

THE FEATURES OF INFLUENCE OF THE GLOBAL ECONOMIC CRISES TO CENTRAL ASIAN COUNTRIES

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Abstract

The influence of global economic crises varied from one country to another and was dependent from variety of preconditions and factors in each of them. In this paper the results of the affects of global crisis to economies of former Soviet Union member countries in Central Asia is analyzed. The paper specifies the differences and similarities of the influence of crisis to the economies of these states. The following channels of influence are evaluated: financial markets; volume of international demand and prices of export commodities; labor market, migration and remittances; direct foreign investment and lending; devaluation of national currencies; aid and international support.

The results of analyses show that the affects of each channel of influence to the national economies of these countries was not the same and had different levels of urgency. The main preliminary results of influence of global economic crises to economies of CA were: slowing-down of economic growth, decreasing of gold and foreign currency reserves, increasing of external debt, increasing of current account balance deficit, rising of unemployment. But the extent of these results as well as their values differs from the most vulnerable country to the less one.

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1. Introduction

The Global financial crisis has influenced all countries in the world however the nature of the influence as well as its impact (or scales of influence) varies from one country to another. This is because of existing differences in the current stage of economic development among countries.

In this study, the attention will be focused on former Soviet Union member countries, which are situated in Central Asian (CA) region, namely, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. There are many distinctions in the level, volume, structure and recent achievements of national economies in these countries. But, despite them, there are several similarities in their recent economic history: all of them started transition from centrally planned economy to market based economy about 18 years ago and passed through serious economic reforms during this period; all of them experienced the introduction of their own national currency after obtaining of independence; all of them were challenged by the economic crisis in developing countries (mostly due to high level of dependence from Russia) in 1998; etc. Because of similarities in economic evolution, the current economic challenges of these countries are resemble in some extent. The aim of this paper is to find out how different or similar are impacts of global economic crisis to the economies of CA states.

The paper shows that the following tendencies were observed in CA economies in 2009 compared to 2008 year:

- slow-down in economic growth;
- decrease of gold and foreign currency reserves;
- increase of external debt;
- increase of current account balance deficit or decrease of its positive value;
- rise of unemployment.

2. Classification of CA countries

In order to have a basic idea about targeted countries, the information on their population and the area is provided in Table 1.

Based on the volume of GDP one can conventionally state that there are big-, medium- and small-scale economies among CA countries: 1st group - Tajikistan and Kyrgyzstan, relatively small economies, with significant external debt, negative trade and current account balances, higher inflation rates, and similar numbers of population and value of country's area; 2nd

group – Uzbekistan and Turkmenistan, relatively medium-scale economies, with high positive current account and trade balances, lower official rates of inflation, similar value of country’s area. Kazakhstan’s economy can be considered as relatively big-scale economy in the group.

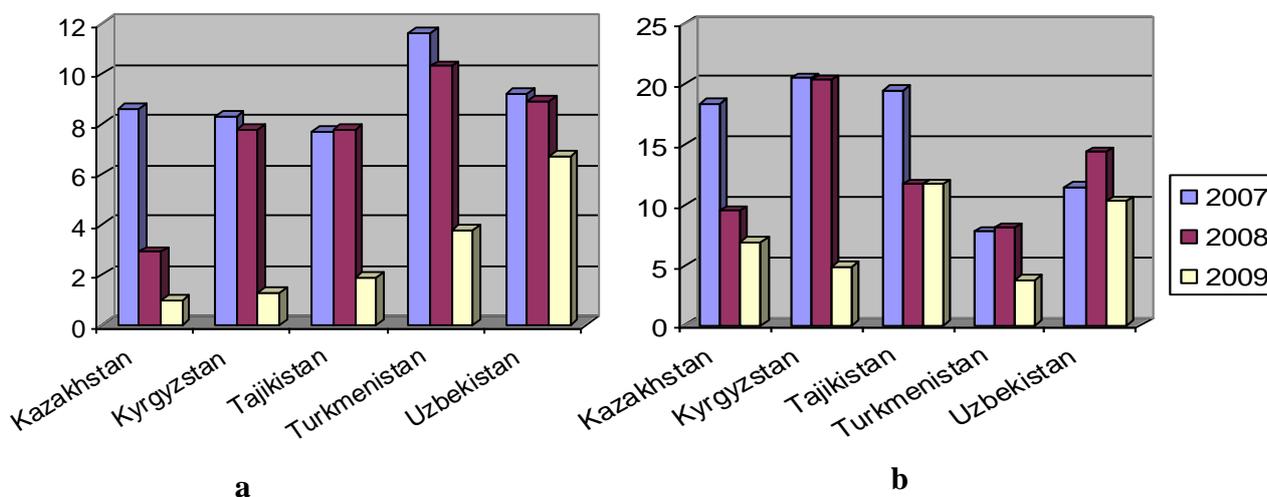
Table 1: Country characteristics

Country	Population, mln. people	Area, thous. sq. km.
Kazakhstan	15.3	2717.3
Kyrgyzstan	5.3	198.5
Tajikistan	7.2	143.1
Turkmenistan	5.2	488.1
Uzbekistan	27.3	447.4

3. General statistics of pre- and within-crises period

As it was expected, the economic growth of all CA countries slowed down within the period of global economic crises. However, the scale of its decline as well as the time-response varied among the countries. This is illustrated in figure 1. As it is clear, Kazakhstan due to its wide collaboration with the world economic and financial system was the first country affected by global crises, when its GDP growth rate has fallen from more than 8% in 2007 to less than 3% in 2008 and 1% in 2009¹. The growth of GDP of other countries in the region didn’t significantly changed in 2008, but decreased significantly one year later. Only Uzbekistan was much successful in keeping the growth rate in higher levels due to several reasons discussed further.

Figure 1: GDP growth rate (a) and inflation rate (b) in CA countries²



¹ There are also some official calculations showing -2% decrease of Kazakhstan GDP for 2009.

² Source: IMF estimates (GDP – constant prices, Inflation – end of period), www.imf.org

The inflation during the 2009 was kept in much lower levels compared to previous periods due to active implication of market instruments of monetary policy by central banks of CA countries directed to minimize inflationary expectations.

The value of the current account of payment balance in CA countries is another indicator to be observed in order to have more idea about the influence of the crises to their economies. Some of the components of current account (such as trade balance and balance of current transfers as well as their particular importance to each country) are considered in other sections of this paper. This section provides general idea about the current account balances of CA countries before and during the crisis years (Table 2.).

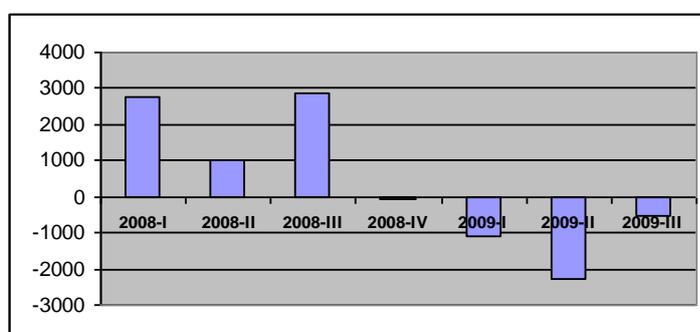
Table 2: Ratio of Current Account to GDP in CA countries¹

Country	Current Account Balance % to GDP		
	2007	2008	2009
Kazakhstan	- 7.85	5.15	-1.97
Kyrgyzstan	-0.15	-8.18	-7.77
Tajikistan	-8.59	-7.88	-13.69
Turkmenistan	15.55	18.74	17.75
Uzbekistan	7.31	12.76	7.25

Tajikistan had the highest ratio of current account deficit to GDP both before and during the crisis period. The main reason of increasing of the deficit value of current account was related with the decrease of volume of remittances from migrants working abroad. The decrease of export income can also be considered as an important source of the deficit in current account. Similar situation is observed in Kyrgyzstan too.

The negative value of current account of Kazakhstan started from the last quarter 2008, when the prices of main export commodities of the country sharply declined in the world market (Figure 2).

Figure 2: Quarterly data on current account of Kazakhstan (mln. US dollars)



¹ Source: Economy Watch, www.economywatch.com

Also, period of crises was characterized with the rising of state debt of CA countries, which will be further discussed in this paper.

4. Channels of influence of the global economic crisis to CA countries

In his general analyze of the impact of global financial crisis on economies of developing countries, Te Velde (2008) has indicated two possible channels of affect: (I) financial contagion and spillovers for stock markets in emerging markets; (II) economic downturn in developed countries. The second possible affect is divided by author into several sub-channels, such as international trade volume and prices, remittances, foreign investment (direct and equity), commercial lending, aid, other official flows. The fall of exchange rates of national currencies in developing countries may be added to the list in order to make it more complete.

4.1. Financial contagion and spillovers for stock markets in emerging markets

The assessment of the level of international integration of the financial sector of CA countries shows that in general it is very low, except for Kazakhstan (Pomfret (2009)). The stock markets in Tajikistan and Turkmenistan, for instance, currently do not functioning, in Uzbekistan and Kyrgyzstan they are not highly integrated to world's financial markets and were not highly overestimated during the last years. For example, the share of foreign investors in Kyrgyzstan's stock exchanges is about 17%, which is low compared to stock markets of other developing countries. Uzbekistan stock market highly related with government.

The poor level of integration of Kyrgyz and Uzbek stock markets to international financial markets probably was one of the main reasons of the slow affect of the world's financial crisis to them. The observation of the functioning of stock markets shows the start of negative trends in stock exchanges of Uzbekistan and Kyrgyzstan during 2009. For example, the upward trend of total trade volume in three stock markets of Kyrgyzstan stopped in 2009 (Table 3).¹ 14 banks out of 22 in Kyrgyzstan are represented with joint foreign partnership and the share of foreign partners makes about 60% of entire assets in banking capital, most of which are from Kazakhstan. Taking into account the situation in Kazakh banks affected by the crises, the drop in lending capacity of Kyrgyz banking system was observed.

¹ Sources: Central Asian Stock Exchange (www.case.kg), Kyrgyz Stock Exchange (www.kse.kg), Stock Exchange of Kyrgyzstan – BTS (www.bts.kg)

Table 3: The volume of trades in Kyrgyz stock markets (in billions, national currency)

Year	2006	2007	2008	2009
Volume of trades	4.1	5.7	9.2	6.2

In Uzbekistan, the volume of trades in Tashkent stock exchange dropped to 3% in 2008 and about 30% in 2009 compared previous year.¹

In contrast, Kazakhstan stock market being highly integrated with the world financial system faced problems already starting from 2008, which was perhaps the worst year in its history. This can be easily understood when the graph of main index - KASE is considered within last three years (Figure 1). As it can be seen, the downward trend started from June 2008 and lasted until April 2009. Despite to raising tendency of the index's level within the second half of 2009 year, it still hasn't reached levels of the pre-crisis period.

The stocks of the companies represented in Kazakhstan's stock exchange were highly overvalued and outflow of most foreign investors caused the sharp decline of their market values. By the end of 2008 most of them were traded in lower prices than their balance values. The volume of trades during 2008 fell by 51% compared to 2007.²

Figure 3: Dynamics of KASE index from January 2007 to December 2009.



The high dependence of Kazakhstan's banks from foreign financing was called by European Bank for Reconstruction and Development as one of the main factors of influence of the world financial crisis to economy of this country. The total external debt of banking sector of Kazakhstan was equal to \$12 billions in 2008. The rise of borrowing costs abroad and

¹ Source: Uzbekistan Stock Exchange "Toshkent", www.uzse.uz

² Source: Kazakhstan Stock Exchange, www.kase.kz

toughening of their terms caused banks of the country to face the shortage of liquidity. By the end of 2008 the government of Kazakhstan announced the decision to buy control packet of shares of four biggest banks of the country, whose share was more than 65% in the total actives of country's banks. In the last week of January the government purchased by 25% of second and third Kazakhstan's largest banks and obtained 75% shares of first and fourth biggest banks at the beginning of February, 2009.¹ According to governmental statements these commercial banks were close to default borders and had to support their on-going operations using the liquidity given by National Bank. The government of Kazakhstan injected about \$10 billions to the financial market of the country in 2008-2009 years for stabilization purposes. The real estate market was also affected seriously due to its high level of relationship with the financial market.

The results of rating of World Economic Forum in its Global Competitiveness Report among 131 world's countries can also be considered as a sign of negative affect of global crisis to the financial system of CA countries. It is only Kyrgyzstan, which gained better position in the rating in 2009 compared to previous year. As for Kazakhstan and Tajikistan, they both went down from their previous positions. The main reasons of a high decrease of Kazakhstan's position in this rating within three years (from 80th place to 111th) is related with the sub-parameter called "Ease of access to loans", which is one of the eight sub-parameters included for calculation of "Financial market sophistication" pillar. In 2007 Kazakhstan was 55th country in the list of "Ease of access to loans" among other countries, whereas in 2009 – 86th, i.e. 31 positions lower in two years.

Table 4: WEF's GC report: Rating by "Financial market sophistication" pillar²

Country	2007	2008	2009
Kazakhstan	80	97	111
Kyrgyzstan	112	115	109
Tajikistan	124	123	128
Turkmenistan	No data	No data	No data
Uzbekistan	115	No data	No data

¹ Source: The National Bank of Republic of Kazakhstan, www.nationalbank.kz

² Source: World Economic Forum, www.weforum.org

4.2. Volume of international demand and prices for export commodities

The fall in the world output in 2009 to -0.8% compared to previous year and the decline in the world trade volume up to -12.3% according to IMF calculations¹ was a serious challenge for CA countries. The global recession caused both decline in the volume of demand and prices of commodities, usually exported by developing countries. In this situation the trade balance of CA countries, as well as the current account balance were expected to be under more risk of being in deficit.

Table 5: Statistics on CA external trade²

Country	External turnover, (bil. USD)		% Change	External trade balance, (bil. USD)	
	2008	2009		2008	2009
Kazakhstan	93.69	56.59	- 39.6	30.9	10.72
Kyrgyzstan	4.63	3.47	- 25.1	- 1.97	- 1.37
Tajikistan	4.30	3.19	- 25.8	- 1.60	- 1.40
Turkmenistan	13.24	14.21	7.3	4.65	1.62
Uzbekistan	16.39	16.01	- 2.3	4.63	2.33

As it is shown in the Table 5, the highest fall of the volume of external trade turnover belongs to Kazakhstan, which lost about 40% of its value within ten months of 2009 compared to the same period one year earlier. The balance of trade of this country remains positive but reduced about three times compared to 2008 year. Tajikistan and Kyrgyzstan are in similar situation with the loss of about quarter part of their external turnover and continuing having the deficit in their trade balance. It is only Turkmenistan among this group, which achieved positive change of external trade turnover mostly due to opening of new pipelines for oil export to China. The tendency of reducing of the export volume is observed in all countries of group.

In order to study the reasons of downtrends in external trade of these countries, it is needed to analyze the main export products/commodities, diversity of export items and export-partner countries.

The export potential of Tajikistan among these CA countries is the least diversified and mainly consists of only aluminum (more than 70%) and cotton (up to 12%). The high dependence from such a few number of export commodities posed a big risk of sharp decrease of export incomes, because the prices of the aluminum dropped in the world markets to about

¹ Source: IMF World Economic Outlook - An Update of the Key WEO projections, 26.01.2010, www.imf.org

² Data on January-September for Turkmenistan and Uzbekistan, January-October for Kazakhstan and Kyrgyzstan, January-November for Tajikistan

45% from August 2008 to February 2009. It also had a big negative impact on the state budget of the country, 40% of which is related with the taxes from Tajik Aluminum Company. As for the cotton, according to estimates of International Cotton Advisory Council (ICAC) the global trade of cotton decreased by 21%. At the same time the price of cotton in December 2008 fell by 20% compared to September. This was another serious knock to the economy of country, where the debts of cotton farms are comparable with the volume of state budget and about 65% of employed people are working in agricultural sector. The risk was also related to the economic condition of the main buyers of Tajikistan's export commodities, namely the Netherlands and Turkey (about 70% of exports). As a result, the volume of Tajikistan export in 2009 reduced to more than 28% compared to 2008.

Table 6: Export commodities and product markets of CA countries (average figures for 3 last years).¹

Country	Main export commodities	Main export-partner countries
Kazakhstan	Mineral products (oil, etc.)- 70% Ferrous metals – 15% Vegetation – 4%	Switzerland – 17.5%, Italy – 17%, Russia – 10%, China – 10%, France – 8.5%, Netherlands – 5%, Iran – 4.5%
Kyrgyzstan	Mineral products – 25% Gold, brilliant, precious metals– 23% Textile products – 11% Machinery and electronics – 6%	Russia – 20% Kazakhstan – 19% Switzerland – 15% China – 5% Afghanistan – 8% EU – 5%
Tajikistan	Aluminum-71% Cotton – 12%	Netherlands – 40%, Turkey – 32%, Russia – 7%, Uzbekistan -6%, Iran – 5%
Turkmenistan²	Gas – 50-55%, Oil, petrochemicals – 25-30%, Cotton fiber	Ukraine – 50%, Iran – 18%, Turkey – 5%
Uzbekistan	Oil, gas – 20% Cotton – 12% Ferrous/non-ferrous metals – 11%, Equipment and machinery – 10% Chemical products – 6.5%	Russia – 22%, Poland – 10%, Turkey – 9%, Kazakhstan – 6%, Hungary – 6%, China – 5%.

Kazakhstan's export is also not diversified and mainly consists of oil export. The oil price has dropped considerably starting from June 2008. The government of Kazakhstan made corrections in the state budget for 2009 by changing the expected price of oil in it from 60 to 40 \$/barrel. In addition the expected global demand for oil in 2009 was reduced. The recession in European zone (where country exports about 50% of its commodities) was

¹ Source: Average numbers are calculated based on the data obtained from relevant Committees of Statistics and other ministries of each CA country.

² Source: Estimation from CIA World Factbook database, <https://www.cia.gov/library/publications/the-world-factbook/index.html>

another bad sign for the economy of Kazakhstan. The same is true for Russian market, where Kazakhstan sells about 10% of its export products. So, the volume of export in Kazakhstan also decreased to 40% in 2009 compared to one year earlier.

Turkmenistan export with 80% share of gas and oil in it is also highly dependable from prices and volume of demand for them. Its product markets are not diversified as well.

Uzbekistan is the world's third largest producer of cotton and as it was mentioned above, the negative situation in the global cotton market in 2009 had serious affect to the economy of this country. However, the value of Uzbekistan export in 2009 remained the same (0.1% increase compared to 2008). At the same time serious changes in the structure of export were observed. For example, the share of cotton in the volume of export dropped from 9.3 to 8.6% and machinery and equipment from 7.6 to 2.9%. The main sources of keeping the value of export at the same level were gas and oil products whose share in the export increased from 24.7 to 34.2%.

The export set of Kyrgyzstan looked less vulnerable compared to other CA states, because gold, brilliant and other precious metals, which prices are keeping stable and even rising during the crisis, make forth part of the total volume of country's export. The negative influence on the volumes of export was expected from the main export partners of the country – Russia and Kazakhstan (about 40% of total export volume), who's economic growth fell sharply. Therefore, the volume of export dropped to 16% within the first three quarters of 2009 compared to the same period of previous year.

It is also worth to note that according to data provided in Table 6, a big share of the CA products are exported to EU members, where the fall of the consumption during 2009 was observed and of course it had a notable impact in decrease of export volumes of CA countries. Summing up the analyses of export potential of CA countries within the global economic crisis, it can be stated that homogeneity of export commodities was the main reason of a high threat to their export incomes in 2009 due to the sharp decline of their prices and volumes of demands in the world's markets.

4.3. Labor market, migration and remittances

The global financial crisis forced many companies in the world reduce the volumes of productions and decrease the quantity of employees. The labor markets in emerging economies lost their potential of acceptance of workers compared to previous years. Therefore the quantity of migrant workers in 2009 as well as their possible amount of the average income dropped. For countries, whose countable part of working forces are employed abroad,

this situation had two main impacts: the rise of unemployment in the country and the decrease of money flow from abroad in form of remittances. For example, the value of remittances to Kyrgyzstan, Tajikistan and Uzbekistan (countries, with highest percentage of labor forces migration) decreased to about 30% in average. In order to understand the scales of this situation in CA countries, Table 5 is prepared.

Table 7: Migration and unemployment statistics in CA countries

Country	Kazakhstan	Kyrgyzstan	Tajikistan	Uzbekistan
Estimated quantity of migrants from country, thous. ¹	40-50 ²	500-600	500-1000	1000-1500
Migrants/population, %	0.2-0.3	9-11	7-13.5	3-5.5
Remittances in 2008, \$ bil.	3	1.2 ³	2,5 ⁴	2-3 ⁵
Remittances/GDP, %	3.5	25.5	49.5	10 ⁶
Official unemployment rate, %	7.3	8.2	2.4	0.9

Tajikistan has the highest ratio of the quantity of citizens working abroad to the total quantity of population within the group. About 95% of Tajik migrants are working in Russia. The volume of remittances from abroad to the country is very significant for country's economy and is equal to half of its GDP. This is the highest proportion in the world according to IMF estimates. During the last 5 years this was the only positive component of country's current account balance. The incoming current transfers in the country's payment balance reduced about 34.5% within three quarters of 2009 compared to the same period of previous year.

The decrease of remittances flows to Tajikistan brings to the growth of deficit of current account balance, as well as fall of average income of the population, because it is keeping as one of the main sources of income in the country within the last years and consequently affected the consumption. Besides, the economy of country felt additional difficulties in offering new working places when the return of migrants became more intensive. The official statistics of unemployment counts only those jobless citizens who register themselves and those who gave-up or aren't interested in usually low-paid job opportunities are not considered. Therefore the official unemployment rate in Tajikistan (2.4%) is much lower than it is in reality.

¹ The estimated quantity of migrants is not approved by officially by CA countries. The information is based on expert's estimations published in regional mass-media.

² Source: State Committee of Statistics of Republic of Kazakhstan, www.stat.kz

³ Source: Ministry of Economic Development and Trade of Kyrgyzstan Republic, www.mert.kg

⁴ Source: National Bank of Republic of Tajikistan, www.nbt.kg

⁵ The government of Uzbekistan does not provide official statistics of remittances volume, therefore the data is provided according to mass-media estimates

⁶ Source: UN estimates, www.un.org

Kyrgyzstan had better situation compared to Tajikistan, but still the impact of the remittances to the economy of country is very high (more than 25% of GDP) and about 10% of its population are working abroad. The volume of remittances reduced in 2009 to 20% while there was an increase as much as 75% in 2008.¹

Uzbekistan authorities don't provide the official figures of the volume of remittances, but according to UN estimations it is at least equal to 10% of country's GDP, which is also quite significant. Despite the official low rate of unemployment (0.9%), CIA World Fact-book database estimates its real scales as 20%.

Only Kazakhstan among CA countries can be classified as the country-receiver of migrants, to which working forces from other CA countries are migrating. Therefore the country didn't suffer much from expected reduction of remittances flow. It posed tighter migration policy in order to provide stability in its domestic labor market and to serve the interests of its own labor forces.

4.4. Foreign investment and lending to CA economies

The next threat of global financial crisis to the economies of CA countries was related with the possible outflow or decrease of future flows of the capital from abroad in form of investment and commercial credits. The last quarter of 2008 year was characterized by retreat of a part of investors from CA markets. Also commercial banks were feeling difficulties in attraction of credits from their foreign partners.

According to official statistics Kazakhstan's share in the total volume of direct foreign investments in CA countries is equal to 80%. More than 23% of investments to the basic capital in the country belong to foreigners.² The value of direct foreign investments to the economy of the country in 2008 became equal to \$14.6 billions. About 60% of total direct investment flows were in geological exploration and oil and gas extraction spheres. But in 2009 the volume of FDI inflow to the country decreased to 19.8% according to statistics of National Bank of Kazakhstan.

The volume of direct foreign investments to economy of Kyrgyzstan increased to 3% in 2008 compared to previous year being equal to \$866 mln. The targeted value of FDI to economy of the country in 2009 was \$1 billion, but by the end of the year equaled to \$900 mln.

In order to overcome possible shortage of investment, Uzbekistan government provided lending opportunities and investment support to economy of country in 2009 by providing

¹ Source: National Bank of Kyrgyz Republic, www.nbkr.kg

² Source: The State Committee of Statistics of Republic of Kazakhstan, www.stat.kz

relatively cheap loans through the banks, where government does have a share. According to the official statistics, the volume of direct foreign investments within 9 months of 2009 became twice higher compared to the same period of 2008 and was equal to \$1.53 billions.¹ In average 70% of all foreign investments and loans are concentrated in fuel-energy complex, geologic exploration and transportation and communication spheres.

The increase of the external debt among CA countries was observed in Kazakhstan, Kyrgyzstan and Tajikistan as it is shown in Table 8.

Table 8: Ratio of external debt to GDP in CA countries

Country	External debt in % to GDP	
	2008	2009
Kazakhstan	81.6	100.8
Kyrgyzstan	41.1	52.4
Tajikistan	33	35.8
Turkmenistan	-	-
Uzbekistan	15	13.3

Kazakhstan has the highest rate of external debt which is equal to the volume of country's GDP. This number includes also inter-company debts and if ignored, equals to 61.8% of GDP. It is also necessary to point out that only 2-3% of external debt of the country belongs to the government, the rest being obtained by private companies.

The external debt of Kyrgyzstan has also increased significantly and currently is more than the half of national GDP.

It is only Turkmenistan among the CA countries which according to official statistics does not have an external debt.

4.5. Fall of exchange rates of national currencies

Another serious challenge appeared in economy of CA countries relates with exchange rates regulation. The drop of export commodities prices, remittances and foreign loans and investment resulted on decrease of foreign currency inflow and deficit in its offer. However, the demand for foreign currency (namely for US Dollars, Euro and Russian Rubles) didn't fall. It became one of the main reasons of changes in the equilibrium of exchange rates in the local markets and corrections of government's monetary policy.

Kazakhstan has been supporting the stable exchange rate of its Tenge until February 3, 2009, but was no longer motivated to continue it, because of high expenses of its state funds for this

¹ Source: The National Committee of Statistics of Republic of Uzbekistan, www.stat.uz

purpose and also in order to support domestic exporters. According to National Bank of Kazakhstan within October 2008 to February 3, 2009 it has expended \$6 billions to protect exchange rate of Tenge¹. Therefore the sharp devaluation of national currency up to 25% was announced. During one day, Tenge's rate from 122 per US dollar to 145-150.

The situation with Kazakh and Russian currencies has also influenced Kyrgyz and Tajik markets. The population started immediately changing its money to US dollars being afraid the fall of value of national currencies. Both countries don't have enough gold and foreign currency reserves (\$1.224 billion in Kyrgyzstan and \$0.198 billion in Tajikistan) to support the stable rate of exchange rates of national currencies. In Kyrgyzstan, the exchange rate of Som to US dollar fell to about 14% within one day after devaluation events in Kazakhstan. The government had to inject to the market about \$90 millions during the January 2009² (normally this amount was enough for one year of exchange rate support) and \$4 millions within one single day in February 5, 2009.

At the beginning of 2009 the National Bank of Tajikistan intervened in foreign exchange market daily by selling \$1-1.5 millions. However, Tajik Somoni lost 10% of its value regarding to US dollar within the first month of 2009, especially at the beginning of February. Similar tendency is also observed in Uzbekistan, where the fall of Sum regarding US dollar during January 2009 reached about 15%.

As a result, 2009 was the year of fall of exchange rate of national currencies in all CA countries and the level of devaluation varied from 10 to 30%. This can be illustrated by comparison of exchange rates of national currencies with US dollars and Euro (Table 6 and Figure 4).

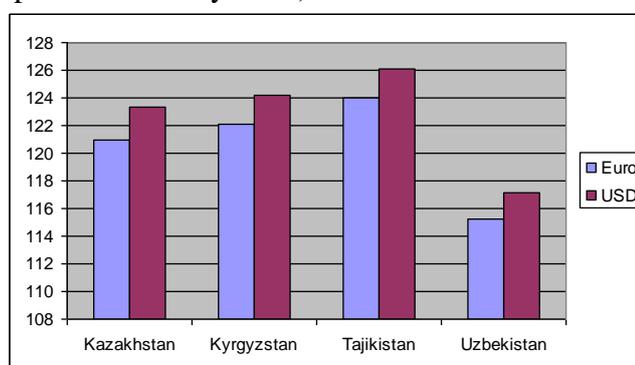
The direct negative outcomes of these devaluations to the economy consist of rise of product prices in the local markets, causing the inflation in the country, because in general CA economies are subject of high share of raw materials export and ready goods import. Also devaluation caused the lost of efficiency of state budgets, where the higher value of national currencies was foreseen. For example, the accounts of state budget of Tajikistan for 2009 were approved taking into account the exchange rate of 3.55 Somoni/\$ and in Kazakhstan the ratio Tenge/\$ was foreseen as 123.5. The fact of devaluation forced governments of these countries to re-approve their state budgets taking into account new realities in market exchange rates.

¹ Source: The National Bank of Republic of Kazakhstan, www.nationalbank.kz

² Source: The National Bank of Kyrgyz Republic, www.nbkr.kg

Table 9: Exchange rates of CA national currencies to USD and Euro

Country	Exch. rate to	Jan.2007	Jan.2008	Jan.2009	Jan.2010
Kazakhstan	Euro	168.3	176.9	165.3	213.9
	USD	126.8	120.4	120.9	148.4
Kyrgyzstan	Euro	50.2	52.0	55.5	63.5
	USD	38.1	35.5	39.4	44.1
Tajikistan	Euro	4.5	5.1	4.8	6.3
	USD	3.4	3.5	3.5	4.4
Uzbekistan	Euro	1613	1899	2003	2188
	USD	1241	1292	1395	1514

Figure 4: Changes of CA national currencies exchange rates to Euro and US dollars (January 2010 compared to January 2008)

4.6. Aid and international support

The international support budget in main donor-countries was more limited in 2009 compared to other years due to their economic weakness. For CA countries, however, the other sources of possible aids were opened, which replaced the shortages from grants of developed countries. Firstly, each country has prepared additional programs of requested support to react the negative impacts of global financial crisis, and secondly, international organizations are paying extra attention on developing countries.

The new anti-crisis fund which was created at the beginning of February, 2009 within the Eurasian Economic Community (EAEC) became one of the significant additional sources for CA countries, where Kazakhstan, Kyrgyzstan and Tajikistan are holding the membership. The volume of the fund available for them is equal to \$10 billions, 75% of which will be given by Russia, 10% by Kazakhstan and remaining part by Belarus, Kyrgyzstan and Tajikistan. The resources of the fund will be provided for needing member-states in form of favorable credits. Russia is also playing active role outside the frames of this organization. For example, in

February 2009 it has announced that will provide for Kyrgyzstan \$150 mln. as a grant and \$2 billions as a state loan.

Asian Development Bank at the beginning of December 2008 has announced that it will be assisting Tajikistan on without return basis within the next 4 years, taking into account the weak economic capacity of the country. The National Bank of the country in addition negotiated with IMF for reception of \$150 mln. credit and with World Bank for \$50 mln.

5. Conclusion

Based on this review, it is fair to say that some impacts and the channels of influence of global financial crisis are common for all CA countries, but some of them are specific only for part of these states. The challenges related with exchange rate regulations of national currency and decrease of the direct foreign investment and credits can be considered as of equal importance among all these countries. At the same time, the urgency of channels like financial broke-down of stock markets, loss of country's export potential (caused by decrease of international demand and fall of world prices for several commodities), sharpness of migration problem and its influence to country's labor market and possible decrease of international aid vary from one country to another. Therefore the policy implications for each country differed. National banks of each country were among the main actors dealing with prevention of possible negative outcomes of the crisis. Major actions of national banks in the region were directed to: improvement of financial condition of banking system (for example, by lowering the rate of refinancing of commercial banks from 16% in 2008 to 8% in 2009 in Tajikistan); solution of liquidity-shortage problem; attraction of foreign capital; financial support of real sector of economy; increasing the confidence of population to banks; rising the level of capitalization of domestic banks.

The shortlist of actions against minimization of negative outcomes of global financial crisis to economy of CA countries implemented by governments of each country is given in Table 10.

Table 10: Main components anti-crises programs of CA countries

Country	Policy measures
Kazakhstan	<ul style="list-style-type: none"> - Injection of \$10 billions to the financial system of the country - Tax reduction policy and simplification of the procedure of registration of small and medium enterprises - Devaluation of national currency to 25% in order to support exporting companies - Lowering the level of basic interest rate to support money liquidity
Kyrgyzstan	<ul style="list-style-type: none"> - Consolidation of banking system and tighter controllability of National Bank - Supporting the accumulation of financial means - Provision of bonds for enterprises - Export stimulation - Stimulation of domestic consumption - Widening investment of agrarian sector
Tajikistan	<ul style="list-style-type: none"> - Reduction of income taxes for business from 25 to 15% - Reduction of state expenditures - Lowering interest rate of commercial credits from 18 to 14% - Support of agrarian sector
Turkmenistan	<ul style="list-style-type: none"> - Export diversification - Denomination of national currency - Actions for increasing the attractiveness of the country for FDI - Introduction of new rules for provision of mortgage with incentive rates - Formation of so-called Anti-crises fund
Uzbekistan	<ul style="list-style-type: none"> - Program for supporting commercial banks - Tax-reduction policy - Supporting of real sectors of economy and exporting companies - Selling the natural gas to neighbor countries by world market prices

The global crisis has much better showed the disadvantages and susceptibilities in the economies of each CA country and adequate conclusions with necessary responses are required in order to overcome similar problems in the future, because in fact all above mentioned problems were existed even before and the crises only “underlined” them. Further possible steps of stabilization and development processes should include actions for development of banking and financial system in the region; re-orientation of the export potential from raw materials to final goods and from monotony of nomenclature to its diversity; stimulation for creation of new job opportunities via supporting small and medium scale business; offering better conditions for foreign investors.

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