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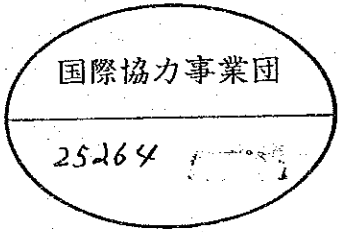


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KAZAKHSTAN

Country Background Report

Japan International Cooperation Agency

U.S.A. Office

Washington, D.C.

April 1993

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APPENDIX

KAZAKHSTAN

Kazakhstan is the largest and most developed country of the Central Asian countries of the former Soviet Union and has promising economic potential due to its major undeveloped oil reserves and substantial natural resources. Kazakhstan's leadership is pursuing modest market-oriented reform measures while retaining a more limited degree of political liberalism than some of its Central Asian neighbors. Kazakhstan is not looking to any specific country as a model for development, but its authoritarian yet popular leader, President Nursultan Nazarbayev, would like to see Kazakhstan become a bridge between Europe and Asia. Nazarbayev is particularly supportive of close relations with Korea, Japan and China.

Kazakhstan has close relations with Russia and hosts the highest percentage of Russians of the Central Asian countries, with the Kazakhs and Russians each representing about 40% of the population. The Kazakhs are concentrated in rural areas to the south, and the Russians are predominant in urban areas to the north and east. Nazarbayev has encouraged the maintenance of inter-republican ties especially with Russia while at the same time supporting the Kazakh minority's desire for sovereignty and promoting ethnical tolerance in this multi-ethnic country. This requires a careful balancing act. Ethnic violence has been limited to date, but ethnic tensions could reach critical levels as the economic conditions continue to decline. Kazakhstan's possession of nuclear weapons which are manned and maintained by Russians heighten the concern.

With industry in Kazakhstan traditionally being oriented to providing subcomponents to production plants located elsewhere in the former Soviet Union, the breakdown in trade among the former Soviet republics has had a large impact on the Kazakh economy. As an early reformer, the impact of restructuring the economy has been severe with Nazarbayev having to retract some of the market-oriented measures he introduced in order to maintain political stability.

I. Political, Economic, and Social Conditions in Kazakhstan

Political Conditions:

Kazakhstan declared its sovereignty on October 25, 1990, and after several attempts by its leader to preserve the Union reluctantly declared its independence on December 16, 1991.¹ In January 1992 Kazakhstan joined the Conference on Security and Cooperation in Europe (CSCE) and in March 1992 became a member of the United Nations.

Kazakhstan is a republic with a 360-member unicameral Supreme Council which selected Nursultan Nazarbayev as its President in April of 1990. Nazarbayev is a strong leader and as a skilled politician retains a high degree of influence in the government and Central Asian region. Nazarbayev is a Kazakh who was appointed by Gorbachev in 1989 to replace the Russian Kolbin as head of the Kazakh Communist Party. After the Soviet coup attempt in August 1991, Nazarbayev dropped his party membership and was elected as President in an unopposed election in December 1991 winning 98% of the popular vote.²

In January 1993 the Supreme Council of Kazakhstan approved a new constitution which establishes a strong presidential system under which the President appoints the

prime minister and the ministers of various governmental branches. These ministers have to be approved by the Supreme Council. The constitution also declares Kazakh as the official language and stipulates that the President speak Kazakh fluently.

A diverse group of political parties developed early on in Kazakhstan with most of the parties being based along ethnic lines. Only three parties have been allowed to legally register, and the others remain political movements or organizations. The largest party is the Socialist Party which used to be the Kazakh Communist Party. The other two are the Azat Republican Party and the Social-Democratic Party. The leader of the Azat (liberation) movement is interested in the revival of Kazakhstan and places less emphasis on ties to Russia than on developing ties to other Asian nations.³ In the December 1991 elections, Nazarbayev ran unopposed after requiring opposition parties to collect 100,000 signatures within a brief period in order to be qualified to run in the elections.⁴

The Alash Party and the Zheltoqsan Party are both Kazakh nationalist parties and have been refused registration as parties. The Alash Party espouses removing non-Kazakhs from Kazakhstan and calls for the revival of the Kazakh nation and Islam as priorities. Zheltoqsan ("December") is not as extreme as Alash in wanting to forcibly remove Russians, but generally favors the idea.

Russian nationalist parties include the Cossack Movement and the Unity Society which rejects Kazakhstan's sovereignty. The independent organization (Birlesu) has primarily Russian members and is a powerful trade union. The Nevada-Semipalatinsk movement is an ecological movement concerned with nuclear issues surrounding the Semipalatinsk nuclear test site.

Ethnic issues are an important concern in Kazakhstan. Russians and Kazakhs each make up about 40% of the population, and other nationalities include German (6%), Ukrainian (5.4%), Tatar (2%), Uzbek (2%), Uighur (1%), among others. Ethnic nationalism is prevalent among the more than nine ethnic groups with populations over 100,000 in Kazakhstan, and there are strong ethnic prejudices directed against the Russians. The tensions are particularly strong between the Kazakhs who are predominantly in the rural regions to the south and the Russians who are located mainly in urban areas in the industrialized north and east. Moreover, the Russians and Kazakhs have different religious backgrounds, Christian and Muslim, respectively, although religion does not play as large a role in society as it does in other Central Asian countries.

The ethnic problems are exacerbated not only by the regional concentrations but by border and language issues as well. The Cossack activists from the Slavic areas tend to support Russian nationalist desires to annex the northern provinces of Kazakhstan. Moreover, Kazakh fears of secession by the northern provinces were raised in August 1991 when Yeltsin declared that Russia should review the location of its borders. With the Kazakhs now in control after decades of Russians having privileged positions in government and industry, Kazakh has become the only official language of Kazakhstan despite the fact that Russian is more widely spoken among the residents in Kazakhstan. The law declaring Kazakh as the official language was first passed in 1989 and was stipulated again in January 1993 in the new constitution which conciliatorily designates Russian as the "language of inter-ethnic communication".⁵

Kazakh nationalists have pushed for increased use of the Kazakh language in street names, schools, and daily life and of Kazakh symbols such as the flag and state seal. President Nazarbayev has supported these efforts but has resisted any measures which might directly threaten Russian interests and thus undermine stability in the country.

Nazarbayev is aware of the acute ethnic problems and warned the People's Congress of Kazakhstan in October of 1991 that "extremist elements in the republic could, if unchecked, create a situation that would make the troubles of Yugoslavia appear trivial by comparison."⁶ In an attempt to soften the ethnic tensions Nazarbayev has taken authoritarian measures to restrict the activities of extremist groups. These policies have been successful so far.

Kazakhstan's relations with the other former republics are good, and Nazarbayev would like to see Kazakhstan remain a link between Central Asia and Russia. In a geographic sense, Kazakhstan does not belong to Central Asia, and a majority of the population is not Muslim.⁷ Despite political concerns about Russian territorial ambitions in northern Kazakhstan, Nazarbayev has pursued close economic ties with Russia due to the interdependence of the two economies. In May 1992 Russia and Kazakhstan signed the first bilateral treaty of its kind between former republics with the intent to promote cooperation in various areas of mutual interest. The treaty also included an affirmation of existing borders

Economic Conditions:

Kazakhstan has the highest per capita income of the Central Asian countries and has good prospects to succeed economically in the medium term due to its reserves of oil and natural gas and other minerals, its cordial relations with Russia, and its economic leadership.⁸ Kazakhstan has a strong industrial base oriented to providing raw materials and intermediate goods for final production in the north and is also an important agricultural region as the third largest grain producer of the former USSR. Its leadership is committed to developing a social market economy and has undertaken a broad set of reform measures including privatization and price liberalization and has attempted to attract foreign investors.

Due to the fundamental changes taking place in the transformation process and the disintegration of economic ties among the former republics of the USSR, Kazakhstan is currently experiencing economic decline. In wake of the economic and social stress in Kazakhstan and the sensitive ethnic relations, its leadership implemented an "anti-crisis" program in late 1992 intended to soften the effects of the conversion to a market-oriented economy.⁹ Kazakhstan is a member of the IMF and World Bank, has observer status at GATT, and is eligible for loans from the EBRD.

Kazakhstan has a rich supply of natural resources. Although its current production of oil is only about 5% of that of the former Soviet Union, it has large undeveloped oil reserves which compare to that of Libya.¹⁰ Mining is Kazakhstan's most important industry, and coal production accounts for about one-fifth of former Soviet production. Its mineral deposits include lead, copper, wolfram, zinc, gold, and iron ore, and Kazakhstan is a world leader in the production of chrome. Shipments of these resources have traditionally been directed to Russia and the Ukraine.

The industrial sector exceeded the agricultural sector in output with industry accounting for roughly 30% of GDP and about 20% of total employment.¹¹ Industrial production is concentrated in iron and steel production, machine building, petrochemicals, food processing and textile production. Consumer goods and most machinery items have to be imported, and Kazakhstan's production technology in the minerals sector is largely outdated. Moreover, prior to Kazakhstan's sovereignty 90% of its industries were controlled by ministries in Moscow.¹²

Kazakhstan's main agricultural products are grain, wool, and meat, and production of these items amounts to approximately 13%, 23%, and 7% , respectively of the Soviet Union's former production levels.¹³ Agriculture accounts for about one-fourth of GDP and only one-sixth of employment. The relatively low share of employment in the agricultural sector is due in large part to the larger scale and greater efficiency of Kazakh agriculture when compared to other Central Asian countries. With Kazakhstan being about the size of Western Europe, it is no surprise that one-fifth of the arable land of the former USSR is in Kazakhstan. Kazakhstan is the third largest producer of grain in the former Soviet Union, and other agricultural products include cotton and rice which are grown mainly in the south. The grain harvest was recently affected in 1991 by a major drought in Kazakhstan. As in other Central Asian countries, opium growing and narcotics trafficking are sources of concern.¹⁴

Approximately 90% of Kazakhstan's exports were to other republics of the former USSR in 1990 with Russia accounting for about 60%. The northern part of Kazakhstan in particular is highly integrated into the Russian economy, and Kazakhstan's main exports to Russia have been raw materials. Kazakhstan's exports to other Central Asian countries are primarily food products. Its imports are mainly industrial and consumer goods from Russia, and of trade with non-CIS countries, China has a share of nearly 50% of Kazakhstan's imports.¹⁵ As a land-locked country dependent upon external trade Kazakhstan has an interest in maintaining good economic and trade relations with its neighbors.

Kazakhstan is part of the rouble zone, and monetary policy coordination with the Central Bank of Russia is needed. Inflation is very high, and the government has considered introducing its own currency, the tanga, despite the agreement with Russia in January of 1992 to maintain a common currency. Monetary and credit statistics are not available, but in 1991 credit expanded rapidly with money growth only slightly slower. The government established required reserves for commercial banks and raised the National Bank of Kazakhstan's refinancing rate to slow down the growth in credit. The National Bank of Kazakhstan has served as the central bank since 1991, and a number of commercial banks have emerged with the three largest being Kazakhstan Bank, Turan Bank and Kredsotsbank. The three banks specialized in long-term lending to industry and agriculture, construction, and housing, respectively, but in December 1991 a new banking law was passed which ended this specialization and allowed open competition for resources. The number of banks increased to over 130 by mid-1992 with most being cooperative commercial banks rather than private ones.¹⁶ Regulation of banking continues to be weak.

Kazakhstan experienced a fiscal deficit in 1991 estimated at 8% of GDP.¹⁷ In previous years Kazakhstan experienced a surplus and relied heavily on transfers from the all union budget which reached as much as one-third of the national budget or ten percent of GDP in 1990. The transfers from the all union budget declined as a share of total revenue in 1991 and became insignificant by 1992. Following partial price liberalization in April of 1991, the government budget had to be revised in June, and a number of tax measures were introduced to raise revenue. These included a flat rate tax of 35% for enterprises, a progressive income tax for individuals, and a 5% sales tax. Social expenditures, subsidies, and transfers to enterprises were sizable, and overall expenditures exceeded revenues resulting in the Kazakhstan government having to borrow from the National Bank of Kazakhstan.

Attracting foreign investment is important in the development of Kazakhstan's economy, in modernizing its outdated equipment stock, and in supplying its large

consumer market. A number of laws and tax incentives have been enacted to encourage foreign business activity in Kazakhstan, and although initial activity was slow, a large number of joint ventures have emerged. Of the initial 50 foreign firms with registered joint ventures in late 1991, twelve were from Germany, ten from the United States, eight each from China and Turkey, and four from Italy.¹⁸

Foreign companies are particularly interested in the oil and metal-producing regions in the north. Several agreements have been reached, most notably the 40-year, \$20 billion joint venture with Chevron to jointly explore and develop the Tenghiz oil fields which have estimated recoverable reserves of 9 billion barrels.¹⁹ The agreement was reached in May 1992 after three years of negotiations which were initiated by the USSR and concluded by Kazakhstan. Similar agreements have been made in oil and gas with the French company Elf and British Gas, respectively. Improvements in transportation and communications are desperately needed, and several contracts have been signed in these areas as well.

Kazakhstan is responsible for 3.9% of the former Soviet Union's debt as agreed to with Western creditors in November 1991. However, Kazakhstan has not made any debt payments and is likely to turn its debt responsibilities over to Russia in exchange for a certain share of Soviet assets which Kazakhstan holds.²⁰

Social Conditions:

Although Kazakhstan has the highest GDP per capita of the Central Asian countries of the former Soviet Union, poverty is still predominant with 57% of the population living below the poverty level in mid-1991.²¹ Social conditions are quite difficult with the country experiencing high inflation and unemployment levels during the transition to a social market economy, but the government provides a high degree of social provisions especially in the housing sector.

The health care system in Kazakhstan is relatively well developed but often lacks basic medical equipment and supplies. Sanitation and the lack of adequate water facilities are of concern. Health problems are exacerbated by such environmental problems as exposed fertilizers and pesticides from the shrunken Aral Sea, high levels of pollution from zinc, lead and other smelters, and effects from nuclear, biological, and chemical testing.²² These environmental problems contribute to birth defects, illness, and high infant mortality rates.²³

Among the Central Asia countries Kazakhstan has the second highest population with 16.7 million inhabitants in 1990 and has the lowest percentage of the population under the age of 25 although at 49% it is still much higher than that of Russia with 35%. Unlike the other countries of Central Asia, most of its population is urban. Kazakhstan's birth rate of 24.5 per 1000 exceeds Russia's but is the lowest in Central Asia, and its death rate of 8.5 per 1000 is lower than Russia's but higher than the rest of Central Asia.²⁴ This gives Kazakhstan the lowest population growth rate of Central Asia with 1.1% per year between 1985 and 1990. Infant mortality rates are also high but are the lowest in Central Asia. Birth rates of Kazakhs are higher than Russians and this could make Kazakhs an ethnic majority in Kazakhstan within two decades.²⁵

Human resources are well developed in Kazakhstan and there are several institutions of higher education. The relatively high education and skill levels support good prospects for the development of the economy and for attracting foreign investment.

Foreign Economic and Political Relations:

Kazakhstan remains closely linked to Russia politically and economically, but its leadership is particularly interested in developing strong relations with South Korea, Japan, China and other East Asian countries. Kazakhstan has placed great emphasis on its diplomatic representation, and over 70 countries have now established formal ties with Kazakhstan with the United States being the first to open an embassy in January 1992.²⁶ Economic cooperation agreements have been signed with Turkey, Iran, China and South Korea, and Kazakhstan has observer status at the Economic Cooperation Council which includes Pakistan, Turkey, Iran, and the Central Asian countries. With Kazakhstan bordering of the Caspian Sea, it has common economic and ecological interests with Iran, Turkmenistan, and Russia.

Kazakhstan seeks foreign investment from a wide range of countries including those of the OECD, the NICs, and its Islamic neighbors as well as China and India. One of its priorities is to expand the rail link to China which will increase trade ties with that country. Whereas China's trade is likely to be in low cost consumer goods, South Korea is seen as a potential source of high tech investment.²⁷

In January 1993 the leaders of the Central Asia countries held a summit to further integrate the region and to initiate the development of a common market with common policies in taxation, investment, trade, pricing, and customs.²⁸ The leaders also created an international fund to deal with the major ecological crisis of the Aral Sea.

Democracy, Human Rights, the Military, and Other Important Issues:

Major environmental problems confront Kazakhstan including the shrinking of the Aral Sea which is now one-third its size, extensive pollution primarily from its mining and heavy industry base, and the use of large land masses for atomic, chemical, and biological warfare testing. Toxins and nuclear waste imperil the environment near the Caspian and Aral Seas, and these environmental problems have affected the health of local populations.

In addition to nuclear weapons testing, Kazakhstan hosts a nuclear arsenal and has over a hundred military and space related installations.²⁹ Some military factories are being reorganized as private ventures and concerns have been raised and denied about sales of tactical weapons to other countries. In May 1992 Kazakhstan signed the START I Treaty to reduce strategic nuclear weapons and has pledged to become a non-nuclear state. In June Kazakhstan signed the CFE Treaty to reduce conventional military stockpiles, and in July 1992 both treaties were ratified by the Kazakhstan parliament. In February 1993 Kazakhstan and Russia concluded a treaty on a common defense space, and the Central Asian countries with the exception of Turkmenistan are discussing the creation of common military units under joint command of the Commonwealth of Independent States.³⁰

Regarding the promotion of democracy and human rights, Nazarbayev is politically conservative and is considered an authoritarian modernizer.³¹ He has given priority to economic development over political liberalism and prefers slow and steady progress toward democracy. Although numerous political parties and organizations have surfaced, these groups are monitored through strict registration rules and other measures. The variety of press is high compared to other Central Asian countries but the degree of freedom of the press is not as advanced as in Kyrgyzstan. Several publications have been banned by the state which also retains control of newsprint and distribution. Nazarbayev has cracked down on dissent, and it is against the law to insult the President.³² To a certain extent, the authoritarian measures can be traced to Nazarbayev's awareness of the

sensitive ethnic relations in the country and the potential destabilizing effect of nationalist movements. In December 1991 the Alash party protest were suppressed and in June 1992 the demonstration of the Azat and Zheltoqsan parties were broken up. Despite these authoritarian measures, the President remains popular among both Russians and Kazakhs.

II. Economic and Social Development: Current Situation

Summary of National Economic Plans:

Kazakhstan has embarked upon a new course of national economic development as a leader among the Central Asian countries in transforming the economy into a market-oriented one. In addition to the broad goal of making a successful economic transition, Kazakhstan faces the challenge to promote a "more sustainable use and management of the country's natural resources" and to encourage "conditions of greater political freedom concurrently with socio-political stability".³³

A wide variety of changes are required in the legal framework, institutional set-up, human resource development, and in many other areas in order for progress to be made in Kazakhstan in developing a market-oriented economy. The Kazakh government has been particularly open to advice from Western experts and institutions on the timing and implementation of various economic and political measures and has shown a strong commitment to reform.

The economic principles governing Kazakhstan's switch to a market-oriented economy include implementing price liberalization and privatization measures and maintaining price stability and free trade. A social safety net is to support the transition process.

Specific national economic development plans include the following: doubling the output of oil and natural gas within a decade with oil as a major source of foreign exchange; selling off outdated state enterprises; modernizing the industrial base to include final and consumer products; modernizing the transport and communications sectors; and modernizing agriculture to support rural economic and social development especially by increasing the variety of crops and by upgrading agricultural processing.³⁴

Priorities, Principal Measures to be Taken & Barriers:

With the high development potential for Kazakhstan particularly in oil and natural gas, Kazakhstan advocated the sovereignty of Soviet republics early on so as to gain control of its own resources. Traditionally Moscow had retained a very high degree of control over industries and resources in Kazakhstan in addition to the high trade interdependence. Prior to the Soviet coup attempt and before his reelection as President in December 1991, Nazarbayev initiated a rapid economic reform program with special emphasis given to industrial and housing privatization. Accompanying the reforms with social safety net measures to cushion the transition and maintaining ethnic stability within the country are noted as important aspects as well.

In January of 1991 Kazakhstan enacted several laws on foreign investment and property rights and later established laws on privatization, profit repatriation, and taxes which helped to establish the economic environment for business activities within the country and to attract foreign investment, technology, and management skills. Free economic areas were also established which allows a wide range of economic and financial activity except arms production.

After becoming independent, it became clear that Kazakhstan lacked an institutional framework since most policies had been made at the Union level in the past. Since his reelection, Nazarbayev has reinforced his authority over the reform process, and measures have been taken to reorganize the ministries and key personnel

Kazakhstan has developed policies and plans in commercial privatization, housing privatization, land reform, price reform, currency reform, and banking reform among others. The approach taken by the government in privatization has been a gradual one, and price liberalization measures have been pursued in conjunction with similar measures in Russia. Full land privatization has been rejected although various forms of private land management are possible. In the banking sector, laws were passed in January 1991 establishing a national bank, and more than a hundred commercial banks are now operating in Kazakhstan. The developments in privatization and price liberalization are of particular interest and are discussed more fully below.

Privatization

Kazakhstan has the most advanced privatization program of the Central Asian countries and plans to privatize service and retail trade, agriculture, housing, and industry. By the end of 1992, "50% of state assets in industry, 40% in agriculture and 100% in housing were to be privatized" but implementation of these plans has been more gradual than intended.³⁵ Registration of new enterprises was one early bottleneck in the economic reform plan.

The first economic reform program was presented to the Supreme Soviet in October 1990. The plan included privatizing small and large state enterprises with large enterprises to be converted into joint-stock corporations or sold. It was indicated at that time that full privatization of land would not occur, a decision with which Nazarbayev agreed despite his otherwise strong support of privatization.

Laws on destatification and privatization were passed in mid-1991 and became effective in August 1991. Various types of privatization were allowed including the sale of an enterprise to workers or private persons, the conversion of large enterprises into joint stock corporations, leasing an enterprise, selling an already leased enterprise, and establishing a concession.³⁶ Privatization coupons were issued to all employees based on seniority and the number of dependent children. The total number of enterprises (as defined in a broad sense) to be privatized exceeds 40,000, and by mid-1992, 1650 had been sold.³⁷

The services sector was the first to be privatized with 380 enterprises being sold in 1991. Only citizens of the former Soviet Union were allowed to participate in these initial privatization efforts.

Housing privatization began in late spring of 1992 with the disbursement of coupons to apartment residents based on length of employment. By late 1992 several hundred thousand apartments had been privatized.

In the agricultural sector, Nazarbayev has placed great emphasis on privatizing state farms, food processing plants, and transport systems in rural areas. Privatization in this case, however, refers to long-term leases rather than private ownership.

In carrying out its reform programs, a few policy principles being followed by the government of Kazakhstan have become evident. The government has adopted a limited scope of privatization in some of the key areas of high economic potential with regard to the share in stock which the government retains or the share (about 30%) which it allocates to workers in these facilities.³⁸ The government has also indicated its intention to retain the ownership rights of its oil and natural gas resources and many of its mineral resources. This is in contrast to other sectors and state enterprises where 100% of the shares have been sold to private interests. The government has also decided to retain control of some defense-related industries and natural monopolies.

Price Liberalization

Another important area of reform which provides proper production incentives is price liberalization. The first price liberalization measures took place in April 1991 and resulted in retail prices rising 84% on average.³⁹ In January 1992 Russia lifted most of its price controls, and the Kazakhstan government allowed the prices to rise to market prices. About 20% of the goods remained as controlled prices, while others experienced a factor of 3-8 times the previous prices with the highest price increases being for kerosene, coal, and fuel oil.⁴⁰ By late 1992 price controls were in effect for only a few basic food and energy items.

Social Safety Net Issues

During the transition period to a market-oriented economy, provisions need to be made for those most severely affected by the changing economic conditions, and the Kazakhstan government is committed to strengthening its social safety net to lessen these impacts. Some of the measures taken by the government include the establishment of an employment fund, the reform of social security funds, and the continued subsidization of a few consumer goods.

In response to mounting social tensions from the price liberalization, privatization, and general economic reform measures, President Nazarbayev implemented an anti-crisis program in late 1992. The program is aimed at "strengthening Presidential control over the economy, slowing the growth of wages, controlling price rises, increasing state-owned industrial production and social protections, and temporarily halting 'uncontrolled' and government-sponsored privatization of enterprises and housing until new means of transfer can be worked out."⁴¹ By applying the brakes to the economic transformation measures, Nazarbayev hopes to prevent the disillusionment of the public with democracy during this period of economic chaos and decline.

Investment Projection for National Development Plans:

The government of Kazakhstan is working closely with the IMF and World Bank in planning and implementing national development plans, and there is little information available as to the necessary funding and external support in carrying out the desired measures.

National Budget and Balance of Payments Situation:

The national budget was in surplus during the mid 1980s, but Kazakhstan experienced a fiscal deficit in 1991 of 6.7 billion rubles. Total expenditures were 30.9 billion rubles and total revenues reached 20.0 billion rubles with net transfers from the all Union budget reaching 4.2 billion rubles. Transfers from the all union budget reached

23% in 1991 which was slightly less than the peak in 1990 of 33%. With no grants being received in 1992 from the all union budget, taxes had to be introduced to make up for this revenue shortfall. A sales tax of 5%, a flat rate income tax of 35% on enterprises, and a progressive income tax for individuals were thus implemented. Due to the economic hardships, the social spending share of 1992 total expenditures was expected to increase from 43% to 54%.⁴² Tax revenues in 1992 are expected to increase to two-fifths of total revenues as compared to only one-fourth in 1991. 1992 budget expenditures are expected to be 94.5 billion rubles with revenues being 83.8 billion rubles leaving a budget deficit of 10.7 billion rubles.⁴³

Data on balance of payments for Kazakhstan is sketchy, but the IMF has compiled information from various sources including estimations.⁴⁴ The trade statistics are separated into inter-republican and foreign trade. Kazakhstan has regularly experienced deficits in inter-republican trade and in 1990 the trade deficit was higher than any former Soviet republic and reached 5.9 billion rubles.⁴⁵ According to the IMF Kazakhstan's capital account in 1991 reached an estimated 7.3 billion rubles which represents transfers from the Union's Central Bank to the National Bank of Kazakhstan, and this figure more than covered the current account deficit. In foreign trade Kazakhstan likewise experienced a trade deficit which reached an estimated \$102 million in 1991. In 1991 both foreign exports and imports declined, but the imports declined more sharply due in part to the depreciation of the ruble leaving a narrower current account deficit than the previous year.

III. Donor Trends

As an early reformer among the Central Asian countries, Kazakhstan has made considerable progress in introducing economic reform measures to make a successful transition to a market-oriented economy. Several donor agencies and international organizations are already providing technical assistance, and many are considering further development assistance support for Kazakhstan.

Assistance from Bilateral Donor Agencies:

Kazakhstan is receiving development assistance from the Group of Seven countries as part of a \$24 billion aid package directed primarily to Russia. Several agencies are active or are considering specific development assistance plans for Kazakhstan.

United States: Agency for International Development (AID)

In April 1992 AID created a Task Force on the Newly Independent States to serve the reforming countries of the Central Asian region. The mission is located in Alma-Ata, Kazakhstan. AID has established nine project areas to date: energy, environment, health care improvements, private sector initiatives, food systems restructuring, democratic pluralism, housing sector reform, economic and financial restructuring, and special initiatives. Kazakhstan and Kyrgyzstan have been the two primary beneficiaries of these programs to date. Under the Freedom of Support Act, \$417 million was allocated in FY93 to implement these programs, and more than \$700 million is earmarked for FY94.

Emergency humanitarian assistance and measures in health care, democratic pluralism, privatization have already been initiated, and advisors are being provided in central banking and housing reform. Initiatives have also been established in the agribusiness and energy sectors. As part of the broader NIS program, projects in the energy sector include measures to improve energy efficiency, to provide safety in coal

mines, and to train Kazakh managers. AID is also supporting small business activities, improving storage capacity for grain, providing training in the media sector, providing legal assistance, supporting housing reform, and providing emergency medicines. In February 1993 AID announced it would award 12 contracts to American organizations to support privatization and defense conversion projects in the NIS.⁴⁶

Japan: Japan International Cooperation Agency

Japan is currently providing technical assistance in Central Asia especially in human resources development and is cooperating with institutions such as the World Bank in joint financing projects. Development assistance priority areas for the Central Asian region include economic infrastructure such as transportation, energy, and communications, production areas such as agriculture, mining, manufacturing, and construction, and social infrastructure such as education, water supply, and sanitation.

The Japanese Government has announced the establishment of a training program for the Central Asian countries of the former Soviet Union. This program is to offer training courses to 300 people from the people of Kazakhstan, Kyrgyzstan, Tajikistan, and Turkmenistan over a period of three years. The purpose of the program is to inform the participants about Japanese economic development and assistance programs and to promote successful cooperation between the host countries and the Government of Japan in carrying out development projects. As of February 1993, 20 people had entered the training program.⁴⁷

Japan has dispersed part of 6.5 billion yen (\$50 million) for humanitarian assistance allocated to the Newly Independent States in February 1992.

In late October 1992 Japan hosted the Tokyo Conference on Assistance to the Newly Independent States in which nine republics of the NIS expressed the need for Consultative Groups. In mid-December 1992 in Paris Consultative Group sessions for Kazakhstan and Kyrgyzstan were held and a Pre-Consultative session was held for Uzbekistan in which the Japanese Government participated.

In early February 1993 the Japanese Ministry of Foreign Affairs organized a mission to Kazakhstan and the other Central Asian countries with the exception of Tajikistan to discuss and identify potential areas of development assistance support. A subsequent cultural exchange mission was sent to Kazakhstan, Kyrgyzstan, and Uzbekistan in late February 1993. Beginning in April 1993 Japan intends to send planning surveyors for a period of three months to four Central Asian countries.

Japan has strongly supported the Central Asian countries being included in the list of aid recipients of the OECD's Development Assistance Committee (DAC). In principle, Japan's grant assistance is provided only to countries on the DAC list which have per-capita gross national product figures below 1235 dollars (1991 standard); the current figures for the Central Asian countries of the former Soviet Union exceed this figure, and at present, these countries are ineligible for Japanese grant assistance.⁴⁸

Germany: Federal Ministry for Economic Cooperation (BMZ)

Since the end of 1989, Germany's aid to the former Soviet Union has amounted to \$53.5 billion which is more than half of total international assistance and which represents more than 3% of German GDP.⁴⁹ Germany has provided aid to the former Soviet Union in the following areas and amounts: loan and export guarantees (\$27.7 bil.); grants and free

shipment of goods (\$12.5 bil.), investment projects particularly in natural gas production and ore-mining (\$1.9 bil.); and the Transfer Ruble Balance (\$11.4 bil.). The Transfer Ruble Balance represents a medium-term interest-free loan, and regarding the \$12.5 billion of grants and free shipments of goods, \$9.4 bil. of this sum relates to withdrawing Soviet troops from the new German states.

Germany is providing to the Newly Independent States financial advisory services, scientific and technical cooperation, training, and technical assistance in the form of advice in legal matters, customs, tax, budgetary issues, banking, insurance, labor management, and social welfare. This assistance was approved by the Federal Cabinet in March 1992 and is being provided by the various Federal Ministries.

Germany has also had a large role in European Community assistance to the former Soviet Union. In 1991 the EC decided to provide ECU 250 mil. for relief shipments, and after the Maastricht Summit provided additional food aid amounting to ECU 200 million in grants. Germany's share of this aid was about 28%. Germany also played a key role in the Group of Seven (G7) decision to provide a \$24 billion financial assistance package to the former Soviet Union of which the German share amounted to about \$4.5 billion.

Canada: Canadian International Development Agency (CIDA)

The Canadian government has provided economic assistance to the former Soviet Union in the form of humanitarian assistance, technical assistance, food credits, and commercial credits. The Canadian government contributed \$7 million to the Red Cross to provide medical supplies to former Soviet republics which included Kyrgyzstan. The government has provided a \$25 million program for technical assistance to the former Soviet republics which is being managed by the Task Force on Central and Eastern Europe.⁵⁰ Over 50 projects have been approved by the Task Force with energy and agriculture being the prime areas of focus. In addition, food credits and lines of credit for capital goods and services have been approved for Russia, although they were suspended in early 1993. In July 1992 the Canadian government sent a delegation to Kazakhstan and a joint declaration of economic cooperation was signed.⁵¹

Canada has also contributed to international organizations such as the European Bank for Reconstruction and Development with its share of 3.4 percent and the IMF Stabilization Fund for the ruble.

Assistance from International Organizations:

United Nations Development Program (UNDP)

In May 1992 all of the Central Asian countries had been given recipient status with UNDP with the exception of Tajikistan.⁵² By October 1992 UNDP had signed host agreements with Kazakhstan and Kyrgyzstan and expected an agreement with Uzbekistan. As of December 1992 UNDP had indicated it planned to open offices in Kazakhstan, Kyrgyzstan, and Uzbekistan and was considering opening an office in Turkmenistan.⁵³ Missions had been carried out to Kyrgyzstan and Turkmenistan as of late 1992.

Consultative Group meetings for Kazakhstan and Kyrgyzstan were held December 14 and 15, and a Pre-Consultative Group meeting was held for Uzbekistan on December 16. These meetings are primarily coordinated by the World Bank but UNDP also plays an important role as a statutory member of the Consultative Groups.

The UNDP coordinates the various UN bodies in providing development assistance as part of the Consultative Group process. Relevant areas for UNICEF's involvement include infant and child welfare; UNFPA responsibilities include training, organizational support, material supplies, and educational support to family planning initiatives; and the World Health Organization of the UN is in charge of dispensing drugs, vaccines, medical supplies and equipment.

World Bank

A Consultative Group (CG) was created for Kazakhstan which met December 14, 1992 and was organized by the World Bank. A Consultative Group was also formed for Kyrgyzstan, and a pre-Consultative Group was formed for Uzbekistan. The World Bank has set up a regional office in Tashkent, Uzbekistan which covers developments in Kazakhstan. The World Bank has been providing technical assistance and has prepared a rehabilitation loan for Kazakhstan which is has not yet been approved.

Although the rehabilitation loan has not been agreed to yet, the technical assistance component has been approved. The sectors requiring support include energy, agriculture, finance, and infrastructure such as power, transport, and telecommunications. A privatization study has been completed and is being discussed with the Kazakhstan government which would require parliamentary endorsement.

The World Bank has identified several areas of interest. In the energy sector, energy pricing and the lack of pipelines are major factors with the price of Russian oil having a major budgetary impact. In the agricultural sector, priorities are in irrigation, agricultural diversification, and the corresponding access to credit. The efficiency, use, and quality of water are also of concern.

Closely related to agricultural and irrigation issues in Kazakhstan is the massive environmental damage at the Aral Sea. The World Bank has developed an internal position with respect to the Aral Sea damage and plans to establish a project lasting 15-20 years. The emergency first phase would be completed within 2-3 years for about \$50 million and would include an action plan for subsequent years. The disaster project is to include such issues as water resource management, sewage, pumping, water supply, water works, pipelines, and institution-building.

International Monetary Fund

The IMF has been working closely with the Kazakhstan government in developing its plans and supports the relatively rapid pace at which this Central Asian country is pursuing economic reform. A rehabilitation loan has not yet been approved for Kazakhstan, but the technical assistance component has been agreed to by the IMF.

Technical assistance should be directed to Kazakhstan with the goal of implementing stabilization policies and supporting the operational aspects of the economic reform program especially its economic and financial management aspects.

European Community and European Bank for Reconstruction and Development

In December of 1991 the European Community agreed to provide Ecu 1.25 billion in food credits to the emerging independent republics. Of this figure, Ecu 55 million in food credits was provided to Kazakhstan.⁵⁴

The European Community has provided a technical assistance grant to the former Soviet states in the amount of Ecu 9.23 billion. With the collapse of the Soviet Union, the Central Asian countries automatically became eligible for membership in the EBRD.

The European Bank for Reconstruction and Development is financed from contributions from numerous countries, with the U.S. having a ten percent share, the United Kingdom, France, Germany, Japan, and Italy having an eight percent share, and Canada having a 3.4 percent share. EC member states hold a total of 51% of the capital.

The EBRD recently agreed to provide a technical cooperation loan in the amount of \$43.8 million to support privatization in Russia.

General EBRD program areas include privatization, financial reform, infrastructural improvements, restructuring of industry, foreign investment, and the environment.

Asian Development Bank

Kazakhstan has not yet joined the Asian Development Bank, but did attend the 25th anniversary meeting of the ADB along with representatives from Kyrgyzstan, Uzbekistan, and Turkmenistan. Kyrgyzstan, Tajikistan, and Turkmenistan joined the UN Economic and Social Commission for Asia and the Pacific which is a pre-requisite for ADB membership, and Kazakhstan and Uzbekistan expressed their interest in joining as well. The countries are attracted to ADB's no-interest 30-year loans, but according to common practice, they face the choice of joining only one of the two relevant regional banks - the other being the EBRD. The two banks, however, do have slightly different emphases with ADB concentrating on the public sector whereas the EBRD provides 60% of its funding to private enterprise.⁵⁵

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APPENDIX

Basic & Demographic Information on Central Asian Republics

Ethnic Composition of Central Asian Republics

Gross Domestic Product (GDP) in 1990-1992

GDP Data for the Central Asian Republics (1990)

Net Material Product Data for the Central Asian Republics (1990)

Central Asian Republics' Production - Output & Employment by Sector

Share of Total Exports & Imports (1990)

Inter-Republican Trade in Central Asia (1990)

Foreign Trade (1990) (Selected Countries)

Relative Energy Importance of the Former Soviet Republics (1990)

Kazakhstan Budget

World Assistance to Central Asian Republics

Assistance to the Independent States of the Former Soviet Union Since September 1990

BASIC & DEMOGRAPHIC INFORMATION ON CENTRAL ASIAN REPUBLICS

Indicator	KAZAKHSTAN	KYRGYZSTAN	TAJKISTAN	TURKMENISTAN	UZBEKISTAN	RUSSIA
Area (thousand sq.km)	2,717	199	143	488	447	17,075
Population (mid-1990)(M)	16.7	4.4	5.3	3.7	20.5	148.3
Urban Population (%) (1990)	57.0	38.0	32.0	45.0	41.0	74.0
Average Annual Growth Rate (1985-90)	1.1	1.91	2.93	2.46	2.53	0.6
% under 25 years (1990)	49	56	63	60	60	35
Infant Mortality Rate (1980-90 per 1,000)	27.2	33.5	47.3	53.8	38.9	18.8
Birth Rate (1985-90 per 1,000)	24.5	31.9	41.6	37	36	17
Death Rate (1985-90 per 1,000)	8.5	7.6	6.8	8	6.9	10.5

SOURCE: World Bank Statistical Handbook (Table 1.2)

ETHNIC COMPOSITION OF CENTRAL ASIAN REPUBLICS

(in thousands, 1989)

Republics	KAZAKHISTAN	KYRGYZSTAN	TAJKISTAN	TURKMENISTAN	UZBEKISTAN	TOTAL IN EX-USSR
Ethnic Groups						
Kazakhs	6,532	37	3,168	88	808	8,138
Kyrgyz	14	2,228	64	1	175	2,551
Tajiks	26	34	3,168	3	932	4,218
Turkmen	4	1	21	2,524	123	2,718
Uzbeks	334	551	1,197	320	14,535	17,110
Other Muslims	768	212	95	135	923	20,088
Russians	6,226	917	387	334	1,652	145,072

SOURCE: WILSON QUARTERLY (SUMMER 1992)

GROSS DOMESTIC PRODUCT (GDP) IN 1990-1992

(billions of rubles by 1990 prices)

	1990	1991	1992	1991 to 1990 by %	1992 to 1991 by %
COMMONWEALTH	1,006.5	865.0	715.0	86%	83%
RUSSIA	625.0	528.5	428.5	85%	81%
KAZAKHSTAN	56.5	51.0	43.5	90%	85%
KYRGYZSTAN	9.5	7.3	6.5	77%	89%
TAJKISTAN	8.0	6.0	4.0	75%	66%
TURKMENISTAN	8.0	7.2	6.5	90%	90%
UZBEKISTAN	43.0	35.0	28.0	81%	80%

SOURCE: Business World No.3 (48), February 3, 1993

GDP DATA FOR THE CENTRAL ASIAN REPUBLICS (1990)

Indicator	KAZAKHSTAN	KYRGYZSTAN	TAJKISTAN	TURKMENISTAN	UZBEKISTAN
GDP (current billion rubles)	45.3	8.3	7.1	7.3	n.a.
GDP per capita	2,706	1,893	1,341	2,002	1,579

SOURCE: World Bank Statistical Handbook

NET MATERIAL PRODUCT DATA FOR THE CENTRAL ASIAN REPUBLICS (1990)

Indicator	KAZAKHSTAN	KYRGYZSTAN	TAJKISTAN	TURKMENISTAN	UZBEKISTAN
Net Material Product (NMP)	35.0	6.0	5.3	5.3	23.4
Share of Former USSR (NMP) (%)	4.8%	0.8%	0.7%	0.7%	3.2%

(in billion rubles)

SOURCE: World Bank Statistical Handbook

CENTRAL ASIAN REPUBLICS' PRODUCTION
- OUTPUT & EMPLOYMENT BY SECTOR - *

		Industry	Construction	Agriculture
KAZAKHSTAN	- output	41.6%	9.5%	35.7%
	- employment	20.1%	10.7%	16.5%
KYRGYZSTAN	- output	45.3%	7.7%	36.4%
	- employment	27.8%	-	32.8%
TAJKISTAN	- output	n.a.	n.a.	n.a.
	- employment	13.5%	8.3%	42.9%
TURKMENISTAN	- output	19.6%	22.7%	46.4%
	- employment	10.8%	10.0%	42.0%
UZBEKISTAN	- output	43.1%	13.8%	28.7%
	- employment	n.a.	n.a.	n.a.

*) Output data is from 1991 while employment data is from 1990.

SOURCE: World Bank Statistical Handbook (compiled)

SHARE OF TOTAL EXPORTS & IMPORTS (1990)(%)

(at Domestic Prices)

Country	Export/Import Volume (M current ruble)	Foreign Trade (%)	Inter-Republican Trade (%)	
KAZAKHSTAN	- export	9,350	10%	90%
	- import	17,830	20%	80%
KYRGYZSTAN	- export	2,499	2%	98%
	- import	4,243	25%	75%
TAJKISTAN	- export	2,686	11%	89%
	- import	4,127	19%	81%
TURKMENISTAN	- export	2,641	7%	93%
	- import	3,608	19%	81%
UZBEKISTAN	- export	9,351	13%	87%
	- import	14,662	19%	81%
RUSSIA	- export	106,795	30%	70%
	- import	142,563	53%	47%

SOURCE: World Bank Statistical Handbook (compiled)

INTER-REPUBLICAN TRADE IN CENTRAL ASIA (1990)*

(millions of 1990 rubles in domestic prices)

	Imports							Total	
	RUSSIA	KAZAKHSTAN	KYRGYZTAN	TAJIKISTAN	TURKMENISTAN	UZBEKISTAN	Former USSR		Rest of World
RUSSIA									
KAZAKHSTAN	9,073.5 (12.1%)	4,276.3 (50.7%)	897.1 (36.1%)	1,167.6 (49.1%)	1,276.4 (51.7%)	4,840.2 (59.3%)	67,223.7	75,280.0	142,563.7
KYRGYZTAN	1,538.6 (2.1%)	358.0 (4.2%)	267.6 (10.9%)	317.9 (13.4%)	78.9 (3.2%)	783.9 (9.6%)	14,314.1	3,516.0	17,830.0
TAJIKISTAN	1,497.1 (2.0%)	358.0 (4.2%)	123.7 (5.1%)	65.1 (2.7%)	48.6 (2.0%)	364.5 (4.5%)	3,179.4	1,063.0	4,242.4
TURKMENISTAN	1,275.3 (1.7%)	268.8 (3.2%)	112.7 (4.6%)	88.6 (3.7%)	69.2 (2.8%)	502.8 (6.2%)	3,359.3	767.0	4,126.3
UZBEKISTAN	5,936.6 (8.0%)	217.1 (2.6%)	322.7 (13.2%)	329.8 (13.9%)	619.9 (25.1%)	215.6 (2.6%)	2,923.0	685.0	3,608.0
EXPORTS									
Former USSR	74,710.3	8,443.3	2,445.9	2,377.4	2,469.0	8,169.1			
Rest of World	32,085.0	906.0	53.0	308.0	172.0	1,183.0			
TOTAL	106,795.3	9,349.3	2,498.9	2,685.9	2,641.0	9,352.1			

* Note: Entries in the matrix represent the flow of commodities from the state at the top of the column to the state in the row. The figures to the side and below represent the share of total interstate imports and exports, respectively.
For example, 4,276.3 million rubles of trade items flowed from Kazakhstan to Russia. This flow accounted for 6.4% of Russia's total interstate imports and for 50.7% of Kazakhstan's total interstate exports.

SOURCE: Cassemint, World Bank Trade and Payments Arrangements for States of the Former USSR, September 1992.

FOREIGN TRADE, 1990 (SELECTED COUNTRIES)

(millions official foreign trade in rubles)

	Kazakhstan		Kyrgyzstan		Tajikistan		Turkmenistan		Uzbekistan	
	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
Total	1,112	2,433	67	870	413	750	140	566	875	2,051
Europe	720	1,752	41	574	232	507	89	402	558	1,429
Germany	122	436	6	157	46	118	16	144	95	309
Poland	70	260	3	63	21	61	7	51	54	218
Bulgaria	100	202	6	66	37	55	13	41	79	209
Czech	83	220	4	81	32	60	10	46	63	193
Asia	198	434	24	145	77	128	31	113	200	348
Japan	38	67	1	42	14	19	3	17	68	111
China	39	127	10	30	10	28	4	28	29	88
India	24	48	1	25	8	18	4	32	20	29
America	71	205	4	50	29	80	9	41	62	189
Cuba	57	117	3	26	23	39	8	12	49	97
US	10	63	1	10	4	28	1	17	8	52

Source: World Bank Statistical Handbook (compiled)

RELATIVE ENERGY IMPORTANCE OF THE FORMER SOVIET REPUBLICS, 1990

(thousand barrels per day oil equivalent)

	Production				Consumption			
	Oil	Gas	Coal	Electricity	Oil	Gas	Coal	Electricity
KAZAKHISTAN	502	110	1,164	141	450	175	583	153
KYRGYZSTAN	4	2	35	21	57	28	32	13
TAJIKISTAN	4	3	6	29	51	28	7	26
TURKMENISTAN	112	1,365	0	24	104	166	5	12
UZBEKISTAN	56	634	53	91	218	655	45	77
RUSSIA	10,328	9,956	3,503	1,744	4,982	7,417	3,155	1,518
TOTAL FORMER USSR	11,394	12,665	6,235	2,784	8,400	11,078	5,245	2,424

Note: Electricity figures include electricity generated from oil gas and coal power plants.

SOURCES: Matthew J. Sagers, *Soviet Geography*, 4/91; Energy Information Administration, *International Energy Annual 1990*; *International Energy Outlook 1992*, Energy Information Administration, April 1992

KAZAKHSTAN BUDGET

(millions of current rubles)

	1990	1991
TOTAL REVENUE (including grants & transfers)	18,352	26,070
Grants from USSR	-	-
Transfers from all union budget	6,053	6,033
Tax Revenue	11,853	17,649
Profit Tax	2,869	6,778
Income Tax	1,370	3,088
Turnover & other excise taxes	4,925	5,897
Social Security Contribution	1,805	-
Others	884	1886
Non Tax Revenues	446	2,388
TOTAL EXPENDITURE (including transfers)	17,055	32,758
Transfers to all union budget	995	32,758
Current Expenditure	16,060	30,916
Administration	-	-
Subsidies	-	-
Economy	9,009	10,924
Social & Cultural	6,498	14,156
Others	553	5,836
Capital Expenditure	-	-
Investment	-	-
SURPLUS/DEFICIT	1,297	(6,688)

SOURCE: World Bank Statistical Handbook

WORLD ASSISTANCE TO CENTRAL ASIAN REPUBLICS *

(millions of ECU, rounded figures)

Donors	EC and Member States	Other Countries	International Institutions	Total
Type of Assistance				
Medical and Food Aid	1,816	1,097	0	2,913
Loans and Loan Guarantees	38,745	12,912	1,261	52,719
Strategic Assistance:				
Withdrawal of Soviet Troops	8,571	587	0	9,146
Technical Assistance	1,784	725	53	2,562
Others	1,500	2,980	0	4,480
Total	52,416	18,090	1,314	71,821

*) The table includes estimates of commitments made by EC and its member states, other countries and international institutions. These commitments may cover several years. Figures do not include debt rescheduling nor grants from private sources.
Commitments made by international institutions are not included under those of their member states.

SOURCE: EC

ASSISTANCE TO THE INDEPENDENT STATES OF THE FORMER
 SOVIE T UNION SINCE SEPTEMBER 1990

Major Donors	Country Breakdown	Amount (billion ECU)
EC Member States	Germany	40.1
	Italy	3.9
	France	2
	Others	3.6
	TOTAL	49.7
EC		3.5
International Institutions		1.5
EFTA and Nordic Council		1.2
Others	United States	8.0
	Gulf Cooperation Council	3.4
	South Korea	2.4
	Japan	2.4
	Others	3.3
	TOTAL	19.5
	GRAND TOTAL	75.4

SOURCE: European Commission / Financial Times, 3/26/93

KYRGYZSTAN

Country Background Report

Japan International Cooperation Agency

U.S.A. Office

Washington, D.C.

April 1993

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APPENDIX

KYRGYZSTAN

Kyrgyzstan has progressed significantly in introducing economic reforms and developing democracy, and its leadership is committed to privatization and free-market principles with India, South Korea, and Turkey declared as possible models of modernization. Having opened up more quickly than some of its more affluent Central Asian neighbors, Kyrgyzstan has been subject to economic hardships resulting from the shift to market prices and from its traditional ties to the former USSR as a source of supplies. Ethnic tensions with the Uzbeks, and to a lesser extent, the Tajiks, are a concern in the country, and the Russians, who make up about 20% of the population, have been leaving the country in large numbers. President Askar Akayev has taken measures to contain the ethnic tensions, but political stability is a concern during these difficult economic times.

I. Political, Economic, and Social Conditions in Kyrgyzstan

Political Conditions:

Kyrgyzstan declared its sovereignty on December 12, 1990 and declared its independence on August 31, 1991.¹ It joined the Commonwealth of Independent States on December 21, 1991 shortly before the USSR disbanded on December 25, 1991 and in March 1992 became a member of the United Nations.

Kyrgyzstan is a republic headed by President Askar Akayev who was elected by the Supreme Soviet to the newly created post in October 1990 by defeating the hard-line communist leader Absamat Masaliyev. Masaliyev was defeated primarily as a result of the summer 1990 riots in the Osh oblast in which over 200 people were killed, and the perception was that the conservative communists were unable to deal with the ethnic tensions in the region.² In August 1991 President Akayev actively opposed the Soviet coup attempt in contrast to his Central Asian neighbors and in October 1991 was reelected President in an uncontested direct popular election winning 95% of the vote.³

Kyrgyzstan has a unicameral Supreme Soviet of about 350 deputies with President Akayev holding strong executive power. The Presidential Council advises the President, and the Cabinet of Ministers performs administrative functions for the President. Kyrgyzstan has more than six registered parties in its parliament, but President Akayev is not a member of any one party. The Kyrgyzstan Party is an umbrella organization for numerous parties, and some groups have split off from the umbrella organization including the Kyrgyz National Revival Party (Asaba) and the Free Kyrgyzstan (Erkin Kyrgyzstan) party.⁴ The parties are basically free to organize and to criticize the President, but no one else was allowed to register for the 1991 presidential election. Asaba and Free Kyrgyzstan in particular have been critical of Akayev's authoritarianism.

The political groupings are generally organized along regional divisions. There are three major political groups in Kyrgyzstan: those from Naryn (Akayev's support base); those from Talas (Masaliyev's support base); and the Kyrgyz from Osh (whose patronage is linked with Uzbekistan's)⁵ Membership by Akayev in any single party is perceived as a potential source of ethnic conflict since the existing parties tend to represent the interests of single nationalities.⁶

Inter-ethnic tensions are a major issue in Kyrgyzstan, and the riots in June 1990 in the Osh region attest to the ethnic tensions between the Kyrgyz and Uzbeks. Within Kyrgyzstan, approximately half are Kyrgyz; one-fifth are Russian; and about 13% are

Uzbek. An estimated one-tenth of the Russians in Kyrgyzstan left the country in 1991 due to the ethnic situation. Kyrgyzstan and Uzbekistan also have border claims upon each other's territories, and the Kyrgyz are fearful of a rise in Uzbek nationalism. Water resources could also become a topic of dispute between the Kyrgyz and the Tajiks.

The ethnic situation requires a careful balancing of interests in Kyrgyzstan in order to maintain political stability, and public dissatisfaction over economic difficulties is an additional source of potential political unrest. Despite these difficulties, Kyrgyzstan remains the most stable of the Central Asian countries.⁷

Economic Conditions:

Economic decline has overshadowed political developments in Kyrgyzstan to date. Sharp declines have occurred in agricultural and industrial production, and rapid inflation exceeding wage increases besets the Kyrgyz economy. The economic decline is due in large part to Kyrgyzstan's traditional orientation to and dependence upon supplies from the former Soviet Union. Under Akayev Kyrgyzstan has initiated an economic reform program which includes privatization and price liberalization and is receiving technical assistance in the transformation process. Kyrgyzstan is a member of the IMF and World Bank and has observer status at GATT. On February 11, 1993, Kyrgyzstan became the first of the Central Asian states to join the International Finance Corporation, which is a member of the World Bank Group.

Agriculture has traditionally been the leading sector of the Kyrgyz economy with the major agricultural products being livestock (primarily sheep, goat, and cattle), cotton, wool, silk, fruit and vegetables, and grains with the agricultural sector accounting for about one-third of employment.⁸ Kyrgyzstan ranks just behind Russia and Kazakhstan in wool production. Unlike its neighbors, as much as half of the output of some crops in Kyrgyzstan is by the private sector.⁹ A special concern to the government is the growing problem of illegal drug production in the region, particularly raw opium.¹⁰

The industrial sector exceeded the agricultural sector in output in 1991 with the industry share of GDP at 38% compared to 28% in agriculture, and 7% in construction. The industrial share is higher than any of the other Central Asian countries of the former Soviet Union, and employment in the sector is correspondingly high at about one-fourth. The industrial sector is in large part based upon metallurgy, machinery production for the agricultural sector, food and tobacco processing, electronics, textiles, sugar refineries, and leather.¹¹

Kyrgyzstan is endowed with sizable mineral deposits including coal, gold, antimony, mercury, and uranium, and over 90% of the former Soviet Union's output of mercury and uranium was from Kyrgyzstan.¹² In contrast to its Central Asian neighbors, however, it has few gas or oil deposits. Kyrgyzstan generates hydroelectricity from its rivers in mountainous terrain which also serves as one of its main exports.

As a former republic of the Soviet Union, Kyrgyzstan's trade was primarily inter-republic trade with foreign exports accounting for only two percent of external trade; about one-fourth of Kyrgyzstan's imports were from foreign sources which is consistent with other Soviet republics. Kyrgyzstan is highly dependent upon the former Soviet republics not only as a traditional destination for its exports of gold, mercury, woolen goods, refined sugar, and tobacco, but mainly for its imports of oil and gas, ferrous metals, chemicals and pharmaceuticals, engineering products and construction materials.¹³ 95% of its oil and gas must be imported, and the imposition of higher prices for these imports has a major impact on the Kyrgyz economy.¹⁴

The official currency of Kyrgyzstan is the rouble, and the country is largely subject to external developments in Moscow. Inflation is extremely high as in the rest of the former Soviet Union. President Akayev indicated the Government's intention to remain in the rouble zone as long as possible but now plans to introduce its own currency in April 1993. Prior to mid-1990 the USSR Gosbank allocated credit resources to the republics, but since then the republics have had a greater role with the gap in resources being filled by the center. In 1991 the National Bank of Kyrgyzstan (NBK) (formerly the local branch of the Gosbank) received 3 billion rubles from the Gosbank to cover this gap.¹⁵ Total credit to the economy rose in 1991 with a large portion of the increase occurring after price reforms were introduced in April and May. The NBK began independent operations from Gosbank in December 1991 and intends to provide banking supervision and monetary control.

The government's budget has experienced a surplus in recent years which has been supported by grants from the former Soviet Union. In 1991 the overall budget surplus was 4.6% of GDP of which these grants accounted for 35.5% of total revenue. With revenues from turnover tax receipts stagnating in 1991 (declining in real terms) and grants from the union being uncertain, the government took measures to reduce expenditure. In 1992 these grants were no longer given, and the government raised revenues by introducing VAT taxes and excise duties. A budget deficit for 1992 is currently expected to be more than 5% of GDP.¹⁶

Attracting foreign investment is a crucial component in development especially for technology transfer and capital investment, and this has been acknowledged by President Akayev. The Government is interested in attracting investment particularly in the minerals, electronics, and agro-processing sectors. So far only a few joint ventures have been identified in Kyrgyzstan. Amax and GE are working on deals with the republic given its minerals and hydroelectric potential.¹⁷

In late 1991 Kyrgyzstan signed a debt agreement with Western creditors in which Kyrgyzstan was allocated a 1% share in the former Soviet Union's external debt.¹⁸

Social Conditions:

Poverty is widespread among the Kyrgyz, and in mid 1991 75% had monthly incomes below the poverty level compared to 42% for the former Soviet Union.¹⁹ GDP per capita rates for 1990 ranked Kyrgyzstan the third poorest country of the former Soviet Union, slightly ahead of Uzbekistan and Tajikistan. The health care system is relatively well developed in Kyrgyzstan compared to other Central Asian countries, but health conditions in Kyrgyzstan are lower than the average Soviet conditions when ranked by the number of doctors and hospital beds per 10,000 population. As in other neighboring countries, shortages of basic medical supplies are common which is due in part to the breakdown in trade among the former republics. Moreover, the poor health conditions are exacerbated by poor environmental conditions.

The population reached 4.4 million in 1990 in this largely rural country, and in the second half of the 1980s was growing 1.9% per year. The growth rate is very high and is about three times that of Russia's. Its birth rate is one of the highest of the former Soviet Union at 31.9 births per 1000 population which is nearly twice the rate in Russia. The infant mortality rate in Kyrgyzstan is also very high and reached 33.5 per 1000 population in the last half of the 1980s which also is nearly double the Russian rate. Moreover, the population in Kyrgyzstan is young with 56% of the population under the age of 25 in 1990.²⁰

Educational levels are quite high, and this is a good sign for future economic development in Kyrgyzstan. In 1990 93% of those working had some secondary education.²¹

Pension funds and employment funds were newly created and began operating in 1991. Fees on the wage bill of enterprises, collectives, and state farms provide revenue for the pension fund, and payroll taxes finance most of the employment fund which is used for unemployment compensation and training. Social security taxes are now collected by the Kyrgyzstan Pension Fund, and prior to 1991 were collected and transferred to the pension fund of the Soviet Union for redistribution. The normal retirement age is 60 for men and 55 for women.²²

Foreign Economic and Political Relations:

Kyrgyzstan is a member of the Economic Cooperation Organization (ECO) which includes Turkey, Iran, Pakistan, and its immediate Central Asian neighbors and seeks good political and economic relations with Asian partners, particularly South Korea, the People's Republic of China, Taiwan, Singapore, Hong Kong, Japan, and India. Kyrgyzstan remains dependent upon Russia economically and thus finds good relations with Russia to be important.

Turkey was the first country to recognize Kyrgyzstan's independence and has extended humanitarian assistance to the country. China has provided credits for food and consumer goods; the EC extended credits in the amount of \$40 million in April 1992; and Japan has agreed to train diplomats and provide technical and humanitarian assistance. For Japan, the Kurile Islands dispute remains an issue with Russia, and support from Kyrgyzstan is sought in this matter.²³

President Akayev did not permit the country to join the Islamic Conference Organization which is restricted to Muslim states partly due to the sensitive issue of Islam and Akayev's support from a sizable Russian minority.²⁴ Turkey, Iran, Pakistan, and Saudi Arabia are active in the Central Asian region, but Islam, and in particular, Muslim fundamentalism, has less appeal in Kyrgyzstan than in its neighboring countries.

Democracy, Human Rights, the Military, and Other Important Issues:

Kyrgyzstan has pursued the development of Western-style democracy more so than any other Central Asian country.²⁵ The press is relatively liberal, but the media is also suffering from economic hard times, and many upstart publications have had to shut down operations. President Akayev advocates the introduction of a rule-of-law state but has not supported free elections for deputies of a new Supreme Soviet which he fears would be destabilizing due to ethnic tensions.²⁶

Kyrgyzstan intends to establish a small National Guard and the members are to be from Kyrgyzstan but will be trained in Russia. The troops are under joint control of the CIS and Kyrgyzstan. For the most part, the Kyrgyz economy is not oriented to military production which makes the transition an easier one than for Russia. There are no nuclear weapons stationed in Kyrgyzstan.

II. Economic and Social Development: Current Situation

Summary of National Development Plans:

Kyrgyzstan has taken bold measures towards market reform, and the Government has declared its key objectives: "to stabilize the economy, which has been severely affected by the disintegration of the Soviet Union; and to create the conditions for long term growth in an economy increasingly integrated into the world economy."²⁷

Accomplishing these objectives requires changes in policy, institutions, laws, and the public's mind-set, and these changes need to be made in order to attract the technology, capital and human resources and to unleash Kyrgyzstan's largely untapped potential. There is only limited experience in Kyrgyzstan or in the West in transforming a centrally planned economy into a market-oriented one, and policymakers look to other countries for models of development and seek advice from international institutions and individuals to gain insight into appropriate measures and the timing of these measures in order to have the desired effect and to minimize the accompanying social upheaval.

Priorities, Principal Measures to be Taken & Barriers:

The economic reform measures underway in Kyrgyzstan primarily involve the following areas of reform: privatization of state assets and enterprises, price liberalization, demonopolization of foreign trade and investment, and social safety net issues. Special attention is given to supporting private sector development by promoting competition in production and distribution. Modern accounting methods and auditing standards are required in all forms of economic activities, and regulatory and supervision systems are particularly appropriate in the banking sector.

The legal basis for a market economy has already been established to some degree with regard to broad rights in private property and business activities, foreign trade liberalization, privatization, banking, insurance, customs regulations, rural land reform, and the exploitation of natural resources.²⁸

Institutional changes have been made primarily in reducing the administration of the economy. In February 1992 the 41 ministries were reduced to 13 ministries and seven commissions. The National Bank, Ministry of Economy and Finance, and the Tax Inspectorate are agencies which need strengthening in addition to the State Committee on Statistics which needs reorienting towards providing statistics on market economy indicators.²⁹

Privatization is a key area of economic reform and price liberalization is an important component in providing proper production incentives.

Privatization

After being elected President in October 1990, Akayev stated his intention to pursue the transition to a market economy. Privatization of state-owned property and enterprises began in 1991 with small businesses and agricultural land, and in early 1992 the Government initiated an ambitious privatization program modeled on that of Kazakhstan. In July 1992 the Kyrgyzstan legislature approved a reform program to privatize 35% of state-owned firms, 50% of construction enterprises, 70% of housing, 100% of service industries, and 25% of agriculture by the end of 1993.³⁰ This program includes the closure of hundreds of failing enterprises. As of October 1992 5% of all public assets had been privatized. Also by the end of 1993 the Government intends to privatize non-urban transportation services and trade. By the end of 1996, the Government intends to have

privatized an additional 35% of state firms.³¹ The Government does not intend to privatize the production of alcoholic beverages, sugar, and tobacco factories which are considered state monopolies.³² The Government also intends to maintain a strong state role in medical and social services and in communications.

The privatization plans are being conducted in the following way: small and medium-sized enterprises are to be privatized by competitive bidding such as auctions; larger enterprises are to be publicly traded; and the property of the government is to be leased to the private sector; in addition, commercial enterprises are to be created.

In industry, ownership is being distributed to employees (30% is reserved for sale), Government, suppliers, and the public with the greatest share by the Government. With regard to privatization of housing, each citizen is to receive a lump-sum amount which is based upon monthly salary levels over a five year period and the number of years in employment. The sums in these accounts can later be used to acquire housing or shares in private industry.³³

With regard to land privatization, the Government has traditionally owned the land, minerals, and natural resources. The plan is for the local governments to carry out the privatization of land in the respective collective farms and to distribute the land and equipment based upon the abilities of the respective individuals or groups. Land privatization began in October 1992 in the Talas and Naryn provinces, and draft legislation has been prepared on land lease rights. By the end of 1993, state and collective farms are to have been converted into private corporate entities or private farms. Some complications were experienced in the early summer of 1992 in the Government's plans to privatize 25% of agriculture by the end of 1993 which were due to social concerns, and the program had to be suspended temporarily.³⁴

Price Liberalization

In 1991 Kyrgyzstan took initial measures to liberalize prices of state enterprise goods as did several other republics of the USSR with the purpose of rationalizing production incentives. Kyrgyzstan has advanced more in price liberalization than some of its Central Asian neighbors, and in January 1992 initiated the second stage of price liberalization under which price controls were removed on about 90% of all commodities.³⁵ In some cases prices increased as much as tenfold. In September 1992 considerable social tensions had mounted among the public concerning the price increases as evidenced by protest demonstrations.

Social Safety Net Issues

Amidst the fundamental changes being initiated in the economy which greatly affect living standards and unemployment levels among others, it is important to provide a social safety net for those who are most severely affected. Social assistance measures in the form of pension and family allowances, unemployment compensation and training, and support for the poor are being strengthened and revised as conditions warrant.

Investment Projection for National Development Plans:

Kyrgyzstan is working with international organizations such as the IMF and World Bank to develop and carry out plans for economic reform. Kyrgyzstan has received approval for a rehabilitation loan, but there is a gap of approximately \$400 million between the World Bank's commitment and the targeted sum.³⁶

National Budget and Balance of Payments Situation:

The national budget has been in surplus in recent years due to a high percentage of grant support from the former Soviet Union. In 1991 tax revenues amounted to 2.66 billion rubles; non-tax revenue accounted for 0.84 billion rubles; and union grants totaled 1.93 billion rubles. The share in union grants was over 35% of total revenues. Expenditures reached 4.73 billion rubles leaving an overall surplus of 0.70 billion rubles which represented 4.6% of GDP. In 1992 Kyrgyzstan received no union grants and raised revenues by implementing VAT taxes and excise duties. According to the 1992 revised budget, total revenues amounted to 11.97 billion rubles, and total expenditures were 17.05 billion rubles. This resulted in a deficit of 5.09 billion rubles or an estimated 5% of GDP.³⁷

Reliable data on Kyrgyzstan's balance of payments is unavailable due to the lack of statistical data compilation based upon standard Western methods. The IMF has compiled data from various sources to depict the balance of payments situation in the country, but the information should be treated with caution.

The trade data is separated into inter-republican trade and foreign trade. Inter-republican trade experienced a surplus in 1991 which was in contrast to deficits in previous years, and foreign trade experienced a deficit. The surplus in inter-republican trade of about 960 million rubles resulted primarily from the value of exports exceeding imports after price liberalization measures took effect. The deficit in foreign trade of about \$555 million was smaller than previous years, and this is based upon the decline in overall foreign trade with exports falling by more than imports fell. The foreign trade deficit and inter-republican trade surplus roughly yields a net balance in overall trade in 1991.³⁸

III. Donor Trends

Kyrgyzstan is a strong candidate for development assistance from donor agencies and international organizations. Current and potential donor sources include the U.S. Agency for International Development (AID), the Japan International Cooperation Agency (JICA), the German Federal Ministry for Economic Cooperation, (BMZ), the Swedish International Development Authority, the British Overseas Development Administration (ODA), and the Canadian International Development Agency among others. International organizations such as the International Monetary Fund (IMF), World Bank, United Nations Development Program (UNDP), the European Bank for Reconstruction and Development (EBRD), and the Asian Development Bank (ADB) are also important sources of development assistance.

In modernizing its economy based on market principles, Kyrgyzstan requires technical assistance in numerous areas which include privatization, agriculture, industry, economic reform, and the social sector. Specific requirements have been outlined by the Ministry of Economy and Finance of Kyrgyzstan.

Assistance from Bilateral Donor Agencies:

In the Spring of 1992, the Group of Seven (G7) industrialized countries agreed to contribute \$24 billion of aid to Russia and the newly independent states. The figure is roughly broken down into \$11.0 billion for bilateral aid, \$4.5 billion for IMF and World Bank loans, \$2.5 billion for debt rescheduling, and \$6.0 billion for stabilization of the ruble.³⁹ The \$11.0 billion includes food, medicine, export credits, and other forms of aid. According to the Institute of International Finance, as of the Spring of 1993, \$2.7 billion in grants, \$6.8 billion in trade credits, and \$1.2 billion in multilateral assistance had been

forwarded to the former Soviet Union; \$7 billion had been directed to deferral of debt payments to Western creditors; and \$6 billion had been approved for stabilizing the ruble which has not been used due to failures in establishing currency convertibility.⁴⁰

The following sections describe programs and plans undertaken by various donor countries and the respective development assistance agencies to aid the former Soviet Union. In some cases information is limited with regard to specific plans and programs for Kyrgyzstan, and general information on the respective governments' plans for the former Soviet Union is instead provided.

United States: Agency for International Development (AID)

USAID created a Task Force on the Newly Independent States in April 1992 and has set up a mission based in Alma-Ata, Kazakhstan, which serves Kyrgyzstan and the Central Asian region. The Task Force has about 75 members and the local mission currently has about 8 people. USAID has authorized projects in nine areas: energy, environment, health care improvements, private sector initiatives, food systems restructuring, democratic pluralism, housing sector reform, economic and financial restructuring, and special initiatives with Kyrgyzstan and Kazakhstan being the two main beneficiaries of these programs to date. In order to implement these programs, USAID provided \$235 million of its own FY92 funds, \$417 million for FY93 under the Freedom Support Act, and more than \$700 million is earmarked for FY94.⁴¹

Emergency humanitarian measures and projects on health care improvement, privatization, democratic pluralism, and financial sector reform have already been initiated. Kyrgyzstan has received technical assistance in the energy sector in identifying energy efficiency improvements and in management training as part of a broader NIS program. In regard to privatization, American financial and legal experts have developed a privatization action plan in cooperation with the government and the World Bank. In February 1993 USAID announced it would award 12 contracts to American organizations for the NIS especially for privatization and defense conversion projects.

Japan: Japan International Cooperation Agency (JICA)

Japan is currently providing technical assistance in Central Asia especially in human resources development and is cooperating with institutions such as the World Bank in joint financing projects. Development assistance priority areas for the Central Asian region include economic infrastructure such as transportation, energy, and communications, production areas such as agriculture, mining, manufacturing, and construction, and social infrastructure such as education, water supply, and sanitation.⁴²

The Japanese Government has announced the establishment of a training program for the Central Asian countries of the former Soviet Union. This program is to offer training courses to 300 people from the people of Kyrgyzstan, Kazakhstan, Tajikistan, and Turkmenistan over a period of three years. The purpose of the program is to inform the participants about Japanese economic development and assistance programs and to promote successful cooperation between the host countries and the Government of Japan in carrying out development projects. As of February 1993, 20 people had entered the training program.⁴³

Japan has dispursed part of 6.5 billion yen (\$50 million) for humanitarian assistance allocated to the Newly Independent States in February 1992.

In late October 1992 Japan hosted the Tokyo Conference on Assistance to the Newly Independent States in which nine republics of the NIS expressed the need for

Consultative Groups. In mid-December 1992 in Paris Consultative Group sessions for Kazakhstan and Kyrgyzstan were held and a Pre-Consultative session was held for Uzbekistan in which the Japanese Government participated.

In early February 1993 the Japanese Ministry of Foreign Affairs organized a mission to Kyrgyzstan and the other Central Asian countries with the exception of Tajikistan to discuss and identify potential areas of development assistance support. A subsequent cultural exchange mission was sent to Kyrgyzstan, Kazakhstan, and Uzbekistan in late February 1993. Beginning in April 1993 Japan intends to send planning surveyors for a period of three months to four Central Asian countries.⁴⁴

Japan has strongly supported the Central Asian countries being included in the list of aid recipients of the OECD's Development Assistance Committee (DAC). In principle, Japan's grant assistance is provided only to countries on the DAC list which have per-capita gross national product figures below 1235 dollars (1991 standard); the current figures for the Central Asian countries of the former Soviet Union exceed this figure, and at present, these countries are ineligible for Japanese grant assistance.

Germany: Federal Ministry for Economic Cooperation (BMZ)

Since the end of 1989, Germany's aid to the former Soviet Union has amounted to \$53.5 billion which is more than half of total international assistance and which represents more than 3% of German GDP.⁴⁵ Germany has provided aid to the former Soviet Union in the following areas and amounts: loan and export guarantees (\$27.7 bil.); grants and free shipment of goods (\$12.5 bil.), investment projects particularly in natural gas production and ore-mining (\$1.9 bil.); and the Transfer Ruble Balance (\$11.4 bil.). The Transfer Ruble Balance represents a medium-term interest-free loan, and regarding the \$12.5 billion of grants and free shipments of goods, \$9.4 bil. of this sum relates to withdrawing Soviet troops from the new German states.

Germany is providing to the Newly Independent States financial advisory services, scientific and technical cooperation, training, and technical assistance in the form of advice in legal matters, customs, tax, budgetary issues, banking, insurance, labor management, and social welfare. This assistance was approved by the Federal Cabinet in March 1992 and is being provided by the various Federal Ministries.

Germany has also had a large role in European Community assistance to the former Soviet Union. In 1991 the EC decided to provide ECU 250 mil. for relief shipments, and after the Maastricht Summit provided additional food aid amounting to ECU 200 million in grants. Germany's share of this aid was about 28%. Germany also played a key role in the Group of Seven (G7) decision to provide a \$24 billion financial assistance package to the former Soviet Union of which the German share amounted to about \$4.5 billion.

Canada: Canadian International Development Agency (CIDA)

The Canadian government has provided economic assistance to the former Soviet Union in the form of humanitarian assistance, technical assistance, food credits, and commercial credits. The Canadian government contributed \$7 million to the Red Cross to provide medical supplies to former Soviet republics which included Kyrgyzstan. The government has provided a \$25 million program for technical assistance to the former Soviet republics which is being managed by the Task Force on Central and Eastern Europe.⁴⁶ Over 50 projects have been approved by the Task Force with energy and agriculture being the prime areas of focus. In addition, food credits and lines of credit for capital goods and services have been approved for Russia, although they were suspended

in early 1993. In July 1992 the Canadian government sent a delegation to Kazakhstan and a joint declaration of economic cooperation was signed.

Canada has also contributed to international organizations such as the European Bank for Reconstruction and Development with its share of 3.4 percent and the IMF Stabilization Fund for the ruble.

Assistance from International Organizations:

United Nations Development Program (UNDP)

Consultative Group meetings for Kazakhstan and Kyrgyzstan were held December 14 and 15, and a Pre-Consultative Group meeting was held for Uzbekistan on December 16. These meetings are primarily coordinated by the World Bank but UNDP also plays an important role as a statutory member of the Consultative Groups.

The UNDP coordinates the various UN bodies in providing development assistance as part of the Consultative Group process. Relevant areas for UNICEF's involvement include infant and child welfare; UNFPA responsibilities include training, organizational support, material supplies, and educational support to family planning initiatives; and the World Health Organization of the UN is in charge of dispensing drugs, vaccines, medical supplies and equipment.

The United Nations Development Program has identified five broad areas to support Kyrgyzstan in its efforts to transform its economy. These include support in the transition process and aid coordination, privatization and investment promotion, social dimensions of the transition, environment and sustainable development, and agricultural improvement.⁴⁷ The UNDP has a field office in Bishkek which is headed by a Resident Coordinator and is supporting the Government's efforts to identify its needs by sector and areas of concern. The UNDP Resident Coordinator made a short mission to Kyrgyzstan in December 1992 and made a preliminary identification of the main issues in providing technical aid. UNDP has proposed national working groups to provide specific action programs to be followed up by programs supporting study tours abroad and training. Annual reports are to be made which are to include a data base on all technical and financial aid. UNDP plans to work closely with GOSKOMINVEST which is the government body coordinating and supervising all foreign investment in and economic aid to Kyrgyzstan. What is known as an "umbrella project" may be formed as it has for other European and former Soviet Union members to cover a wide number of forms of assistance in cooperation with other donors.⁴⁸

World Bank

A Consultative Group (CG) was created for Kyrgyzstan which met December 15, 1992 and was organized by the World Bank. A Consultative Group was also formed for Kazakhstan, and a pre-Consultative Group was formed for Uzbekistan. The World Bank has set up a regional office in Tashkent, Uzbekistan which covers developments in Kyrgyzstan. The World Bank has been providing technical assistance and has prepared a rehabilitation loan for Kyrgyzstan which has been approved. In addition to technical assistance, Kyrgyzstan is in dire need of balance of payments support as part of the stabilization plan. A financial gap of \$400-450 million remains to be filled between the World Bank's commitment and the targeted sum. A meeting was scheduled for late March 1993 in Washington, DC in this regard.

The rehabilitation loan has components involving privatization, public relations with respect to privatization, mining, financial/auditing, central banking, and social safety net

issues. The World Bank has funded preparatory work focusing on private, financial, and human resource sectors, and will subsequently focus on the productive sector including minerals, hydro power, agriculture, and telecommunications.

International Monetary Fund

In mid February 1993 the Kyrgyz prime minister announced that Kyrgyzstan expected to sign a \$300-350 million loan agreement with western creditors led by the International Monetary Fund and World Bank.⁴⁹ This loan agreement is intended to support Kyrgyzstan in continuing its progress on economic reform. The prime minister indicated that 11% of the country's state property had been privatized already and that a third of the country's industry, agriculture, and services were to be privatized by the end of 1993. He hoped that foreign investment would be forthcoming in addition to the technical assistance in economic restructuring and indicated that the government was prepared to guarantee joint ventures in the republic. The IMF has been working closely with the Kyrgyz government in developing its plans and supports the relatively rapid pace at which this Central Asian country is pursuing economic reform.

Important objectives which the IMF has identified for technical assistance to Kyrgyzstan include the implementation of stabilization policies and the strengthening of the institutional framework. Specific areas requiring support in central banking include accounting, foreign exchange operations, reserves management, and banking supervision; in the area of fiscal policy support is needed in budget design and tax administration; in addition a system to collect, process, and produce statistics on monetary and balance of payments developments is needed.⁵⁰

European Community and European Bank for Reconstruction and Development

In December of 1991 the European Community agreed to provide Ecu 1.25 billion in food credits to the emerging independent republics. The sum of Ecu 32 million in food credits was provided to Kyrgyzstan.⁵¹

The European Community has provided a technical assistance grant to the former Soviet states in the amount of Ecu 9.23 billion. With the collapse of the Soviet Union, the Central Asian countries automatically became eligible for membership in the EBRD.

The European Bank for Reconstruction and Development is financed from contributions from numerous countries, with the U.S. having a ten percent share, the United Kingdom, France, Germany, Japan, and Italy having an eight percent share, and Canada having a 3.4 percent share. EC member states hold a total of 51% of the capital.

The EBRD recently agreed to provide a technical cooperation loan in the amount of \$43.8 million to support privatization in Russia.

General EBRD program areas include privatization, financial reform, infrastructural improvements, restructuring of industry, foreign investment, and the environment.

Asian Development Bank

Kyrgyzstan has not yet joined the Asian Development Bank, but did attend the 25th anniversary meeting of the ADB along with representatives from Kazakhstan, Uzbekistan, and Turkmenistan. Kyrgyzstan, however, did join the UN Economic and Social Commission for Asia and the Pacific which is a pre-requisite for ADB membership. Tajikistan and Turkmenistan also joined the UN group, and Uzbekistan and Kazakhstan plan to do so as well. The countries are attracted to ADB's no-interest 30-year loans, but

according to common practice, they face the choice of joining only one of the two relevant regional banks - the other being the EBRD. The two banks, however, do have slightly different emphases with ADB concentrating on the public sector whereas the EBRD provides 60% of its funding to private enterprise.⁵²

ENDNOTES

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APPENDIX

Basic & Demographic Information on Central Asian Republics

Ethnic Composition of Central Asian Republics

Gross Domestic Product (GDP) in 1990-1992

GDP Data for the Central Asian Republics (1990)

Net Material Product Data for the Central Asian Republics (1990)

Central Asian Republics' Production - Output & Employment by Sector

Share of Total Exports & Imports (1990)

Inter-Republican Trade in Central Asia (1990)

Foreign Trade (1990) (Selected Countries)

Relative Energy Importance of the Former Soviet Republics (1990)

Kyrgyzstan Budget

World Assistance to Central Asian Republics

Assistance to the Independent States of the Former Soviet Union Since September 1990

BASIC & DEMOGRAPHIC INFORMATION ON CENTRAL ASIAN REPUBLICS

Indicator	KAZAKHSTAN	KYRGYZSTAN	TAJKISTAN	TURKMENISTAN	UZBEKISTAN	RUSSIA
Area (thousand sq.km)	2,717	199	143	488	447	17,075
Population (mid-1990)(M)	16.7	4.4	5.3	3.7	20.5	148.3
Urban Population (%)(1990)	57.0	38.0	32.0	45.0	41.0	74.0
Average Annual Growth Rate (1985-90)	1.1	1.91	2.93	2.46	2.53	0.6
% under 25 years (1990)	49	56	63	60	60	35
Infant Mortality Rate (1989-90 per 1,000)	27.2	33.5	47.3	53.8	38.9	18.8
Birth Rate (1985-90 per 1,000)	24.5	31.9	41.6	37	36	17
Death Rate (1985-90 per 1,000)	8.5	7.6	6.8	8	6.9	10.5

SOURCE: World Bank Statistical Handbook (Table 1.2)

ETHNIC COMPOSITION OF CENTRAL ASIAN REPUBLICS

(in thousands, 1989)

Republics	KAZAKHSTAN	KYRGYZSTAN	TAJKISTAN	TURKMENISTAN	UZBEKISTAN	TOTAL IN EX-USSR
Ethnic Groups						
Kazakhs	6,532	37	3,168	88	808	8,138
Kyrgyz	14	2,228	64	1	175	2,531
Tajiks	26	34	3,168	3	932	4,218
Turkmen	4	1	21	2,524	123	2,718
Uzbeks	334	551	1,197	320	14,535	17,110
Other Muslims	768	212	95	135	923	20,088
Russians	6,226	917	387	334	1,652	145,072

SOURCE: WILSON QUARTERLY (SUMMER 1992)

GROSS DOMESTIC PRODUCT (GDP) IN 1990-1992

(billions of rubles by 1990 prices)

	1990	1991	1992	1991 to 1990 by %	1992 to 1991 by %
COMMONWEALTH	1,006.5	865.0	715.0	86%	83%
RUSSIA	625.0	528.5	428.5	85%	81%
KAZAKHSTAN	56.5	51.0	43.5	90%	85%
KYRGYZSTAN	9.5	7.3	6.5	77%	89%
TAJIKISTAN	8.0	6.0	4.0	75%	66%
TURKMENISTAN	8.0	7.2	6.5	90%	90%
UZBEKISTAN	43.0	35.0	28.0	81%	80%

SOURCE: Business World No.3 (48), February 3, 1993

GDP DATA FOR THE CENTRAL ASIAN REPUBLICS (1990)

Indicator	KAZAKHSTAN	KYRGYZSTAN	TAJIKISTAN	TURKMENISTAN	UZBEKISTAN
GDP (current billion rubles)	45.3	8.3	7.1	7.3	n.a.
GDP per capita	2,706	1,893	1,341	2,002	1,579

SOURCE: World Bank Statistical Handbook

NET MATERIAL PRODUCT DATA FOR THE CENTRAL ASIAN REPUBLICS (1990)

Indicator	(in billion rubles)				
	KAZAKHSTAN	KYRGYZSTAN	TAJIKISTAN	TURKMENISTAN	UZBEKISTAN
Net Material Product (NMP)	35.0	6.0	5.3	5.3	23.4
Share of Former USSR (NMP) (%)	4.8%	0.8%	0.7%	0.7%	3.2%

SOURCE: World Bank Statistical Handbook

CENTRAL ASIAN REPUBLICS' PRODUCTION
- OUTPUT & EMPLOYMENT BY SECTOR - *

		Industry	Construction	Agriculture
KAZAKHSTAN	- output	41.6%	9.5%	35.7%
	- employment	20.1%	10.7%	16.5%
KYRGYZSTAN	- output	45.3%	7.7%	36.4%
	- employment	27.8%		32.8%
TAJKISTAN	- output	n.a.	n.a.	n.a.
	- employment	13.5%	8.3%	42.9%
TURKMENISTAN	- output	19.6%	22.7%	46.4%
	- employment	10.8%	10.0%	42.0%
UZBEKISTAN	- output	43.1%	13.8%	28.7%
	- employment	n.a.	n.a.	n.a.

*) Output data is from 1991 while employment data is from 1990.

SOURCE: World Bank Statistical Handbook (compiled)

SHARE OF TOTAL EXPORTS & IMPORTS (1990)(%)

(at Domestic Prices)

Country	Export/Import Volume (M current ruble)	Foreign Trade (%)	Inter-Republican Trade (%)
KAZAKHSTAN - export	9,350	10%	90%
- import	17,830	20%	80%
KYRGYZSTAN - export	2,499	2%	98%
- import	4,243	25%	75%
TAJIKISTAN - export	2,686	11%	89%
- import	4,127	19%	81%
TURKMENISTAN - export	2,641	7%	93%
- import	3,608	19%	81%
UZBEKISTAN - export	9,351	13%	87%
- import	14,662	19%	81%
RUSSIA - export	106,795	30%	70%
- import	142,563	53%	47%

SOURCE: World Bank Statistical Handbook (compiled)

INTER-REPUBLICAN TRADE IN CENTRAL ASIA (1990) *

(millions of 1990 rubles in domestic prices)

	RUSSIA	KAZAKHSTAN	KYRGYZTAN	TAJKISTAN	TURKMENISTAN	UZBEKISTAN	Imports		Total
							Former USSR	Rest of World	
RUSSIA		4,276.3 (50.7%)	897.1 (36.1%)	1,167.6 (49.1%)	1,276.4 (51.7%)	4,840.2 (59.3%)	67,283.7	75,280.0	142,563.7
KAZAKHSTAN	9,073.5 (63.4%)		267.6 (10.9%)	317.9 (13.4%)	78.9 (3.2%)	783.9 (9.6%)	14,314.1	3,516.0	17,830.0
KYRGYZTAN	1,538.6 (2.1%)	388.0 (4.2%)		65.1 (2.7%)	48.6 (2.0%)	364.5 (4.5%)	3,179.4	1,063.0	4,242.4
TAJKISTAN	1,407.1 (2.0%)	268.8 (3.2%)	123.7 (5.1%)		69.2 (2.8%)	502.8 (6.2%)	3,359.3	767.0	4,126.3
TURKMENISTAN	1,275.3 (1.7%)	217.1 (2.6%)	112.7 (4.6%)	88.6 (3.7%)		213.6 (2.6%)	2,923.0	685.0	3,608.0
UZBEKISTAN	5,936.6 (8.0%)	1,453.4 (17.2%)	322.7 (13.2%)	329.8 (13.9%)	619.9 (25.1%)		11,863.8	2,798.0	14,661.8
Exports		8,443.3	2,445.9	2,377.4	2,469.0	8,169.1			
Former USSR	74,710.3	906.0	53.0	308.0	172.0	1,183.0			
Rest of World	32,083.0	9,349.3	2,498.9	2,685.9	2,611.0	9,352.1			
TOTAL	106,793.3								

* Note: Entries in the matrix represent the flow of commodities from the state at the top of the column to the state in the row. The figures to the side and below represent the share of total inter-state imports and exports, respectively.
For example, 4,276.3 million rubles of trade items flowed from Kazakhstan to Russia. This flow accounted for 6.4% of Russia's total interstate imports and for 50.7% of Kazakhstan's total interstate exports.

FOREIGN TRADE, 1990 (SELECTED COUNTRIES)

(millions official foreign trade in rubles)

	Kazakhstan		Kyrgyzstan		Tajikistan		Turkmenistan		Uzbekistan	
	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
Total	1,112	2,433	67	870	413	750	140	566	875	2,051
Europe	720	1,752	41	574	252	507	89	402	558	1,429
Germany	122	436	6	157	46	118	16	144	95	309
Poland	70	260	3	63	21	61	7	51	54	218
Bulgaria	100	202	6	66	37	55	13	41	79	209
Czech	83	220	4	81	32	60	10	46	63	193
Asia	198	434	24	145	77	128	31	113	200	348
Japan	38	67	1	42	14	19	3	17	68	111
China	39	127	10	30	10	28	4	28	29	88
India	24	48	1	25	8	18	4	32	20	29
America	71	205	4	50	29	80	9	41	62	189
Cuba	57	117	3	26	23	39	8	12	49	97
U.S.	10	63	1	10	4	28	1	17	8	52

Source: World Bank Statistical Handbook (compiled)

RELATIVE ENERGY IMPORTANCE OF THE FORMER SOVIET REPUBLICS, 1990

(thousand barrels per day oil equivalent)

	Production				Consumption			
	Oil	Gas	Coal	Electricity	Oil	Gas	Coal	Electricity
KAZAKHSTAN	502	110	1,164	141	450	175	583	153
KYRGYZSTAN	4	2	35	21	57	28	32	13
TAJIKISTAN	4	3	6	29	51	28	7	26
TURKMENISTAN	112	1,365	0	24	104	166	5	12
UZBEKISTAN	56	634	53	91	218	655	45	77
RUSSIA	10,328	9,956	3,503	1,744	4,982	7,417	3,155	1,518
TOTAL FORMER USSR	11,394	12,665	6,235	2,784	8,400	11,078	5,245	2,424

Note: Electricity figures include electricity generated from oil gas and coal power plants.

SOURCES: Matthew J. Sagers, Soviet Geography, 4/91; Energy Information Administration, International Energy Annual 1990; International Energy Outlook 1992, Energy Information Administration, April 1992

KYRGYZSTAN BUDGET

(millions of current rubles)

	1990	1991
TOTAL REVENUE (including grants & transfers)	3,210	5,430
Grants from USSR	910	1,930
Transfers from all union budget	-	-
Tax Revenue	2,180	2,660
Profit Tax	420	750
Income Tax	200	380
Turnover & other excise taxes	1,170	1,170
Social Security Contribution	360	-
Others	30	360
Non Tax Revenues	120	840
TOTAL EXPENDITURE (including transfers)	17,055	4,730
Transfers to all union budget	3,180	1,280
Current Expenditure	760	3,260
Administration	1,940	2,510
Subsidies	1,370	750
Economy	570	-
Social & Cultural	-	-
Others	-	-
Capital Expenditure	480	190
Investment	-	-
SURPLUS/DEFICIT	30	700

SOURCE: World Bank Statistical Handbook

WORLD ASSISTANCE TO CENTRAL ASIAN REPUBLICS

(millions of ECU, rounded figures)

Donors	EC and Member States	Other Countries	International Institutions	Total
Type of Assistance				
Medical and Food Aid	1,816	1,097	0	2,913
Loans and Loan Guarantees	38,745	12,912	1,261	52,719
Strategic Assistance:				
Withdrawal of Soviet Troops	8,571	587	0	9,146
Technical Assistance	1,784	725	53	2,562
Others	1,500	2,980	0	4,480
Total	52,416	18,090	1,314	71,821

*) The table includes estimates of commitments made by EC and its member states, other countries and international institutions. These commitments may cover several years. Figures do not include debt rescheduling nor grants from private sources.
Commitments made by international institutions are not included under those of their member states.

SOURCE: EC

ASSISTANCE TO THE INDEPENDENT STATES OF THE FORMER
 SOVIET UNION SINCE SEPTEMBER 1990

Major Donors	Country Breakdown	Amount (billion ECU)
EC Member States	Germany	40.1
	Italy	3.9
	France	2
	Others	3.6
	TOTAL	49.7
EC		3.5
International Institutions		1.5
EFTA and Nordic Council		1.2
Others	United States	8.0
	Gulf Cooperation Council	3.4
	South Korea	2.4
	Japan	2.4
	Others	3.3
	TOTAL	19.5
	GRAND TOTAL	75.4

SOURCE: European Commission / Financial Times, 3/26/93

UZBEKISTAN

Country Background Report

Japan International Cooperation Agency

U.S.A. Office

Washington, D.C.

April 1993

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APPENDIX

UZBEKISTAN

Uzbekistan hosts the largest population of any Central Asian country with 21 million inhabitants and due to its valuable resources of natural gas and gold and its historical prominence Uzbekistan is emerging as a regional power. The Uzbek economy is primarily agriculturally based with cotton as the major product, and traditionally Uzbekistan has been a provider of raw materials to Soviet industry although it has a large industrial base of its own. Uzbekistan has been slow to introduce economic reform measures preferring a gradual approach rather than shock therapy, and its conservative authoritarian leadership has emphasized law and order over the development of Western style democracy and regard for human rights.

Uzbekistan has shown an interest in Turkey as a model for development although the authoritarian approaches in Chile and South Korea are more representative models. President Karimov has been a strong supporter of a common market in Central Asia, but its neighbors are suspicious of Uzbek dominance with Kyrgyzstan and Tajikistan being particularly fearful of a rise in Uzbek nationalism.

The Uzbek economy is currently experiencing a decline similar to that faced by other Central Asian countries which in large part is due to the breakdown of inter-republican trade, and poverty is the second highest behind Tajikistan of the members of the former Soviet Union. Uzbekistan is also experiencing serious environmental problems arising from its cotton monoculture and the related use of irrigation which has caused the shrinking of the Aral Sea and public exposure to dangerous pesticides. Moreover, the lack of tolerance for political opposition movements, the resurgence in religious activities, and the spillover effects from the civil war in Tajikistan make political stability a concern.

I. Political, Economic, and Social Conditions in Kazakhstan

Political Conditions:

Uzbekistan declared its sovereignty on June 20, 1990 and declared its independence on August 31, 1991.¹ The declaration of independence was made by the Supreme Soviet and was strongly supported in December 1991 by a referendum vote. In March 1992 Uzbekistan became a member of the United Nations.

Uzbekistan is a republic led by Islam Karimov who was elected in March 1990 by the Uzbek Supreme Soviet to the new post of President and who was popularly elected in December 1991 gaining 86% of the vote.² The Supreme Soviet which is now known as the Supreme Council was elected in February 1990, and a Presidential Council and Cabinet of Ministers were established in 1990 as advisory and administrative bodies. The elections to the Supreme Council were not considered completely free with one-fourth of the 360 seats in the unicameral legislature being reserved for public organizations which were Communist dominated and one-third of the candidates running unopposed.³ The members of the Supreme Council are predominantly former conservative members of the Uzbek Communist Party which was renamed the National Democratic Party after the Soviet coup attempt in August 1991. On December 8, 1992 a new constitution was adopted by the Supreme Council which establishes a strong presidential role. It was passed by unanimous vote with little discussion.

Political opposition is limited in Uzbekistan and only three parties have been allowed to legally register. These are the National Democratic Party of Uzbekistan (formerly the Uzbek Communist Party), the Erk (Freedom) Party, and the Fatherland Development Party. Parties which have not been allowed to register include the Birlik Movement, the Islamic Rebirth Party, and the Party of Free Peasants among others.⁴

The National Democratic Party (NDP) is the ruling party led by Karimov which was created in September 1991 by renaming the Uzbek Communist Party. Emphasis was shifted from communism to Uzbek nationalism, and although many opposition groups support certain nationalist policies, Karimov continues to face a large number of opposition groups. The Birlik (Unity) Popular Front Movement was founded in 1989 and is the largest opposition party with a reported membership in mid-1992 of over a million.⁵ It supports a secular government, freedom of religion, the central place of Islam in society, and the use of Uzbek as the national language.⁶ The Erk Party was founded in 1990 as a splinter group from the Birlik Movement, and it more modestly opposes the NDP, emphasizes human rights issues, and prefers parliamentary approaches to mass demonstrations.⁷ It was allowed to legally register with authorities as a party in September 1991, and its leader ran against Karimov in the presidential elections. The Fatherland Development Party was founded in mid-1992 by an advisor to Karimov and is supportive of Karimov's policies. The Islamic Rebirth (Renaissance) Party is a regional party which has constituents in other former republics of the Soviet Union including Tajikistan but which is banned in Uzbekistan. The party supports equal rights among nationalities and supports living according to Islamic principles.⁸ It is becoming more popular in Uzbekistan especially in the Fergana Valley where there is strong resistance to communist rule and Karimov is perceived by some extremists as an obstacle to setting up an Islamic republic.⁹

Ethnic tensions are acute in Uzbekistan especially between the Uzbeks and Tajiks. Of the over 21 million inhabitants of Uzbekistan, a sizable majority of 71% are Uzbek. The ethnic minorities include the following: 8% Russian; 5% Tajik; 4% Kazakh; 2% Tatar; 2% Karakalpak; and 1% Korean among others. About three-fourths speak Uzbek and one-third speak Russian.

A number of ethnic incidents have taken place which indicate the serious nature of ethnic tensions in Uzbekistan. In June 1989 100 were killed in an ethnic conflict between Shiite Meskhetian Turks and Sunni Uzbeks and in June of 1990 200 deaths occurred as a result of ethnic rioting between Uzbeks and Kyrgyz in Osh in Kyrgyzstan. Historic tensions between the Uzbeks, Tajiks, Kazakhs, and Kyrgyz are exacerbated by border claims upon each other, and tensions between the Tajiks and Uzbeks in part stem from the inclusion of the two Tajik cultural cities of Bukhara and Samarkand into Uzbekistan when the boundaries were artificially created by Stalin in the 1920s.¹⁰ In the late 1980s tense republican relations between Uzbekistan and Tajikistan were softened somewhat by the opening of some Tajik language schools in Uzbekistan, but relations deteriorated again in June 1992 due to the Tajikistan civil war. With the ethnic Uzbek minority of 20% in Tajikistan, some Uzbeks have gotten involved in the fighting with most favoring the pro-communist loyalist forces over the Islamic forces. The situation in Samarkand, Uzbekistan is also sensitive since as many as half the area's population is Tajik.¹¹

Strong migration tendencies of various ethnic groups have resulted from these ethnic tensions. Many Russians have left Uzbekistan as well as other Central Asian countries, and this is due in part to the recent Uzbek language requirement in order to hold a government position. Due to the clashes in June 1989, thousands of Meskhetian Turks have left the country, and due to the events in Osh, many Uzbeks residing in Kyrgyzstan

have migrated to Uzbekistan. Due to the civil war in Tajikistan, thousands of Uzbeks are fleeing from Tajikistan. Moreover, thousands of Crimean Tatars are returning to the Crimea.

With 16 million Uzbeks in Uzbekistan and millions of Uzbeks scattered throughout the other Central Asian countries, the Uzbeks represent a powerful nation in the region.¹² Uzbek nationalism has caused concern among its neighbors, particularly Kyrgyzstan and Tajikistan, which sense Uzbek assertiveness and fear a return to Uzbek dominance of the region. Afghanistan is likewise sensitive to the issue since millions of Uzbeks and Tajiks reside there. In the recent electoral contest for President in Uzbekistan, both President Karimov and the opposition had Uzbek nationalism as major themes. Karimov has also been a proponent of a common market in Central Asia which is also viewed with suspicion.

Uzbeks are predominantly Sunnis and there is wide respect for Islam in the country due to its strong Islamic heritage. A marked resurgence of religious interest is occurring in Uzbekistan, and the Uzbeks are inclined to secularism rather than Islamic fundamentalism. President Karimov has allowed religious education in the public schools and retains an Uzbek cleric as a cabinet advisor for religious affairs, but Muslim political parties have not been tolerated since they might threaten the power of the current leadership.¹³ Moreover, the Islamic movement is expected to grow as economic and social conditions deteriorate.¹⁴

Economic Conditions:

Uzbekistan's independence served to establish full economic autonomy and ownership of the natural resources in its territory. The economy is primarily agrarian but has some economic diversity. Uzbekistan's key industries are power production, mining, chemicals and machine building, and its main agricultural products are cotton, grains, fruits and vegetables.¹⁵ Uzbekistan also has a number of natural resources, most notably natural gas and gold, in addition to coal, silver, wolframite, and large deposits of copper, lead, zinc, and tungsten. In 1990 agriculture represented about 44% of net material product and employed about 40% of the population compared to industry's share of 24% in output and 24% in employment.

Despite its potentially diverse economic base, Uzbekistan traditionally has relied upon three commodities for its economic development. These are cotton, natural gas, and gold in that order. Uzbekistan is one of the world's leading producers of cotton and produces two-thirds of the former Soviet Union's supply. Uzbekistan has been producing cotton for the USSR since the mid 1920s, and the growing of cotton was so emphasized by Moscow that the growing of grain and other food items was abandoned. Today cotton cultivation utilizes more than half of the arable land and 40% of the labor force.¹⁶ This cotton monoculture is to the detriment of Uzbekistan's economy both due to the dependence on this single agricultural commodity and to the severe effects that irrigation has had on the Aral Sea.¹⁷

Uzbekistan is a major producer of natural gas with an annual output of some 40 billion cubic meters and has supplied a third of the former Soviet Union's gas with current annual output of about 70 tons. These resources support promising prospects for economic development in Uzbekistan. In addition, in March 1992 a major oil field was discovered in the Fergana valley which could make Uzbekistan self-sufficient in energy.¹⁸ The country also has unexploited hydroelectric potential.

Uzbekistan would like to transform the economy from one based on supplying the Soviet Union with raw materials to one based on providing finished products. The country

would also like to diversify its agricultural base. Among the Central Asian countries, Uzbekistan leads in agro-industry and in the production of consumer goods yet is deficient in many aspects in the processing and use of agricultural produce.¹⁹ Uzbekistan lacks appropriate machinery, and despite its supplying of cotton to the former Soviet Union, it has an underdeveloped textile industry. Other agricultural activities in Uzbekistan besides cotton cultivation include raising cattle, sheep, and silkworms, and recently opium cultivation has become a major cash crop.²⁰

Uzbekistan's trade has traditionally been with other republics of the former Soviet Union with inter-republican trade accounting for about 85% of total trade. Of inter-republican exports in 1990, about two-fifths were in light industry which includes cotton production. About 13% of the exports were in machine building, but this sector also accounted for about 28% of Uzbekistan's inter-republican imports.²¹ Other inter-republican Uzbek exports besides cotton include machinery, textiles, fertilizers, agricultural and aviation equipment.²² In foreign trade cotton is the major export representing over four-fifths of foreign exports. Uzbekistan imports grain, oil, sugar and construction materials from other former republics and consumer goods, foodstuffs, and raw materials from abroad. The breakdown in inter-republican trade made it more difficult to import these items while its exports of raw materials continued to some extent thus generating a trade surplus in 1991 in contrast to previous years.

The official currency of Uzbekistan is the rouble, but the government is considering introducing its own currency. Inflation is very high as experienced in other former Soviet republics. Prior to 1991 monetary policies were decided at the Union level, but in February 1991 a banking law was passed which made commercial banking possible and which converted the local Tashkent Gosbank into the central bank for Uzbekistan. In 1991 credit expanded rapidly with credit to the government at interest free rates approaching 3 billion rubles and credit to enterprises primarily in the agriculture sector increasing by 120 percent.²³

The government experienced a budget deficit in 1991 of 3.1 billion rubles which represents about 5.5% of GDP. Previous budget deficits were much smaller and ranged from 0.3% to 1.4% of GDP in the 1980s. In 1991 transfers from the all union budget exceeded tax revenues in the share of total revenues with transfers representing 43% and tax revenues representing 39% of total revenues.²⁴ In 1991 government expenditures accounted for as much as 55% of GDP with socio-cultural expenditures accounting for about one-third of these expenditures and subsidies accounting for about 17%. The high dependence on transfers from the all union budget suggest an even higher budget deficit for 1992 since such transfers are no longer made. The government implemented numerous changes in the taxation system in 1992 to raise revenues including the abolishment of the turnover and sales taxes and the establishment of a 30% value-added tax as well as excise taxes. These tax revenues are expected to account for about 40% of total revenue.²⁵

Uzbekistan passed a foreign investment law in June 1991 and initially attracted high interest in joint ventures due to its large population base and its short supply of consumer goods. One of the first major joint ventures was with Rank Xerox which signed a deal worth \$500,000.²⁶ Mobil Oil Corporation is strongly interested in exploiting the recently discovered oil reserves in the Fergana valley, and the building of pipelines to transport oil and natural gas to new markets is also a source of interest to the Uzbek government and foreign investors.²⁷ Uzbekistan also has largely unexploited hydroelectric potential. Uzbekistan is pursuing close contacts with Turkey in a number of areas, and a joint venture in telecommunications was recently signed to provide digital public exchanges in Uzbekistan.

Uzbekistan initially did not sign the October 1991 memorandum on former Soviet debt to Western creditors in which Uzbekistan was assigned a 3.3% share of the debt, but subsequently signed a communique in February 1992.²⁸ To date the government has not made any repayments.

Social Conditions:

Uzbekistan is the second poorest country of Central Asia behind Tajikistan, and 82% of the 21 million inhabitants live below the poverty level compared to 42% in the former Soviet Union.²⁹ The country has an unusually high percentage of youth with 60% under the age of 25, and the population growth rate is the second highest in Central Asia. Birth rates are very high at 36 per 1000 in the late 1980s, and the population is growing by nearly a million people per year with an average Uzbek family having six children.³⁰

Government health services are primitive, sanitation is poor, equipment is outdated, and shortages in manpower and funding are not uncommon. The environmental disaster at the Aral Sea is a source of numerous health problems, and as many as 45% of the Karakalpaks who reside in the area suffer from respiratory complications in addition to infant mortality rates which are particularly high.³¹ Infant mortality rates for Uzbekistan in general are high at nearly 39 per thousand and appear to be on the rise after several decades of decline.³²

A number of funds were established by the government in 1991 and 1992 for social protection of residents in Uzbekistan. In January 1991 a pension fund was created to provide old age and disability pensions and family cash allowances. A state insurance fund was also created at the enterprise level to finance such social benefits as sick leave, maternity leave, and lump-sum payments for newborns. An employment fund was established in March 1991 to support job placement and retraining in addition to providing unemployment benefits.³³

The ability of the government to provide for the social welfare of its population is limited due to the economic troubles it is experiencing from the breakdown in inter-republican trade and the initial steps towards making the transition to a social market economy. The leadership of Uzbekistan has been reluctant to introduce shock therapy as this is seen as having potentially severe social effects upon an already impoverished society.

Foreign Economic and Political Relations:

Uzbekistan is a member of the International Monetary Fund, World Bank, the Conference on Security and Cooperation in Europe and the Economic Cooperation Council which consists of Iran, Turkey, Pakistan and the Central Asian countries. Turkey had the first ambassador in Uzbekistan in May 1992, and the United States established the first embassy in September 1992.

Uzbekistan is pursuing close economic and political ties with Asia, particularly South Korea and China, with Turkey and with its immediate Central Asian neighbors. It is also interested in foreign investment from Western countries to modernize its economy which has been highly dependent upon ties with the former republics of the Soviet Union. Uzbekistan is supportive of a common market in Central Asia and has signed economic and trade agreements with Kyrgyzstan and Kazakhstan. Uzbekistan would like to play a lead role in Central Asia and develop a more independent position from Russia. Uzbekistan's

relations with Russia have at times been tense due to terms of trade disputes, but it has signed a Friendship Treaty with Russia which included collective security arrangements.³⁴

Turkey is viewed as a possible development model due to its secular government and moderate Islamic traditions³⁵. Uzbekistan is culturally linked to the Islamic world, but is not particularly attracted to Iranian and Saudi Arabian religious influences. Relations between Uzbekistan and Tajikistan are important since sizable minorities of each ethnic group are represented in the two countries. The Uzbek government fears the growing role of Islam and is interested in containing the Tajik civil war. Karimov has attempted to seal off the borders, but thousands of Uzbeks have managed to flee from Tajikistan into Uzbekistan. Karimov is supportive of the ex-communists resuming power and has reportedly provided military equipment to aid these forces.³⁶

Democracy, Human Rights, the Military, and Other Important Issues:

The human rights record in Uzbekistan is viewed as poor with the leadership retaining firm control of the media and having little tolerance for opposition movements. Publication rights and access to paper and newsprint are restricted, censorship of opposition papers is common, and the import of certain liberal publications from Moscow and other foreign publications which criticize Karimov are restricted. The mass popular movement, Birlik, has not been allowed registration as an official party, and its leaders have been beaten and arrested in addition to their homes being searched and their headquarters being closed down.³⁷ The Islamic Rebirth (Renaissance) Party likewise has not been allowed to register as a party although its adherents continue to increase.

In January 1992 student riots in Tashkent were broken up with police firing into the crowd and resulting in two deaths. In April and May 1992 demonstrations in neighboring Tajikistan had resulted in opposition members being included in a coalition government, and Karimov was concerned about similar uprisings in Uzbekistan and took more repressive measures against the opposition. In early July 1992, the two main opposition groups, Birlik, and the splinter group, Erk, planned a protest to be held at the opening of the Uzbek Supreme Soviet. After refusing to call off the protest, the leader was beaten with government officials being present, and subsequently the protests were called off by opposition leaders who feared bloodshed.³⁸ More recently at a human rights conference in Kyrgyzstan, more than a dozen people are reported to have been arrested by Uzbek authorities to prevent their attendance, and the beaten Birlik leader, Abdumannob Pulatov, who attended was abducted and jailed in Uzbekistan.³⁹ Since early 1993 Birlik activities have been suspended.

President Karimov has signed the Helsinki accords on human rights, and the provisions of the new constitution in Uzbekistan support human rights principles in addition to freedom of the press although adherence to these principles is weak.

The military in Uzbekistan has been under joint control of the republic and the Commonwealth of Independent States (CIS), and recently the Uzbek government established a small national guard with 700 personnel to serve as a presidential guard and to support the maintenance of order in the country. In September 1991 the Uzbek Ministry of Defense was established, and in January 1992 the government assigned the former Soviet troops to Uzbekistan's jurisdiction.⁴⁰ The size of the military is under discussion with 30,000 as a representative figure. In line with the treaty Uzbekistan signed with Russia and other Central Asian countries in May 1992 on closer military integration, Uzbekistan is considering participation in collective security arrangements including the creation of a

military force with units from each of the Central Asian countries under joint command of the CIS.⁴¹

The environment is also an area where regional cooperation is being pursued to deal with the water supply problems, pollution, and the general ecological crisis with its related health problems especially in the Aral Sea region. The intensive cultivation of cotton has been a major factor in the ecological crisis. Fields have not been left fallow, and extensive use has been made of dangerous pesticides to increase yields. Moreover, overuse of irrigation has led to the drying up of the Aral Sea with salt and minerals from the seabed being blown away and ruining the land in addition to water runoff from the cotton fields containing pesticide residue which becomes airborne when dried by the sun. The chemical pollutants and related factors cause respiratory problems among the local population, not to mention the fisherman in the region who are unemployed since only 4 of the original 24 species of fish in the Aral Sea have survived.⁴² The Aral Sea is considered to be one of the worst man-induced disasters in the world.⁴³

II. Economic and Social Development: Current Situation

Summary of National Economic Plans:

Uzbekistan has been slower than Kazakhstan and Kyrgyzstan in undertaking market-oriented reform measures and has declared its strong preference for gradual measures over shock therapy. Despite this stance by its conservative leadership, Uzbekistan is undertaking necessary steps in developing a social market economy. These initial steps include measures in price liberalization, privatization, and financial and tax reforms. The legal framework has been established through laws on private property, privatization, and foreign investment.

In carrying out the reform measures, the Uzbekistan government is guided by three principles: Uzbekistan should shift from its heavy reliance on cotton production to greater reliance on its natural resources and key industrial sectors; Uzbekistan should ensure food supplies and social benefits to the population which consists of a high percentage of children; and Uzbekistan should be alert to social instabilities that may arise from the harsh measures imposed on a poverty-stricken population.⁴⁴

Priorities, Principal Measures to be Taken & Barriers:

In accordance with the principles stated above, Uzbekistan has undertaken privatization, price liberalization, and other economic reform measures while keeping social stability and thus political stability a leading concern. These measures are described more fully in the following sections.

Privatization

Initial privatization measures included the distribution of irrigated land to families in 1989 and 1990. About half a million hectares of arable land were privatized in 1990 and 1991 for use by families as farm plots or housing lots.⁴⁵ Many of these farm plots are being used now to produce food rather than cotton. Decollectivization of the agricultural land also requires the distribution of loss-making state farms or their conversion into cooperatives, and the government intends to complete this task by the end of 1993.

Agricultural privatization has proceeded relatively well and some progress has been made in housing privatization, but privatization of enterprises and other state assets has proceeded more slowly. In early 1992 a privatization law was passed, and a committee on privatization was formed to privatize large state-owned enterprises. The government intends to privatize about 15% of all state-owned fixed assets by the end of 1993.⁴⁶ The government plans to create joint stock companies and lease state enterprises rather than holding open auctions. Areas of emphasis include such agro-industries as food processing as well as transportation, communications, and construction. The government intends to retain state control over many of the major industries, and this is seen as an impediment to foreign investors. These industries include cotton, energy, mining, metallurgy, air and rail transport, pharmaceuticals, and some other high technology industries.⁴⁷ Uzbekistan also has a number of military-related industries which need to be converted for civilian use, but this is not seen as a major obstacle.

Price Liberalization

The initial price liberalization of USSR prices took place in April 1991 when prices rose by nearly 150%. In January 1992 prices rose again in line with the measures taken in Russia. This second stage of price liberalization induced riots in Tashkent, and the price increases of certain commodities were reversed in part and then fixed.⁴⁸

The switch from existing prices to ones more in line with world prices affected Uzbekistan's terms of trade to a lesser extent than other former republics given Uzbekistan's abundant raw material and energy resources which can be exported at world prices.⁴⁹

Social Safety Net

The Uzbekistan government is very concerned about the effects of the economic reform measures on the general public, particularly the youth and elderly. To ameliorate the price liberalization measures, wage supplements were given, and student grants and pensions were also supplemented. Food subsidies and family allowances have also been raised. Social welfare provisions are emphasized in making the transition to a social market economy.

Investment Projection for National Development Plans:

Uzbekistan is working with the International Monetary Fund and World Bank among others to plan and implement the economic reform measures. Due to Uzbekistan's cautious approach to economic reform, less progress has been made than in Kazakhstan and Kyrgyzstan in the cooperative efforts with the IMF.

National Budget and Balance of Payments Situation:

The national budget has been in deficit for a number of years, but it increased sharply in the early 1990s. The budget deficit increased from 300 million rubles in 1990 to 3.1 billion rubles in 1991 which represented a marked increase to 5.5% of GDP.⁵⁰ Moreover, this figure included support from all union budget transfers which amounted to 43% of total revenues in 1991. Government expenditures in 1991 reached 31.1 billion rubles which were directed in large part to social expenditures and subsidies. In 1992 transfer payments were no longer made which seriously affected revenues, and tax reform measures were implemented which abolished the turnover and sales taxes and implemented

30% value-added taxes and some excise taxes. Despite these revenue enhancements, the budget for 1992 is expected to be 11.5 billion rubles or more.⁵¹

Reliable data of Uzbekistan's balance of payments is not available, but information on Uzbekistan's external trade is available from official Uzbek government sources and IMF estimates. In contrast to previous years, Uzbekistan experienced a trade surplus in 1991 in inter-republican trade which accounts for most of Uzbek trade. Exports amounted to 17.4 billion rubles compared to 16.6 billion rubles worth of imports from other former republics.⁵² In foreign trade which accounts for about 15% of total trade, Uzbekistan experienced a deficit as in previous years. Exports amounted to 2.2 billion rubles which were exceeded by imports of 3.6 billion rubles. Uzbekistan is highly dependent upon trade with inter-republican exports representing 31% of GDP.

Uzbekistan is attempting to increase its exports to foreign countries other than the former republics. This trend will hold in traditional exports and in gold and other precious metals as well as with cotton. Inter-republican trade continues to be difficult to monitor since it is now dominated by barter arrangements.

III. Donor Trends

Uzbekistan is slowly proceeding in its economic reform measures and is receiving technical assistance and humanitarian assistance from a number of bilateral donor agencies and international organizations.

Assistance from Bilateral Donor Agencies:

Development assistance is being provided to Uzbekistan by the Group of Seven industrialized countries as part of a large aid package primarily directed to Russia. In addition to these broad measures as part of the G-7 package, individual agencies are considering specific plans for assisting Uzbekistan in its development.

United States: Agency for International Development (AID)

In April 1992 AID created a Task Force on the Newly Independent States to serve the reforming countries of the Central Asian region. The mission is located in Alma-Ata, Kazakhstan. AID has established nine project areas to date: energy, environment, health care improvements, private sector initiatives, food systems restructuring, democratic pluralism, housing sector reform, economic and financial restructuring, and special initiatives. Although some projects have been developed for Uzbekistan, the primary beneficiaries of these programs to date have been Kazakhstan and Kyrgyzstan. Under the Freedom of Support Act, \$417 million was allocated in FY93 to implement these programs, and more than \$700 million is earmarked for FY94.

Emergency health care and humanitarian assistance have been provided to Uzbekistan as well as support for the country's economic reform measures. As part of the health care initiatives, emergency medicines and immunizations have been provided. In the area of economic reform, assistance has been provided in implementing privatization measures. USAID is working closely with the State Taxation Board and the Committee of Statistics in implementing economic reforms, but less progress has been made with the Ministry of Finance. USAID's activities in other project areas have been limited, especially

with regard to such democratic practices as political pluralism and the rule of law. The lack of progress in this area relates to the ruling party's firm control of the political process.⁵³

Japan: Japan International Cooperation Agency

Japan is currently providing technical assistance in Central Asia especially in human resources development and is cooperating with institutions such as the World Bank in joint financing projects. Development assistance priority areas for the Central Asian region include economic infrastructure such as transportation, energy, and communications, production areas such as agriculture, mining, manufacturing, and construction, and social infrastructure such as education, water supply, and sanitation.⁵⁴

The Japanese Government has announced the establishment of a training program for the Central Asian countries of the former Soviet Union. This program is to offer training courses to 300 people from the people of Kazakhstan, Kyrgyzstan, Tajikistan, and Turkmenistan over a period of three years. The purpose of the program is to inform the participants about Japanese economic development and assistance programs and to promote successful cooperation between the host countries and the Government of Japan in carrying out development projects. As of February 1993, 20 people had entered the training program.⁵⁵

Japan has dispursed part of 6.5 billion yen (\$50 million) for humanitarian assistance allocated to the Newly Independent States in February 1992.

In late October 1992 Japan hosted the Tokyo Conference on Assistance to the Newly Independent States in which nine republics of the NIS expressed the need for Consultative Groups. In mid-December 1992 in Paris Consultative Group sessions for Kazakhstan and Kyrgyzstan were held and a Pre-Consultative session was held for Uzbekistan in which the Japanese Government participated.

In early February 1993 the Japanese Ministry of Foreign Affairs organized a mission to Uzbekistan and the other Central Asian countries with the exception of Tajikistan to discuss and identify potential areas of development assistance support. A subsequent cultural exchange mission was sent to Uzbekistan, Kazakhstan, and Kyrgyzstan in late February 1993. Beginning in April 1993 Japan intends to send planning surveyors for a period of three months to four Central Asian countries.⁵⁶

Japan has strongly supported the Central Asian countries being included in the list of aid recipients of the OECD's Development Assistance Committee (DAC). In principle, Japan's grant assistance is provided only to countries on the DAC list which have per-capita gross national product figures below 1235 dollars (1991 standard); the current figures for the Central Asian countries of the former Soviet Union exceed this figure, and at present, these countries are ineligible for Japanese grant assistance.

Germany: Federal Ministry for Economic Cooperation (BMZ)

Since the end of 1989, Germany's aid to the former Soviet Union has amounted to \$53.5 billion which is more than half of total international assistance and which represents more than 3% of German GDP.⁵⁷ Germany has provided aid to the former Soviet Union in the following areas and amounts: loan and export guarantees (\$27.7 bil.); grants and free shipment of goods (\$12.5 bil.), investment projects particularly in natural gas production and ore-mining (\$1.9 bil.); and the Transfer Ruble Balance (\$11.4 bil.). The Transfer Ruble Balance represents a medium-term interest-free loan, and regarding the \$12.5 billion

of grants and free shipments of goods, \$9.4 bil. of this sum relates to withdrawing Soviet troops from the new German states.

Germany is providing to the Newly Independent States financial advisory services, scientific and technical cooperation, training, and technical assistance in the form of advice in legal matters, customs, tax, budgetary issues, banking, insurance, labor management, and social welfare. This assistance was approved by the Federal Cabinet in March 1992 and is being provided by the various Federal Ministries.

Germany has also had a large role in European Community assistance to the former Soviet Union. In 1991 the EC decided to provide ECU 250 mil. for relief shipments, and after the Maastricht Summit provided additional food aid amounting to ECU 200 million in grants. Germany's share of this aid was about 28%. Germany also played a key role in the Group of Seven (G7) decision to provide a \$24 billion financial assistance package to the former Soviet Union of which the German share amounted to about \$4.5 billion.

Canada: Canadian International Development Agency (CIDA)

The Canadian government has provided economic assistance to the former Soviet Union in the form of humanitarian assistance, technical assistance, food credits, and commercial credits. The Canadian government contributed \$7 million to the Red Cross to provide medical supplies to former Soviet republics which included Kyrgyzstan. The government has provided a \$25 million program for technical assistance to the former Soviet republics which is being managed by the Task Force on Central and Eastern Europe.⁵⁸ Over 50 projects have been approved by the Task Force with energy and agriculture being the prime areas of focus. In addition, food credits and lines of credit for capital goods and services have been approved for Russia, although they were suspended in early 1993. In July 1992 the Canadian government sent a delegation to Kazakhstan and a joint declaration of economic cooperation was signed.

Canada has also contributed to international organizations such as the European Bank for Reconstruction and Development with its share of 3.4 percent and the IMF Stabilization Fund for the ruble.

Assistance from International Organizations:

United Nations Development Program (UNDP)

In May 1992 all of the Central Asian countries had been given recipient status with UNDP with the exception of Tajikistan. By October 1992 UNDP had signed host agreements with Kazakhstan and Kyrgyzstan and expected an agreement with Uzbekistan.⁵⁹ As of December 1992 UNDP had indicated it planned to open offices in Kazakhstan, Kyrgyzstan, and Uzbekistan and was considering opening an office in Turkmenistan. Missions had been carried out to Kyrgyzstan and Turkmenistan as of late 1992.⁶⁰

A Pre-Consultative Group meeting for assisting Uzbekistan was held December 16, 1992 which was primarily coordinated by the World Bank but which UNDP also played an important role as a statutory member of the Consultative Groups. Consultative Group meetings were held the two previous days for Kazakhstan and Kyrgyzstan.

The United Nations recently sent missions to Uzbekistan to determine what emergency and humanitarian assistance measures are appropriate and to develop technical

assistance programs. Relevant areas for UNICEF's involvement include infant and child welfare; UNFPA responsibilities include training, organizational support, material supplies, and educational support to family planning initiatives; and the World Health Organization of the UN is in charge of dispensing drugs, vaccines, medical supplies and equipment. The UNDP coordinates these UN bodies in providing development assistance as part of the Consultative Group process.

World Bank

The World Bank is the primary coordinator of the Consultative Group process along with the International Monetary Fund and the United Nations. It had a major role in the Consultative Group sessions for Kazakhstan and Kyrgyzstan and the Pre-Consultative Group sessions for Uzbekistan held in mid-December 1992 in Paris.

The World Bank has set up a regional office in Tashkent, Uzbekistan which covers developments in Uzbekistan and the region. The World Bank has been providing technical assistance and is considering a rehabilitation loan for Uzbekistan.

Technical assistance particularly in regard to the legal framework, banking and finances, economic management, macroeconomic stability, and a social safety net are priorities and the technical assistance program is tentatively planned for Spring of 1993 in the amount of \$25-30 million. Two specific projects concern increasing the productivity of cotton production and issues related to irrigation. Recent oil finds in Uzbekistan are of interest, but oil transport is a concern since the country is land-locked.

Closely related to agricultural and irrigation issues in Kazakhstan is the massive environmental damage at the Aral Sea. The World Bank has developed an internal position with respect to the Aral Sea damage and plans to establish a project lasting 15-20 years. The emergency first phase would be completed within 2-3 years for about \$50 million and would include an action plan for subsequent years. The disaster project is to include such issues as water resource management, sewage, pumping, water supply, water works, pipelines, and institution-building.

International Monetary Fund

The IMF has been working with the Uzbekistan government in developing its plans, but due to Uzbekistan's emphasis on a gradual approach to economic reform, not as much progress has been made as with Kazakhstan and Kyrgyzstan. A rehabilitation loan has not yet been approved for Uzbekistan.

Priority areas for technical assistance include the design and implementation of a social safety net in cooperation with the Ministry of Finance and Ministry of Social Security, and the strengthening of the State Bank by providing support in the areas of accounting, foreign currency operations, reserves management, monetary control, and bank supervision. The State Committee on Statistics needs support in the preparation of national accounts and the balance of payments.

European Community and European Bank for Reconstruction and Development

In December of 1991 the European Community agreed to provide Ecu 1.25 billion in food credits to the emerging independent republics. Included in this figure was Ecu 129 million in food credits to Uzbekistan.⁶¹

The European Community has provided a technical assistance grant to the former Soviet states in the amount of Ecu 9.23 billion. With the collapse of the Soviet Union, the Central Asian countries automatically became eligible for membership in the EBRD.

The European Bank for Reconstruction and Development is financed from contributions from numerous countries, with the U.S. having a ten percent share, the United Kingdom, France, Germany, Japan, and Italy having an eight percent share, and Canada having a 3.4 percent share. EC member states hold a total of 51% of the capital.

The EBRD recently agreed to provide a technical cooperation loan in the amount of \$43.8 million to support privatization in Russia.

The EBRD has identified financial sector development, energy, the agro-industry, infrastructural improvements in telecommunications and transport, the environment, and tourism as priority areas for Uzbekistan.

Asian Development Bank

Uzbekistan has not yet joined the Asian Development Bank, but did attend the 25th anniversary meeting of the ADB along with representatives from Kazakhstan, Kyrgyzstan, and Turkmenistan. Kyrgyzstan, Tajikistan, and Turkmenistan joined the UN Economic and Social Commission for Asia and the Pacific which is a pre-requisite for ADB membership, and Kazakhstan and Uzbekistan expressed their interest in joining as well. The countries are attracted to ADB's no-interest 30-year loans, but according to common practice, they face the choice of joining only one of the two relevant regional banks - the other being the EBRD. The two banks, however, do have slightly different emphases with ADB concentrating on the public sector whereas the EBRD provides 60% of its funding to private enterprise.⁶²

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APPENDIX

Basic & Demographic Information on Central Asian Republics

Ethnic Composition of Central Asian Republics

Gross Domestic Product (GDP) in 1990-1992

GDP Data for the Central Asian Republics (1990)

Net Material Product Data for the Central Asian Republics (1990)

Central Asian Republics' Production - Output & Employment by Sector

Share of Total Exports & Imports (1990)

Inter-Republican Trade in Central Asia (1990)

Foreign Trade (1990) (Selected Countries)

Relative Energy Importance of the Former Soviet Republics (1990)

Uzbekistan Budget

World Assistance to Central Asian Republics

Assistance to the Independent States of the Former Soviet Union Since September 1990

BASIC & DEMOGRAPHIC INFORMATION ON CENTRAL ASIAN REPUBLICS

Indicator	KAZAKHSTAN	KYRGYZSTAN	TAJIKISTAN	TURKMENISTAN	UZBEKISTAN	RUSSIA
Area (thousand sq.km)	2,717	199	143	488	447	17,075
Population (mid-1990)(M)	16.7	4.4	5.3	3.7	20.5	148.3
Urban Population (%) (1990)	57.0	38.0	32.0	45.0	41.0	74.0
Average Annual Growth Rate (1985-90)	1.1	1.91	2.93	2.46	2.53	0.6
% under 25 years (1990)	49	56	63	60	60	35
Infant Mortality Rate (1989-90 per 1,000)	27.2	33.5	47.3	53.8	38.9	18.8
Birth Rate (1985-90 per 1,000)	24.5	31.9	41.6	37	36	17
Death Rate (1985-90 per 1,000)	8.5	7.6	6.8	8	6.9	10.5

SOURCE: World Bank Statistical Handbook (Table 1.2)

ETHNIC COMPOSITION OF CENTRAL ASIAN REPUBLICS

(in thousands, 1989)

Republics	KAZAKHSTAN	KYRGYZSTAN	TAJKISTAN	TURKMENISTAN	UZBEKISTAN	TOTAL IN EX-USSR
Ethnic Groups						
Kazakhs	6,532	37	3,168	88	808	8,138
Kyrgyz	14	2,228	64	1	175	2,531
Tajiks	26	34	3,168	3	932	4,218
Turkmen	4	1	21	2,524	123	2,718
Uzbeks	334	551	1,197	320	14,535	17,110
Other Muslims	768	212	95	135	923	20,088
Russians	6,226	917	387	334	1,652	145,072

SOURCE: WILSON QUARTERLY (SUMMER 1992)

GROSS DOMESTIC PRODUCT (GDP) IN 1990-1992

(billions of rubles by 1990 prices)

	1990	1991	1992	1991 to 1990 by %	1992 to 1991 by %
COMMONWEALTH	1,006.5	865.0	715.0	86%	83%
RUSSIA	625.0	528.5	428.5	85%	81%
KAZAKHSTAN	56.5	51.0	43.5	90%	85%
KYRGYZSTAN	9.5	7.3	6.5	77%	89%
TAJIKISTAN	8.0	6.0	4.0	75%	66%
TURKMENISTAN	8.0	7.2	6.5	90%	90%
UZBEKISTAN	43.0	35.0	28.0	81%	80%

SOURCE: Business World No.3 (48), February 3, 1993

GDP DATA FOR THE CENTRAL ASIAN REPUBLICS (1990)

Indicator	KAZAKHSTAN	KYRGYZSTAN	TAJKISTAN	TURKMENISTAN	UZBEKISTAN
GDP (current billion rubles)	45.3	8.3	7.1	7.3	n.a.
GDP per capita	2,706	1,893	1,341	2,002	1,579

SOURCE: World Bank Statistical Handbook

NET MATERIAL PRODUCT DATA FOR THE CENTRAL ASIAN REPUBLICS (1990)

(in billion rubles)

Indicator	KAZAKHSTAN	KYRGYZSTAN	TAJKISTAN	TURKMENISTAN	UZBEKISTAN
Net Material Product (NMP)	35.0	6.0	5.3	5.3	23.4
Share of Former USSR (NMP) (%)	4.8%	0.8%	0.7%	0.7%	3.2%

SOURCE: World Bank Statistical Handbook

CENTRAL ASIAN REPUBLICS' PRODUCTION
- OUTPUT & EMPLOYMENT BY SECTOR - *

		Industry	Construction	Agriculture
KAZAKHSTAN	- output	41.6%	9.5%	35.7%
	- employment	20.1%	10.7%	16.5%
KYRGYZSTAN	- output	45.3%	7.7%	36.4%
	- employment	27.8%	-	32.8%
TAJIKISTAN	- output	n.a.	n.a.	n.a.
	- employment	13.5%	8.3%	42.9%
TURKMENISTAN	- output	19.6%	22.7%	46.4%
	- employment	10.8%	10.0%	42.0%
UZBEKISTAN	- output	43.1%	13.8%	28.7%
	- employment	n.a.	n.a.	n.a.

*) Output data is from 1991 while employment data is from 1990.

SOURCE: World Bank Statistical Handbook (compiled)

SHARE OF TOTAL EXPORTS & IMPORTS (1990)(%)

(at Domestic Prices)

Country	Export/Import Volume (M current ruble)	Foreign Trade (%)	Inter-Republican Trade (%)	
KAZAKHSTAN	- export	9,350	10%	90%
	- import	17,830	20%	80%
KYRGYZSTAN	- export	2,499	2%	98%
	- import	4,243	25%	75%
TAJIKISTAN	- export	2,686	11%	89%
	- import	4,127	19%	81%
TURKMENISTAN	- export	2,641	7%	93%
	- import	3,608	19%	81%
UZBEKISTAN	- export	9,351	13%	87%
	- import	14,662	19%	81%
RUSSIA	- export	106,795	30%	70%
	- import	142,563	53%	47%

SOURCE: World Bank Statistical Handbook (compiled)

INTER-REPUBLICAN TRADE IN CENTRAL ASIA (1990) *

(millions of 1990 rubles in domestic prices)

	RUSSIA	KAZAKHSTAN	KYRGYZTAN	TAJKISTAN	TURKMENISTAN	UZBEKISTAN	Imports		Total
							Former USSR	Rest of World	
RUSSIA		4,276.3 (6.4%) (50.7%)	897.1 (1.3%) (36.1%)	1,167.6 (1.7%) (49.1%)	1,276.4 (1.9%) (51.7%)	4,840.2 (7.2%) (59.3%)	67,283.7	75,280.0	142,563.7
KAZAKHSTAN	9,073.5 (63.4%) (12.1%)		267.6 (1.9%) (10.9%)	317.9 (2.2%) (13.4%)	78.9 (0.6%) (3.2%)	783.9 (5.5%) (9.6%)	14,314.1	3,516.0	17,830.0
KYRGYZTAN	1,538.6 (48.4%) (2.1%)	358.0 (11.3%) (4.2%)		65.1 (2.1%) (2.7%)	48.6 (1.5%) (2.0%)	364.5 (11.5%) (4.5%)	3,179.4	1,063.0	4,242.4
TAJKISTAN	1,497.1 (44.6%) (2.0%)	268.8 (8.0%) (3.2%)	123.7 (3.7%) (5.1%)		69.2 (2.1%) (2.8%)	502.8 (13.0%) (6.2%)	3,359.3	767.0	4,126.3
TURKMENISTAN	1,276.3 (43.6%) (1.7%)	217.1 (7.4%) (2.6%)	112.7 (3.5%) (4.6%)	88.6 (3.0%) (3.7%)		215.6 (7.4%) (2.6%)	2,923.0	685.0	3,608.0
UZBEKISTAN	5,936.6 (50.0%) (8.0%)	1,453.4 (12.3%) (17.2%)	322.7 (2.7%) (13.2%)	329.8 (2.8%) (13.9%)	619.9 (5.2%) (25.1%)		11,853.8	2,798.0	14,651.8
Exports		8,443.3	2,445.9	2,377.4	2,469.0	8,169.1			
Former USSR	74,710.3								
Rest of World	32,085.0	906.0	53.0	308.0	172.0	1,183.0			
TOTAL	106,795.3	9,349.3	2,498.9	2,685.9	2,641.0	9,352.1			

* Note: Entries in the matrix represent the flow of commodities from the state at the top of the column to the state in the row. The figures to the side and below represent the share of total inter-state imports and exports, respectively.
For example, 4,276.3 million rubles of trade items flowed from Kazakhstan to Russia. This flow accounted for 6.4% of Russia's total inter-state imports and for 50.7% of Kazakhstan's total inter-state exports.

SOURCE: Goskennat, World Bank Trade and Payments Arrangements for States of the Former USSR, September 1992

FOREIGN TRADE, 1990 (SELECTED COUNTRIES)

(millions official foreign trade in rubles)

	Kazakhstan		Kyrgyzstan		Tajikistan		Turkmenistan		Uzbekistan	
	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
Total	1,112	2,433	67	870	413	750	140	566	875	2,051
Europe	720	1,752	41	574	252	507	89	402	558	1,429
Germany	122	436	6	157	46	118	16	144	95	309
Poland	70	260	3	63	21	61	7	51	54	218
Bulgaria	100	202	6	66	37	55	13	41	79	209
Czech	83	220	4	81	32	60	10	46	63	193
Asia	198	434	24	145	77	128	31	113	200	348
Japan	38	67	1	42	14	19	3	17	68	111
China	39	127	10	30	10	28	4	28	29	88
India	24	48	1	25	8	18	4	32	20	29
America	71	205	4	50	29	80	9	41	62	189
Cuba	57	117	3	26	23	39	8	12	49	97
US	10	63	1	10	4	28	1	17	8	52

SOURCE: World Bank Statistical Handbook (compiled)

RELATIVE ENERGY IMPORTANCE OF THE FORMER SOVIET REPUBLICS, 1990

(thousand barrels per day oil equivalent)

	Production				Consumption			
	Oil	Gas	Coal	Electricity	Oil	Gas	Coal	Electricity
KAZAKHSTAN	502	110	1,164	141	450	175	583	153
KYRGYZSTAN	4	2	35	21	57	28	32	13
TAJIKISTAN	4	3	6	29	51	28	7	26
TURKMENISTAN	112	1,365	0	24	104	166	5	12
UZBEKISTAN	56	634	53	91	218	655	45	77
RUSSIA	10,328	9,956	3,503	1,744	4,982	7,417	3,155	1,518
TOTAL FORMER USSR	11,394	12,665	6,235	2,784	8,400	11,078	5,245	2,424

Note: Electricity figures include electricity generated from oil gas and coal power plants.

SOURCES: Matthew J. Sagers, Soviet Geography, 4/91; Energy Information Administration, International Energy Annual 1990; International Energy Outlook 1992, Energy Information Administration, April 1992

UZBEKISTAN BUDGET

(millions of current rubles)

	1990	1991
TOTAL REVENUE (including grants & transfers)	14,600	28,000
Grants from USSR	-	-
Transfers from all union budget	6,300	12,000
Tax Revenue	7,900	10,900
Profit Tax	1,900	3,500
Income Tax	900	1,600
Turnover & other excise taxes	4,000	5,800
Social Security Contribution	1,100	-
Others	-	-
Non Tax Revenues	400	5,100
TOTAL EXPENDITURE (including transfers)	14,900	31,100
Transfers to all union budget	-	-
Current Expenditure	14,900	31,100
Administration	-	-
Subsidies	-	5,300
Economy	8,100	11,100
Social & Cultural	6,200	11,000
Others	600	3,700
Capital Expenditure	-	-
Investment	-	-
SURPLUS/DEFICIT	(300)	(3,100)

SOURCE: World Bank Statistical Handbook

WORLD ASSISTANCE TO CENTRAL ASIAN REPUBLICS *

(millions of ECU, rounded figures)

Donors	EC and Member States	Other Countries	International Institutions	Total
Type of Assistance				
Medical and Food Aid	1,816	1,097	0	2,913
Loans and Loan Guarantees	38,745	12,912	1,261	52,719
Strategic Assistance:				
Withdrawal of Soviet Troops	8,571	587	0	9,146
Technical Assistance	1,784	725	53	2,562
Others	1,500	2,980	0	4,480
Total	52,416	18,090	1,314	71,821

*) The table includes estimates of commitments made by EC and its member states, other countries and international institutions. These commitments may cover several years. Figures do not include debt rescheduling nor grants from private sources.

Commitments made by international institutions are not included under those of their member states.

SOURCE: EC

ASSISTANCE TO THE INDEPENDENT STATES OF THE FORMER
 SOVIET UNION SINCE SEPTEMBER 1990

Major Donors	Country Breakdown	Amount (billion ECU)
EC Member States	Germany	40.1
	Italy	3.9
	France	2
	Others	3.6
	TOTAL	49.7
EC		3.5
International Institutions		1.5
EFTA and Nordic Council		1.2
Others	United States	8.0
	Gulf Cooperation Council	3.4
	South Korea	2.4
	Japan	2.4
	Others	3.3
	TOTAL	19.5
	GRAND TOTAL	75.4

SOURCE: European Commission / Financial Times, 3/26/93

TURKMENISTAN

Country Background Report

Japan International Cooperation Agency

U.S.A. Office

Washington, D.C.

April 1993

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ENDNOTES

APPENDIX

TURKMENISTAN

Turkmenistan is a sparsely populated country in Central Asia having an agriculturally-based economy endowed with significant energy and mineral resources. With natural gas reserves exceeded only by Russia and Iran. Turkmenistan's economic prospects are favorable now that its production can be directed to western markets rather than to the former Soviet Union. Moreover, given the small population and the income to be generated from energy sales, the country can be expected to experience rapid improvement in its standard of living which under Soviet rule was one of the lowest of all republics. Besides its natural resources, there is little industrial output in Turkmenistan, and its agricultural output is dominated by cotton cultivation. Little interest in economic reform has been shown by the Turkmenistan leadership, and political opposition to what is considered to be the most conservative government of the former Soviet Union has not been tolerated.

Turkmenistan's linguistic and cultural ties are closer to Turkey than to neighboring Iran, and it does not have serious ethnic conflict potential as in other Central Asian states due to its relatively homogeneous population. Islam is a powerful force in the countryside, but the religious leaders have cooperated with the Turkmenistan government. Given the lack of serious ethnic tensions, the lack of political opposition, and relatively good economic prospects Turkmenistan is considered the most stable country of the newly independent Central Asian states.

I. Political, Economic, and Social Conditions in Turkmenistan

Political Conditions:

Turkmenistan declared its sovereignty on August 22, 1990 and declared its independence on October 27, 1991. It was the only newly formed country in Central Asia to have held a popular referendum before declaring its independence.¹ The public strongly supported independence, and the declaration date coincided with the founding of the country 67 years earlier. In July 1992 Turkmenistan signed the Final Act of the Conference on Security and Cooperation in Europe and in March 1992 became a member of the United Nations.

Turkmenistan is a republic governed by President Saparmurat Niyazov who was elected by direct and uncontested popular vote on October 27, 1990. Niyazov replaced the conservative Muhamednazar Gapurov as leader of the Turkmenistan Communist Party as part of a purge by Mikhail Gorbachev in late 1985, and in 1990 he became Chairman of Turkmenistan's Supreme Soviet. In July 1990 Niyazov became a member of the Politburo of the Soviet Communist Party, but after the Soviet coup attempt in August 1991 he resigned from the Politburo and seized all assets of the communist party. On December 16, 1991 the Turkmen Communist Party was formally disbanded and renamed the Democratic Party of Turkmenistan, and Niyazov was elected as chairman of the party. In June 1992 Niyazov was reelected in a presidential contest gaining 99.5% of the vote at which time a new constitution was adopted.²

The new constitution supports strong presidential rule. The supreme body is the People's Council which has authority over the parliament, the Council of Elders, the Cabinet of Ministers and others. As president Niyazov is head of the Cabinet of Ministers who are appointed by him and are approved by the parliament. He is also chairman of the

Council of Elders. A Presidential Council serves as an advisory body, and the Cabinet of Ministers performs administrative tasks. In practice, the People's Council serves to disguise the authoritarian nature of Niyazov's rule and is considered a rubber stamp body for the President.³ In addition, the constitution provides only limited individual rights and liberties.

President Niyazov has contained all political opposition groups. The Democratic Party of Turkmenistan (DPT) serves as an umbrella party for all political activity and operates much like the former Communist Party with its commitment to one-party rule, its portrayal of democratic institutions, its repression of dissent and media control.⁴ Small opposition movements include the Social Movement for Human Rights and the Agzybirlik (Unity) popular front. Registration of the Peasant Justice Party in mid-1992 supports the notion of a multi-party democracy, but this group does not oppose Niyazov's policies.

President Niyazov is ethnically a Turkmen as are about three-fourths of the population in Turkmenistan. Russians constitute only about 10% of the population, but they tend to be well placed in important economic and administrative posts. Russians have been leaving the country in much smaller numbers than in other former republics. Uzbeks make up another 10% of the population and are primarily involved in cotton cultivation. Compared to its Central Asian neighbors, Turkmenistan hosts a relatively homogeneous population which supports stability in the country.

Turkmen are predominantly Sunni Muslims, and Niyazov has maintained state control of official religious activities with the highest religious authority in the country, the Kaziat, being obedient to Niyazov's policies and particularly supportive of him during the June 1992 presidential elections. In contrast to Uzbekistan and Tajikistan, Niyazov has prevented the rise of the Islamic Renaissance Party and other organized Islamic opposition organizations in Turkmenistan.

In addition to praise from the official Islamic leaders, a personality cult has developed around Niyazov. Portraits of him are widely being dispursed in the country, numerous honors have been bestowed upon him, main streets have been renamed in his honor, and he has given himself the title of Turkmenbashi, leader of all Turkmen people.⁵

Economic Conditions:

Turkmenistan has one of the lowest per capita income rankings of all former Soviet republics, and poverty is widespread throughout the country. Agriculture, primarily cotton, accounts for nearly half of national output and for two-fifths of employment. Industry accounts for only one-fifth of national output and about 11% of employment. Industrial activities are limited primarily to energy and mineral extraction but also include textiles and chemicals. Despite the lack of industrialization and the dominance of agriculture in the economy, Turkmenistan's economic prospects are favorable due to its substantial reserves of natural gas and oil.

90% of Turkmenistan is covered by desert, and the remaining land in the east and south is used for the growing of cotton, grains, fruits and vegetables, and the raising of livestock. Persian lamb skins are also a major product. In western Turkmenistan fisheries and fish processing are prevalent. Cotton accounts for about three-fifths of agricultural production and for usage of over half the arable land, and Turkmenistan ranks second only to Uzbekistan in cotton production in the former USSR. This agricultural production has relied heavily on pesticide usage and irrigation which have had a negative impact on the environment.

Turkmenistan benefitted greatly from its independence and subsequent rights to the rich natural resources of its territory which include natural gas, oil, coal, various types of salts, and unexploited reserves of gold and platinum. As a former Soviet republic Turkmenistan ranked second in natural gas production and third in oil production, and its reserves are abundant with estimated gas reserves reaching 8.1 trillion cubic meters and oil reserves of 700 million tons.⁶ As a newly independent state, Turkmenistan can be expected to benefit substantially by redirecting its energy output to Western markets for sale at Western prices rather than for sale at artificially low prices to the Soviet Union. However, to reach Western markets the natural gas must journey several thousand miles by pipeline through Kazakhstan, Russia and the Ukraine which could be subject to high transit fees. Both Turkey and Iran have proposed to build pipelines to carry natural gas through their respective countries to reach Western markets. Natural gas which is not sold abroad is used in part in the generation of electricity for domestic consumption with excess electricity generation used for export.

Of the limited industrial production, a third is in the textiles industry and another third in chemicals, gas and oil production. The oil is refined at two sites, and salt and mineral resources are used for chemical generation. These include the production of fertilizers, sulfuric acid, ammonia, sulphur, detergent, sulfate and chloride salts, iodine, and bromide iron.⁷ Construction activity accounts for about one-fourth of national output, and due to its location on the Caspian Sea and the potential improvements in rail and highway links to Iran and Turkey, Turkmenistan has the best potential transportation links of any Central Asian country.⁸

Given the high specialization of the country's output in cotton and energy resources, Turkmenistan has been particularly vulnerable to the breakdown in trade with the former Soviet Union. Inter-republican trade represented 93% of Turkmenistan's exports and 81% of its imports in 1990. In recent years this dependence has lessened some as Turkmenistan attempts to diversify its sources and export markets although problems continue to exist particularly in the health care, agriculture, and construction sectors.

Turkmenistan's major import sectors are in machine building, light industry, food industry and chemical products with the share of non-Soviet imports being particularly high in light industry and food industry. Specific items include machinery, industrial equipment and vehicles, metals, chemicals, synthetic rubber, raw materials, timber, paper, small manufactured goods and food products.⁹ With regard to food products, two-thirds of its grain, half of its dairy products, and all of its sugar requirements need to be imported.¹⁰ Turkmenistan's major export sectors are in light industry, food industry, chemicals, and unprocessed agricultural products. Specific items besides energy and cotton include such manufactured products as carpets, textile, leather, and furs. Turkmenistan consistently experienced trade deficits prior to 1991.

The currency of Turkmenistan is the rouble, and the government authorities intend to remain in the rouble zone although the introduction of its own currency, the malat, has been considered. Inflation rates are very high throughout the Newly Independent States, and in 1991 currency in circulation in Turkmenistan increased by 145% with credit to the non-government sector rising 195% and domestic credit expanding by 232%.¹¹ Turkmenistan created its own central bank, the State Bank of Turkmenistan, to replace the local Gosbank in late 1991 which was much later than in other former republics. The Savings Bank is the second most important bank with 95% of household deposits, and the Vneshekonombank has been established as an independent foreign trade bank.

Turkmenistan has experienced fiscal surpluses in recent years with a surplus in 1991 of 3.2% of GDP.¹² Over a fifth of total revenues came from transfers from the all union budget in 1990 and 1991, and tax revenues resulted from turnover taxes, profit transfers from state-owned enterprises, and personal income taxes in that order. The major expenditures were social and cultural expenditures which consist of education, health care, and social security and expenditures to finance the national economy which include subsidies on food. These two expenditure categories accounted for 57% and 28%, respectively, of total expenditures in 1991.¹³ In 1992 a number of changes were made in the taxation system including the introduction of value-added taxes and some excise taxes. Other major sources of revenue for 1992 include payments from the state-owned gas and cotton industry. A budget deficit of 4.2 billion rubles is expected for 1992, but additional measures such as selling natural gas at higher prices or requiring higher fixed amounts from the state-owned cotton and gas industries could make up the difference without having to resort to financing the deficit.¹⁴

Turkmenistan is interested in attracting foreign investment to exploit its natural resources, particularly oil and gas. Turkmenistan is also interested in major transportation projects such as a gas pipeline to Turkey, improved rail links between Turkey and Iran, and a rail line from Turkey to China passing through Turkmenistan.¹⁵ In 1992 a number of laws were passed concerning banking, property ownership, intellectual property protection, and foreign investment to establish a framework for firms interested in investing in Turkmenistan. The state intends to retain control of all natural resources. Several local priorities are in the areas of water desalinization, oil refinery and drilling, expanding port facilities, expanding electrical power stations, fish processing, salt processing, and wool processing.¹⁶

A number of steps could be taken to transform Turkmenistan's predominant agricultural economy and support the development of its industrial base with the help of foreign investment. Cotton production could be reduced so that agricultural production could be diversified to provide adequate food supplies for its domestic needs. Textile production could be expanded with the help of foreign investors and could provide export revenues. The rug industry could be expanded but would require the development of marketing skills. Processing of leather and meat from livestock could also be improved with western technology and support.¹⁷

At the October 1991 meeting with Western creditor nations, Turkmenistan was allocated a 0.7% share of the Soviet Union's debt which amounted to \$420 million. Turkmenistan did not agree to assume this share and has not made any payments on this debt, and Russia intends to assume the debt responsibility in exchange for USSR assets in Turkmenistan.

Social Conditions:

Turkmenistan has the smallest population in Central Asia, and the social conditions in the country are relatively poor. 78% of the population lived below the poverty level in mid 1991 compared to 42% for the former USSR.¹⁸ Education levels are relatively poor with an estimated 30% of the school population attending school on a shift basis.¹⁹ Moreover, health conditions are relatively poor with shortages of medical equipment, drugs, vaccines, potable water and the lack of sewage treatment systems being common. In many cases there are severe shortages of these and other items.

The population's annual growth rate is high at 2.5% in the period 1985-90 compared to Russia's rate of 0.6%, and the percentage of the population under the age of

25 in 1990 was 60% compared to 35% in Russia. The infant mortality rate of nearly 54 per 1000 births in the period 1989-90 is the highest in the former Soviet Union and is twice the average among the former republics. Moreover, birth rates are high in comparison with other Central Asian countries with 37 births per 1000 population. These demographic trends indicate a difficult challenge for the Turkmenistan government.²⁰

The government provides a relatively high level of support to the social needs of the sick, disabled, elderly, unemployed and to large and poor families in comparison with other former republics, and health care is free.

Foreign Economic and Political Relations:

Turkmenistan is a member of the International Monetary Fund, the World Bank, and the European Bank for Reconstruction and Development. It is also a member of the Caspian Council along with Iran, Kazakhstan, Azerbaijan, and Russia as well as of the Economic Cooperation Organization linking Iran, Turkey, Pakistan and other Central Asian countries.

Turkmenistan has a more independent stance from Russia than some other Central Asian republics which is in part due to the oil and gas wealth from which it only recently began to benefit. Turkmenistan has pursued closer relations to Kazakhstan and the other neighboring Central Asian states as the Commonwealth of Independent States weakens, and a number of initiatives have been taken by these states to form a common market. In addition to plans to have common taxation, investment, trade, and other policies, agreements have been negotiated regarding pipeline construction to deliver natural gas from Turkmenistan to Turkey and the construction of railway and road links in the region.

With Turkmenistan shipping its oil and natural gas through the Ukraine and Russia, it is sensitive to pressure from these governments, and at times relations have been tense. In March 1992 Turkmenistan shut down natural gas shipments to the Ukraine which had refused to pay the higher gas prices imposed by Turkmenistan. The dispute lasted for nearly six months.²¹

Turkmenistan has pursued particularly close relations with Turkey and Iran. Turkey established an embassy in the capital, Ashkhabad, in February 1992 and has agreed to the construction of the natural gas pipeline between the two countries. Turkey's prime minister also announced it would give Turkmenistan a \$75 million loan and support the development of the transport, banking, and educational sectors.²² Iran has also pursued close relations to Turkmenistan and has provided some technical and humanitarian aid. In February 1992 Iran agreed to the construction of an oil pipeline through its country from Turkmenistan to Turkey. Iran likewise has a diplomatic presence in Ashkhabad. In addition to Turkey and Iran, Saudi Arabia and Oman are supportive of Turkmenistan's economic development.

Japan established full diplomatic relations with Turkmenistan in April 1992, and Turkmenistan was the second Central Asian country to open offices in Japan. Relations with China are also developing with economic cooperation agreements having been made in January 1992.

Democracy, Human Rights, the Military, and Other Important Issues:

As is the case in several of the Central Asian states, Turkmenistan is planning to develop its own national guard and armed forces. The Ministry of Defense was created in

late January 1992, and national guard units are to be trained primarily in Russia and also in Turkey.²³ Turkmenistan has a defense alliance with Russia to support troops from the Commonwealth of Independent States who are stationed in Turkmenistan in protecting the Commonwealth's southern borders. In March 1993 Russia proposed a joint command of Commonwealth states which would include armed forces from all the Central Asian member states.²⁴

Turkmenistan faces major environmental problems which include lack of water resources, contaminated water supplies, severe water pollution, and other problems caused by irresponsible irrigation practices in support of the cotton monoculture. These environmental problems have exacerbated health problems in the country. Runoff from cotton fields has contaminated drinking water which has very high sulfite, chloride, calcium, and magnesium levels, and pesticide use has affected vegetables grown near cotton fields.²⁵ Salination and mineralization of farm land has resulted from poor irrigation practices, and the principal water source in the country and region is depleting. Turkmenistan is supporting regional cooperation efforts regarding the environmental disaster at the Aral Sea and the related water resource issues.

Respect for human rights in Turkmenistan is extremely poor despite the signing of the Final Act of the Conference on Security and Cooperation in Europe in July 1992.²⁶ Turkmenistan authorities have firm control over the media and repress the development of opposition movements and parties.²⁷ Publications are often censored or confiscated, and foreign press and Russian press activities are restricted. No independent political parties have been allowed, and in the Supreme Soviet elections in January 1990, activists from the Agzybirlik (Unity) popular front were not allowed to register as candidates. Opposition activists were arrested in August 1991 when they criticized Niyazov for not immediately denouncing the coup attempt against Gorbachev. Moreover, during U.S. Secretary of State Baker's trip to Turkmenistan in February 1992 democratic and political activists were arrested or detained to prevent them from meeting Baker.²⁸ The maintenance of law, order, stability, and social harmony are of higher priority for Niyazov than the support of human rights and freedoms, and the human rights guarantees in the constitution are conditioned by wordings that public order and national interests must not be violated.²⁹

II. Economic and Social Development: Current Situation

Summary of National Economic Plans:

Turkmenistan is pursuing its own path of gradual economic reform and has condemned the implementation of shock therapy as too destabilizing. Despite President Niyazov's rhetoric which at times has favored the development of a market-oriented economy, there has been little progress in implementing economic reform measures. The government intends to rely on foreign investors to support increasing energy revenues, but such revenues to date have not been used to promote economic reform measures or to develop the country's infrastructure.

In January 1991 the main principles of Turkmenistan's economic reform program were released which provided the guidelines for privatization, price reform, agricultural reform, and industrial infrastructure improvements. The document also included a list of necessary legal, monetary, and fiscal measures in implementing the reform program. Some legislation has been passed in the mean time, but the implementation of the reform program has been particularly slow.³⁰

The government of Turkmenistan is currently pursuing two stated policy initiatives. These are known as the "Open Door" policy and the "Positive Neutrality" policy.³¹ The "Open Door" policy is that foreign investment is desired in the exploration and development of Turkmenistan's natural resources, especially oil and natural gas. The development of the economy, however, is to proceed along two tracks. Development of these resources is to be supported by foreign investment and market principles, but most other sectors of the economy are to remain largely under state control. The "Positive Neutrality" policy is that Turkmenistan is neutral and independent. A component of the "Positive Neutrality" policy is the noninterference in the internal affairs of the republic which serves Niyazov's political interests.

Priorities, Principal Measures to Take, and Barriers:

Turkmenistan has implemented price liberalization on most products, but has made little progress in other areas of reform including privatization. The government intends to introduce market reforms only gradually, and high priority is given to social assistance in adapting to the economic reform measures. A more thorough description of the progress in these areas is provided in the following subsections.

Privatization

The government of Turkmenistan has not made much progress in privatization of land, agriculture, or industry. The government does not intend to privatize land and plans to retain state control of water and the gas and oil industries. State ownership and control is to be retained in agriculture and minerals as well. These state controlled sectors represent about 80% of the economy, and this predominance of the state is likely to recede only gradually. In addition to the state's dominant role in industry, it intends to keep a strong state role in science, health, and national culture.³²

In regard to agricultural privatization, forms of leasing are being experimented with which include short term leases by individual farmers who pay rent and agree to supply a certain amount of the crop at a fixed price with remaining amounts to be sold on the free market. A second type of leasing arrangement is longer term, and the farmers can grow and sell the crop as desired, but the rent is higher. These leasing measures are being implemented only on a trial basis.³³

Industrial leasing is also being tried under which state enterprises are leased to employees, but these programs have been implemented only on a small scale. Some efforts have also been made in the area of housing privatization.

Although the state currently does not intend to privatize land, Turkmenistan was the first Central Asian state to grant citizens the right to own land.³⁴ This was stated in the May 1992 constitution, but President Niyazov has been reluctant to extend private property rights based on complexities concerning water issues and nomadic rights.³⁵

According to the law on privatization passed in February 1992, employees of state industries and other Turkmenistan citizens are given priority over foreign individuals and firms in the purchase of company shares.

Price Liberalization

Price liberalization occurred in Turkmenistan on January 10, 1992 in line with the Russian initiative. Prices were liberalized for most items, but certain basic commodities

remained controlled. Wholesale agricultural prices were increased on all goods except cotton, grain, livestock, and milk, and wholesale industrial prices were liberalized except in the energy, transportation, and communications sectors. Most retail prices increased, but about 20% of consumer goods were controlled.³⁶ The number of controlled price goods was higher in Turkmenistan than in Russia but was similar to other Central Asian states. Concerns about social unrest in Tajikistan and the possible spreading of unrest to Turkmenistan caused the government authorities to reimpose control of some prices beginning on January 17, 1992. President Niyazov has since decreed that water, gas, and electricity will be free for all.³⁷

Social Safety Net

In conjunction with the price liberalization measures in January 1992, the Ministry of Finance was instructed to provide subsidies on essential goods which had state-determined prices. Monthly pensions were also increased in anticipation of these price increases. Moreover, President Niyazov issued a decree to provide social support measures for students, the elderly, and disabled persons affected by the price increases.³⁸

The government of Turkmenistan has placed high priority on social expenditures and other social protection measures to lessen the impact of inflation developments and the so far limited economic reform measures. A pension fund and employment fund were created by the government to provide social assistance to the elderly and unemployed, respectively. The pension fund provides assistance to retirees, mothers, students, and the disabled. The unemployment fund was legally established in November 1991, but it has not begun operations. The fund is intended for training and education grants, unemployment benefits and early retirement pensions, temporary work programs, and other employment services.³⁹

Investment Projection for National Development:

Due to Turkmenistan's indifference to the implementation of economic reform measures, few plans have been made in cooperation with such agencies as the International Monetary Fund and World Bank. Little information is available on the required funding to implement the government's limited reform plans.

National Budget and Balance of Payments Situation:

The national budget experienced surpluses prior to 1992 and had risen to 3.2% of GDP in 1991.⁴⁰ However, Turkmenistan's budget was traditionally supported by sizable transfers from the all union budget. In 1991 expenditures increased due to spending to support the price liberalization measures, and it was not certain whether revenues from the all union budget would continue. Value-added taxes and some excise taxes were introduced in 1992 to raise revenue, and payments were required from the state-owned gas and cotton industries. Expenditures on price subsidies amounted to 16.5% of GDP, and for the first time, defense spending was included on the expenditure side.⁴¹ The resulting balance is expected to be 4.2 billion rubles in deficit. Selling natural gas at higher prices or requiring higher fixed sums from the state-owned gas and cotton industries could make it unnecessary to finance the deficit.

Turkmenistan has traditionally experienced trade deficits both in its inter-republican trade and in its foreign trade. In 1990 the inter-republican trade deficit reached 6% of GDP.⁴² In 1991 Turkmenistan's terms of trade improved as prices became more realistic with exports increasing 170%, and the country experienced a trade surplus of about 6% of

GDP.⁴³ The trade surplus combined with an increase in net public sector transfers from the union resulted in an inter-republican current account surplus of 16% of GDP in 1991. In foreign trade, some natural gas sales were shifted from inter-republican exports to foreign exports and with the higher prices charged for natural gas, Turkmenistan was able to achieve a smaller deficit than in previous years. The surplus in inter-republican trade, however, more than offset the deficit in foreign trade. It is also important to note that inter-republican trade is difficult to monitor due to the frequent use of barter arrangements.

III. Donor Trends

Turkmenistan has proceeded slowly in implementing economic reform measures and is pursuing an autarchic development strategy. The country is receiving technical assistance and humanitarian assistance from a number of bilateral donor agencies and international organizations, but these activities are more limited than in other Central Asian states.

Assistance from Bilateral Donor Agencies:

Development assistance is being provided to Turkmenistan by the Group of Seven industrialized countries as part of a large aid package primarily directed to Russia. In addition to these broad measures as part of the G-7 package, individual agencies are considering limited plans for assisting Turkmenistan in its development.

United States: Agency for International Development (AID)

In April 1992 AID created a Task Force on the Newly Independent States to serve the reforming countries of the Central Asian region. The mission is located in Alma-Ata, Kazakhstan. AID has established nine project areas to date: energy, environment, health care improvements, private sector initiatives, food systems restructuring, democratic pluralism, housing sector reform, economic and financial restructuring, and special initiatives. The primary beneficiaries of these programs to date have been Kazakhstan and Kyrgyzstan which have pursued economic reform measures much more rapidly than Turkmenistan. Under the Freedom of Support Act, \$417 million was allocated in FY93 to implement these programs, and more than \$700 million is earmarked for FY94.

Turkmenistan has received emergency health care and humanitarian assistance from US AID primarily in the form of food and medical supplies. Technical assistance is limited to representatives from Turkmenistan making visits to various business and health-related sites in the United States. Turkmenistan has not expressed much interest in technical assistance, and although the government might consider accepting support in economic restructuring measures, it is not likely to request support in the areas of political pluralism and the rule of law.⁴⁴

Japan: Japan International Cooperation Agency

Japan is currently providing technical assistance in Central Asia especially in human resources development and is cooperating with institutions such as the World Bank in joint financing projects. Development assistance priority areas for the Central Asian region include economic infrastructure such as transportation, energy, and communications, production areas such as agriculture, mining, manufacturing, and construction, and social infrastructure such as education, water supply, and sanitation.⁴⁵

The Japanese Government has announced the establishment of a training program for the Central Asian countries of the former Soviet Union. This program is to offer training courses to 300 people from the people of Kazakhstan, Kyrgyzstan, Tajikistan, and Turkmenistan over a period of three years. The purpose of the program is to inform the participants about Japanese economic development and assistance programs and to promote successful cooperation between the host countries and the Government of Japan in carrying out development projects. As of February 1993, 20 people had entered the training program.⁴⁶

Japan has dispersed part of 6.5 billion yen (\$50 million) for humanitarian assistance allocated to the Newly Independent States in February 1992.

In late October 1992 Japan hosted the Tokyo Conference on Assistance to the Newly Independent States in which nine republics of the NIS expressed the need for Consultative Groups. In mid-December 1992 in Paris Consultative Group sessions for Kazakhstan and Kyrgyzstan were held and a Pre-Consultative session was held for Uzbekistan in which the Japanese Government participated.

In early February 1993 the Japanese Ministry of Foreign Affairs organized a mission to Turkmenistan and the other Central Asian countries with the exception of Tajikistan to discuss and identify potential areas of development assistance support. A subsequent cultural exchange mission was sent to Uzbekistan, Kazakhstan, and Kyrgyzstan in late February 1993. Beginning in April 1993 Japan intends to send planning surveyors for a period of three months to four Central Asian countries.⁴⁷

Japan has strongly supported the Central Asian countries being included in the list of aid recipients of the OECD's Development Assistance Committee (DAC). In principle, Japan's grant assistance is provided only to countries on the DAC list which have per-capita gross national product figures below 1235 dollars (1991 standard); the current figures for the Central Asian countries of the former Soviet Union exceed this figure, and at present, these countries are ineligible for Japanese grant assistance.

Germany: Federal Ministry for Economic Cooperation (BMZ)

Since the end of 1989, Germany's aid to the former Soviet Union has amounted to \$53.5 billion which is more than half of total international assistance and which represents more than 3% of German GDP.⁴⁸ Germany has provided aid to the former Soviet Union in the following areas and amounts: loan and export guarantees (\$27.7 bil.); grants and free shipment of goods (\$12.5 bil.); investment projects particularly in natural gas production and ore-mining (\$1.9 bil.); and the Transfer Ruble Balance (\$11.4 bil.). The Transfer Ruble Balance represents a medium-term interest-free loan, and regarding the \$12.5 billion of grants and free shipments of goods, \$9.4 bil. of this sum relates to withdrawing Soviet troops from the new German states.

Germany is providing to the Newly Independent States financial advisory services, scientific and technical cooperation, training, and technical assistance in the form of advice in legal matters, customs, tax, budgetary issues, banking, insurance, labor management, and social welfare. This assistance was approved by the Federal Cabinet in March 1992 and is being provided by the various Federal Ministries.

Germany has also had a large role in European Community assistance to the former Soviet Union. In 1991 the EC decided to provide ECU 250 mil. for relief shipments, and after the Maastricht Summit provided additional food aid amounting to ECU 200 million in

grants. Germany's share of this aid was about 28%. Germany also played a key role in the Group of Seven (G7) decision to provide a \$24 billion financial assistance package to the former Soviet Union of which the German share amounted to about \$4.5 billion.

Canada: Canadian International Development Agency (CIDA)

The Canadian government has provided economic assistance to the former Soviet Union in the form of humanitarian assistance, technical assistance, food credits, and commercial credits. The Canadian government contributed \$7 million to the Red Cross to provide medical supplies to former Soviet republics which included Kyrgyzstan. The government has provided a \$25 million program for technical assistance to the former Soviet republics which is being managed by the Task Force on Central and Eastern Europe.⁴⁹ Over 50 projects have been approved by the Task Force with energy and agriculture being the prime areas of focus. In addition, food credits and lines of credit for capital goods and services have been approved for Russia, although they were suspended in early 1993. In July 1992 the Canadian government sent a delegation to Kazakhstan and a joint declaration of economic cooperation was signed.

Canada has also contributed to international organizations such as the European Bank for Reconstruction and Development with its share of 3.4 percent and the IMF Stabilization Fund for the ruble.

Assistance from International Organizations:

United Nations Development Program (UNDP)

In May 1992 all of the Central Asian countries had been given recipient status with UNDP with the exception of Tajikistan. By October 1992 UNDP had signed host agreements with Kazakhstan and Kyrgyzstan and expected an agreement with Uzbekistan.⁵⁰ As of December 1992 UNDP had indicated it planned to open offices in Kazakhstan, Kyrgyzstan, and Uzbekistan and was considering opening an office in Turkmenistan. Missions had been carried out to Kyrgyzstan and Turkmenistan as of late 1992.⁵¹

Consultative Group meetings for assisting Kazakhstan and Kyrgyzstan and a Pre-Consultative Group meeting for Uzbekistan were held in mid-December 1992 which were primarily coordinated by the World Bank but in which UNDP also played an important role as a statutory member of the Consultative Groups.

The United Nations' emergency and humanitarian support in the Central Asian countries is distributed among various agencies which include the following: UNICEF supports infant and child welfare; UNFPA responsibilities include training, organizational support, material supplies, and educational support to family planning initiatives; and the World Health Organization of the UN is in charge of dispersing drugs, vaccines, medical supplies and equipment. The UNDP coordinates these UN bodies in providing development assistance as part of the Consultative Group process.

World Bank

The World Bank is the primary coordinator of the Consultative Group process along with the International Monetary Fund and the United Nations. It had a major role in the Consultative Group sessions for Kazakhstan and Kyrgyzstan and the Pre-Consultative Group sessions for Uzbekistan held in mid-December 1992 in Paris.

The World Bank has set up a regional office in Tashkent, Uzbekistan which covers developments in Turkmenistan and the region. Given the lack of interest on the part of the Turkmenistan government to pursue economic reform measures, World Bank activities in support of Turkmenistan have been limited. Technical assistance could be provided in support of privatization, trade, government finance, the financial sector, and a social safety net, and one energy project is under consideration. Water resources and environmental issues are also a concern in the Central Asian region for which Turkmenistan and the World Bank may have reason to cooperate. Turkmenistan does not have major needs in balance of payments support.

International Monetary Fund

The IMF has been working with the Turkmenistan government in developing its plans, but little progress has been made given Turkmenistan's insistence upon very gradual economic reforms.

Priority areas for technical assistance include central banking, statistics, and fiscal support. In addition to general organizational and managerial assistance the State Bank of Turkmenistan needs support in accounting, auditing, monetary and foreign exchange operations, and in payments clearance and settlements systems. Regulation and supervision of banking is also required. In the area of statistics, comprehensive statistics need to be developed along the lines of standard international practices. In the fiscal area a tax system review and improvements in tax administration and coordination with the State Bank are necessary.⁵²

European Community and European Bank for Reconstruction and Development

In December of 1991 the European Community agreed to provide Ecu 1.25 billion in food credits to the emerging independent republics. Included in this figure was Ecu 45 million in food credits to Turkmenistan.⁵³

The European Community has provided a technical assistance grant to the former Soviet states in the amount of Ecu 9.23 billion. With the collapse of the Soviet Union, the Central Asian countries automatically became eligible for membership in the EBRD.

The European Bank for Reconstruction and Development is financed from contributions from numerous countries, with the U.S. having a ten percent share, the United Kingdom, France, Germany, Japan, and Italy each having an eight percent share, and Canada having a 3.4 percent share. EC member states hold a total of 51% of the capital.

The EBRD recently agreed to provide a technical cooperation loan in the amount of \$43.8 million to support privatization in Russia.

General EBRD program areas include privatization, financial reform, infrastructural improvements, restructuring of industry, foreign investment, and the environment.

Asian Development Bank

Turkmenistan attended the 25th anniversary meeting of the ADB along with representatives from Kazakhstan, Kyrgyzstan, and Uzbekistan. Turkmenistan, Kyrgyzstan, and Tajikistan joined the UN Economic and Social Commission for Asia and

the Pacific which is a pre-requisite for ADB membership, and Kazakhstan and Uzbekistan expressed their interest in joining as well. The countries are attracted to ADB's no-interest 30-year loans, but according to common practice, they face the choice of joining only one of the two relevant regional banks - the other being the EBRD. The two banks, however, do have slightly different emphases with ADB concentrating on the public sector whereas the EBRD provides 60% of its funding to private enterprise.⁵⁴

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APPENDIX

Basic & Demographic Information on Central Asian Republics

Ethnic Composition of Central Asian Republics

Gross Domestic Product (GDP) in 1990-1992

GDP Data for the Central Asian Republics (1990)

Net Material Product Data for the Central Asian Republics (1990)

Central Asian Republics' Production - Output & Employment by Sector

Share of Total Exports & Imports (1990)

Inter-Republican Trade in Central Asia (1990)

Foreign Trade (1990) (Selected Countries)

Relative Energy Importance of the Former Soviet Republics (1990)

Turkmenistan Budget

World Assistance to Central Asian Republics

Assistance to the Independent States of the Former Soviet Union Since September 1990

BASIC & DEMOGRAPHIC INFORMATION ON CENTRAL ASIAN REPUBLICS

Indicator	KAZAKHSTAN	KYRGYZSTAN	TAJKISTAN	TURKMENISTAN	UZBEKISTAN	RUSSIA
Area (thousand sq.km)	2,717	199	143	488	447	17,075
Population (mid-1990)(M)	16.7	4.4	5.3	3.7	20.5	148.3
Urban Population (%)(1990)	57.0	38.0	32.0	45.0	41.0	74.0
Average Annual Growth Rate (1985-90)	1.1	1.91	2.93	2.46	2.53	0.6
% under 25 years (1990)	49	56	63	60	60	35
Infant Mortality Rate (1989-90 per 1,000)	27.2	33.5	47.3	53.8	38.9	18.8
Birth Rate (1985-90 per 1,000)	24.5	31.9	41.6	37	36	17
Death Rate (1985-90 per 1,000)	8.5	7.6	6.8	8	6.9	10.5

SOURCE: World Bank Statistical Handbook (Table 1.2)

ETHNIC COMPOSITION OF CENTRAL ASIAN REPUBLICS

(in thousands, 1989)

Republics	KAZAKHSTAN	KYRGYZSTAN	TAJKISTAN	TURKMENISTAN	UZBEKISTAN	TOTAL IN EX-USSR
Ethnic Groups						
Kazakhs	6,532	37	3,168	88	808	8,138
Kyrgyz	14	2,228	64	1	175	2,531
Tajiks	26	34	3,168	3	932	4,218
Turkmen	4	1	21	2,524	123	2,718
Uzbeks	334	551	1,197	320	14,535	17,110
Other Muslims	768	212	95	135	923	20,088
Russians	16,226	917	387	334	1,652	145,072

SOURCE: WILSON QUARTERLY (SUMMER 1992)

GROSS DOMESTIC PRODUCT (GDP) IN 1990-1992

(billions of rubles by 1990 prices)

	1990	1991	1992	1991 to 1990 by %	1992 to 1991 by %
COMMONWEALTH	1,006.5	865.0	715.0	86%	83%
RUSSIA	625.0	528.5	428.5	85%	81%
KAZAKHSTAN	56.5	51.0	43.5	90%	85%
KYRGYZSTAN	9.5	7.3	6.5	77%	89%
TAJKISTAN	8.0	6.0	4.0	75%	66%
TURKMENISTAN	8.0	7.2	6.5	90%	90%
UZBEKISTAN	43.0	35.0	28.0	81%	80%

SOURCE: Business World No.3 (48), February 3, 1993

GDP DATA FOR THE CENTRAL ASIAN REPUBLICS (1990)

Indicator	KAZAKHSTAN	KYRGYZSTAN	TAJKISTAN	TURKMENISTAN	UZBEKISTAN
GDP (current billion rubles)	45.3	8.3	7.1	7.3	n.a.
GDP per capita	2,706	1,893	1,341	2,002	1,579

SOURCE: World Bank Statistical Handbook

NET MATERIAL PRODUCT DATA FOR THE CENTRAL ASIAN REPUBLICS (1990)

Indicator	KAZAKHSTAN	KYRGYZSTAN	TAJKISTAN	TURKMENISTAN	UZBEKISTAN
Net Material Product (NMP)	35.0	6.0	5.3	5.3	23.4
Share of Former USSR (NMP) (%)	4.8%	0.8%	0.7%	0.7%	3.2%

(in billion rubles)

SOURCE: World Bank Statistical Handbook

CENTRAL ASIAN REPUBLICS' PRODUCTION
- OUTPUT & EMPLOYMENT BY SECTOR - *

		Industry	Construction	Agriculture
KAZAKHSTAN	- output	41.6%	9.5%	35.7%
	- employment	20.1%	10.7%	16.5%
KYRGYZSTAN	- output	45.3%	7.7%	36.4%
	- employment	27.8%	-	32.8%
TAJIKISTAN	- output	n.a.	n.a.	n.a.
	- employment	13.5%	8.3%	42.9%
TURKMENISTAN	- output	19.6%	22.7%	46.4%
	- employment	10.8%	10.0%	42.0%
UZBEKISTAN	- output	43.1%	13.8%	28.7%
	- employment	n.a.	n.a.	n.a.

*) Output data is from 1991 while employment data is from 1990.

SOURCE: World Bank Statistical Handbook (compiled)

SHARE OF TOTAL EXPORTS & IMPORTS (1990)(%)

(at Domestic Prices)

Country	Export/Import Volume (M current ruble)	Foreign Trade (%)	Inter-Republican Trade (%)	
KAZAKHSTAN	- export	9,350	10%	90%
	- import	17,830	20%	80%
KYRGYZSTAN	- export	2,499	2%	98%
	- import	4,243	25%	75%
TAJKISTAN	- export	2,686	11%	89%
	- import	4,127	19%	81%
TURKMENISTAN	- export	2,641	7%	93%
	- import	3,608	19%	81%
UZBEKISTAN	- export	9,351	13%	87%
	- import	14,662	19%	81%
RUSSIA	- export	106,795	30%	70%
	- import	142,563	53%	47%

SOURCE: World Bank Statistical Handbook (compiled)

INTER-REPUBLICAN TRADE IN CENTRAL ASIA (1990) *

	(millions of 1990 rubles in domestic prices)									
	RUSSIA	KAZAKHSTAN	KYRGYZSTAN	TAJIKISTAN	TURKMENISTAN	UZBEKISTAN	Former USSR	Rest of World	Total	
RUSSIA		4,276.3 (50.7%)	897.1 (36.1%)	1,167.6 (49.1%)	1,276.4 (51.7%)	4,840.2 (59.3%)	67,283.7	75,280.0	142,563.7	
KAZAKHSTAN	9,073.5 (12.1%)		267.6 (10.9%)	317.9 (13.4%)	78.9 (3.2%)	783.9 (9.6%)	14,314.1	3,516.0	17,830.0	
KYRGYZSTAN	1,538.6 (48.4%) (2.1%)	358.0 (11.3%) (4.2%)		65.1 (2.1%) (2.7%)	48.6 (1.5%) (2.0%)	364.5 (11.5%) (4.5%)	3,179.4	1,063.0	4,242.4	
TAJIKISTAN	1,497.1 (44.6%) (2.0%)	268.8 (8.0%) (3.2%)	123.7 (3.7%) (5.1%)		69.2 (2.1%) (2.8%)	502.8 (15.0%) (6.2%)	3,359.3	767.0	4,126.3	
TURKMENISTAN	1,275.3 (38.6%) (1.7%)	217.1 (7.4%) (2.6%)	112.7 (3.9%) (4.6%)	88.6 (3.0%) (3.7%)		215.6 (7.4%) (2.6%)	2,923.0	685.0	3,608.0	
UZBEKISTAN	5,936.6 (50.0%) (8.0%)	1,453.4 (12.3%) (17.3%)	322.7 (2.7%) (13.2%)	329.8 (2.8%) (13.9%)	619.9 (5.2%) (25.1%)		11,863.8	2,798.0	14,661.8	
EXPORTS										
Former USSR	74,710.3	8,443.3	2,445.9	2,377.4	2,469.0	8,169.1				
Rest of World	32,085.0	906.0	53.0	308.0	172.0	1,183.0				
TOTAL	106,795.3	9,349.3	2,498.9	2,685.9	2,641.0	9,352.1				

Note: Entries in the matrix represent the flow of commodities from the state at the top of the column to the state in the row. The figures to the side and below represent the share of total inter-state imports and exports, respectively.
For example, 4,276.3 million rubles of trade items flowed from Kazakhstan to Russia. This flow accounted for 6.4% of Russia's total interstate imports and for 50.7% of Kazakhstan's total interstate exports.

SOURCE: Goskennstat, World Bank Trade and Payments Arrangements for States of the Former USSR, September 1992

FOREIGN TRADE, 1990 (SELECTED COUNTRIES)

(millions official foreign trade in rubles)

	Kazakhstan		Kyrgyzstan		Tajikistan		Turkmenistan		Uzbekistan	
	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
Total	1,112	2,433	67	870	413	750	140	566	875	2,051
EUROPE	720	1,752	41	574	252	507	89	402	558	1,429
Germany	122	436	6	157	46	118	16	144	95	309
Poland	70	260	3	63	21	61	7	51	54	218
Bulgaria	100	202	6	66	37	55	13	41	79	209
Czech	83	220	4	81	32	60	10	46	63	193
Asia	198	434	24	145	77	128	31	113	200	348
Japan	38	67	1	42	14	19	3	17	68	111
China	39	127	10	30	10	28	4	28	29	88
India	24	48	1	25	8	18	4	32	20	29
AMERICA	71	205	4	50	29	80	9	41	62	189
Cuba	57	117	3	26	23	39	8	12	49	97
US	10	63	1	10	4	28	1	17	8	52

SOURCE: World Bank Statistical Handbook (compiled)

RELATIVE ENERGY IMPORTANCE OF THE FORMER SOVIET REPUBLICS, 1990

(thousand barrels per day oil equivalent)

	Production				Consumption			
	Oil	Gas	Coal	Electricity	Oil	Gas	Coal	Electricity
KAZAKHSTAN	502	110	1,164	141	450	175	583	153
KYRGYZSTAN	4	2	35	21	57	28	32	13
TAJIKISTAN	4	3	6	29	51	28	7	26
TURKMENISTAN	112	1,365	0	24	104	166	5	12
UZBEKISTAN	56	634	53	91	218	655	45	77
RUSSIA	10,328	9,956	3,503	1,744	4,982	7,417	3,155	1,518
TOTAL FORMER USSR	11,394	12,665	6,235	2,784	8,400	11,078	5,245	2,424

Note: Electricity figures include electricity generated from oil gas and coal power plants.

SOURCES: Matthew J. Sagers, Soviet Geography, 4/91; Energy Information Administration, International Energy Annual 1990; International Energy Outlook 1992, Energy Information Administration, April 1992

TURKMENISTAN BUDGET

(millions of current rubles)

	1990	1991
TOTAL REVENUE (including grants & transfers)	3,236	6,489
Grants from USSR	-	-
Transfers from all union budget	728	1,409
Tax Revenue	1,552	1,972
Profit Tax	404	640
Income Tax	166	349
Turnover & other excise taxes	780	669
Social Security Contribution	187	-
Others	15	314
Non Tax Revenues	956	3,108
TOTAL EXPENDITURE (including transfers)	3,114	5,897
Transfers to all union budget	-	-
Current Expenditure	2,604	5,270
Administration	49	161
Subsidies	17	69
Economy	1,338	1,675
Social & Cultural	1,162	3,356
Others	38	9
Capital Expenditure	510	627
Investment	-	-
SURPLUS/DEFICIT	122	592

SOURCE: World Bank Statistical Handbook

WORLD ASSISTANCE TO CENTRAL ASIAN REPUBLICS *

(millions of ECU, rounded figures)

Donors	EC and Member States	Other Countries	International Institutions	Total
Type of Assistance				
Medical and Food Aid	1,816	1,097	0	2,913
Loans and Loan Guarantees	38,745	12,912	1,261	52,719
Strategic Assistance:				
Withdrawal of Soviet Troops	8,571	587	0	9,146
Technical Assistance	1,784	725	53	2,562
Others	1,500	2,980	0	4,480
Total	52,416	18,090	1,314	71,821

*) The table includes estimates of commitments made by EC and its member states, other countries and international institutions. These commitments may cover several years. Figures do not include debt rescheduling nor grants from private sources.

Commitments made by international institutions are not included under those of their member states.

SOURCE: EC

ASSISTANCE TO THE INDEPENDENT STATES OF THE FORMER
 SOVIE T UNION SINCE SEPTEMBER 1990

Major Donors	Country Breakdown	Amount (billion ECU)
EC Member States	Germany	40.1
	Italy	3.9
	France	2
	Others	3.6
	TOTAL	49.7
EC		3.5
International Institutions		1.5
EFTA and Nordic Council		1.2
Others	United States	8.0
	Gulf Cooperation Council	3.4
	South Korea	2.4
	Japan	2.4
	Others	3.3
	TOTAL	19.5
	GRAND TOTAL	75.4

SOURCE: European Commission / Financial Times, 3/26/93

TAJIKISTAN

Country Background Report

Japan International Cooperation Agency

U.S.A. Office

Washington, D.C.

April 1993

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ENDNOTES

APPENDIX

TAJIKISTAN

Tajikistan is the poorest of the former Soviet republics and is experiencing economic decline as the country is torn by civil war. A series of coups, counter-coups, and civil war occurred in 1992 and early 1993 between former communist apparatchiks and an opposition alliance consisting of Tajik nationalists, democrats, and Islamic fundamentalists. As a result of the civil strife, some 350,000 people have been displaced. Some Tajiks have sought refuge in Afghanistan which has become a staging area for Islamic militias, and others have crossed into Uzbekistan which fears the growing role of political Islam in its country. Russian troops patrol the borders and maintain order in the capital, and both Uzbekistan and Russia have allegedly aided the former communists in the power struggle.

The effects of the civil war will last for years, and the economy has been greatly affected. The current government is not following any particular development model although Persian influences are strong. The economic chaos prevalent in the country was not brought about solely by the civil war, but existed well before recent events. Of the former Soviet republics, Tajikistan has the lowest per capita income, a very high annual growth rate of the population, the highest infant mortality rates, and the lowest levels of education.¹ The economy is also negatively affected by the outmigration of Russians who are over-represented in technical and managerial positions.

The country is largely unindustrialized and has an agricultural base consisting primarily of cotton cultivation. Its main resource is hydroelectric power but also has largely untapped reserves of natural gas and oil and other natural resources. Economic reform has been limited to date given the focus on internal political rivalries.

As the only Central Asian state whose language is not Turkic, Tajikistan has an affinity towards Persian culture and influence, and Iran has provided Tajikistan with infrastructural improvements, air links, satellite communications, and textbooks in Persian.² Despite these links, Tajikistan is overwhelmingly Sunni, and also expresses interest in ties with Turkey.

The political climate is unpredictable in Tajikistan, and the instability in the country has had devastating effects upon the economy and the citizens of Tajikistan.

I. Political, Economic, and Social Conditions in Tajikistan

Political Conditions:

Tajikistan declared its sovereignty on August 24, 1990 and declared its independence on September 9, 1991.³ It is a member of the Conference on Security and Cooperation in Europe and became a member of the United Nations in March 1992.

Liberalization of the political system has progressed very slowly in Tajikistan, and major violence and misfortune for the inhabitants of the country have accompanied these efforts. The country has been beset with power struggles based on regional rivalries and the political conflict between the conservative communist rulers and their opposition. The conservative coalition consists mainly of former communist apparatchiks from the Kulab and Khojent regions and ethnic Uzbeks residing in Tajikistan. The conservatives are reportedly receiving assistance from the Uzbek government in an open manner and from the Russian troops in Tajikistan discretely. The opposition consists of self-proclaimed

democrats, Tajik nationalists, Islamic fundamentalists, and Islamic groups from the Pamir Mountain region. A series of major and tragic events has occurred in the country especially since 1990 based on this rivalry, and political leadership has frequently changed hands. A description of these events follows which indicates the seriousness of the political situation and the resultant loss of life of tens of thousands, the dislocation of hundreds of thousands, and the continuing political instability in this newly independent country.

In the 1980s the political reforms initiated by Mikhail Gorbachev encouraged some groups to gain political participation in the government of Tajikistan which was slow to adapt to the changing political environment in the rest of the Soviet Union. In January 1990 students conducted a demonstration directed against the Communist Party and government officials who had been nominated for election. Opposition demonstrations in the capital, Dushanbe, by Tajik nationalists and democrats continued in the following month demanding political liberalization. The opposition consisted primarily of members of the Rastokhez movement which had been formed in September 1989. This group is strongly Islamic as well as nationalistic but supports moderate democratic policies.⁴ The Communist leadership was frightened by these developments and cracked down harshly on the opposition in February 1990.

After the Soviet coup attempt in August 1991, demonstrations resumed against the Communist government. The opposition insisted upon an end to the Communists' monopoly of power and demanded that the local branch of the Islamic Renaissance Party no longer be banned. As a result of these demonstrations, the Communist Party leader, Kakhar Makhkamov, resigned and the activities of the Communist Party were temporarily banned. The communist-dominated Supreme Soviet accepted the resignation of Makhkamov on September 7, 1991 and named Kadriddin Aslonov to serve as acting President. On September 22, 1991 the Supreme Soviet replaced Makhkamov with Rakhmon Nabiev as Communist Party leader. Nabiev had previously been head of the Communist Party prior to 1985 when he was deposed and replaced by Makhkamov and temporarily supported the Islamic and democratic groups in ousting Makhkamov.⁵ In this period the Communist Party also changed its name to the Socialist Party of Tajikistan.

Nabiev then declared martial law, but protest groups continued to form, and the small demonstrations became mass demonstrations once supported by religious leaders.⁶ In response to this pressure, Nabiev suspended his own presidency on October 8th pending the outcome of presidential elections to be held November 24th. In the first free elections in the country's history, Rakmon Nabiev was elected President with 58% of the vote. He defeated seven other candidates with the principal opponent being Khudonazarov, who had received backing from most of the opposition groups and had achieved 34% of the vote.⁷

Following his election as President, Nabiev legalized the Communist Party, and the Socialist Party of Tajikistan was renamed the Communist Party again. Moreover, the assets of the party were returned. This brought an end to the brief peaceful alliance. At the end of 1991, Tajikistan was the only remaining state of the former Soviet Union to be ruled by the Communist Party.⁸

In early 1992 Nabiev had the popular democratic mayor of the capital city arrested, and demonstrations began to occur again. Opposition mounted from a number of political groups which include the Islamic Renaissance Party, the Tajik Populist Front Rastokhez (Rebirth), the Democratic Party of Tajikistan, and the Islamic Rebirth Party among others. The Democratic Party of Tajikistan strives for a secular state and its demands are similar to those of the Rastokhez Popular Front, but the party is better organized. The Islamic

Renaissance Party was banned from the outset in 1990 but has become one of the most influential parties, and the Islamic Rebirth Party was founded prior to the November presidential elections.⁹ In addition, opposition came from people from Karategin which lies east of Dushanbe, the Kurgan Teppe, and Pamir who had long been excluded from political power.

In March 1992 demonstrations by the opposition increased and tens of thousands gathered outside the parliament building to support the dismissal of the communist-dominated Tajikistan legislature. The demonstrations lasted two months, and in April 1992 opposition forces took several legislators as hostages and insisted that Nabiev remove the hard-line communist chairman of Parliament, Kendzhayev. Nabiev removed Kendzhayev from office, but shortly thereafter appointed him to another position and later reappointed him as chairman of Parliament. Opposition groups demanded both Nabiev's and Kendzhayev's resignations as well as calling for the dissolution of parliament, the establishment of multi-party elections, and the adoption of a new constitution.¹⁰

Nabiev attempted to use the pro-government militia to suppress the protests, but the opposition forces of democrats, Tajik nationalists, and Islamic fundamentalists gained the upper hand. Nabiev attempted to get support from CIS forces but failed. He then agreed to form a coalition government with the opposition. After coalition talks failed, more than a hundred casualties resulted, but on May 19th, 1992, the opposition was given a role in the Tajikistan government. A new assembly was formed and nearly half of the 70 seats came under the opposition's control.¹¹

Nabiev supporters in the regions of Khojend and Kulyab rejected the agreement that Nabiev made with the opposition groups, and the violence continued. Both of these areas have large Uzbek minorities who tend to support the pro-communists against the Tajik nationalists. In July 1992 leaders of the opposing armed groups made an agreement to stop the violence, but it did not have the intended effect. The two groups continued to fight in the south and used arms smuggled from neighboring Afghanistan.¹²

On September 7, 1992 an opposition group forced Nabiev to resign at gunpoint, but the fighting continued. In October 1992, the U.S. Embassy evacuated its staff from Tajikistan, and in late October pro-communist forces captured the capital for two days.¹³ At this time the Tajikistan government announced that an estimated 18,500 people had been killed since May and that refugees numbered approximately 300,000.¹⁴ In November 1992 the coalition of democratic and Islamic opposition forces agreed to end the fighting.

In late November 1992 the parliament met in a special session and the presidency was abolished. Imamali Rakhmonov, a supporter of ousted President Nabiev, was appointed speaker of parliament and in effect head of state.¹⁵ Rakhmonov retained the Islamic-democratic coalition's prime minister, but hard-line Islamists refused to accept the government. In early December 1992 armed militias with heavy weapons and tanks then took control of the capital, and the Islamists and democrats fled the capital to the countryside and to Afghanistan.

In mid-January 1993, the pro-communist forces began an offensive to wipe out the resistance around Dushanbe. The troops were able to drive the opposition forces back into eastern Tajikistan and have focused upon sealing the borders with Afghanistan. Several thousand Muslim Tajik refugees who fled to Afghanistan are likely to regroup and launch an offensive against the communist government in the spring of 1993.¹⁶

The roots of the continuing conflict lie more so in the tribal and clan rivalries within Tajikistan than in the emergence of the influential Islamic Renaissance Party.¹⁷

Economic Conditions:

Tajikistan has the lowest per capita income of the former Soviet republics, and poverty is widespread among the largely rural population. The economy is based primarily upon agriculture which represented 43% of employment and 38% of national output in 1990 compared to industry figures of 13% and 28%, respectively. The main agricultural product is cotton, and industry relies on agricultural processing, textile production, and mining with the largest enterprise being an aluminum plant. Tajikistan has several natural resources which include gold, uranium, unexploited natural gas deposits, and hydroelectric power. Given the dominance of the agricultural base, the lack of industrialization, and the devastating effects of the civil war upon the economy, economic prospects for Tajikistan in the near future are dim.

Cotton production in Tajikistan accounts for about a tenth of the output of the former Soviet Union. Other crops include barley, millet, rice, wheat, and vegetable and fruit production. Irrigation and pesticides are intensively used particularly for cotton production, and irrigation covers about three-fourths of the arable land which makes up only about 6% of total land in this very mountainous country.¹⁸ Silk and sheep production are also dominant agricultural activities, and more recently opium cultivation has become a concern.¹⁹ Moreover, water resources are scarce and are a major concern. As a result of the fighting in the country, agricultural production was hampered with wheat not being planted at all and 70% of the 1992-3 cotton crop not being harvested.²⁰

Industrial production in Tajikistan is limited and is based primarily on processing local agricultural products such as cotton, tobacco, fruit, and leather. Light industry also consists of textile mills, cotton-cleaning mills, silk factories, footwear, knitted goods, and carpet-making.²¹ Tajikistan also produces metal-working machine tools, refrigerators, freezers, and washing machines.²² A large aluminum plant processes imported aluminum, but production has suffered in the last year due to the instability in the country and the lack of spare parts. Light industry has also been greatly affected by the turmoil.

Tajikistan is endowed with a number of natural resources including largely untapped oil and natural gas reserves, gold, mercury, and uranium.²³ Tajikistan also has small amounts of zinc, lead, silver, antimony, fluorite, molybdenum, tungsten, potassium, sulphur, and salts in addition to rare elements such as radium, arsenic, and bismuth.²⁴ Mining of these metals supports the industrial base, and the production of hydroelectric power ranks only second to Russia among the former republics in this highly mountainous country.

Tajikistan is highly dependent upon imports of food and energy as well as machinery and chemical products. Over three-fourths of its grain and most of its consumer goods must be imported. Tajikistan's main exports are aluminum, raw cotton, and textile products especially silk cloth, and these three items make up 60% of total exports.²⁵ Tajikistan records high surpluses in nonferrous metals and light industry, but the overall trade balance has been a sizable deficit for many years. Inter-republican trade has traditionally dominated Tajikistan's trade with 89% of exports and 81% of imports directed to former Soviet republics in 1990. With inter-republican trade having collapsed, Tajikistan has resorted to barter with other former republics. Moreover, transportation costs which formerly were subsidized by the Soviet Union are generally high due to the country's relative isolation, and Tajikistan's terms of trade have developed unfavorably.

These factors combined with the devastation from the civil war make Tajikistan's economic development prospects in the near future rather bleak.

Tajikistan is currently part of the ruble zone and is experiencing high inflation as in other former republics, and government authorities are considering the introduction of the somon.²⁶ In 1991 total credit to the economy increased by 118%, but broad money growth rose by only 67% which represented a decline in real terms. In February 1991 the Supreme Soviet established the National Bank of Tajikistan as the central bank, but the bank lacks a consistent monetary control framework and skilled personnel. Other banks include the Bank for Foreign Trade Affairs, the Savings Bank, a few commercial banks which were previously specialized state banks, and a number of Russian commercial banks.

Tajikistan experienced budget surpluses through 1991, but expenditures consistently exceeded revenues which were supplemented by transfers from the all union budget. In 1991 these transfers represented 47% of total revenues. With the uncertainty of continuing to receive these transfers, the government implemented a value-added tax of 28% and a social security tax of 38% to increase revenues.²⁷ A revaluation tax for which enterprises transfer gains from valuation increases on enterprise investments as a result of price increases is also a source of revenue. Expenditures consist primarily of capital investment in enterprises and social and cultural expenditures, and law enforcement is a major new expenditure item. With the elimination of union transfers, the budget was expected to be in deficit in 1992 in the amount of approximately 1 billion rubles.

Favorable conditions for foreign investment have yet to be realized in Tajikistan given the slow liberalization of foreign trade and less advanced regulatory environment, but a few measures were taken in early 1992 including the adoption of a law on foreign direct investment. The law provides for substantial tax advantages and legal guarantees to foreign investors. Other methods to attract investors include lower land use rates, lower customs rates, simplified visa requirements, lower tax rates and the development of free trade zones.²⁸ Licenses are required for the exploitation of natural resources which is the sector with the greatest potential for foreign investment. In addition to developing its energy and mineral resources, Tajikistan is seeking foreign investment to further develop its hydroelectric power. For companies interested in pursuing foreign investment opportunities in mining, trading, or banking system development, among other areas, the Tajikistan Development Agency has established an office in London.

Tajikistan agreed to the allocation of 0.82% of the external debt of the former Soviet Union by Western creditor nations in November 1991. This percentage amounted to \$495 million, but the country is not in a position to service the implied figure of \$69 million per year.²⁹

Social Conditions:

Tajikistan's population reached 5.3 million in 1990 and is composed of 62% Tajiks, 24% Uzbeks, 8% Russians and 6% other ethnic groups. Over the period 1985-90, it had the highest population growth rate of the former Soviet republics reaching 2.9% compared to 0.6% in Russia. Tajikistan also had the highest birth rate reaching nearly 42 per 1000 population over the same period, and the highest infant mortality rate of over 47 per 1000 population in 1989-90. In part due to the high birth rate, Tajikistan has 63% of its population under the age of 25 which is the highest figure of all former republics. These figures indicate the dimension of the demographic challenge facing Tajikistan.³⁰

Two-thirds of the population lives in rural areas which is the highest percentage in Central Asia, and the country has the lowest net material product of all former republics. In mid-1991 87% of the population lived below the poverty level compared to 42% in Russia.³¹ In addition to these serious problems, Tajikistan has the lowest levels of educational achievement of the former republics.³²

The provision of medical care in Tajikistan is poor, and shortages in medical supplies and equipment, the quality of health care professionals, and inadequate health care facilities are items needing attention.³³ Basic supplies such as antibiotics, antiseptics, vaccines are often unavailable. Most Tajik homes have no sewage systems or running water which contributes to poor hygiene.

The disabled, pensioners, women and children are particularly vulnerable in the current economic conditions. Malnutrition is also a common concern given the high inflation and lower purchasing power. Moreover, in the former USSR the government gave economic and special incentives for parents to have many children, and providing for the welfare of these large families is now an important concern.³⁴

Foreign Economic and Political Relations:

Tajikistan is a member of the International Monetary Fund, the World Bank Group, and the Conference on Security and Cooperation in Europe. It is also a member of the Economic Cooperation Organization which links Tajikistan with other Central Asian states, Pakistan, Turkey, and Iran.

Tajikistan is closely linked economically and has a strong dependence on trade with the former Soviet Union. Moreover, these trade links have been subsidized in part by the central government due to the remote location of Tajikistan within the former USSR. In addition to its traditional ties, Tajikistan is looking to its neighbors, Afghanistan, Pakistan, China and Iran for closer economic and political ties.

Relations with Russia are sensitive due to accusations of Russian military support of the communist government in Tajikistan, and Russia is particularly interested in protecting its Russian minority in Tajikistan as well as the southern border of the Commonwealth of Independent States. Public polling among residents in Tajikistan indicates a negative view towards Russia in contrast to similar polls taken in Kazakhstan, Kyrgyzstan, and Uzbekistan.³⁵

Relations with Uzbekistan are likewise sensitive since Uzbekistan has openly supported the communist government against the Islamic and democratic opposition. Tajik-Uzbek ties are strained due to fears by Uzbekistan President Karimov of Islamic and democratic forces taking hold in his country as well as to Tajikistan fears of Uzbekistan's regional power and dominance. These ties are further complicated by refugee flows into Uzbekistan from Tajikistan. Moreover, historic ties also affect the countries' relationships since the Tajik's two main cultural centers, Bukhara and Samarkand, were included within the borders of Uzbekistan when these states were artificially created by Stalin.

Tajikistan has strong historical and cultural ties to Iran, and Tajiks are fully aware of their Persian ties. A 1989 law declared that Persian would become the state language within fifteen years. The common language and cultural ties support close relations, and Iran has funded mosques, religious schools and literature, made commitments of development assistance, and planned satellite links for communications improvements between the two countries.³⁶ Tajikistan is the most susceptible country in Central Asia to

Iran's influence, but even in Tajikistan most are Sunni, not Shia, Muslims. Similar religious efforts are being made and funded by Saudi Arabia and Pakistan.

A sizable number of Tajiks reside in Afghanistan and many refugees have sought shelter in the country. CIS troops are monitoring the border which is also the site of drug and weapons smuggling.

In addition to Western concerns about Iran's influence in Tajikistan, considerable attention has also been paid by Western observers to Tajikistan's uranium reserves since Tajikistan holds 14% of the world's reserves. Tajikistan has agreed not to sell uranium to countries which might use it for nuclear weapons purposes.³⁷

Democracy, Human Rights, the Military, and Other Important Issues:

CIS troops in Tajikistan have been playing a peace-keeping role and have been patrolling the border with Afghanistan. Russian troops have been accused of assisting the communist government against the opposition by providing several Soviet tanks which the Russian troops claim were stolen.³⁸ Moreover, Uzbekistan has been accused of providing helicopter gunships, tanks, and ground troops. Numerous armed bands have been involved in the fighting including the National Guard which was formed by Nabiev in 1992 as well as the pro-communist Kulyab National Front.

Human rights organizations have been following the tragic developments in Tajikistan and monitoring the abuses. Both sides of the conflict have been engaged in atrocities which have included murdering teenage boys, burning villages, and summary executions of political opponents.³⁹ Abuses have been particularly widespread since the return to power of the pro-communists in December 1992, and dozens of Tajik intellectuals and opposition activists are presumed dead. Reports of widespread torture and arbitrary killing have been denied by the pro-communist government.

Under Nabiev's government, the opposition was frequently harassed, but publications by the opposition were not banned, and IRP publications were not or could not be controlled by the government even while the party was temporarily banned.⁴⁰ After several months of demonstrations, the opposition was able to control the state radio and television services as part of a compromise with Nabiev in May 1992.

In addition to the human rights abuses, the limited freedom of the press, and the damage inflicted upon the Tajik economy, the environment is also in a devastated condition. The cotton monoculture has negatively impacted the environment in Tajikistan although to a more limited extent than in its neighboring Central Asian countries. The damage has been primarily from chemical pollution and pesticide usage. Tajikistan also has an acute water shortage, and the quality of drinking water is poor which has contributed to health problems among the population.⁴¹

II. Economic and Social Development: Current Situation

Summary of National Economic Plans:

The institutional framework to support economic reform measures is only slowly developing in Tajikistan. The initial reform program was prepared in December 1990 entitled "Program of Economic Stabilization and Transition to a Market Economy" and adopted in 1991, but not all legislative measures have been completed.⁴²

In the spring of 1992 a number of laws were passed to create the foundation for the transition to a market economy with initial emphasis being given to attracting foreign investment. In late November 1992 a program was submitted to the Supreme Soviet which encouraged the development of private enterprise especially small and medium-sized businesses. The program also advocated a gentle transition to a market-oriented economy, but did not specify a foreign development model.⁴³

The devastation of the economy as a result of the fighting in the country will affect economic development in Tajikistan for years, and the poverty situation in the country is likely to impede the implementation of economic reform measures.

Priorities, Principal Measures to Take, and Barriers:

The limited developments in economic reform measures including privatization, price liberalization, and features of a social safety net are outlined in the following sections.

Privatization

The Committee on State Property formed in August 1991 is in charge of the privatization of enterprises in Tajikistan. Several pieces of privatization legislation were passed in early 1992, and the Law on Privatization specifies a number of items which are not to be privatized. The items not to be privatized include the land and its interior resources, water, enterprises in the energy sector including power stations and electrical networks, enterprises in the transportation sector such as air and rail, communications, defense, health care, objects of historical heritage, cultural objects, and public education.⁴⁴ The government intends to privatize about 840 enterprises.⁴⁵ The creation of joint-stock companies, lease distributions with the option to purchase, sales to groups or individuals, or free distribution are various methods of privatization. Foreign participation in the privatizations is permitted in some cases. The status of privatization in other areas such as housing and agriculture is uncertain, but generally a higher share of the labor force is engaged in private farming than in other Central Asian countries.

Price Liberalization

Price liberalization took place in January 1992 in line with the measures initiated by Russia. In general Tajikistan restricted price increases more than other republics, and ration coupons had to be introduced on such items as flour, butter, sugar, and vegetable oil. After initial price increases of many other products, prices were then reduced in several cases and subsidized by the government. The government intends to continue to subsidize many goods and services until a better system of social assistance can be provided.

Social Safety Net

An employment fund, pension fund, and social insurance fund have been created and are financed by employer contributions. These funds are separate from the government budget but may require budget support. In addition government budget expenditures provide support in the subsidization of food prices. Social safety net issues are particularly important in Tajikistan given the high level of poverty in the country, the high percentage of the population under 25, and the devastating effects of the civil war. Women and children, pensioners, and the disabled are particularly vulnerable in the current economic conditions.

Investment Projection for National Development:

Given the slow pace of economic reform which is due in part to the preoccupation with the civil war, few plans have been established in cooperation with such agencies as the International Monetary Fund and World Bank, and there is little information available on the funding required to implement government plans.

National Budget and Balance of Payments Situation:

Prior to 1992 the national budget regularly experienced surpluses which were due largely to transfers from the all union budget. In 1991 the actual budget surplus reached 437 million rubles as a result of revenues of 5.4 billion rubles and expenditures of 5.0 billion rubles, but in 1992 the projected budget deficit was 1.1 billion rubles as a result of expected expenditures of 18.0 billion rubles surpassing revenues of 16.9 billion rubles. The budget deficit is due largely to the elimination of all union budget transfers which reached nearly half of budget revenues in 1991. The new value-added taxes and excise taxes are the major source of revenues in addition to revenues from the revaluation of enterprise stocks, the enterprise profit taxes, and income from privatizations. The largest share of expenditures is on social and cultural spending and the large new item of law enforcement.⁴⁶

Regarding the balance of payments situation in Tajikistan, the current account has been in deficit for many years. Tajikistan is highly dependent upon trade with other former republics, and with the breakdown in trade among the republics and the shortages in consumer goods and energy inputs into Tajikistan's economy, imports have fallen sharply and exports have reduced. This has had the effect of decreasing the trade deficit, and a small inter-republican trade surplus was expected of over 300 million rubles in 1991.⁴⁷ Foreign trade was expected to be near a balance in 1991. Due to the price liberalizations and efforts to redirect the country's trade, prices increased for both imports and exports, with a net effect of a loss in terms of trade for Tajikistan's primary export products. Due to the lack of input supplies for Tajikistan's industry and the terms of trade losses, the economy experienced a severe recession in 1992, and this is likely to have negatively affected Tajikistan's export position. Moreover, the effects from the civil war have had a devastating impact on the economy and trade which is now conducting in large part through barter arrangements.

III. Donor Trends

Tajikistan's reform measures have been limited to date due to the preoccupation with the civil war in the country. Technical assistance has been provided on a limited scale, but the most immediate concern is humanitarian assistance. Emergency medical supplies and other humanitarian relief forms are necessary in this war-torn and impoverished country.

Assistance from Bilateral Donor Agencies:

Development assistance is being provided to Tajikistan by the Group of Seven industrialized countries as part of a large aid package primarily directed to Russia. In addition to these broad measures as part of the G-7 package, individual agencies are considering limited plans for assisting Tajikistan in its development. Most of the assistance to date has been in food loans and emergency humanitarian relief.

United States: Agency for International Development (AID)

In April 1992 AID created a Task Force on the Newly Independent States to serve the reforming countries of the Central Asian region. The mission is located in Alma-Ata, Kazakhstan. AID has established nine project areas to date: energy, environment, health care improvements, private sector initiatives, food systems restructuring, democratic pluralism, housing sector reform, economic and financial restructuring, and special initiatives. The primary beneficiaries of these programs to date have been Kazakhstan and Kyrgyzstan which have pursued economic reform measures during the time that Tajikistan has been engaged in domestic turmoil. Under the Freedom of Support Act, \$417 million was allocated in FY93 to implement these programs, and more than \$700 million is earmarked for FY94.

Tajikistan has received humanitarian assistance from US AID primarily in the form of emergency medicines and supplies. A sum of \$1 million was budgeted for the Emergency Medicines Initiative. An Emergency Immunization Program has also been established. Technical assistance has been limited to Tajik officials attending seminars on the rule of law, but more technical assistance is likely when the political situation in the country has stabilized.⁴⁸

Japan: Japan International Cooperation Agency

Japan is currently providing technical assistance in Central Asia especially in human resources development and is cooperating with institutions such as the World Bank in joint financing projects. Development assistance priority areas for the Central Asian region include economic infrastructure such as transportation, energy, and communications, production areas such as agriculture, mining, manufacturing, and construction, and social infrastructure such as education, water supply, and sanitation.⁴⁹

The Japanese Government has announced the establishment of a training program for the Central Asian countries of the former Soviet Union. This program is to offer training courses to 300 people from the people of Kazakhstan, Kyrgyzstan, Tajikistan, and Turkmenistan over a period of three years. The purpose of the program is to inform the participants about Japanese economic development and assistance programs and to promote successful cooperation between the host countries and the Government of Japan in carrying out development projects. As of February 1993, 20 people had entered the training program.⁵⁰

Japan has dispursed part of 6.5 billion yen (\$50 million) for humanitarian assistance allocated to the Newly Independent States in February 1992.

In late October 1992 Japan hosted the Tokyo Conference on Assistance to the Newly Independent States in which nine republics of the NIS expressed the need for Consultative Groups. In mid-December 1992 in Paris Consultative Group sessions for Kazakhstan and Kyrgyzstan were held and a Pre-Consultative session was held for Uzbekistan in which the Japanese Government participated.

In early February 1993 the Japanese Ministry of Foreign Affairs organized a mission to the Central Asian countries with the exception of Tajikistan to discuss and identify potential areas of development assistance support. A subsequent cultural exchange mission was sent to Uzbekistan, Kazakhstan, and Kyrgyzstan in late February 1993. Beginning in April 1993 Japan intends to send planning surveyors for a period of three months to four Central Asian countries.⁵¹

Japan has strongly supported the Central Asian countries being included in the list of aid recipients of the OECD's Development Assistance Committee (DAC). In principle, Japan's grant assistance is provided only to countries on the DAC list which have per-capita gross national product figures below 1235 dollars (1991 standard); the current figures for the Central Asian countries of the former Soviet Union exceed this figure, and at present, these countries are ineligible for Japanese grant assistance.

Germany: Federal Ministry for Economic Cooperation (BMZ)

Since the end of 1989, Germany's aid to the former Soviet Union has amounted to \$53.5 billion which is more than half of total international assistance and which represents more than 3% of German GDP.⁵² Germany has provided aid to the former Soviet Union in the following areas and amounts: loan and export guarantees (\$27.7 bil.); grants and free shipment of goods (\$12.5 bil.); investment projects particularly in natural gas production and ore-mining (\$1.9 bil.); and the Transfer Ruble Balance (\$11.4 bil.). The Transfer Ruble Balance represents a medium-term interest-free loan, and regarding the \$12.5 billion of grants and free shipments of goods, \$9.4 bil. of this sum relates to withdrawing Soviet troops from the new German states.

Germany is providing to the Newly Independent States financial advisory services, scientific and technical cooperation, training, and technical assistance in the form of advice in legal matters, customs, tax, budgetary issues, banking, insurance, labor management, and social welfare. This assistance was approved by the Federal Cabinet in March 1992 and is being provided by the various Federal Ministries.

Germany has also had a large role in European Community assistance to the former Soviet Union. In 1991 the EC decided to provide ECU 250 mil. for relief shipments, and after the Maastricht Summit provided additional food aid amounting to ECU 200 million in grants. Germany's share of this aid was about 28%. Germany also played a key role in the Group of Seven (G7) decision to provide a \$24 billion financial assistance package to the former Soviet Union of which the German share amounted to about \$4.5 billion.

Canada: Canadian International Development Agency (CIDA)

The Canadian government has provided economic assistance to the former Soviet Union in the form of humanitarian assistance, technical assistance, food credits, and commercial credits. The Canadian government contributed \$7 million to the Red Cross to provide medical supplies to former Soviet republics which included Kyrgyzstan. The government has provided a \$25 million program for technical assistance to the former Soviet republics which is being managed by the Task Force on Central and Eastern Europe.⁵³ Over 50 projects have been approved by the Task Force with energy and agriculture being the prime areas of focus. In addition, food credits and lines of credit for capital goods and services have been approved for Russia, although they were suspended in early 1993. In July 1992 the Canadian government sent a delegation to Kazakhstan and a joint declaration of economic cooperation was signed.

Canada has also contributed to international organizations such as the European Bank for Reconstruction and Development with its share of 3.4 percent and the IMF Stabilization Fund for the ruble.

Sweden: Swedish International Development Authority

In February 1993, the Swedish government allocated 8 million Swedish crowns (\$1.1 million) to aid refugees in Tajikistan, Armenia, and Azerbaijan as part of a United Nations High Commissioner for Refugees program.⁵⁴

Assistance from International Organizations:

United Nations Development Program (UNDP)

In May 1992 all of the Central Asian countries had been given recipient status with UNDP with the exception of Tajikistan. By October 1992 UNDP had signed host agreements with Kazakhstan and Kyrgyzstan and expected an agreement with Uzbekistan.⁵⁵ As of December 1992 UNDP had indicated it planned to open offices in Kazakhstan, Kyrgyzstan, and Uzbekistan and was considering opening an office in Turkmenistan. Missions had been carried out to Kyrgyzstan and Turkmenistan as of late 1992.⁵⁶

Consultative Group meetings for assisting Kazakhstan and Kyrgyzstan and a Pre-Consultative Group meeting for Uzbekistan were held in mid-December 1992 which were primarily coordinated by the World Bank but in which UNDP also played an important role as a statutory member of the Consultative Groups.

The United Nations' emergency and humanitarian support in the Central Asian countries is distributed among various agencies which include the following: UNICEF supports infant and child welfare; UNFPA responsibilities include training, organizational support, material supplies, and educational support to family planning initiatives; and the World Health Organization of the UN is in charge of dispensing drugs, vaccines, medical supplies and equipment. The UNDP coordinates these UN bodies in providing development assistance as part of the Consultative Group process.

World Bank

The World Bank is the primary coordinator of the Consultative Group process along with the International Monetary Fund and the United Nations. It had a major role in the Consultative Group sessions for Kazakhstan and Kyrgyzstan and the Pre-Consultative Group sessions for Uzbekistan held in mid-December 1992 in Paris.

The World Bank has set up a regional office in Tashkent, Uzbekistan which covers developments in Tajikistan and the region. Given the civil strife in the country, World Bank activities in support of Tajikistan have been limited. Technical assistance is in a preliminary stage, and a reconstruction project including emergency infrastructure might be appropriate. Water resources and environmental issues are also a concern in Tajikistan and the Central Asian region as a whole.

International Monetary Fund

The IMF has provided only limited support to Tajikistan's development to date due to the domestic turmoil and the related slow pace of economic reform. Priority areas for technical assistance include macroeconomic stabilization policies, human resources support at various relevant institutions, and institution-building support. Support in central banking, statistics, and in the fiscal area are also important.

European Community and European Bank for Reconstruction and Development

In December of 1991 the European Community agreed to provide Ecu 1.25 billion in food credits to the emerging independent republics. Of this sum Ecu 38 million in food credits was directed to Tajikistan.⁵⁷

The European Community has provided a technical assistance grant to the former Soviet states in the amount of Ecu 9.23 billion. With the collapse of the Soviet Union, the Central Asian countries automatically became eligible for membership in the EBRD.

The European Bank for Reconstruction and Development is financed from contributions from numerous countries, with the U.S. having a ten percent share, the United Kingdom, France, Germany, Japan, and Italy each having an eight percent share, and Canada having a 3.4 percent share. EC member states hold a total of 51% of the capital.

The EBRD recently agreed to provide a technical cooperation loan in the amount of \$43.8 million to support privatization in Russia.

General EBRD program areas include privatization, financial reform, infrastructural improvements, restructuring of industry, foreign investment, and the environment.

Asian Development Bank

Representatives from most Central Asian countries with the exception of Tajikistan attended the 25th anniversary meeting of the ADB. Tajikistan, however, did join the UN Economic and Social Commission for Asia and the Pacific along with Turkmenistan and Kyrgyzstan which is a pre-requisite for ADB membership. Kazakhstan and Uzbekistan also expressed their interest in joining the ADB. The countries are attracted to ADB's no-interest 30-year loans, but according to common practice, they face the choice of joining only one of the two relevant regional banks - the other being the EBRD. The two banks, however, do have slightly different emphases with ADB concentrating on the public sector whereas the EBRD provides 60% of its funding to private enterprise.⁵⁸

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APPENDIX

Basic & Demographic Information on Central Asian Republics

Ethnic Composition of Central Asian Republics

Gross Domestic Product (GDP) in 1990-1992

GDP Data for the Central Asian Republics (1990)

Net Material Product Data for the Central Asian Republics (1990)

Central Asian Republics' Production - Output & Employment by Sector

Share of Total Exports & Imports (1990)

Inter-Republican Trade in Central Asia (1990)

Foreign Trade (1990) (Selected Countries)

Relative Energy Importance of the Former Soviet Republics (1990)

Tajikistan Budget

World Assistance to Central Asian Republics

Assistance to the Independent States of the Former Soviet Union Since September 1990

BASIC & DEMOGRAPHIC INFORMATION ON CENTRAL ASIAN REPUBLICS

Indicator	KAZAKHSTAN	KYRGYZSTAN	TAJKISTAN	TURKMENISTAN	UZBEKISTAN	RUSSIA
Area (thousand sq.km)	2,717	199	143	488	447	17,075
Population (mid-1990)(M)	16.7	4.4	5.3	3.7	20.5	148.3
Urban Population (%) (1990)	57.0	38.0	32.0	45.0	41.0	74.0
Average Annual Growth Rate (1985-90)	1.1	1.91	2.93	2.46	2.53	0.6
% under 25 years (1990)	49	56	63	60	60	35
Infant Mortality Rate (1989-90 per 1,000)	27.2	33.5	47.3	53.8	38.9	18.8
Birth Rate (1985-90 per 1,000)	24.5	31.9	41.6	37	36	17
Death Rate (1985-90 per 1,000)	8.5	7.6	6.8	8	6.9	10.5

SOURCE: World Bank Statistical Handbook (Table 1.2)

ETHNIC COMPOSITION OF CENTRAL ASIAN REPUBLICS

(in thousands, 1989)

Republics	KAZAKHSTAN	KYRGYZSTAN	TAJKISTAN	TURKMENISTAN	UZBEKISTAN	TOTAL IN EX-USSR
Ethnic Groups						
Kazakhs	6,532	37	3,168	88	808	8,138
Kyrgyz	14	2,228	64	1	175	2,531
Tajiks	26	34	3,168	3	932	4,218
Turkmen	4	1	21	2,524	123	2,718
Uzbeks	334	551	1,197	320	14,535	17,110
Other Muslims	768	212	95	135	923	20,088
Russians	6,226	917	387	334	1,652	145,072

SOURCE: WILSON QUARTERLY (SUMMER 1992)

GROSS DOMESTIC PRODUCT (GDP) IN 1990-1992

(billions of rubles by 1990 prices)

	1990	1991	1992	1991 to 1990 by %	1992 to 1991 by %
COMMONWEALTH	1,006.5	865.0	715.0	86%	83%
RUSSIA	625.0	528.5	428.5	85%	81%
KAZAKHSTAN	56.5	51.0	43.5	90%	85%
KYRGYZSTAN	9.5	7.3	6.5	77%	89%
TAJIKISTAN	8.0	6.0	4.0	75%	66%
TURKMENISTAN	8.0	7.2	6.5	90%	90%
UZBEKISTAN	43.0	35.0	28.0	81%	80%

SOURCE: Business World No.3 (48), February 3, 1993

GDP DATA FOR THE CENTRAL ASIAN REPUBLICS (1990)

Indicator	KAZAKHSTAN	KYRGYZSTAN	TAJIKISTAN	TURKMENISTAN	UZBEKISTAN
GDP (current billion rubles)	45.3	8.3	7.1	7.3	n.a.
GDP per capita	2,706	1,893	1,341	2,002	1,579

SOURCE: World Bank Statistical Handbook

NET MATERIAL PRODUCT DATA FOR THE CENTRAL ASIAN REPUBLICS (1990)

(in billion rubles)

Indicator	KAZAKHSTAN	KYRGYZSTAN	TAJIKISTAN	TURKMENISTAN	UZBEKISTAN
Net Material Product (NMP)	35.0	6.0	5.3	5.3	23.4
Share of Former USSR (NMP) (%)	4.8%	0.8%	0.7%	0.7%	3.2%

SOURCE: World Bank Statistical Handbook

CENTRAL ASIAN REPUBLICS' PRODUCTION
- OUTPUT & EMPLOYMENT BY SECTOR - *

		Industry	Construction	Agriculture
KAZAKHSTAN	- output	41.6%	9.5%	35.7%
	- employment	20.1%	10.7%	16.5%
KYRGYZSTAN	- output	45.3%	7.7%	36.4%
	- employment	27.8%	-	32.8%
TAJIKISTAN	- output	n.a.	n.a.	n.a.
	- employment	13.5%	8.3%	42.9%
TURKMENISTAN	- output	19.6%	22.7%	46.4%
	- employment	10.8%	10.0%	42.0%
UZBEKISTAN	- output	43.1%	13.8%	28.7%
	- employment	n.a.	n.a.	n.a.

*) Output data is from 1991 while employment data is from 1990.

SOURCE: World Bank Statistical Handbook (compiled)

SHARE OF TOTAL EXPORTS & IMPORTS (1990)(%)

(at Domestic Prices)

Country	Export/Import Volume (M current ruble)	Foreign Trade (%)	Inter-Republican Trade (%)	
KAZAKHSTAN	- export	9,350	10%	90%
	- import	17,830	20%	80%
KYRGYZSTAN	- export	2,499	2%	98%
	- import	4,243	25%	75%
TAJIKISTAN	- export	2,686	11%	89%
	- import	4,127	19%	81%
TURKMENISTAN	- export	2,641	7%	93%
	- import	3,608	19%	81%
UZBEKISTAN	- export	9,351	13%	87%
	- import	14,662	19%	81%
RUSSIA	- export	106,795	30%	70%
	- import	142,563	53%	47%

SOURCE: World Bank Statistical Handbook (compiled)

INTER-REPUBLICAN TRADE IN CENTRAL ASIA (1990) *

(millions of 1990 rubles in domestic prices)

	RUSSIA	KAZAKHISTAN	KYRGYZTAN	TAJIKISTAN	TURKMENISTAN	UZBEKISTAN	Imports		Total
							Former USSR	Rest of World	
RUSSIA		4,276.3 (50.7%)	897.1 (36.1%)	1,167.6 (49.1%)	1,276.4 (51.7%)	4,840.2 (59.3%)	67,283.7	75,280.0	142,563.7
KAZAKHISTAN	9,073.5 (12.1%)		267.6 (10.9%)	317.9 (13.4%)	78.9 (3.2%)	783.9 (9.6%)	14,314.1	3,516.0	17,830.0
KYRGYZTAN	1,538.6 (2.1%)	358.0 (4.2%)		65.1 (2.7%)	48.6 (2.0%)	364.5 (4.5%)	3,179.4	1,063.0	4,242.4
TAJIKISTAN	1,407.1 (2.0%)	268.8 (3.2%)	123.7 (5.1%)		69.2 (2.8%)	502.8 (6.2%)	3,359.3	767.0	4,126.3
TURKMENISTAN	1,275.5 (1.7%)	217.1 (2.6%)	112.7 (4.6%)	88.6 (3.7%)		215.6 (2.6%)	2,923.0	685.0	3,608.0
UZBEKISTAN	5,026.6 (8.0%)	1,453.4 (17.2%)	322.7 (13.2%)	329.8 (13.9%)	619.9 (25.1%)	11,863.8	11,863.8	2,798.0	14,661.8
EXPORTS		8,443.3	2,445.9	2,377.4	2,469.0	8,169.1			
Former USSR	74,710.3	906.0	53.0	308.0	172.0	1,183.0			
Rest of World	32,083.0	9,340.3	2,492.9	2,685.9	2,611.0	9,352.1			
TOTAL	106,793.3								

* Note: Figures in the matrix represent the flow of commodities from the state at the top of the column to the state in the row. The figures to the side and below represent the share of total inter-state imports and exports, respectively.
For example, 4,276.3 million rubles of trade items flowed from Kazakhstan to Russia. This flow accounted for 6.4% of Russia's total interstate imports and for 50.7% of Kazakhstan's total interstate exports.

SOURCE: E. Goshenstat, World Bank Trade and Payments Arrangements for States of the Former USSR, September 1992

FOREIGN TRADE, 1990 (SELECTED COUNTRIES)

(millions official foreign trade in rubles)

	Kazakhstan		Kyrgyzstan		Tajikistan		Turkmenistan		Uzbekistan	
	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
Total	1,112	2,433	67	870	413	750	140	566	875	2,051
USSR	320	1,752	41	574	252	507	89	402	558	1,429
Germany	122	436	6	157	46	118	16	144	95	309
Poland	70	260	3	63	21	61	7	51	54	218
Bulgaria	100	202	6	66	37	55	13	41	79	209
Czech	83	220	4	81	32	60	10	46	63	193
Asia	108	434	24	145	77	128	31	113	200	348
Japan	38	67	1	42	14	19	3	17	68	111
China	36	127	10	30	10	28	4	28	29	88
India	24	48	1	25	8	18	4	32	20	29
America	71	205	4	50	29	80	9	41	62	189
Cuba	57	117	3	26	23	39	8	12	49	97
US	10	63	1	10	4	28	1	17	8	52

SOURCE: World Bank Statistical Handbook (compiled)

RELATIVE ENERGY IMPORTANCE OF THE FORMER SOVIET REPUBLICS, 1990

(thousand barrels per day oil equivalent)

	Production				Consumption			
	Oil	Gas	Coal	Electricity	Oil	Gas	Coal	Electricity
KAZAKHISTAN	502	110	1,164	141	450	175	583	153
KYRGYZSTAN	4	2	35	21	57	28	32	13
TAJIKISTAN	4	3	6	29	51	28	7	26
TURKMENISTAN	112	1,365	0	24	104	166	5	12
UZBEKISTAN	56	634	53	91	218	655	45	77
RUSSIA	10,328	9,956	3,503	1,744	4,982	7,417	3,155	1,518
TOTAL FORMER USSR	11,394	12,665	6,235	2,784	8,400	11,078	5,245	2,424

Note: Electricity figures include electricity generated from oil gas and coal power plants.

SOURCES: Matthew J. Sagers, Soviet Geography, 4/91; Energy Information Administration, International Energy Annual 1990; International Energy Outlook 1992, Energy Information Administration, April 1992

TAJIKISTAN BUDGET

(millions of current rubles)

	1990	1991
TOTAL REVENUE (including grants & transfers)	n.a.	5,457
Grants from USSR	n.a.	-
Transfers from all union budget	n.a.	2,543
Tax Revenue	n.a.	2,519
Profit Tax	n.a.	604
Income Tax	n.a.	333
Turnover & other excise taxes	n.a.	1,174
Social Security Contribution	n.a.	-
Others	n.a.	408
Non Tax Revenues	n.a.	395
TOTAL EXPENDITURE (including transfers)	n.a.	5,020
Transfers to all union budget	n.a.	-
Current Expenditure	n.a.	5,020
Administration	n.a.	82
Subsidies	n.a.	-
Economy	n.a.	-
Social & Cultural	n.a.	3,138
Others	n.a.	1,800
Capital Expenditure	n.a.	-
Investment	n.a.	-
SURPLUS/DEFICIT	n.a.	437

SOURCE: World Bank Statistical Handbook

WORLD ASSISTANCE TO CENTRAL ASIAN REPUBLICS *

(millions of ECU, rounded figures)

Donors	EC and Member States	Other Countries	International Institutions	Total
Type of Assistance				
Medical and Food Aid	1,816	1,097	0	2,913
Loans and Loan Guarantees	38,745	12,912	1,261	52,719
Strategic Assistance:				
Withdrawal of Soviet Troops	8,571	587	0	9,146
Technical Assistance	1,784	725	53	2,562
Others	1,500	2,980	0	4,480
Total	52,416	18,090	1,314	71,821

*) The table includes estimates of commitments made by EC and its member states, other countries and international institutions. These commitments may cover several years. Figures do not include debt rescheduling nor grants from private sources.

Commitments made by international institutions are not included under those of their member states.

SOURCE: EC

ASSISTANCE TO THE INDEPENDENT STATES OF THE FORMER
SOVIE T UNION SINCE SEPTEMBER 1990

Major Donors	Country Breakdown	Amount (billion ECU)
EC Member States	Germany	40.1
	Italy	3.9
	France	2
	Others	3.6
	TOTAL	49.7
EC		3.5
International Institutions		1.5
EFTA and Nordic Council		1.2
Others	United States	8.0
	Gulf Cooperation Council	3.4
	South Korea	2.4
	Japan	2.4
	Others	3.3
	TOTAL	19.5
	GRAND TOTAL	75.4

SOURCE: European Commission / Financial Times, 3/26/93

