyond the centralized Soviet hierarchy – an extremely high heterogeneity of the new independent states: both in terms of political and economic formal and informal institutions and also results of economic reforms and economic performance. This extreme heterogeneity certainly contributed to the emergence of sub-regionalism as a new regional integration strategy, focusing particularly on the interaction of subgroups of (supposedly) more homogenous FSU states (see Dwan and Pavliuk, 2000, for an encompassing survey of this process). Classic examples of this potential sub-regional cooperation are the triad of Eastern European countries — Russia, Belarus and Ukraine, and the five Central Asian states. And, whereas the need for greater cooperation and integration of Eastern European states is being seriously questioned, e.g. in the light of the alternative EU path to integration, many researchers from Russia and the West alike believe that further integration of Central Asian states is at least generally speaking warranted (see e.g. Bartlett, 2001, Gleason, 2001, or Geyikdagi, 2005). However, the success of the formal cooperation initiatives in Central Asia has been so far negligible, in spite of proliferation of regional bilateral and multilateral agreements (Akiner, 2007; Pomfret, 2009).

Geographic and economic studies on Central Asia proliferated in the 1990s only to subdue in 2000s as the prospect – and, indeed, the distinctive identity of this particular region – became much less promising. Central Asia is still perceived as an “emerging region” (Kazantsev, 2008) with multiple competing concepts of its institutionalization and structure, and from this point of view its place in the multiple “economic geographies of Asia” and the world economy (Yeung and Lin, 2003) is not entirely clear. Fuelled by mushrooming economic activities and the importance of its geographic location, the region however draws a body of literature on strategic and economic policy implications for various international actors including the U.S., European Union, Russia, and China (Rumer et al. 2007, Melvin 2008). A number of studies focuses on the Central Asia’s potential role of an emerging cross-road region (Olcott 1996, Rail 2006) while the region’s former land-lockedness in the heart of Eurasia is increasingly viewed as an advantage rather than drawback. At the same time, UNDP (2005) stresses numerous challenges to development and regional integration such as the vulnerability of infrastructure, land-lockedness, high levels of poverty, weak state institutions, and political barriers to cooperation.
This failure of regional cooperation is in fact not surprising, considering the non-democratic nature of political regimes in all countries of the region, numerous territorial disputes and economic protectionism implemented at least by some countries (like Uzbekistan). The aim of this paper, however, is to examine the problem of non-cooperation in Central Asia from a slightly different perspective. Using some indirect evidence from a very new dataset of the System of Indicators of Eurasian Integration (SIEI) provided by the Eurasian Development Bank (EDB) in 2009 (see Vinokurov, 2010), we intend to compare the development of regional economic ties between Central Asian countries and in the FSU region in general. Indeed, the positive expectations for the Central Asian regionalism are strongly linked to the assumption that this group of countries “is different” from the rest of the Commonwealth of Independent States in the sense of more close economic linkages between them, which potentially provides a better basis for regional cooperation than in the CIS framework. However, as we will show in what follows, there is no evidence of these “differences”: in fact, even in the areas where Central Asia experienced closer economic ties than on average between the FSU countries, this advantage has been almost lost during the last decade.

In addition, we intend to look at two more specific options, which could make regionalism in Central Asia more feasible than in the FSU in general. First, Central Asia can be “different” in terms of the influence of an extra-regional actor, potentially able to have an impact regional cooperation: so, we examine the role of economic connections outside the post-Soviet space – for example, China – and their ability to re-shape the economic development in the region. Although the increasing economic interconnections with China and other non-FSU countries are well-documented in the literature, we do not find any evidence that the extra-regional economic ties have been strong enough to change the pattern of the evolution of economic ties in Central Asia: in fact, they are strongly correlated with that of the rest of the FSU. Second, Central Asia can exhibit a different power structure than the FSU in general, which could be more beneficial for the regional cooperation. Indeed, we find some evidence that Kazakhstan slowly turns into a more important “integration pole” with its “gravity field” stretching beyond the actual Central Asian regions towards the whole FSU space: however, even in this case we remain cautious as to which consequences this change could imply in terms of regional cooperation.
The paper is organized as follows: the next section discusses the dataset and the key definitions used in this paper. The third section provides an overview of the regional integration trends in Central Asia as recorded by the SIEI data. The following section looks at three main empirical questions of this paper: the existence of close economic ties in Central Asia, the role of China and the rise of Kazakhstan. The last section concludes.

2. Definitions and data

Before we proceed to the empirical analysis, it is necessary to clarify the key definitions and concepts, as well as to give a brief description of the data. The former task is particularly relevant because of the ambiguity of the term “regionalism”, which can in fact include a number of distinct varieties (see Hurrell, 1995). In this paper we refer to “regionalism” or “regional cooperation” while describing the conscious multilateral or bilateral cooperation between individual governments, reflecting itself in establishment of regional agreements and institutions. “Regionalization” or “regional integration”, on the other hand, describes the economic linkages between countries, which can emerge because of the regionalism attempts, but also persist independently of them and even originate instead of formal cooperation. An advantage of the SIEI database is that it measures specifically the regionalization, using a wide variety of indicators reported by the various public agencies and statistical authorities in the FSU countries.

The SIEI includes five main indicators describing economic linkages between countries. Two of them refer to the “aggregate” linkages in trade in goods and services and in labour migration. The remaining three indicators look at the integration in three specific “functional” areas: agriculture (grain trade), education and energy (power utilities). The separate discussion of these areas allows us not to underestimate the interdependence in the key areas shaping the economic development of the countries even if the “overall” integration is low. These five indicators are calculated on three levels: ties between country pairs; the level of integration of the region in general; and the integration of individual countries into the region’s economic exchange structure. The first index allows sustainable economic clusters to be identified; the second index reflects the evolution of intraregional integration over time; and the third index illustrates the significance of the region for the foreign trade of individual member countries. The summary of the calculation approach for the indicators is provided in Table 1.
A special advantage of the SIEI data, which makes it particularly suitable for this study, is that the indicators are calculated for three regions. One of them (defined as CIS-12) includes all FSU countries with the exception of Baltic states, which are now members of the EU (and, to be more precise, also includes Georgia and Turkmenistan, which are actually not members of the CIS). Hence, it reflects the overall integration patterns in the post-Soviet area. The second region (EurAsEC-5) refers to the group of countries, which are currently members of the Eurasian Economic Community (Russia, Belarus, Kazakhstan, Kyrgyz Republic and Tajikistan), a Russia-led group which attempts to go beyond the objective achievable in the CIS framework (specifically, towards a customs union). This region can be particularly interesting for the comparative analysis, because it indicates a probably “best possible” combination of post-Soviet countries in terms of their attitude towards regional cooperation with Russia, which could be compared to the Central Asian regional cooperation. The main focus of this paper is to look at the third region, Central Asia (denoted as CA-4), which includes Kazakhstan, Kyrgyz Republic, Uzbekistan and Tajikistan.

Hence, one can see that of five post-Soviet Central Asian countries CA-4 covers four, excluding Turkmenistan. Given Turkmenistan’s closed economic system with strong governmental control and severe restrictions on external economic activity, as well as its extreme scepticism towards any form of multilateral or bilateral cooperation on the governmental level, the exclusion of this country, once again, provides a “best possible” picture of the Central Asian region, excluding the “most problematic” country (which would probably provide much worse characteristics of the regionalization process in Central Asia). The composition of the index is also partly due to the data availability, since there is very little coherent statistical information on Turkmenistan present. In what follows we will use the terms CA-4 and Central Asia as synonyms, referring to the group of four (relatively) more open countries.
It is worth noticing that the SIEI is incomplete at least from two points of view. First, it does not include any information on the cross-border investment flows: in fact, measuring cross-border investments in Central Asia remains a particularly difficult task given very low quality of statistical data. Second, SIEI concentrates on interpreting official statistics, which can be manipulated due to political reasons and, what is more important, disregards informal economic ties. We will discuss this problem, which will become important at least for one of the three main research questions of this paper, in what follows. However, in spite of its limitations, SIEI as a source of consistent and systematic information on cross-border linkages in the FSU region still provides a good set of proxies for measuring the regionalization patterns in Central Asia.

3. Intraregional integration and disintegration processes in Central Asia

To start with, we will summarize the main results of the empirical evidence obtained from the SIEI to give a picture of the overall regionalization process in Central Asia. SIEI summarizes the information for almost ten years (1999-2008) and therefore excludes the first decade of disintegration in the FSU region following the collapse of the Soviet Union. Once again, we are looking at the “best possible” scenario, disregarding the unavoidable initial “disintegration push” after the dissolution of the common state and the deep economic crisis of the 1990s, which also almost certainly resulted into a contraction of international economic ties (for a more detailed discussion see Libman and Vinokurov, 2010). In what follows we will systematically consider all five indicators of the SIEI and look at the evidence they generate for the Central Asian region.

As for trade integration in the CIS, the SIEI allows us to conclude that the highest levels of integration are demonstrated by country pairs which comprise neighbouring states: Russia-Ukraine, Russia-Belarus, Azerbaijan-Georgia, Ukraine-Belarus and Russia-Kazakhstan. This group of highly integrated country pairs also includes Kazakhstan–Ukraine, the only exception to the rule. In the light of this observation, CA-4 is special in that the geographic proximity of its member states does not seem to be an impetus to their trade integration. Each CA-4 country demonstrates a high level of trade integration with CIS-12, Kyrgyzstan and Tajikistan being the leaders in this respect, and a much lower level of integration with CA-4. The leaders in intraregional trade in CA-4 are also Kyrgyzstan (Figure 1) and Tajikistan (Figure 2); Kazakhstan lags far behind (Figure 3).
The index of intraregional trade in CA-4 in 2000-2008 showed negative dynamics. However, a similar picture was observed in all other groupings: CIS-12, EurAsEC-5 and EurAsEC-3 (*Figures 4 and 5*). In this respect CA-4 simply followed the overall trend of the post-Soviet space.

The SIEI data on *labour migration* integration indicate that migration flows in the post-Soviet space are aimed at a few large target economies which need foreign workforce. In 2008 these target economies were Russia, Ukraine and Kazakhstan. Unlike trade integration, labour migration integration in the post-Soviet space boomed during the last decade. The most distinct positive trends in labour migration were observed in the analysis of integration at the regional level in CA-4 (*Figure 6*), which demonstrated sustained growth from 2004, peaking in 2006. It should be noted that this growth started from a very low base level and was attributable principally to registered labour migration from Kyrgyzstan to Kazakhstan. This country pair was a leader in 2008. Another notable observation in CA-4 was the positive dynamics in that same country pair, Kazakhstan-Kyrgyzstan, which allows us to conclude that Kazakhstan is becoming a new centre of migration. Kazakhstan-Azerbaijan ranked second.
Our analysis of the levels and dynamics of market integration in CA-4 in the energy, agriculture and education sectors allows us to draw the following conclusions. Cross-border trade in electric power is confined to a few countries. CA-4 appears to be the most dependent on cross-border flows of electric power among other post-Soviet groupings. The absolute leader in this aspect of integration is Uzbekistan-Tajikistan. Tajikistan’s export of electric power is very important for both these economies in the context of their size and also as a component of the scheme of hydro-power exchange between them. Tajikistan-Turkmenistan and Tajikistan-Kyrgyzstan rank second and third, respectively. Tajikistan also has the highest index of integration with CA-4, followed by Uzbekistan and Kyrgyzstan. The lowest level of integration with CA-4 is demonstrated by Kazakhstan. In 2002-2008 the energy integration index in CA-4 was declining (Figure 7). This decline was especially evident in Kazakhstan, and, to a lesser extent, Tajikistan and Uzbekistan.

Figure 7 about here

The energy integration index was decreasing all across the CIS and the five groupings. This decrease was especially pronounced in CA-4 which, nonetheless, remains the leader in the integration of electric power markets (Figure 8).

Figure 8 about here

The SIEI assessments of agriculture integration are based on data on trade in cereals which indicate intensive interaction between Central Asian countries and Kazakhstan’s leadership in the post-Soviet space. The latter country is present in all three leading country pairs: Kazakhstan-Azerbaijan, Kazakhstan-Turkmenistan and Kazakhstan-Kyrgyzstan. In this context the integration of neighbouring Central Asian and Caspian states is based on the export of cereals from Kazakhstan. Trade in cereals between other CIS countries is insignificant in relation to their economy size. The level of agriculture integration in CA-4 declined significantly in 2002-2008 (Figure 9), although in the second half of the period under review this decline levelled out into a plateau. The biggest decline in this index was observed in Kazakhstan; Uzbekistan and Kyrgyzstan ranked second and third, respectively.

Figure 9 about here
The SIEI data on education suggests that the most intensive student exchange occurs between geographically and culturally close countries, and CA-4 is no exception. The highest levels of education integration at the country pair level were demonstrated by Kyrgyzstan-Uzbekistan and Kazakhstan-Kyrgyzstan. Large countries like Russia or Ukraine are traditionally very attractive for students from all over the CIS, but their number remains insignificant in relation to these countries’ population. The largest increase in this index was recorded in the Uzbekistan-Kazakhstan country pair, followed by Kyrgyzstan-Kazakhstan. Kyrgyzstan and Uzbekistan also demonstrated the highest levels of integration with CA-4 (Figures 10 and 11). CA-4 is the leading post-Soviet grouping in terms of education integration (although with its advantage is minimal), but its student exchange dynamics is not nearly as good. Studying in neighbouring Central Asian countries is becoming less prestigious than studying elsewhere.

Figures 10-11 about here

The SIEI data casts light on some interesting trends in post-Soviet Central Asia. We will attempt to use this quantitative data to find the answers to the three key questions posed in the introduction above.

3. Is Central Asia different?
3.1. Central Asia as a distinct region of the post-Soviet world
We have started the paper by claiming that regionalism in Central Asia can be more successful because it is somehow “different” from the post-Soviet world in general, particularly because of the existence of intensive economic ties. Indeed, there are several arguments favouring the emergence of regional cooperation in more “connected” regions in terms of economic activity. First, if one looks at the regional integration as a public good, it makes sense to produce it at the level of governance at which it can be “internalized” completely, which is probably determined by the extent of regionalization in a particular geographical space. Second, regionalization supports social ties, and hence leads to greater homogeneity of preferences. In addition, it can simply be indicative of greater homogeneity, suggesting that the transaction costs of trade in this area are smaller. Third, it can also generate stronger demand for economic integration from the private sector (Herrmann-Pillath 2006). However, our results for even the “best possible” Central Asia (without Turkmenistan) are not entirely consistent.

On the one hand, in all the three areas of functional integration (energy, agriculture and education), integration levels are higher in Central Asia than in the post-Soviet space in general. This can be explained by the existence of extensive infrastructural links and a common social space which is much older than the CIS and even Soviet Union (or, probably, even Russian rule over the region). However, the dynamics of sub-regional integration in agriculture and education was negative throughout the 2000s; particularly, a decline in the education integration index effectively nullified the advantages CA-4 had had over CIS-12. In migration integration, CA-4 demonstrated a much slower increase in the index than CIS-12 or even EurAsEC-5 (in absolute figures).

As for total trade, an increase in indices suggests that, as mentioned, each CA-4 country demonstrates a high level of trade integration with the post-Soviet space and a much lower level of trade integration with CA-4, and this trend is becoming stronger. It can be safely said that Russia is a more important trade partner for all CA-4 countries (with the possible exception of Kyrgyzstan) than any Central Asian country (at least, in terms of formal trade). It should be stressed that we are referring to intraregional trade lagging behind economic growth and the development of intraregional links, not the shrinkage of absolute trade figures. CA-4 demonstrates a slower pace of increase and lower absolute figures of intraregional trade: in 1999-2008 this trade grew in CIS-12 by 5.8 times, whilst CA-4 increased by 4.0 times. The pace of increase was slower in CA-4 than in CIS-12 in all years except 2004 and 2007 (Figure 12).
We can conclude that, even if we can describe Central Asia’s potential for sub-regional integration (which generally exceeds that of the CIS), this potential tended to decline during the past decade. It would appear that this can be explained by frictions between Central Asian states over distribution of resources, differences in their political courses, and strict protectionist policies in foreign trade. However, this is true of Central Asia as a whole only, and individual country pairs (e.g., Kazakhstan—Kyrgyzstan) still demonstrate sound potential for integration, becoming stronger over time. It should also be noted that the SIEI data only included formal trade, whilst informal trade in Central Asia remained strong, despite the protectionist policies - or even benefited from them (Megoran et al., 2005). Central Asian states have taken measures to control this informal trade in border regions (e.g., Uzbekistan’s campaign to “strengthen the border” in the Fergana Valley in 2008-2009, which included building a fully functional right-of-way, concrete walls and trenches). Even the most commonplace events – like a cow crossing the border between Uzbekistan and Tajikistan in February 2010 (Novyi Region, 2010, February 2) or Uzbekistan and Kyrgyz Republic one month earlier (RIA Novosti, 2010, January 19) – can result in serious diplomatic conflicts with strong media influence.

Therefore, the SIEI data suggest that currently Central Asia should be treated as a sub-region of the post-Soviet world rather than a definite integration region. As we have stressed above, CA-4 countries have stronger political and economic ties with Russia than with each other, and the current level of economic co-operation within CA-4 is no match for these countries’ economic and resource dependence on Russia. These factors may well have shaped the dynamics of formal regional cooperation projects in Central Asia during the last fifteen years, which will be briefly reviewed in what follows.
The Central Asian Union (CAU) was founded with the signing of an economic union treaty by Kazakhstan, Kyrgyzstan and Uzbekistan in 1993. In 1994 a treaty on a common economic space was signed. In 1998 the CAU was joined by Tajikistan and the organisation was renamed the Central Asian Economic Community (CAEC). The CAEC set itself the goal of creating a common market of goods, services and capital in Central Asia in several phases, from a free trade zone to a customs union, a payments union and a currency union. To this end, about 250 agreements were adopted. However, the obligations on free circulation of goods merely existed on paper, as did the plans to abolish customs duties, reduce taxes, remove other barriers to trade and simplify customs regulation (cf. Kumar, 1998). In 2002 the CAES was liquidated after the presidents of its member states signed the Agreement Establishing the Central Asian Co-operation Organisation (CACO). Russia joined the new organisation in 2004, and in 2005 the members adopted the resolution through which CACO was integrated into the Eurasian Economic Community. In January 2006, a protocol was signed through which CACO was integrated into EurAsEC. After the Parliament of Uzbekistan ratified this Protocol, the CACO was liquidated.

In other words, the most successful attempt at economic unification of Central Asian countries so far was a project with Russia’s participation: the CAEC/CACO could not compete with an integration project with a wider post-Soviet format. This statement should not be understood as a positive assessment of integration in EurAsEC — the latter, undoubtedly, encounters many problems, as it will be discussed once again in the conclusion. However, the CAEC/CACO proved incapable of competing even with this not particularly efficient structure.

3.2. Central Asia as a sub-region of Eurasia
The SIEI data only partially confirm that regionalisation is more successful in Central Asia than in the post-Soviet space in general. However, one can also consider the same problem from a different perspective: it is possible that the basis for comparison selected is not perfect. One of the most interesting issues of post-Soviet integration is associated with the transition from the post-Soviet integration proper to the Eurasian format of integration. For example, whereas in the western part of the CIS the subject of discussion is essentially the impact of the European Union and its neighbourhood policy, in the east, China is readily accepted as a new potential centre of gravity for Eurasia — primarily by Central Asian countries. The latter fact is illustrated by recent integration initiatives at the regional and sub-regional levels (Savkovich 2006, Paramonov et al., 2008; Kasenova 2009), and by the practical co-operation of Chinese and Central Asian players (Wu, Chen, 2004; Peyrouse, 2007), both formal and informal (cf. Levinsson, Svanberg, 2000; Swanstroem 2003; Raballand, Andresy 2007; Kaminski, Raballand 2009), although there are also some less optimistic assessments of the scale of interaction between China and Central Asia (Li, Wang 1999). It is certainly possible to mention other potential partners like Iran and Turkey, which also seem to have keen interest in the region and can have influenced its economic development — although China seems currently the most interesting country to explore.

The presence of strong extra-regional actor can in turn have significant consequences for the Central Asian regionalism, both positive and negative. In our opinion, the SIEI data can be used to assess the relevance of this problem for Central Asia. If, say, China (or any other neighbouring country) is really exerting a decisive influence on co-operation in the region, it would be logical to expect significant deviation of Central Asia’s integration trends from the post-Soviet mainstream. In that case, any differences between the development trends of Central Asia and the rest of the post-Soviet world may be interpreted as signs of the strengthening of the role of extra-regional actors. But our data suggest that integration in Central Asia almost fully follows the trends observed in the CIS. This is true of all integration and macroeconomic indices without exception; any possible deviations relate to dynamics, not the development trends. Therefore, based on these indirect indices we can assume that the role of China and other “non-FSU” neighbours falls short of that of a dominant player in the region – at least for now.
In any event, Central Asia remains part of the post-Soviet space, also (as shown in the previous sub-section) in rapidly following the overall trend of the disintegration in the FSU. Hence, it is not surprising that Myant and Drahokoupil (2008) claim that the degree of self-sufficiency of Central Asian states has increased since the Soviet epoch, although the slow process of integration into the global economy continues. Hence, being part of the FSU space does not mean that the post-Soviet space format is optimum for Central Asia’s integration into the global economy or that it can provide it (and the rest of the post-Soviet space) with an impetus for economic growth – on the contrary, it simply suggests that no viable and attractive alternative has been realized yet. Given high transportation costs and low access to international markets (Raballand et al., 2005; World Bank, 2009), in this context, the search for other multilateral integration alternatives in Eurasia (Linn, Tiomkin 2006) deserves close attention. Regionalism in Central Asia should be extraverted rather than introverted in nature (Boonstra, Emerson, 2010).

The conclusions drawn in this section should not be overestimated. Firstly, they are based on indirect indices, as our data do not allow us to make any direct assessment of the flow of benefits and production factors in the region. In addition, they, as mentioned, ignore informal trade. Secondly, our analysis does not allow us to differentiate between the external influence by post-Soviet countries on Central Asia and the internal factors, which might be similar in SIC-12 and CA-4 and, therefore, lead to similar development trends. It is important to understand this difference in order to assess the prospects for formal integration or select countries for the purposes of formulating economic policies for private or state players. Whereas external influence warrants integration initiatives and an analysis of groupings when formulating a foreign trade strategy at the CIS level (not CA-4, as we covered in the previous section), any uniform internal factors leading to disintegration worsen the prospects for Central Asian and CIS integration alike. The latter factors also make the very interpretation of CIS-12 and CA-4 as a region questionable, calling for bilateral relations based on the specific features of individual countries. The conclusions shown in the previous section suggest that we consider the combination of internal factors (protectionist foreign trade policies) and external influence (the close ties with Russia), but that at this stage we cannot differentiate clearly between them.
Thirdly, and particularly important, the key assumption on which our analysis is based can be criticised. It is possible that, say, China’s influence on Central Asian countries produces the same effects as Russia’s and post-Soviet space influence – therefore, we should not expect any deviations in the development trajectory of Central Asia. Although we would not be able to answer this criticism using our data, some arguments in favour of our interpretation do exist. Consider specifically the case of China as the strong “external” player. China and the post-Soviet space having similar influence on the development of Central Asia appears to be questionable not least because Chinese businesses use Central Asian countries (Kyrgyzstan and, to a lesser extent, Kazakhstan) as a springboard to the region’s economy as a whole. In that case, the activity of these businesses would have translated into an increase in intraregional trade, whereas the latter fell, even in comparison with the CIS (remember that we disregard informal trade). Russia, at the same time, is less interested in such springboards, as Russia traditionally has strong positions in all these countries, and is less active in consumer markets (where this springboard strategy makes sense). In any case, we must emphasise that our conclusions require careful interpretation.

Finally, it is possible that the impact of the extra-regional agents resulted not in a change of path of the integration or disintegration, but rather in the change of speed. Specifically, one could expect faster disintegration of the Central Asian region than of the rest of the FSU, if the influence of extra-regional players (China or Turkey) were increasing. However, in this case, first, one would not observe the correlation between FSU and Central Asia in the areas where regional integration showed a positive trend (like labour migration) – however, there seems to be a strong correlation in our data. And second, the degree of “internal” disintegration within Central Asia would be more slowly than that between Central Asian countries and Russia – however, the SIEI data demonstrate that the latter in fact declined more slowly than the former. So, even if the extra-regional agents indeed caused the “fast track” disintegration in Central Asia, it has been “just” enough to dissipate the specific sub-regional integration advantages, but “not enough” to reduce its links to the FSU significantly.

3.3. Kazakhstan: the second integration core in the post-Soviet space
Our analysis suggests that Central Asia retains its status as a sub-region of the post-Soviet space. On the other hand, it is generally agreed that regionalisation in the CIS progresses in an asymmetric manner with Russia being a dominant player (which is inevitable, bearing in mind the size of the Russian economy). Integration is principally confined to bilateral relations between Russia and individual CIS countries. In the meantime, our data indicates that a new centre of regionalisation is emerging in the post-Soviet space: Kazakhstan.

In particular, we can point to two directions of Kazakhstan’s development as an independent integration core whose activities are not influenced by Russia. The first direction is labour migration. Kazakhstan attracts workforce from the rest of the post-Soviet space for many reasons: its rapid economic growth in the 2000s, the problems encountered by labour migrants in Russian society, etc. Kazakhstan is especially attractive for migrants from its closest neighbours, the Central Asian states. From 2002, Azerbaijan also demonstrated sustained growth of labour migration to Kazakhstan.

The second direction is trade integration. In particular, as mentioned, all leading country pairs trading in cereals include Kazakhstan; this trade covers Central Asia (even including Turkmenistan) and the Caucasus. According to the SIEI data on these leading country pairs, an increase in an individual country’s index of integration with CA-4 coincides with an increase in that country’s index of integration with Kazakhstan (Figures 13, 14 and 15). These trade relations are different in content: for example, Kazakhstan’s integration with Caucasus involves, on the one hand, grain transit through Azerbaijan and subsequently Iran and Georgia to foreign markets in North Africa and Middle East, and second, grain exports through Baku to three states of Southern Caucasus themselves, with the first factor being far more important. Moreover, as discussed, the only country pair which has no common border but is leading in terms of total trade indices is Kazakhstan-Ukraine; notably, this pair also demonstrated the biggest increase in trade integration in the post-Soviet space in 1999-2008. In other words, unlike the situation in migration integration, Kazakhstan shows signs of activity outside Central Asia.

Figures 13 – 15 about here
Undoubtedly, the evolution of Kazakhstan into an independent integration core was made possible by its high GDP level, unmatched by any other Central Asian country. This makes Kazakhstan very attractive to its neighbours in terms of trade and migration integration and increases its importance as a source of investment. Indeed, according to some empirical studies (Golovnin, 2009; Vinokurov, 2009), Kazakhstan is a leader in terms of investment and banking expansion in the CIS. Consequently, the perception of the post-Soviet space as a unequivocal single-centre region needs to be revised, although its two regionalisation cores are very unequal in size.

4. Conclusion

This paper attempted to look at the process of regional integration in Central Asia using a new comprehensive dataset of the SIEI. Our goal was, specifically, to understand, whether Central Asia is in any respect “different” from the rest of the former Soviet Union: first, whether the degree of regional integration between the countries of Central Asia is higher, than between, say Russia and Central Asian states, and second, whether the trends of economic integration in Central Asia are different from the rest of the FSU (suggesting, for instance, an influence of an external party like China). So far we are cautiously able to say no to both of the questions. While Central Asia has exhibited higher level of integration in some functional areas in the later 1990s, in the 2000s the decline of this integration was more pronounced than in the rest of the FSU and currently the advantage seems partly to have been lost. Moreover, the difference between Central Asian countries and the rest of the FSU has been rather the speed of (dis)integration than the direction of changes.

Although this evidence is indirect, it could suggest that the economic, political and cultural heritage of the Soviet period (common infrastructure, language, similar governance and education systems, etc.) and Russia’s continuing economic and political influence in the region are more persistent than specific factors attributed just to Central Asia. On the one hand, from the theoretical perspective it implies that studying Central Asia separately from the FSU space is still unpromising: the links to the FSU can be stronger than within the CA-4 group. On the other hand, from the policy perspective it means that a purely Central Asian regional cooperation project at the moment seems to be hardly viable – as the OCAC development has clearly shown.
The latter claim, however, should be interpreted with caution – although we see limited possibilities for the introverted regionalism in Central Asia, the chances for a successful regional integration project within the FSU framework (say, CIS or even EurAsEC) are questionable, too (although the establishment of the Russia-Kazakhstan-Belarus Customs Union in 2010 is thought-provoking). From this point of view, this paper suggest rather a pessimistic view on regionalism in Central Asia: the most “appropriate” format for the cooperation according to the existing economic linkages is at the same time also highly problematic in terms of feasibility of any regional cooperation on a deeper level. Hence, the way to even stronger disintegration and autarky, also supported by internal developments in politics of the Central Asian countries, seems to be open.

A slightly more optimistic point of view is possible for our third result. Another trend we were able to find is the evolution of Kazakhstan into the second integration core in the CIS and, in particular, Central Asia. Kazakhstan is the leader in labour migration and student exchange. This was made possible by its high GDP level, unmatched by any other Central Asian country, which makes Kazakhstan very attractive to its neighbours in terms of trade, migration and education integration and increases its importance as a source of investment. The emergence of Kazakhstan as an integration core could have particular importance for Kyrgyz Republic, which even now has very strong economic and political ties to its northern neighbour. However, even here we believe that caution is necessary because of the natural resource-driven nature of Kazakhstani strong economic growth in the 2000s., which could be unsustainable in the future.

Sources


Li, Hak Yin, and Zhengxu Wang (2009) Assessing China’s Influence in Central Asia: A Dominant Regional Power? University of Nottingham China Policy Institute Briefing No. 53


**Table 1. Integration indicators in the EDB’s SIEI**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Country pair</th>
<th>Country-to-region</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. General market integration</strong></td>
<td></td>
<td></td>
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<tr>
<td>Mutual trade</td>
<td>(Country’s share in the total foreign trade turnover of the country pair + country’s share in the total GDP of the country pair) *100 / 2</td>
<td>(Country’s share in trade with the region in the total foreign trade turnover of the country + country’s share in trade with the region in the country’s GDP) *100 / 2</td>
<td>(Share of the countries’ mutual trade in their total foreign trade turnover + share of the countries’ mutual trade in the region’s total GDP) *100 / 2</td>
</tr>
<tr>
<td>Migration</td>
<td>Share of labour migrants from each country of the pair working in the other country(thousands people) in the total population of the country pair (million people)</td>
<td>Share of labour migrants from the country working in the region (thousands people) in the total population of the country (million people)</td>
<td>Share of labour migrants from all countries of the region working in other the countries of the region (thousands people) in the total population of the region (million people)</td>
</tr>
<tr>
<td><strong>B. Functional integration in key markets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electric power</td>
<td>Volume of trade in electric power between the countries of the pair (thousands kW/h) / their total GDP (million USD)</td>
<td>Volume of trade in electric power between the country and the region (thousands kW/h) / the country’s GDP (million USD)</td>
<td>Volume of trade in electric power between the countries of the region (thousands kW/h) / the region’s GDP (million USD)</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Volume of trade in cereals between the countries of the pair (tonnes) / their total GDP (million USD)</td>
<td>Volume of trade in cereals between the country and the region (tonnes) / the country’s GDP (million USD)</td>
<td>Volume of trade in cereals between the countries of the region (tonnes) / the region’s GDP (million USD)</td>
</tr>
<tr>
<td>Education</td>
<td>Number of students from each country of the pair studying in the other country (person) / total population of the country pair (million people)</td>
<td>Number of students from the country studying in the region (person) / population of the country (million people)</td>
<td>Number of students from all countries of the region studying in other the countries of the region (person) / total population of the region (million people)</td>
</tr>
</tbody>
</table>
Figure 1. Kyrgyzstan’s trade integration index

Source: calculation based on the SIEI
Figure 2. Tajikistan’s trade integration index

Source: calculation based on the SIEI
Figure 3. Kazakhstan’s trade integration index

Source: calculation based on the SIEI
Figure 4. The dynamics of the intraregional trade index in CA-4 in 2002-2008

Source: calculation based on the SIEI
Figure 5. The dynamics of trade integration in three post-Soviet groupings

Source: calculation based on the SIEI
Figure 6. The dynamics of the intraregional labour migration index in CA-4 in 2002-2008

Source: calculation based on the SIEI
Figure 7. The dynamics of the energy integration index in CA-4 in 2002-2008

Source: calculation based on the SIEI
Figure 8. The dynamics of energy integration in three post-Soviet groupings

Source: calculation based on the SIEI
Figure 9. The dynamics of the cereals trade integration index in CA-4 in 2002-2008

Source: calculation based on the SIEI
Figure 10. The dynamics of the education integration index in CA-4 in 2002-2008

Source: calculation based on the SIEI
Figure 11. The dynamics of education integration in three post-Soviet groupings

Source: calculation based on the SIEI
Figure 12. Increase in intraregional trade in CA-4 and CIS-12

Source: calculation based on the SIEI
Figure 13. Azerbaijan’s index of agriculture integration

Source: calculation based on the SIEI
Figure 14. Kyrgyzstan’s index of agriculture integration

Source: calculation based on the SIEI
Figure 15. Turkmenistan’s index of agriculture integration

Source: calculation based on the SIEI