



Source: CIA World Factbook.

Central Asia

Situation Analysis

Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan are low and lower-middle income countries facing multiple development challenges (2005 per capita income range in US\$: Kazakhstan 2,930 (highest), Tajikistan 330 (lowest). All countries have relatively low Human Development Indexes.

The predominant geographic characteristic of the countries is undoubtedly their remoteness. The countries within the region are all landlocked, Uzbekistan doubly so. The population of Central Asia is almost 60 million people. As a whole the region is characterized by rather high natural population increase, with a high share of children under 15. Educational levels, however, are quite high.

The region is rich in mineral and particularly energy resources. Central Asia has 3% of worldwide oil stock and 7% of natural gas. Most of the oil and gas supplies are in Kazakhstan and Turkmenistan where they dominate exports. Kazakhstan and Uzbekistan have some of the largest stocks of uranium in the world.

The societies of Central Asian countries have had to cope with severe economic crises following the break-up of the Soviet Union. Since 1999, strong oil and other raw material prices have helped to stimulate economic growth, although unevenly across countries. Real GDP growth in 2006 ranged from 2.7% (Kyrgyzstan) to 10.6% (Kazakhstan).

The recent performance of trade in goods has been characterized by rapid expansion, with the continuing dominance of crude oil in Kazakhstan, natural gas in Turkmenistan, cotton fibre in Uzbekistan and metals (gold) in Kyrgyzstan. Another major source of income is remittances from workers abroad, particularly in Tajikistan.

The countries remain vulnerable to changes in the markets for these few commodities. The benefit from trade is relatively limited. Markets are not diversified either by product or destinations, and there are challenging prospects for attracting new investments and advanced technologies.

At the national level, there are few or no overall coordination mechanisms for developing competitiveness in exports, and there is only a fledgling institutional infrastructure for trade development. Kazakhstan and Kyrgyzstan have been liberalizing their trade policies more or less steadily since the early 1990s. Tajikistan liberalized its trade regime fairly rapidly after the end of its civil war in 1997. Turkmenistan has undertaken little trade liberalization. Uzbekistan liberalized its trade regime considerably in the first half of the 1990s.

Only Kyrgyzstan is at present a member of the WTO. Kazakhstan's application is fairly far advanced as compared to Tajikistan's and Uzbekistan's. Turkmenistan has not yet applied for WTO membership.

The Central Asia export performance: mostly rapid growth

Country	Exports (US\$ million)	Exports to GDP (%)	Exports per capita (US\$)	Growth of export value (% p.a.)	Share of exports to the region (%)	HDI ranking (out of 177)
Kazakhstan	27,842	68	1,838	34	2.3	79
Turkmenistan	4,789	78	991	20	1.3	105
Uzbekistan	3,389	28	127	13	9.3	113
Tajikistan	746	36	115	22	2.5	122
Kyrgyzstan	669	30	130	9	23.6	110
Total for the region	37,435		643	28	3.2	

Source: ITC TradeMap, WB, UNDP Human Development Indicators. Data refer to 2005 and growth rates to 2001-2005. Export figures only include trade in goods.

Trade Challenges

ITC's Strategic Objectives



Trade Policy and Regulations

Trade policy and regulations are heavy-handed

At the macro level, the countries in general are characterized by a poor regulatory environment and standards regime. There are few regional and bilateral trade agreements and these are overlapping, complex and mostly ineffective.

Many public sector decision-makers are unfamiliar with the realities of market economics, and are unaware of how rules, regulations and different policy decisions could affect the private sector. On their side, many businessmen have a strong aversion to what is seen as a heavy-handed government presence in the market.

There is an absence of comprehensive and holistic national and sector strategies and lack of practical implementation mechanisms, including public/private partnerships.

Support policy-makers in integrating the business sector into the global economy

Trade Development

TSIs are generally weak

At the institutional level, there is a general lack of quality intermediary institutions to supply trade or sector specific advice, such as business associations; standards, quality assurance, accreditation and metrology institutions; and other business services providers, including financial advisers and consulting firms at large.

Local service providers lack the necessary knowledge and skills to supply trade or sector specific advice. In addition, the few existing consulting companies are mostly concentrated in the capitals and the supply of services in other parts of the country is weak.

Develop the capacity of trade service providers to support businesses

Building Production Capacity

Entrepreneurial and marketing skills needed

Central Asian companies have made some progress in improving their product design, developing brands, and increasing their share of sales in the local market. However, they still lack many of the skills and experiences needed to operate efficiently and profitably such as good management experience, marketing skills, financing knowledge, and quality and cost control skills and procedures. The level of knowledge of the challenges and opportunities in the multilateral trading system is limited.

Many managers are still detached from consumer demand, producing items with unattractive design and packaging, a lack of proper quality management and certification. Very few promote their products, either nationally or internationally.

Strengthen the international competitiveness of enterprises

ITC Responses

Trade Policy and Regulations

Public-private dialogue

ITC will continue encouraging public-private sector partnerships as well as strengthening of national consultation mechanisms among all stakeholders in order to support trade policy formulation and trade negotiations through assistance in formulation of sectoral and national export strategies. ITC will foster a conducive environment for small business, advise on the business implications of WTO accession and assist in reinforcing certification and accreditation bodies.

Within the framework of ongoing initiatives, ITC has been successful in helping the Central Asian countries to develop national export as well as sector strategies in agri-processing. Several countries are interested in doing the same for other sectors and for exports at large and ITC will continue its support in this area.

Trade Development

Institutional strengthening

There is wide recognition of the need to build capacity within national and regional institutions dealing with trade. ITC will be providing assistance by strengthening the national trade promotion organizations, trade support institutions and trade associations through an increase in the quality and range of their services that can assist potential and actual exporters in becoming more export competitive.

In the framework of current projects, ITC will continue to provide assistance to sectoral associations and will maintain activities aimed at strengthening standards and quality management institutions so that exporters can better meet foreign quality standard requirements. Local service providers in both countries will continue to benefit along two tracks: a strengthening of new and existing TSIs to turn them into well-functioning organizations, and an improvement in the range, quality and responsiveness of their support to small and medium enterprises.

Building Productive Capacity

Preparing enterprises for export

Private sector development remains a high priority for ITC in Central Asia. As part of the prospective initiatives in the region, ITC will provide SMEs with the knowledge and skills to become competitive in the global marketplace and give direct assistance in improving supply chain, quality and safety, and marketing operations, including e-business. Enterprises also need assistance in market intelligence and analysis.

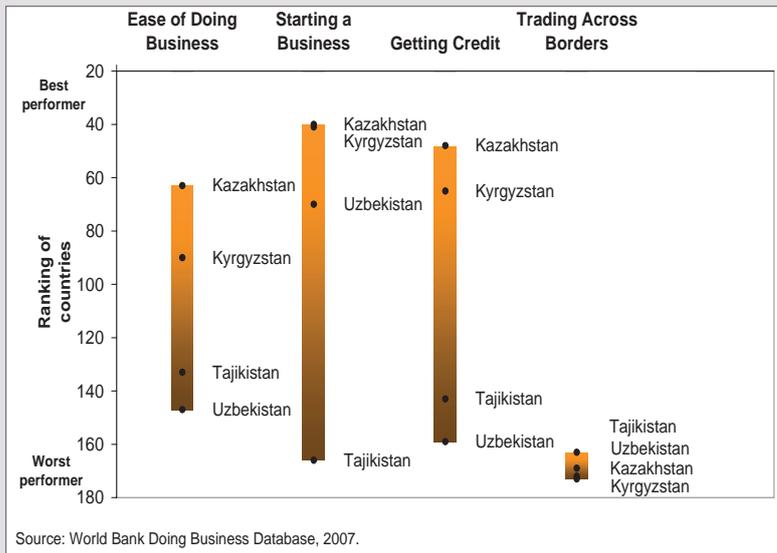
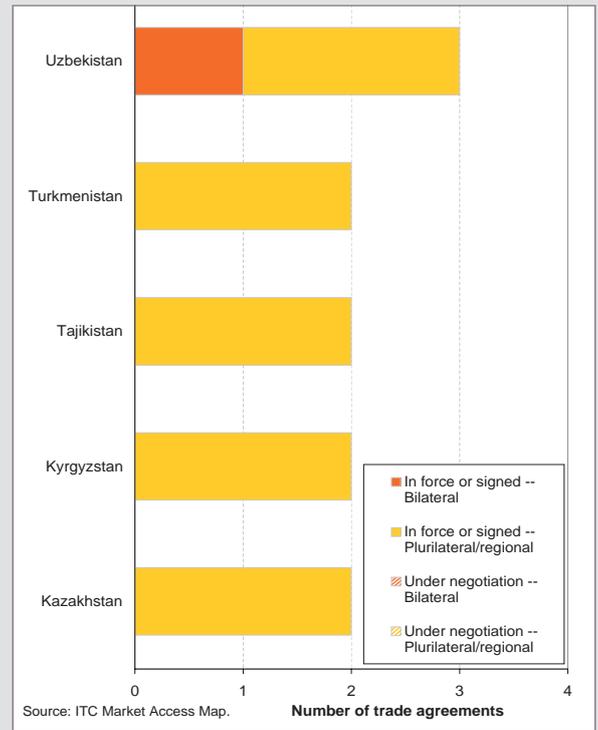
Within the framework of ongoing initiatives, ITC is developing its activities in improving the export competitiveness of enterprises in the agro-processing sector in areas such as product design, quality and safety management and marketing.

Pilot enterprises will continue receiving direct, hands-on assistance. International experts, while coaching local experts, will provide individual consultancy services, helping enterprises to implement their action plans. Beyond the pilot phase training, marketing missions and other services will be extended to a larger group of enterprises.

Strengthening Links

Trade Agreements in Force or under Negotiation

Trade agreements involving Central Asian countries generally have a narrow coverage and complex rules of origin and most of them remain agreements on paper only.



Doing Business

Representative Indicators

Kazakhstan's and Kyrgyzstan's business environment is ranked highest in the region.

Cross-boarder trading for all countries of the region remains major challenge, because of trade barriers and poor transit systems.

Concentrated or Diversified?

Product and Market Concentration

A few primary commodities continue to dominate in the export of Central Asian countries. The rise in the world price of these commodities was the major factor that contributed to the rapid growth of exports from Central Asia in 2004-2005. At the same time trade in manufactured products remained very limited.

