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Central Asian Integration and Its Impact on Regional Trade and Economy

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Abstract Central Asian region includes five Former Soviet Union republics such as Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan. All countries follow totally different national development strategies. While Kazakhstan and Kyrgyz Republic are outward looking and the most integrated to world economy, Turkmenistan and Uzbekistan keep isolationism policy. Since 1991 many Preferential Trade Agreements have been signed in Central Asia. However, the countries could cooperate in only a few areas. Majority of these agreements led to more conflicts and contradictions, which became the beginning of Central Asian disintegration. All countries of the region in their trade policies have largely followed the path of policy autonomy. Thus, this paper analyzes the impact of integration agreements on the regional trade and economy of Central Asia with the special focus on Kazakhstan. The paper also covers the analysis of possible impact of the newly created Eurasian Economic Union (EAEU) and the World Trade Organization (WTO) on Central Asian countries, taking into consideration that Kazakhstan and Kyrgyz Republic are the member countries of EAEU.

Keywords Regional integration • Central Asia • Kazakhstan • International trade

1 Introduction

Independence came to Central Asian (CA) countries after the dissolution of the Soviet Union in 1991. In the Soviet Union the CA countries played the role of raw materials producers, mainly oil, natural gas, metals and cotton. The first decade of independence brought breakdown of Soviet economic links, economic decline, currency crises, and hyperinflation. But after 2000, economic growth of CA countries was rapid. This growth came due to oil boom, growth of trade with China, growth of investment, increase in migrant remittances, and minor success in economic management (Linn 2009).

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Kazakhstan as the holder of huge stock of natural resources achieved economic leadership in the CA region thanks to oil boom. Uzbekistan, after the decline of world prices to its main commodities gave up the regional leadership and became one of the highest state controlled countries. Turkmenistan, one of the richest natural gas holders in the world, continues its economic and political isolationism and internal populist policy. Tajikistan after a bitter civil war became one of the poorest countries, and mostly depends on migrant remittances mainly from Russia. The Kyrgyz Republic despite the political turbulence became one of the most liberal countries of the region.

Many Preferential Trade Agreements (PTAs) have been signed in the CA region. But more organizations led to more conflicts and contradictions, which became the beginning of disintegration. The CA countries have in their trade policies followed the path of policy autonomy and became greater integrated into global than regional markets (Pomfret 2009). Thus, the basic questions are (a) why regionalism failed in Central Asia, and (b) how it impacted on regional trade and economy? Section 2 gives an overview of CA economies. Section 3 analyzes the results of regionalism in CA. It also covers the analysis of CA transport integration and the impact of the EAEU and WTO on CA countries. The last section concludes.

2 Review of Central Asian Economies

Central Asia is a small market with a small share in the world trade (Table 1). The structure of national economies (Table 2) shows that CA countries are semi-industrialized. Since the end of the Soviet period, the share of services in CA countries' GDP increased, substituted mainly by decreased share in agriculture. In CA, jobs are increasingly leaving agriculture for urban services. For instance, Kazakhstan experienced solid job creation between 2003 and 2013, with gains in services, mainly in trade. Kazakhstan's economy added about 1.5 million jobs, with the high rate of self-employment and low rate of unemployment. According to World Bank (2015), agriculture was the only sector with employment declined by 14% in absolute terms.

Table 1 Share of Commonwealth of Independent States (CIS) and Central Asia (Kazakhstan) in the world trade, %

Indicator	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CIS/World	2.65	2.99	3.25	3.40	3.98	3.32	3.56	3.94	4.01	3.86
CA/World	0.30	0.34	0.40	0.45	0.54	0.48	0.50	0.57	0.57	0.56
Kazakhstan/ World	0.20	0.24	0.28	0.30	0.38	0.30	0.35	0.40	0.40	0.38

Source: Author's calculations based on UNCTAD statistics

Table 2 Economic structure of Central Asian countries, 2014 (% of GDP)

	Agriculture	Industry	(Manufacturing)	Services
Kazakhstan	4.6	35.9	11.2	59.4
Kyrgyz Republic	17.3	26.7	15.2	56.0
Tajikistan	27.4	21.7	11.2	50.8
Turkmenistan	14.5	48.4	n.a.	37.0
Uzbekistan	18.8	33.7	13.2	47.5

Source: World Bank World development indicators, <http://data.worldbank.org/data-catalog/world-development-indicators>

Note: For Tajikistan—data from 2013; for Turkmenistan—data from 2012; n.a.—not available

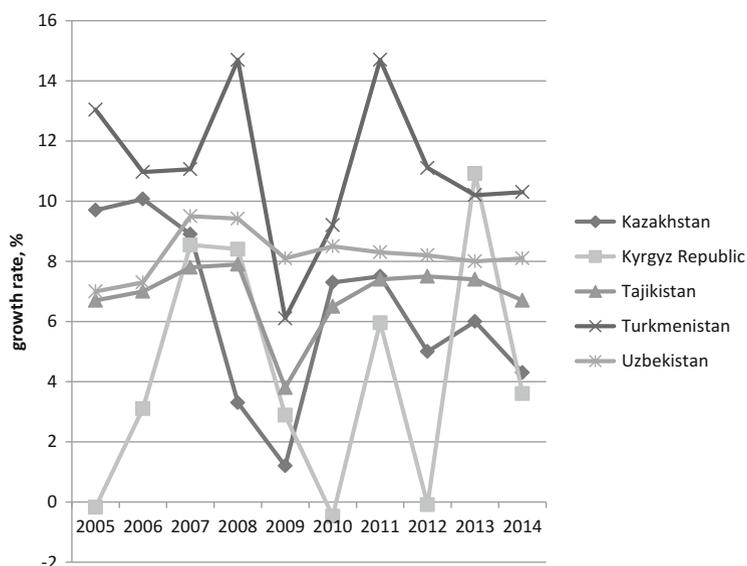


Fig. 1 Annual GDP growth rate in CA, %. Source: World Development Indicators, <http://data.worldbank.org/data-catalog/world-development-indicators>

Basically the CA economies are raw materials suppliers. The economic growth of these countries is highly dependent on the world market shocks. Over-dependence on raw materials exports with the simultaneously decreasing agriculture increases the vulnerability of the national economies of CA states. Decrease in raw materials prices can be catastrophic for Turkmenistan and Kazakhstan. Current world economic slowdown and oil market crisis negatively impacted on the regional economic growth (Fig. 1). As a result of lower raw materials exports, domestic spending was constrained. Russia's economic slowdown decreased remittance flows to the Kyrgyz Republic and Tajikistan. As the result of energy market shocks and external pressure, average growth in CA is expected to fall further to 3.5 % (Asian Development Bank (ADB), 2015).

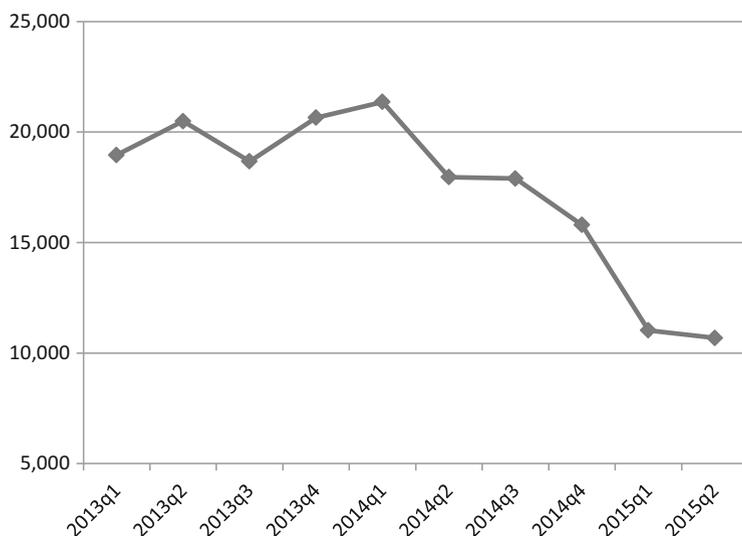


Fig. 2 Quarterly export of Kazakhstan, mln. USD. Source: Kazakhstan's Customs Control Committee, <http://e.customs.kz/wps/portal/customs/>

Kazakhstan's GDP growth slowed in 2014 due to fall in oil prices and weak demand from China and Russia for its metals and metal products. It fell from 6.0 % in 2013 to an estimated 4.3 % in 2014, and is projected to drop to 1.3 % in 2015.¹ For 2010–2013, real GDP growth averaged 6.5 % due to favorable external market conditions.

Fall in oil prices affected investor confidence in Kazakhstan's economy. Growth of investment slowed from 6.2 % in 2013 to about 2 % in 2014. Lower export (Fig. 2), especially oil and metals export revenues are likely to translate into current account and fiscal deficits (World Bank 2015). In November 2014, due to economic slowdown and crisis, a countercyclical program NurlyZhol was accepted which stipulated raising the National Fund for the Republic of Kazakhstan by 3 billion USD per year to support the national economy. Assets of the National Fund which consists of the country's petroleum earnings are going to be used for government's anti-crisis program. To attract new investment and to support its financial market Kazakhstan sold 6.5 billion USD in Eurobonds in 2014–2015. After several currency devaluations, in August 2015 Kazakhstan moved to floating exchange rate with significant loss of its currency value (ADB 2015).

According to ADB (2015), in Kyrgyz Republic growth slowed to 3.6 % in 2014 as the economies of its biggest trade partners such as Russia and Kazakhstan weakened. Due to economic decline expected in Russia, growth will likely slow further to 1.7 % in 2015. Drop in gold production (production at the main Kumtor

¹World Bank (2015) forecasts that Kazakhstan will achieve economic growth at 2.8 % in 2016 and 3.9 % in 2017 if oil prices fluctuate from 57 to 61 USD per barrel.

gold mine declined by 16 %), weaker sales of fruit, vegetables, and textiles caused export decline by 6.3 %. This decline cut GDP growth by two-thirds to 3.6 % in 2014 from 10.9 % in 2013. As a result, the Kyrgyz currency depreciated in 2014 by 19.1 %. Kyrgyz Republic is highly dependent on migrant remittances, mainly from Russia. The total amount of remittances (which is declined by an estimated 5 % to \$1.8 billion) is equal to about a quarter of GDP.

Tajikistan's economy also shows economic slowdown due to declines in remittances (which are equivalent to almost half of GDP) and the traditional exports of aluminum and cotton. Currency depreciation in Russia, which hosts up to 90 % of the 1 million Tajik migrant workers also negatively impacted on economic growth in Tajikistan. As a result, growth slowed to 6.7 % in 2014 from 7.4 % a year earlier. It is estimated that a 1 % point reduction in the GDP of Russia causes a 1 % point GDP contraction in Tajikistan.

Turkmenistan and Uzbekistan achieved the highest economic growth in the region. The corresponding rates were 10.3 % and 8.1 % in 2014. Mineral resources which grew by 6.1 % in 2014 represent more than 90 % of Turkmenistan's exports. However, despite the fall in energy prices and lack of investor confidence Turkmenistan could attract more than 4 billion USD of foreign direct investment. As the result of external pressure the government devalued the currency by 19 % to keep non-energy exports competitive. Russia's economic decline negatively impacted on economic growth of Uzbekistan and its migrants. Remittances from Russia decreased. In response, Uzbekistan adopted a special labor program for returning migrants. Both countries are realizing strategic programs in energy. While Uzbekistan completed a key branch of the gas pipeline linking CA to China, Turkmenistan announced the start of Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline.

High dependence on raw materials became the main reason of economic slowdown in the current period in CA. The region is also affected by economic decline and less demand from its biggest trading partners such as Russia and China. The current crisis should create new opportunities not only to diversify national economies, but also to find new markets. Moreover, CA countries could strengthen bilateral economic relations to increase market size and liberalize regional economy.

3 Regionalism in Central Asia

The regionalism debate is too vast to review it in detail. There are debates between multilateralists (Bhagwati 1992; Panagariya 1999, 2000) and regionalists, economists and policymakers, public opinion and experts. The term "economic integration" refers to both a process and a state of affairs. As a process it covers measures designed to abolish discrimination between economic units belonging to different national states; as a state of affairs it is the absence of various forms of discrimination between national economies (Sapir 2011). Regionalism may be explained by following economic motives: preferential treatments could serve as bargaining

tools, positive effects of terms of trade changes, easiness of formation (Pomfret 1986; Baldwin 1997), as well as for political and social reasons, or other explanations such as the “domino theory of regionalism” (Baldwin 1997). The effects of regionalism can be divided into static and dynamic. Static effects center on trade creation and trade diversion concepts. The net advantage of the regional integration is indicated as the balance of created and diverted trade. The dynamic gain of regional integration is the facilitation of deep integration processes, including harmonization of wide range of policies. Dynamic effects are also linked with market extension (Sapir 2011).

In CA many PTAs have been signed since independence. These PTAs are even harder to track, as some of them have not been implemented, and probably too short, because some agreements may have been omitted. These often overlapping agreements, to the extent that they envisage preferential treatment of regional or bilateral trade, exhibit a spaghetti bowl effect (Pomfret 2009; UNDP 2005). All CA countries are members of the CIS, which made no progress in trade and economic liberalization. In 1994, Kazakhstan, the Kyrgyz Republic and Uzbekistan created the Central Asian Economic Union which evolved into the Central Asian Economic Community (CAEC) with the joining of Tajikistan in 1998. It is counted that more than 250 resolutions were passed at the CAEC meetings by the presidents which tried to contribute in tax harmonization and double taxation elimination. But these attempts also failed. As a result, the CAEC had insignificant impact on intra-regional trade.

After the CAEC fail, in February 2002 the Central Asian Cooperation Organization (CACO) was proposed as its successor. But the CACO’s founding agreement was based on poor institutions. After May 2004 when Russia became a CACO member, the CACO and the Eurasian Economic Community (EAEC) merged.

The Special Programme for the Economies of Central Asia (SPECA) was launched in 1998 and had no intention of promoting PTA. It aimed to support the CA countries cooperation in order to both stimulate their economic development and facilitate their integration with the economies of Asia and Europe. Due to no self-funding mechanism and incomplete participation of Turkmenistan and Uzbekistan, SPECA’s achievements have been minimal and it became divisive rather than uniting for the CA region. Thus, intentions to harmonize external trade policies have been practically fruitless (Pomfret 2009). In 2007 the president of Kazakhstan proposed the idea of Central Asian Union, but it was rejected by Turkmenistan and Uzbekistan.

The impact of all of PTAs signed in CA has been minimal. Nevertheless, the CA bilateral trade tends to increase (Fig. 3). But the region is highly dependent on trade with Russia due to Soviet economic ties. For each of the CA republics, trade with Russia and Ukraine is far more important than trade with each other. These trade links are still important, despite the decline in volume of trade. This can be proved by statistical data. According to Agency of statistics of Kazakhstan, in 2013 Ukraine’s share in international trade of Kazakhstan was 3.3 % (which decreased to 2.4 % in 2014 due to political and economic crises in Ukraine). Share of Ukraine’s import in total import of Kazakhstan was 4.6 %, and Kazakhstan’s export to Ukraine was 2.5 % of total international export. Bilateral trade between Kazakhstan and Ukraine was

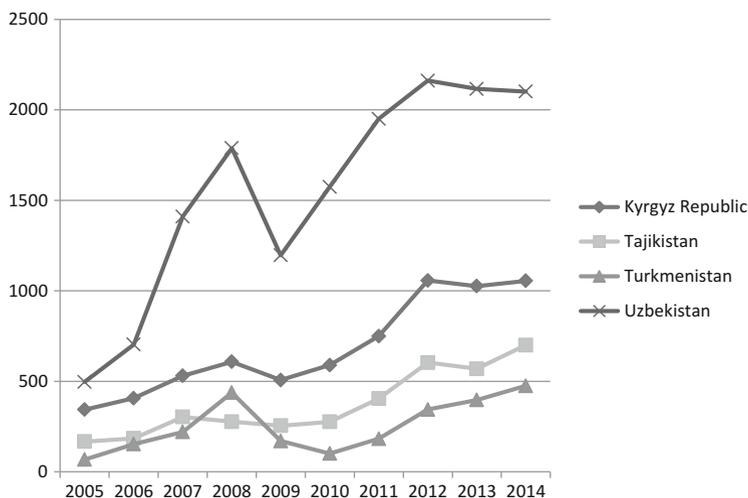


Fig. 3 Kazakhstan's total bilateral trade with CA countries, mln. USD. Source: UN Comtrade, <http://comtrade.un.org/data/>

higher than trade between Kazakhstan and other CA countries. In 2013 only 1.4 % of Kazakhstan's export went to Uzbekistan, and 2 % of Kazakhstan's import came from Uzbekistan and this is the largest intra-regional trade flow. The share of other Central Asian countries is less than 1%. Commonly, in 2013 Central Asian share in Kazakhstan's total trade was 3.1 %, but in 2014 it increased to about 4 %. Nonetheless, this level is extremely low for possible further integration.

Why the integration attempts of CA countries failed? The reasons of integration failure are either political or economical. PTAs were cheap ways of signaling political alignments; hence the political twists and turns work against the establishment of any strong regional organization. Moreover, the CA largest countries such as Kazakhstan and Uzbekistan used the PTAs as a foreign policy instrument. Thus, it is difficult to assess the effectiveness of this policy.

Economic reasons of CA integration failure are also strong. Likelihood of trade diversion is the principle argument of PTA failure. Each of the CA country wanted to expand the market for its own industries without giving a preferential status to their neighbors' manufactured goods. Tariffs on import protected domestic market from lower-cost or higher-quality imports of neighbor countries' industries. Moreover, PTAs were not in interest as they could lead to tariff revenue losses for importing countries (Pomfret 2009).

The Customs Union (CU) of Belarus, Kazakhstan and Russia established in 2010 and the Eurasian Economic Union established in 2015 with the inclusion of Armenia and the Kyrgyz Republic could be seen as a new generation of regional organizations in Eurasia. It was recognized as the most effective integration process in the post-Soviet area (Czerewacz-Filipowicz 2016). The EAEU is an international organization for regional economic integration with international legal personality

and it was established by the Treaty on the Eurasian Economic Union. It provides free movement of goods, services, capital and labor, pursues coordinated, harmonized and single policy in the sectors determined by the Treaty and international agreements within the Union. It is governed by the Supreme Eurasian Economic Council which includes the presidents of member countries, Eurasian Intergovernmental Economic Council which consists of member countries' prime ministers, Eurasian Economic Commission and the Court of the EAEU. This organization is frequently discussed today from the perspective of the studies of Russian foreign policy, economic modernization, internal politics and political and economic ideologies of post-Soviet countries, as well as changing shape of the global politics and crises (Libman 2015).² Two CA countries as Kazakhstan and Kyrgyz Republic are the members of the EAEU. The motives of Kazakhstan were the market liberalization through the competition within organization; Kyrgyz Republic was mainly driven by the interests of its migrant workers in Russia. The EAEU strongly affected the regional economy. Russia unchanged 82 of its customs tariffs, lowered 14 % and increased 4 % of its tariffs. The corresponding shares for Kazakhstan were 45 %, 10 % and 45 %. In 2009, simple average MFN applied tariff for Belarus, Kazakhstan and Russia were equal to 10.6 %, 5.9 % and 10.5 % respectively (WTO 2010). Estimates of the Customs Union's effects are ambiguous. Mogilevskii (2012) estimated the additional revenue from increased tariffs by at least 1.4 billion dollars in 2011. Laruelle and Peyrouse (2012) pointed out that the price of importing Western equipment will be significantly increased for Kazakhstan, therefore Kazakhstan's competitiveness will be reduced and the most innovative sectors will be negatively affected. In Kyrgyz Republic as the result of CU formation, there was a reduction in the number of wholesale traders by 70–80 % and 30–40 % in retail traders, and, as a consequence, decline in re-exporting activity. World Bank (2012) estimated that Kazakhstan's collected tariff revenues approximately doubled. In other way, due to implementation of common external tariffs it will lose about 0.2 % in real income per year as a result of participation in the CU. However, CU could produce a net benefit, if it can achieve a successful outcome on trade facilitation and non-tariff barriers. Tariff revenues collected in Kyrgyzstan will increase due to higher rates. It will capture 1.9 % of the total tariff revenues of EAEU, which is expected to result in an increase in customs revenue by 1.5 % points of GDP for 2016 (according to the Kyrgyz authorities' estimates). The macroeconomic effects of joining EAEU are negative and small for the Kyrgyz

²Despite the idea of the Eurasian Union was proposed by the president of Kazakhstan, the EAEU is recognized as the Russia-led integration. Internal conflicts within CA, different strategies of development and competition between Kazakhstan and Uzbekistan made the CA integration hardly possible. Thus, Great Powers such as Russia with the EAEU or China with the Shanghai Cooperation Organization (SCO) push the region for further integration and cooperation. China-led SCO is not an economic integration. Its major goal is tackling the three evil forces such as extremism, international terrorism and separatism. Despite this, China uses the SCO as an umbrella organization, within which it would pursue bilateral economic relations with the Central Asian countries.

economy and even smaller for the EAEU. The effect of higher tariff rates on imports from non-EAEU countries is expected to reduce the GDP growth rate. However, as part of the membership agreement, Kyrgyz Republic is expected to receive a 200 million USD grant to upgrade its customs infrastructure and comply with other terms of EAEU membership. In addition, a one billion USD Development Fund will help support Kyrgyz Republic's public investments. Because of the addition of this financial aid, the economic effects of joining the EAEU have become beneficial (International Monetary Fund (IMF), 2016).

3.1 Transport and Trade Facilitation

One of the most important problems to be solved is CA transportation networks. Until 1991, CA was part of the integrated economic space of the Soviet Union without borders and with a relatively efficient transport network. But the major defect of the transport network was the poor connectivity to the east or south; roads and railways led north or west to Russia, and the eastern and southern borders of the Soviet Union were effectively closed to trade (Pomfret 2010). All five CA countries are developing landlocked countries in transition. Landlockedness increases costs of doing business for CA economies. Moreover, it limits the ability of CA states to pursue independent foreign trade policy (Raballand 2003).

Transport integration networks in CA have important problems such as corruption, lack of institutions, and poor infrastructure and logistics. Turkmenistan's isolationism was a major reason why the railway south to Iran has had minimal economic importance. Turkmenistan's position has eased since Turkmenbashi's death in December 2006. In 2014, the presidents of Iran, Turkmenistan and Kazakhstan opened a long-anticipated railroad connecting landlocked CA to the Persian Gulf. New railway opens new opportunities for CA economic diversification.

It became clear that the obstacles to international trade in CA were not just poor physical infrastructure. Police and customs officials supplemented their incomes through bribes. A much publicized figure of doubtful provenance but plausible to many observers, was that a truck travelling north from Bishkek (capital of Kyrgyz Republic) would pay 1700 USD in bribes by the time it had crossed the Russian border (Pomfret 2010). Furthermore, there are 'internal borders' within national borders which also increase the costs of transportation. The director of the main foreign freight forwarder company in Kyrgyzstan explained that any crossing of oblast borders in Kazakhstan required a payment between 50 and 100 USD for any Kyrgyz truck in transit towards Russia (Raballand 2003).³ Due to the absence of alternative routes, a truck driver from the landlocked country is dependent on one country and must usually

³CAREC program estimated a probability of unofficial payments. Results of the estimation show that 1189 and 94 unofficial payments were made at the border crossing and non-border crossing points respectively. Therefore, the chance of encountering demand for a bribe was equal to 32 %.

pay higher unofficial tariffs that further boost transportation costs. For instance, Uzbekistan has to negotiate tariffs with Kazakhstan, whereas Kazakhstan has to negotiate only with Russia (Raballand et al. 2005). Delays at border crossings, outright border closures, unofficial payments to customs officials, border guards and other inspecting bodies all add to the cost of exchange across CA borders. For instance, Tashkent–Samarkand road runs through Kazakhstan. This road was beneficial for shuttle traders. But due to protectionist policy, Uzbekistan decided to close it for general public and all traders had to re-route along a 56 km. The cost of this decision was about 16 million USD annually (Grafe et al. 2008).

All CA countries are participating in Central Asia Regional Economic Cooperation (CAREC). CAREC transport network (29,350-km) connects China with Caucasus, Europe and South Asia. The Program achieved significant results in construction of more than 7000 km of high quality roads and rail links. The number of CAREC projects increased from 6 in 2001 to 158 in 2014. CAREC investment increased from 247 million USD to 24.6 billion USD for the same period. Nonphysical trade barriers have been eliminated since the implementation of the CAREC. The program led to reduction of transit costs at borders. In 2014 these costs were 28 % less than in 2013. The target for the length of better road conditions overcame the results by 5 % making it 85 % of the total length of CAREC corridors (CAREC 2014). Due to Customs Union implementation border crossing times between participants decreased significantly. For instance, border crossing time between Kazakhstan and Russia reduced from 7.7 h to 2.9 h in 2012 (CAREC 2012).

Through CAREC Corridors CA could strengthen its bilateral trade with South Asian countries, diversify its export products to Europe. Multi-vector routes are important in the case of economic disasters or political isolation. Despite the trade expansion within CA region through transport network integration is beneficial, the main point is that for CA countries the most meaningful transportation is through pipelines that go to China and Russia. But CAREC through infrastructural projects transform transit corridors into economic corridors, creates new jobs, and assists to improve the export diversification of CA countries. Moreover, it creates new opportunities for transit countries to improve services.

3.2 World Trade Organization and Central Asia

WTO membership liberalizes trade, gives opportunity of market expansion and puts trade on a basis of international trade law. For CA countries, it will provide a legal framework for intra-regional trade and trade with the region's giant neighbors such as Russia and China. In 1998 Kyrgyz Republic became the WTO member. Its WTO accession led to recession with the collapse of three of the country's four largest banks. But this was due to Russian crisis and Kazakhstan's 50 % devaluation. A more robust criticism of the Kyrgyz Republic's accession experience is that the negotiators, whether due to inexperience or by intent, failed to make transitional arrangements or gain exemptions that would have protected Kyrgyz interests.

Table 3 CA countries WTO status to December, 2015

	Applied	Member
Kazakhstan	January 1996	November 2015
Kyrgyz Republic	February 1996	December 1998
Tajikistan	May 2001	March 2013
Turkmenistan	Did not apply	
Uzbekistan	December 1994	Ongoing negotiations

Source: WTO, https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm

Recent EAEU accession will significantly increase Kyrgyz Republic's tariffs, which could lead to trade diversion and could be the case for compensation within its WTO obligations. For instance, 30 % of Kyrgyz duties align with those of the Customs Union, 21 % can be realigned without violating WTO commitments, and 49 % would require renegotiation of WTO terms (and potentially compensation to affected WTO members) before they could be aligned (WTO 2013). To reduce the risk of trade diversion, Kyrgyz Republic secured transition period for about 1500 products including food products, cars, and machinery. Transition period for Kyrgyz Republic will last from 5 to 10 years (IMF 2016). However, common external tariff rate schedule of the EAEU will decline over the medium term reducing risks of trade diversion after the end of transition periods.

Turkmenistan views WTO membership as incompatible with its neutrality (Pomfret 2009). Uzbekistan pursues import-substituting strategy and reluctant to economic openness. More recently, Tajikistan (in 2013) and Kazakhstan (in 2015) became WTO members (Table 3).

The accession of Kazakhstan can cause trade conflicts with EAEU as it has undertaken tariff concessions and commitments that bind tariff rates for all products on average at 6.1 % while in EAEU it equals to 10.4 %. Lower tariffs on 3000 commercial positions may result in additional risks in the re-export of products and foods via Kazakhstan to the other EAEU countries. To resolve contentious issues the EAEU members adopted a special document entitled "On some issues related to the accession of Kazakhstan to the World Trade Organization". Thus, Kazakhstan reduced the risk of trade diversion by prioritization of its WTO obligations. Hence, regional integration is fully compatible with WTO membership. WTO provides the framework in which regional and wider trade can flourish and overcome poor institutional environment. Thus, multilateralising regionalism could be the best option for CA countries to increase intra-regional trade and to be integrated in the world trade flows.

4 Conclusions

Why have so many PTAs been signed in Central Asia? PTAs were used as an ineffective foreign policy instrument without intention of economic liberalization. Strong economic motive of PTA failure was the likelihood of trade diversion.

The economic structure of the countries is similar; all of the countries are small economies mainly dependent on raw materials export, which makes them extremely vulnerable. This can be proved by recent crisis in CA due to drop in oil prices and less demand for raw materials from main trading partners. Trade relationship between Kazakhstan and CA countries is also low. This fact could be explained by several reasons, for instance, economic similarity of CA countries in producing goods and services. Intraregional transportation of goods and services created the list of problems as bribes, unofficial payments, road protectionism, which increased transportation costs and negatively affected for trade integration. Due to Soviet economic ties, for each of the CA republic, trade with Russia and Ukraine was far more important than trade with each other.

The argument that should be added for explanation of economic disintegration is simple unwillingness due to uncertainty and economic regime instability and mistrust. Thus, the impact of regional economic integration in Central Asia on regional trade and economy was insignificant. But externally driven regionalism as EAEU, SCO or CAREC (supported by international financial institutes) have significant contribution to the economic development of CA region than internally driven regionalism.

Despite the fail of economic integration strategy, there are other important fields for cooperation within Central Asian region, such as ecological integration on the saving of the Aral Sea, agricultural irrigation cooperation and other. All CA countries are interested in agriculture irrigation. Thus the strengthening of cooperation on use of water from the Syrdarya and Amudarya rivers is necessary. Even this field is becoming contradictive due to ambitious Turkmen projects as ‘Golden Lake’, which led to tension between Turkmenistan and Uzbekistan. So, without cooperation and creation of regional committees with legal status and official power it is impossible to find solutions to the problems. Another important field for cooperation is fighting against drug transit and terrorism, which became important world problems. The deepening of linguistic and cultural integration could increase the civil society integration and reduce the risks of ethnic conflicts, which is important for keeping the Central Asia politically stable.

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