

A stylized world map composed of a grid of grey dots, with several dots highlighted in red to represent specific regions.

The Russian Crisis and its Fallout

The Impact on the Eastern Partnership States and Central Asia

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April 2015

- Russia is in an economic crisis. Through a combination of internal factors and external shocks, the Russian economy is heading for a deep recession. Former Soviet republics from Belarus to Uzbekistan are closely linked to Russia economically and largely affected by the crisis.
- Exports to Russia are collapsing. Investments that in previous years often originated from Russia are receding, and the sharp devaluation of the Russian rouble since autumn 2014 is exerting downward pressure on other currencies in the region. As a result, imports are becoming more expensive, inflation is rising, and income that is often calculated in US dollars is decreasing.
- Labour migration, which has traditionally focused on Russia, is also affected. Money transfers are dramatically reduced. Shrinking incomes and swelling unemployment could fuel discontent among the populations and provide a breeding ground for protests.
- Two counter-strategies are emerging at the national level. Diversification of foreign economic relations could reduce economic dependence on Russia, although only in the long term. Quite on the contrary, an approximation to the Eurasian Union could improve working conditions for migrant workers in Russia, while at the same time granting duty-free market access to Russia.



Contents

Foreword	3
Armenia: Falling Exports	5
Azerbaijan: Stability in Doubt	8
Belarus: Direct Dependence	10
Georgia: Further Diversification of Exports	12
Kazakhstan: Limited Impact	15
Kyrgyzstan: Eurasian Integration in Doubt	18
Moldova: Stagnation Looming	21
Tajikistan: No Alternatives to Russia	23
Uzbekistan: Migrants Affected	26
Abbreviations	28



Foreword

By Katharina Gröne, Felix Hett

Russia is in an economic crisis. Through a combination of internal factors and external shocks, the Russian economy is heading for a deep recession. Protracted structural change, the falling price of oil, and economic sanctions in the wake of the conflict in Ukraine are the three primary causes. Current projections for the gross domestic product expect a decline of 3 to 6.5 per cent in 2015. While this has received wide media coverage, Russia's neighbours in the west and south are subject to less scrutiny. The former Soviet republics, from Belarus to Uzbekistan, are closely linked to Russia economically. Their populations are dependant on a prosperous Russian economy. What are the repercussions of the crisis in Russia for these economies? And what are the implications for social and political stability?

The Friedrich-Ebert-Stiftung has invited nine authors—from Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, and Uzbekistan—to analyse the consequences of the crisis in Russia for their respective countries. Ukraine was not taken into account; the current war situation makes it impossible to analyse the effects of the Russian economic crisis in isolation.

Four areas of concern can be identified in nearly all of the countries. Exports to Russia are collapsing. Investments that in previous years often flowed from Russia are receding—not only from lack of capital, but also because conditions have been classified as increasingly uncertain in the course of the Ukraine conflict and the Russian economic crisis. The sharp devaluation of the Russian rouble since autumn 2014 is exerting downward pressure on other currencies in the region. As a result, imports are becoming more expensive, inflation is rising, and income that is often calculated in US dollars is decreasing (see Table 1). Finally, labour migration, which has traditionally focused on Russia, is also affected. Money transfers from contract workers, vital for countries such as Moldova, Kyrgyzstan, and Tajikistan, are being dramatically reduced. At the same time, Russia has considerably tightened its policy on workers from countries outside of the Eurasian Economic Union (EEU). Significant return migration to countries of origin is expected, which will place national labour markets under growing pressure. Shrinking incomes and swelling unemployment could

fuel discontent among the population and provide a breeding ground for protests.

Among Russia's neighbouring states, Azerbaijan and Kazakhstan constitute special cases, being less dependent on developments in Russia thanks to their own resource wealth. However, like their northern neighbour, they also suffer from the decline in oil prices and similar structural problems.

At this time, we can only surmise the extent of the crisis. Even as the texts for this paper were being written, several updates were required. Consequently, we can only address tendencies, yet the danger is clear: the Russian crisis could lead to economic and social destabilization of the entire region.

Two counter-strategies are emerging at the national level. Diversification of foreign economic relations could reduce economic dependence on Russia, although only in the long term. The European Union and China are the obvious alternatives. The second strategy seems paradoxical, yet in some countries has been the subject of heated debate. An approximation to the Eurasian Union could improve working conditions for migrant workers in Russia, while at the same time granting duty-free market access to Russia. It can be assumed that, in this present crisis, the successor states of the Soviet Union will thus try to continue their traditional »multi-vector« foreign policy that has been pursued since the 1990s. Maximum preservation of the economic ties to Moscow will run parallel to attempts to develop political and economic relationships with third parties. It remains open as to what extent the European Union, in its current review of its neighbourhood policy, will consider this factor—and what will be its response to the risk of destabilization.

Table 1

	Russia	Armenia	Azerbaijan	Belarus	Georgia	Kazakhstan	Kyrgyzstan	Moldova	Tajikistan	Uzbekistan
2013 GDP per capita (constant 2005 US\$)										
	6,923	2,310	3,253	4,914	2,165	5,425	625	1,136	481	899
Forecast: GDP Growth (in %. 2013: Actual Figures)										
2013	1.3	3.5	5.7	1.0	3.3	6.0	10.5	9.4	7.4	8.0
2014	0.4	3.0	2.8	1.5	5.0	4.3	3.6	3.0	6.7	8.0
2015	-4.6	0.0	1.5	-1.5	4.2	1.5	3.2	0.0	4.4	7.8
Exchange Rate: 1 USD in local currency. average for first quarter of 2014/2015										
	RUB	AMD	AZN	BYR	GEL	KZT	KGS	MDL	TJS	UZS
Q 1 2014	34.98	410.01	0.78	9,667.18	1.75	167.74	50.68	13.15	4.79	2,215.52
Q 1 2015	62.70	477.06	0.89	14,829.70	2.07	182.36	60.50	17.53	5.42	2,432.56
% change	79.2	16.4	14.1	53.4	18.3	8.7	19.4	33.3	13.2	9.8

Sources: World Bank, EBRD, www.oanda.com

Armenia: Falling Exports

By Gagik Makaryan

Russia is Armenia’s second-biggest trading partner, the EU being the largest. Within the Eurasian Economic Union (EEU) Russia is the first trading partner as Belarus accounts for only 0.8 per cent of the total volume of Armenian foreign trade and Kazakhstan only for 0.2 per cent (Diagram 1). Thus, a change in Russia’s economic situation is essential for Armenia’s economy. From a social point of view, Russia is also important because it is the primary source of remittances from Armenian families or migrants: almost 500,000 Armenian migrants work in Russia, which is about 16 per cent of the total population.

Armenia’s integration into the EEU (formerly the Customs Union) will not contribute to an increase in competitiveness and growth of foreign trade with the countries of the EEU because Russia (as the main trading partner) already has the most influential effect on Armenia’s economy.

The Impact of the Russian Economic Crisis on Armenia’s Economy

Russia’s foreign trade with Armenia amounted to about USD 1.43 billion. Exports to Russia amounted to USD

331.9 million. Armenia’s imports from Russia are mainly: gas, grain, petrol, raw aluminum, oil and lubricants, fuel elements for nuclear reactor, and chocolate (as shown in Diagram 2).

The volume and prices of these products will not be changed significantly as a result of Russia’s economic crisis. On the contrary, exports from Armenia to Russia have significantly suffered because of the rouble’s devaluation and delayed payments. Particularly hard hit are companies that signed contracts in roubles rather than in dollars.

Brandy and alcoholic beverages exporters are in the first place to suffer losses. According to various organizations, the losses lie between USD 60,000 and USD 1.1 million, depending on the size of the enterprise (small or medium) and depending on the export value of each enterprise. For exporters of preserves, juices, and compotes—which are small and medium-sized enterprises—the losses are between USD 100,000 to USD 111,000. It is important to mention these two groups, because alcoholic beverages from small and medium-sized enterprises account for almost USD 151.7 million of the total export volume (USD 331.9 million). Another important group is fresh

Diagram 1. Armenia’s trading partners

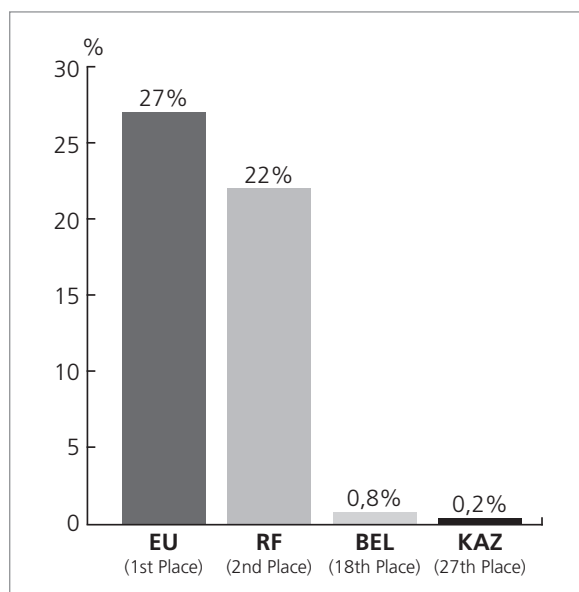
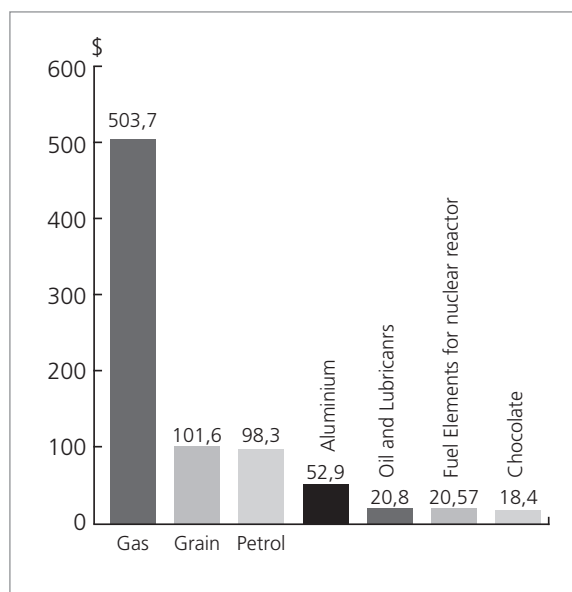


Diagram 2. Armenia’s imports from Russia



fish, fresh fruits, and vegetables (total export volume USD 38 million). For these last two groups, the loss is on average 15 per cent.

In December 2014, a number of export companies temporarily stopped exports to Russia to avoid additional losses. These companies have not yet restored exports, because Russia demands the revision of agreement prices. In Russia the prices for goods have not significantly increased (the government controls and limits the price growth) and as a result of low profitability Russian import companies demand the reduction of the prices from Armenian exporters. The Armenian exporters who have been working heavily on the Russian market for many years have to continue their exports or resume exports with lower prices to avoid losing their Russian partners and being forced out of the Russian market. As a result of these processes, the volume of exported goods to Russia has been reduced significantly. According to the preliminary calculations, the average reduction for the period January to November 2014 is about 8 per cent, and in December 2014 it is about 40 per cent.

As a result of the Russia-Ukraine conflict, Armenian external trade was also damaged. Following the deterioration of Ukraine's economic situation, trade volumes have decreased and some contracts have been cancelled. Moreover, Armenian migrants who worked in the conflict zone (Eastern Ukraine) and used to transfer money to their families in Armenia could no longer remain there and work.

The Russian economic crisis has also indirectly influenced the Armenian economy for the other reasons. Before the crisis, Armenian migrants or Armenians with Russian citizenship converted their Russian wages from roubles into US dollars and sent US dollars to their relatives in Armenia. As a result of the devaluation of the rouble, the volume of remittances measured in Armenian drams significantly decreased (before the crisis, twelve dram was equal to one rouble, then the rate became 7.9 dram for one rouble).

In consequence, much less money was sent back to Armenia, and in December 2014 two factors impacted the devaluation of Armenian dram linked with the less effective activities of the Central Bank.

Based on past statistics, importers will need more foreign currency at the end of year (especially in IV quarter) in order to import larger volumes of product for the New Year, hence, the demand for USD was to increase.

Labour migrants return to Armenia at the end of year for Christmas celebrations or because of the termination of construction or infrastructure works during winter (the majority of Armenian migrants work in those spheres). So, they either transfer money to their families or bring it with them. In December 2014, they could not bring USD because of the devaluation in Russia, so they brought roubles instead. They then tried to exchange the roubles to USD in Armenia, because they prefer to keep their savings in USD rather than roubles. The Central Bank of Armenia did not forecast this occurrence, which resulted in high inflation of AMD in December 2014, thus they could not implement exceptional measures for restraining rouble investment in Armenia.

As a result, importers immediately increased the prices of various materials, products, and food, reasoning that for the next import transactions, the required currency had been already increased and they should pay more drams for receiving the same amount of dollars. Results would have been better, if the Central Bank of Armenia had forecasted the upcoming events based on past experience and their periodic analyses. Consequently, Armenian citizens and domestic producers suffered.

The EBRD has projected 0 per cent economic growth in Armenia for 2015. The risk of poverty in Armenia will increase because of the decrease in transfers, which thousands of families need to survive. According to National Statistical Service of Armenia, almost 32 per cent of the Armenian population (967,000 people) are poor, almost 400,000 are poorer, and 80,000 are extremely poor. An upper poverty line is drawn at 3,9193 drams per month; people who have less than this are considered poor.

Year after year, foreign direct investment (FDI) decreased in Armenia, including FDI from Russia. According to the most recent indicators: 2011, USD 607 million; 2012, USD 592 million; 2013, USD 271 million. The Armenian National Statistical Service has not yet published the results for 2014. However, certain activation on FDI was noticeable by the Armenian Diaspora at the end of 2014 and at the beginning of 2015. In all cases, the investment environment needs improvement.

The Influence on Labour Migration

It has surely been noticed in Russia that economic deterioration leads to job cuts and an increase in poverty. And it would be natural that, with respect to job quotas, Russia would give preference to Russian citizens rather than migrants from foreign countries. In the Russian crisis, economic deterioration is especially prevalent in the spheres of construction, infrastructure, and trade. The majority of Armenian migrants work in these sectors, and thus a decline in their employment and earnings is to be expected. In addition, Russia has adopted laws that are directed at migrants who have violated migration and labour legislation. They have subsequently been barred from entering the country. There are about 50,000 Armenian citizens facing this problem. As a result, the number of returning migrants has increased by over 26 per cent for the period of January to September 2014.

Comparing eleven months of 2014 and the same period in 2013, a fall in bank transfers from Russia to Armenia of 7 per cent has been observed, and is expected to fall by about 35 per cent in 2015. Projections are that transfers will decrease in 2015 by USD 450–500 million. Moreover, about 20 per cent of the returnees will become unemployed.

Social Influence

The household incomes have significantly decreased (by 35 per cent) in 2014, and they will continue to decrease because of price increases for a number of goods and products in Armenia, such as dairy, sugar, fruits, or bread.

There is currently a tendency toward unemployment growth, which is now about 17 per cent. This is due to a few factors:

1. Import and exports companies in Armenia experienced income losses because of the Russian economic crisis, and the dollar exchange rate. This can lead to a reduction of jobs.
2. Many migrants will not be able to work in Russia or Ukraine due to the violation of migration legislation; thus by remaining in Armenia they will significantly increase the number of unemployed people.

3. Many Armenian migrants in Russia will lose their jobs and have to return to Armenia. As the significant growth of the Armenian economy is not expected, the returning migrants will not have many opportunities to find jobs. It is possible that if some laws are adopted in Armenia in 2014, this will stimulate business. For example, when the annual turnover for a family business is up to USD 40,000 (USD 1 = 470 dram), the business is relieved of taxes. And SMEs with up to USD 130,000 of annual turnover will pay tax on only 3.5 per cent of the turnover during the year.

Is the Russian Crisis Bringing Political and Economic Realignment?

No political realignment has been observed, because the same reforms and laws are still in force. The brand development strategies (country product branding, e.g., »Armenian Wine«), or export and import promotion directed to any concrete country have not been noticed. Diversification of foreign trade is needed. The Government of Armenia has taken certain steps since 2013, however they need strengthening.

In the external trade with China, the equipment/technological lines, input, and raw materials are predominant in the products and goods imported by Armenia from China. Regarding trade promotion with Kazakhstan, it is necessary to ease the transportation routes. Officially Armenia is doing business with Kazakhstan, but in fact business is on the ground. An improvement in the relationship with Turkey from 2016 onwards would also have a positive effect on Armenia's economy.



Azerbaijan: Stability in Doubt

By Nadir Allahverdiyev, Vugar Bayramov

Hardly anyone would expect a 33.4 per cent devaluation of the Azerbaijani manat by the Central Bank in one night. Officials justify the decision with low oil prices and the »current global economic crisis.« Of course, this may increase »manat flow« into the state budget, which was calculated based on an oil price of USD 90 per barrel, and the 1 USD/AZN rate in 2015 budget was accepted at 0.7844. Forced devaluation by the government clearly confirms the heavy dependence of the Azerbaijan economy on oil. However, the energy market situation is not the only reason for the current crisis in the country. One of the other factors negatively affecting the country is the Russian economic crisis: Russia is Azerbaijan's biggest import partner, and up to three million Azerbaijanis live there.

In 2014, bilateral trade between Russia and Azerbaijan dropped by 24 per cent to USD 1.955 billion (exports, USD 640.27 million; imports, USD 1.314 billion). Exports decreased significantly—by 40.6 per cent—which was mainly caused by decreasing purchasing capacity in Russia, as well as the rouble devaluation. This makes Azerbaijani small business export products »weak« in price competition. Despite that, in 2014 the Russian Federation remained Azerbaijan's biggest import partner, and the tenth biggest export partner.

Nevertheless, the role of Russian crisis in Azerbaijan's current economic situation is neglectable, because the main negative factors are the inefficient economic structure, weak competition, low level of diversification, and low oil prices in the medium term.

According to official data, the GDP growth rate in 2014 was 2.8 per cent. The European Bank for Reconstruction and Development (EBRD) forecasted the economic growth in Azerbaijan from 3.0 to 1.5 per cent for 2015. According to CESD's calculations and predictions, the growth will be 1.0 per cent due to a sharp decline in crude oil prices. Until recently, the international reserves, petrodollars, acted as the Azerbaijan economy's only »safety net« against the crisis, but now the economy's ability to rehabilitate is extremely low due to the high level of monopolization and the lack of efficient market relations.

Obviously, the monetary system has also been negatively influenced by the factors mentioned above. Since 30 January 2013, the USD/AZN rate has been varying around 0.78. Nevertheless, in 2013 Azerbaijan's Central Bank (CBAR) spent USD 1.2 billion of its reserves to defend the manat's stability. In the current situation, oil prices around USD 60 will force serious pressure on the Azerbaijan manat. Thus, within the last three months, the Central Bank has already spent 20 per cent of its reserves, to support Azerbaijan manat. Now, the scale of official foreign exchange reserves of CBAR is USD 11.004 billion.

Since the beginning of the year, state officials have expressed confidence that citizens' income and social welfare would not be affected by low oil prices, however on the night of 21 February 2015, the CBAR devalued the manat without any warning by almost 35 per cent to the dollar.

It should be noted that earlier, monetary authorities were trying to persuade people that there were no fundamental reasons for a sharp devaluation of the national currency; and that the manat would be devalued gradually.

The points mentioned above are direct evidence of the fact that manat was not being supported by real economic and industrial potential, as was declared, but by CBAR's »artificial respiration«.

Investment

Taking into account that Azerbaijan's economy depends mainly on oil prices and is not affected seriously by Russian crisis, non-oil sector development would create a real backup to support the national currency. In order to achieve this goal, the government has to realize an efficient investment policy to attract private investment, which will improve competitive branches of the economy.

The volume of investments to Azerbaijan economy in 2014 decreased by 1.5 per cent to USD 22.435 billion. Meanwhile, 66.1 per cent of all investments—in other words about USD 14.494 billion—was directed to the non-oil sector. The share of foreign investment in the

non-oil sector reached USD 1.059 billion, which is 7.3 per cent of total investment in the non-oil sector.

According to official statistics, Azerbaijan has invested approximately \$1.8 billion in the Russian economy, particularly in the real estate and oil-and-gas sectors. The State Oil Fund of the Republic of Azerbaijan (SOFAZ) has also invested in Russian housing construction, as well as the real estate and stock markets.

As a result of the rouble's devaluation, the USD 500 million that was invested in VTB Bank shares by SOFAZ on 21 May 2013 lost 34.93 per cent of its value by 10 February 2015, resulting in a market value of USD 325.346 million. It should be emphasized that the rouble weight in the fund's investment portfolio shares is less than 1 per cent, which is long-term investment. More than 570 Russian capital-based companies are operating in Azerbaijan.

Labour Migration

At present, up to three million Azerbaijanis live in Russia, and 570,493 of them are Azerbaijani citizens. According to the Russian Federal Migration Service, 28,196 Azerbaijanis left Russia in the last six months of 2014. Devaluation of the rouble and stricter registration rules are the main reasons migrant workers leave the country.

The vast majority of Azerbaijanis leaving for Russia are from rural areas. Based on official data, remittances from Russia amount to USD 1.5 billion per year (the unofficial estimate is USD 3 billion). A sharp decline in remittances was observed in the second half of 2014, and it is expected to drop by 30 per cent in 2015.

Money transfers account for 1.3 per cent of GDP (total GDP 2014 was USD 75 billion). The decline in remittances has negatively affected the families' income and welfare in the rural areas. Therefore, a decrease in these areas consumer price index has been recorded. On the other hand, the lower remittances will insignificantly decrease the revenues in the banking sector.

Despite all of the unfavourable conditions, Azerbaijanis living and working in Russia hope for a quick resolution of the situation and are not in a hurry to return home. One reason for this is the higher unemployment rate in rural areas, although the statistics indicated that the un-

employment rate in Azerbaijan is close to 4.9 per cent. At the same time, there is a strong influx of people to Russia from the northern border regions of Azerbaijan. However, most of them pass the border just for the day to shop.

An investigation of the housing sector shows that about one-third of the total demand in the real estate market of the country can be attributed to Azerbaijanis, living and working in the Commonwealth of Independent States, especially in Russia. Currently, these people are not able to create huge demand in the Azerbaijan housing market because of their worsening business activities in Russia. Since May 2014, a significant decline has been observed in Russian Azerbaijanis' investment in local markets. Compared with October 2013, the downturn in October 2014 was more than 30 per cent.

The majority of Azerbaijanis living and doing business in Russia who owned apartments in Baku have already begun to sell their properties in Azerbaijan, in order to overcome the current difficulties. On the other hand, there is increasing demand in the real estate market after the manat devaluation, because people are interested in saving their money from the further »weakening« of the national currency by purchasing property objects. This caused an increase in real estate prices, thus in February 2015 a 2.13 per cent average rise was observed.

Despite the fact that the EU is major economic partner of Azerbaijan, relations with Russia play an important role in the social life of the country. At the same time, Azerbaijan is implementing large investment projects in Turkey and Georgia. Concerning political reorientation, the government's balanced foreign policy (between the West and Russia) still remains a priority, because Russia is at least a regional power and it has close socio-economic relations, as well as political relations with Azerbaijan. As mentioned above, Azerbaijan also has close relations with Europe and USA, however these relations are basically built on mutual economic interest.



Belarus: Direct Dependence

By Arseniy Sivickiy

Economic Repercussions

The economic crisis in Russia—caused by geopolitical tensions with Western countries arising from the crisis in Ukraine and by internal structural problems—has a direct negative impact on the development of the Belarusian economy. Instead of GDP growth of 3.3 per cent as predicted by the government in Minsk for 2014, GDP growth was actually only 1.6 per cent. Given the high level of dependence of the Belarusian economy on that of Russia, for whom growth forecasts continue to be negative, this development will persist in the medium term. The Ministry of Finance of the Russian Federation expects a decline in GDP by more than 5 per cent in 2015. According to estimates by Moody's, the strong economic links between the economies means that every 1 per cent of negative growth in Russia's GDP will automatically result in a decrease of the same in Belarus by 0.63 per cent.

In light of these trends, the Belarusian government has lowered its forecast for socio-economic development and the focus of its 2015 financial and budgetary policy to 0.2 to 0.7 per cent growth. Yet, most independent experts regard even these modest predictions with scepticism. The European Bank for Reconstruction and Development predicts that the Belarusian economy will fall around 1.5 per cent in 2015, while some Belarusian experts estimate it could drop as much as 5 to 7 per cent.

The main victim of the Russian crisis is Belarusian exports. Belarus's total trade turnover with Russia in 2014 is estimated by Belarusian statistics to be USD 37.7 billion, which is 5.3 per cent less than in 2013. In 2014, exports to Russia fell by 8.9 per cent to USD 15.4 billion. Imports fell by 2.7 per cent to USD 22.3 billion. Detailed statistics for the period from January to September 2014 show a decrease in Belarusian exports compared to the same period in 2013, primarily for goods such as: »machinery, equipment and transport vehicles« (-25.6 per cent); »products of the chemical industry« (-7.5 per cent); »metal and metal products« (-10.7 per cent); and »textiles and footwear« (-4.7 per cent). Export growth was observed only in food and agricultural commodities (+1.4 %) and petroleum products (+28.2 per cent).

At the end of December 2014, Belarusian authorities were forced to adopt a 30 per cent devaluation of the Belarusian rouble, in order to compensate for the negative impact of the devaluation of the Russian rouble and to promote Belarusian exports to Russia. However, these steps will lead to a considerable rise in inflation in the country. Every 1 per cent that the Belarusian rouble falls will raise inflation by 0.6 to 0.7 per cent. According to estimates by independent experts, inflation in 2015 will exceed 30 per cent, compared to the 18 per cent originally planned by the government.

The influx of foreign direct investment in Belarus amounted to USD 10.2 billion in 2014, which was USD 914.6 billion less than in 2013. Of this, 50.3 per cent came from Russia, a decrease of USD 680 billion in comparison to 2013, which was also a result of the Russian economic crisis.

Labour Migration and Financial Transactions

Attractive salaries in Russia compared to those in Belarus, the virtual absence of border controls, and liberal regulations for the employment of Belarusian citizens led to the increase in labour migration to Russia observed in recent years. The crisis in the host country, however, has now changed the situation. In February 2015, there were approximately 300,000 Belarusian migrants registered in Russia—90,000 fewer than in February 2014. Due to the lack of monitoring and registration, one can assume that there are many unreported migrants (according to unofficial data between 600,000 to 1 million »guest workers«). Many Belarusians do not register or they work illegally in Russia. Exact and current statistics about the number of labour migrants from Belarus and the volume of remittances from Russia are therefore missing.

Social Repercussions

As a result of significant weakening of the Belarusian rouble by 30 per cent in December 2014, which in turn was caused by the drastic decline of the Russian rouble, the average monthly wage in Belarus at the end of 2014 was the equivalent of USD 456, compared to USD 620

in December 2013. In 2014, 231,100 jobseekers turned to the agencies for labour and social affairs; 148,100 of them were registered as unemployed. These official statistics, however, do not provide an idea of the true extent of unemployment, because there is still a high number of unemployed who are unregistered and difficult to assess.

Economic problems in 2014 also led to an increase in the number of companies (especially government) in Belarus that introduced short-time work schemes. This affected 80,100 people, representing an increase over 49,600 people in 2013. A total of 104,700 employees were offered (forced) holidays, compared to 77,400 people last year. This data, rather than the official unemployment figures, more clearly indicates the hidden crisis tendencies in the economy.

Influence on Foreign Policy and Economic Orientation

The Belarusian economy has yet to feel the full force of the Russian economic crisis. The most serious economic, social, and political impacts are expected in the course of 2015. The trade and food war between Minsk and Moscow at the end of 2014 is proof that the Kremlin still intends to use economic and political leverage as pressure on the Belarusian government to keep the country within its sphere of influence.

In response to the crisis, the President of Belarus, Alexander Lukashenko, has declared the necessity to diversify Belarusian exports. He also threatened to withdraw from the Eurasian Economic Union, should the integration partners violate their contractual obligations. Against the political backdrop of the last 20 years, this announcement can be well considered a wink to Moscow in order to receive further subsidies for the national budget. Already in January, Belarus asked Russia for USD 2.5 billion in financial assistance for 2015. This year Belarus must spend around USD 4 billion to service its foreign debt. Meanwhile, its foreign exchange reserves are constantly shrinking; in January they fell by USD 335 million to USD 4.7 billion, which is the lowest level since 2011.

The tensions that traditionally flare ahead of presidential elections in Belarus will thus be accompanied in 2015 by increased economic instability. The decline in competitiveness of its economic model and the recession in

Russia make the Belarusian economy particularly vulnerable. This will certainly lead to cuts in social programmes.

The growing economic problems and the uncertainty of financial support from the Kremlin are forcing the Belarusian government to seek new economic partners, whether in China or in the West. It is in this context that its courtship with the IMF should be seen; an IMF mission will begin work in Belarus in March. However, given the experiences of the last two decades, the willingness of the political leadership to comply with the IMF's likely call for major economic structural reforms remains doubtful.



Georgia: Further Diversification of Exports

By Kakha Gogolashvili

Effects on Economic Growth and Bilateral Trade

The beginning of the Russian economic crisis was preceded by a sharp decline in international oil prices and the annexation of Crimea. The ensuing deterioration of Russia's international position, EU and US sanctions, dropping oil prices, and FDI outflow instigated a continuous devaluation of the Russian rouble, reduction of GDP growth rate to almost zero, and the prospects for further contraction of the Russian economy for at least another two years. The Georgian economy has become less dependent on changes in the neighbouring country and less sensitive to fluctuations in the rouble since the 2006 embargo declared by the Russian government on imports originating in Georgia. Dropping oil prices meant cheaper production costs, which stimulated general demand. This may explain the relative stability of the Georgian economy during the past year. However, the Georgian economy could not remain inelastic towards the Russian market failure for a longer time span, especially because of the growing trade turnover, which doubled compared with the 2012 level.

Real GDP grew by 6 per cent on average in first three quarters of 2014, but an apparent decline in the economic output in the fourth quarter has led to the estimated lower annual growth rate of around 4 per cent.¹ The government had earlier planned GDP growth for 2015 at a rate of 5.5 per cent. Indeed, the recent deterioration of the GEL exchange rate and a weakening of other macroeconomic indicators have also forced the government to reconsider lowering the forecast for the future growth rate by up to 2 per cent. An IMF mission, which visited Georgia from February to March 2015,² has stated that even this target is at the risk because the slowdown in the Georgian economy continued during January 2015. The main reason for such a pessimistic forecast was assumed to be a depreciation of national

currencies in all of Georgia's regional trade partners, leaving little chance for Georgian exports to sustain its competitiveness.

In 2014, exports showed a positive trend during first three quarters, but started to decline in the last quarter. The negative trend has been observed in all CIS countries that experienced monetary problems and entered the crisis earlier than Georgia—especially in Russia. In total, exports fell by 2 per cent in 2014, but in January 2015 showed a 30 per cent decline compared with January 2014 and 23 per cent decline in February. Exports to the Russian Federation grew in 2014 by 44 per cent, which could be attributed to the gradual effect of lifting the Russian embargo on Georgian goods established in 2006. Indeed, the growth trend ceased at the end of 2014. In the fourth quarter of 2014, Georgian exports to Russia dropped from USD 78 million to USD 62 million. Comparing Georgian exports to Russia in the fourth quarter of 2014 with the same period in 2013, there is a 27.5 per cent decline, which can be explained by the dropping demand for imported goods in Russia. In January-February 2015 exports to Russian Federation dropped by 60 per cent compared to the same period of 2014. In general exports to CIS countries declined in the first two months of 2015 by 50 per cent! Earnings of the exporting companies decreased because of the devaluation of the Russian rouble.

In total in 2014 Georgia witnessed important deterioration of the current account deficit obviously making pressure on the exchange rate stability.

The most vulnerable sectors are:

- Tourism, which according to unofficial data has contracted last year and continues to decrease;
- Housing construction, which may lack financing because bank credit is becoming expensive;
- Agricultural production, which may become affected because of the potential loss of the Russian market (if the crisis there continues). At least the prospects for further expansion of exports to Russia will be damaged.

1. When this report was written, there were no official data on GDP. The above mentioned forecast was made by the Minister of finance in his statement. Antidze, M. (2015): Georgia may have GDP growth forecast to 2 -2.5 pct for 2015 –econ minister. Available at: <http://www.dailymail.co.uk/wires/reuters/article-2965196/Georgia-halve-GDP-growth-forecast-2-2-5-pct-2015-econ-minister.html> .

2. International Monetary Fund (2015): Georgia: Concluding Statement of an IMF Staff Visit. Available at: <http://www.imf.org/external/np/ms/2015/030415.htm> .

In the same time exports to the EU continued with the increasing trend along January-February 2014.

GEL under Pressure

Georgia-Russia trade dynamics could not have immediate direct effect on the GEL devaluation. It certainly contributed to the raising of negative expectations in Georgia and decreasing the demand on the Georgian currency in the country. It was predicted that falling oil prices would decrease pressure on the current account, but with the considerably raised domestic demand on fuels, the actual gain was very low—around 5 per cent reduction in the imported value of oil products. A one-year lag was necessary for the Georgian market to react on the changes in Russia. The unexpected fall (7 per cent) of GEL against USD occurred in December 2014. The government attributed this to the appreciation of USD, but a number of independent experts stated this was a start of complications caused by systemic reasons. Three consecutive months confirmed these fears, as the GEL continued falling and was unable to find an equilibrium position. In general, the Georgian GEL lost around 25 per cent of its value against the USD in less than three months, while there was no intended increase in the money supply from side of the National Bank (NBG). Contradictory statements by different experts and politicians circulate about the role of the government and the NBG in not maintaining smooth trends in the exchange rate policy. One view is that the NGB could somehow have played a negative role because of the lack of interventions on the financial market in 2014, while the average interest rate of the banking system decreased by 0.9 per cent and the money supply increased by 13.8 per cent.³ The national bank did not attempt to stop the interest rate reduction and the increase of the money supply. The NGB explained its passiveness by low inflation, which was quite below (average 1.5 per cent) the target rate (5 per cent) during all of 2014. The reason for such a low CPI was low oil prices, as well as cheaper imports due to the deterioration of the national currencies in the region. There was also criticism against the government for several reasons, including the considerable increase in administrative expenses and the uneven distribution of spending throughout the year, which seemingly provided

an excess cash supply at the end of the year through the government-financed programmes. In its statement, the IMF mission did not criticize either of the two institutions. It recommended that the NBG continue refraining from interventions in the market, but use other instruments to control the monetary aggregates. The government has kept its budgetary deficit low—at 3 per cent, which has also been endorsed by the IMF.⁴

Investments in Fourth Quarter 2014 Drastically Reduced

According to the National Statistics Office of Georgia, FDI in the first three quarters of 2014 has almost equalled foreign investments received in 2013. Even without the data for the fourth quarter, it can be assumed that FDI in 2014 has grown in comparison to the previous year. FDI from Russia has also grown and comprised USD 54 million, which is a bit less than FDI from the US (USD 59 Million). In total, investments from CIS countries (led by Azerbaijan with USD 218 million) have reached USD 265 million, which is almost twice less than investments from the EU. According to unofficial statements, investments in the fourth quarter of 2014 have been drastically reduced, which could also have had a negative impact on the stability of the GEL and eventually on the prospects of the economic growth. GeoStat doesn't provide statistics on domestic investments, but given slightly rising figures on the employment in the business sector (+15,000 employees in the fourth quarter of 2014), it appears that local businesses continued to invest and reinvest in the economy until the end of 2014.

Migrant Workers' Situation in the Crisis

There are no direct sources providing data to measure the impact of the Russian crisis on Georgian migrants. There are not even credible sources on the number of Georgian workers in Russia. The census conducted in 2010 in Russia counted 157,000 ethnic Georgian migrants there. Indeed, the data do not take into account the large number of migrants of other ethnicities from Georgia to Russia. The Union of Georgians in Russia stated in 2013 that 250,000 Georgians were residing in Russia. Other

3. NBG (2014): Monthly Review December 2014, Available at: https://www.nbg.gov.ge/uploads/publications/moneratfiscal/2015/publish_03_02_15.pdf

4. International Monetary Fund: Georgia (2015): Concluding Statement of an IMF Staff Visit. Available at: <http://www.imf.org/external/np/ms/2015/030415.htm>

unofficial sources give much higher figures. According to the Central Data Bank info on occupations of foreign workers, 22 per cent of them are low-skilled workers and 8.5 per cent work as managers and administrative personnel.⁵

Decrease of Remittances

Most recent objective data on migration of Georgian citizens are from 2013. For the last few years, the net migration in Georgia was negative (-2.2 in 2013).⁶ The only way to judge the outflow of migrant workers from Russia and Ukraine is to analyse the dynamics of remittances. The analysis shows a drastic decrease of remittances from Russia, Ukraine, Belarus, Armenia, and Greece, while the transfers from Israel (+35 per cent), Turkey (+45 per cent), US (+20 per cent), Germany (+21 per cent) and some other countries grew considerably. This may be due to the mobility of Georgian migrants moving from Russia and other CIS countries to countries with better economic performance. Obviously, some of the migrants, especially those not legally registered in Russia, have returned to Georgia. *That causes a reduction in current transfers, especially on worker's remittances and other transfers (as shown in the BOP by the NB of Georgia) from Russia and Ukraine.* The overall decrease in such transfers in 2014 was 2.5 per cent, among which remittances from Russia fell by 11.5 per cent in 2014. An especially sharp decrease was observed in the third quarter of 2014 (30.2 per cent in November and 43.2 per cent in December compared to the respective periods of 2013). The progressive trend continued in January-February 2015, when transfers from Russia dropped by 50 per cent. Inflow of transfers also declined from Greece (probably also due to the current crisis), Ukraine, UK, Belarus, and Armenia. In total, transfers in January 2015 fell by 23 per cent, which is an alarming figure for Georgia, which receives around USD 1.4 billion (9 per cent of GDP) annually from Georgian citizens working abroad. The remittances actually play a crucial role in sustaining the existing current account deficit. In 2013,

5. Chudinovskikh Lomonosov, O. (2014): Administrative sources of data on international migration in Russia, Moscow State university – Higher School of economics at the UNECE Workshop on Statistics on Migration. Available at: http://www.unecce.org/fileadmin/DAM/stats/documents/ece/ces/ge.10/2014/mtg1/presentations/11._Administrative_sources_of_data_on_migration_in_Russia_ENG.pdf.

6. National Statistics Office of Georgia (2015): Migration. Available at: http://www.geostat.ge/index.php?action=page&p_id=173&lang=eng

the figure surpassed FDI one and a half times. If the negative trend continues, the Georgian economy may suffer from a drop in the consumption, and some sectors of the economy—for example, housing construction—may suffer from the lack of demand.

Decline in Household Income

Since 2003, there has been a progressive trend in nominal wages in the country. While the average wage level has almost tripled since 2007, there was no actual growth in this indicator for first three quarters of 2014.⁷ With the devaluation of the exchange rate, the social conditions of a majority of households have deteriorated. This was caused primarily by increased interests on bank loans—especially on mortgages, which were in 60 per cent of the cases denominated in USD. In addition, GEL bank deposits held by households have depreciated in USD terms, which particularly affects people who are planning to travel abroad or buy an apartment, car, and other products where the prices are usually bound to USD. Overall inflation did not hit the most vulnerable segment of the population, but the rise in health care costs have caused significant problems for the elderly, pensioners, and the unemployed.

Political and Economic Reorientation

The crisis in Russia may cause changes in the business strategies in Georgia. Businesses may start to be more proactive in diversifying their export geography. Indeed for certain types of goods—wine, mineral water, vegetables, and fruits—Russia will remain an important destination. Imports from Russia may also be substituted by imports from other markets—not because of the rouble's devaluation (this could be even a stimulus), but because of possible complications in the supplies from Russia. Georgia will first consider using the benefits offered by the Deep and Comprehensive Free Trade Area (DCFTA) with the EU. Trade with Turkey will also grow intensively, because the DCFTA provides for EU recognition of the cumulation of origin of goods in both countries. The political component of the crisis in Russia and its confrontation with Ukraine may also play a negative role in its trade with Georgia.

7. National Statistics Office of Georgia (2015): Wages. Available at: http://geostat.ge/index.php?action=page&p_id=149&lang=eng



Kazakhstan: Limited Impact

By Kassymkhan Kapparov

Economic Consequences of Russia's Economic crisis

In 2013, Russia's GDP growth was at 1.3 per cent, despite oil prices of well over USD 100 per barrel. In 2014, growth slowed down further to 0.6 per cent. World Bank forecasts a contraction of the economy by 0.7 per cent in 2015 (average oil price of USD 78/barrel) and growth of 0.3% in 2016 (average oil price of USD 80/barrel). Economic growth in Kazakhstan has dropped from 6 per cent in 2013 to 4.3 per cent in 2014. It is expected that growth will gradually increase to 4.5 per cent in 2015 and 5 per cent in 2016.¹

The decline of economic growth in Kazakhstan was caused by a set of external shocks, including the plunging global prices of oil and metals, the slowdown of growth in Russia, the impact of the collapsing rouble, and to some extent by the impact of the Russia/Ukraine crisis and sanctions imposed on Russia and the Russian counter-sanctions.

According to IMF estimates, the direct impact (through trade and FDI) of a 1 percentage point lower growth in Russia on Kazakhstan's growth is in the range of 0.1–0.2 percentage points.² The impact of external factors is compounded by internal factors, with an overhang of non-performing loans (NPLs) in the banking sector (30 per cent of total loans) continuing to be a drag on growth.

Economic Growth/Bilateral Trade

Since the creation of the Customs Union (CU) between Kazakhstan, Russia, and Belarus in 2010,³ Kazakhstan's exports to the member countries have doubled and imports in Kazakhstan from the CU have tripled. Kazakhstan's main trading partner Russia now accounts for two-thirds of country's net imports. Due to stronger ties with the Russian economy, the increased trade deficit (5

per cent of Kazakhstan's GDP) puts devaluing pressure on the Kazakh tenge. This became apparent once again in February 2014, during the devaluation caused primarily by the weakening of the Russian currency and in anticipation of the economic slowdown in Russia.

Despite the economic turmoil in Russia, there is a set of possible opportunities emerging from Kazakhstan's membership in the Eurasian Economic Union (EEU). Russia is one of the ten largest economies in the world⁴ and has a market size that is ten times larger than Kazakhstan's. Even more important is that the technological difference between companies in Kazakhstan and Russia has not widened as much as with more developed countries in Europe and Asia, and allows for a two-way competition. Thus by gaining access to the Russian market, companies from Kazakhstan can increase their economies of scale and improve their business sophistication. It is expected that the sectors that could benefit from the higher degree of integration with Russia include agriculture and transportation, as well as any products that can be exported and re-exported to the Russian market.

Kazakhstan's President Nazarbayev announced that the impact of the economic slowdown in Russia and sanctions against the neighbouring country on Kazakhstan's economy are expected to be limited. However, he expects some Russian factories will have to decrease their production due to sanctions and economic slowdown, which could decrease their purchase of goods (mostly mineral goods) from Kazakhstan. On the other hand, Russia is imposing its own sanctions to limit imports of some goods from the EU and the USA, which provides a good opportunity for Kazakhstan to increase its exports (mostly food products) to Russia.⁵ In the meantime, Kazakhstan—along with its CU partner Belarus—may become re-export hubs for goods from Russia. Kazakhstan can re-export goods imported from Russia to the EU, especially non-marked goods like metals and grain.

1. World Bank Report (2014): Kazakhstan: Growth Slows as External Pressures Rise. Kazakhstan Economic Update.

2. IMF (2014): Article IV Consultation. IMF Country Report No. 14/242. p.10.

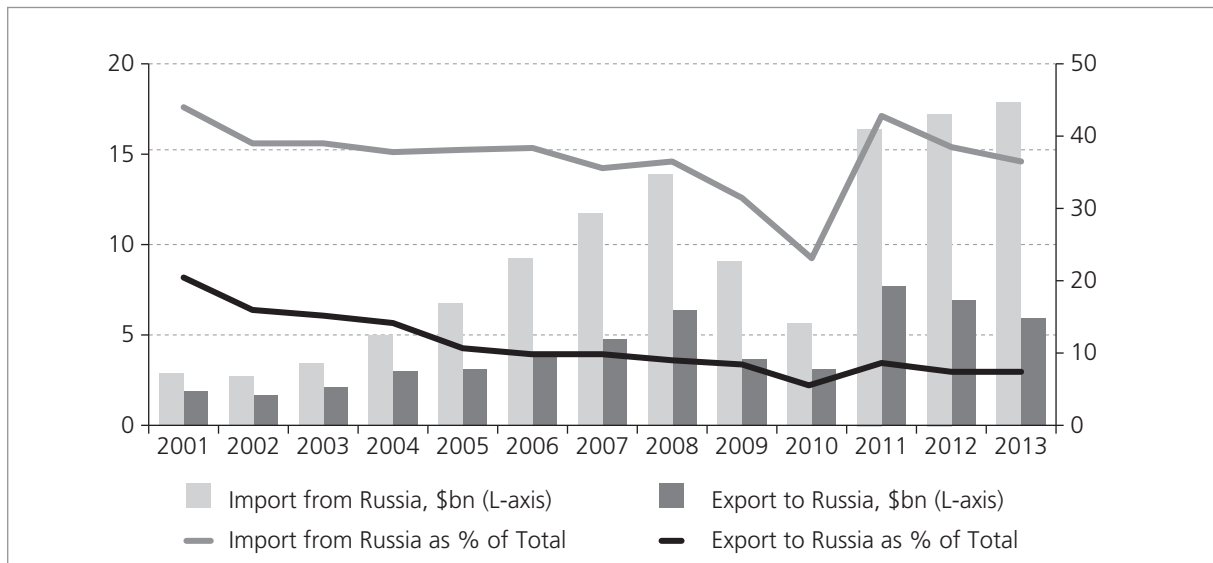
3. The Customs Union was created in 2010 and later became a basis for the creation of the Eurasian Economic Union in 2014.

4. World Bank (2015): Data-Russian Federation. Available at : <http://data.worldbank.org/country/russian-federation?display=default> .

5. Serik Sabekov (2015): Sankcii k Rossii napryamuyu Kazakhstana ne kosnutsya – Prezident RK. Available at: <http://www.zakon.kz/4648562-sankcii-k-rossii-napryamuju-kazakhstana.html>



Figure 1. Trade relations between Kazakhstan and Russia



Source: International Trade Centre http://www.trademap.org/Bilateral_TS.aspx

Monetary Policy

Despite the 19 per cent devaluation of the tenge in February 2014, the rouble exchange rate to tenge dropped 40 per cent by the end of 2014. Kazakhstan is putting in place various pro-active fiscal, monetary, and administrative measures to minimize the impact, for example tapping into the National Fund for additional funds—USD 5 billion loan in 2014 and the USD 9 billion infrastructure investment-based programme Nurlı Zhol for 2015–2017, which is expected to help to mitigate the negative impact of external factors, to some extent. Nevertheless, a further slowdown, primarily due to low oil prices and a gradual weakening of the currency, can be expected in 2015.

Inflation rose from 5.8 per cent in 2013 to 6.7 per cent in 2014, reflecting the devaluation of the tenge and the impact of Russian counter-sanctions restricting the import of food products. The economic environment can be expected to deteriorate further in 2015: the IMF projects that inflation in 2015 will be around 6.6 per cent. The tenge can be expected to depreciate, combined with the change in exchange rate regime from the current fixed rate regime to a (managed) floating rate, along with inflation targeting.

Investment

Despite being the largest trade partner, Russia is not an equally significant investor in Kazakhstan’s economy. The amount of FDI originating from Russia was only 5 per cent of total FDI attracted by Kazakhstan in 2013. At the same time, Kazakhstan has invested only 2 per cent of its total FDI outflow in Russia.

According to the IMF, the impact of Russia-Ukraine tensions on Kazakhstan has been limited, though they may have contributed to weaker investor sentiments and pressure on the tenge.⁶ Nevertheless, further unfavourable developments are expected to have more serious negative consequences. Russia accounts for about 8 per cent of Kazakh exports and for about a third of imports, of which capital and intermediate goods have a significant share. Thus, growth may be negatively affected through weaker exports, as well as the higher cost of imports of capital and intermediate goods—especially given the CU with Russia and its preferential trade treatments. Growth could also be impacted through investment by a number of Russian companies, mostly in the oil and minerals sector.

6. IMF (2014): Article IV Consultation. IMF Country Report No. 14/242. p.10.

If sanctions last for a long time, a more significant impact should be expected, especially in terms of attracting foreign investments. Due to the increased country risk, the price of external borrowing will increase for companies in Kazakhstan. Projects that were planning to attract foreign investments may be delayed. Due to increased uncertainty in the economy, capital drain is expected to accelerate: the »errors and omissions« item of the balance of payments is set to reach record USD 10 billion in 2014.⁷ Finally, in the financial sector, the three Russian-owned banks—Sberbank, Alfa, and VTB—account for about 9 per cent of Kazakhstan's banking system assets and further sanctions could impact their activities in Kazakhstan.⁸

Kazakhstan will also continue to deepen its partnership with China (especially in the Beijing-led economic »Silk Road« project) to preserve its national sovereignty and economic growth.

It is expected that the crisis in Russia will not increase the role of other global players in Kazakhstan. Cooperation with Western countries is expected to be limited mostly to existing projects because of the increased tensions between Russia and Western countries; whereas, the role of Islamic countries is historically limited due to geographical distance and cultural differences.

Migrant Workers

Kazakhstan does not have a significant number of migrant workers in Russia, partially because wages in two countries are comparable. It is expected that the slowdown in Russia may redirect some migrant workers from Central Asian countries to Kazakhstan.

Social Impact

The crisis in Russia will not directly affect the well-being of most of the population in Kazakhstan. However, the negative factors may lead to decreased economic activity, especially in the bordering regions. Sanctions and a decline in income levels in Russia may cause a new phenomenon—high-paid workers from Russia coming to work to Kazakhstan in management positions.

Possible Political and Economic Reorientation

China plays a growing role as a counterbalance for Russian domination in Kazakhstan. China is already a major trading partner and one of the major investors in Kazakhstan. Moreover, in May 2014 China and Kazakhstan reached investment agreements worth USD 10 billion, which was presented one week before Kazakhstan, Russia, and Belarus signed the treaty establishing the EEU. It is only natural that as a member of Russian-led EEU,

7. National Bank of Kazakhstan (2015): Balance of Payment Statistics. Available at: <http://nationalbank.kz/?docid=343&switch=russian>.

8. IMF, Article IV Consultation, p.10.

Kyrgyzstan: Eurasian Integration in Doubt

By *Rahat Sabyrbekov*

The outbreak of the crisis in Russia has severe implications for the Kyrgyz Republic. The two countries have long-standing, deep, political and economic relations. Since the fall of the Soviet Union, the Kyrgyz Republic has never been connected that close to the Russian economy like today. In May 2015, the Kyrgyz Republic will join the newly created Eurasian Economic Union (EEU), which will further intensify relations between the two countries.

The Russian crisis is believed to be one of the main factors in the slowing of Kyrgyz's economy. In 2014, GDP growth was 3.5 per cent and the forecasted deceleration for 2015 is 1.7 per cent.¹ The Russian economic decline will be experienced in the Kyrgyz Republic by weakening of the Kyrgyz som, falling remittances from migrants working in Russia, decrease in export earnings, a hike in import prices, decline in the construction sector, fall in investments, and increasing social tension.

Pressure on the Som

The plunging rouble has put an immense pressure on the Kyrgyz som. For the first time the rouble is cheaper than the som, which continues to fall despite the unprecedented interventions by the Kyrgyz National Bank. To save the falling som, the national bank has spent USD 109.82 million in first two months of 2015, while in 2014 it spent 531.88 million and 14.7 million in 2013.

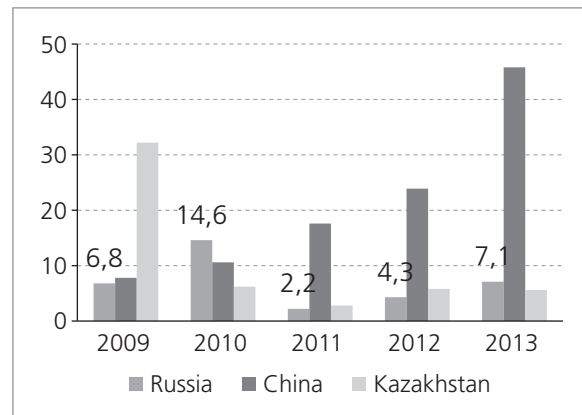
The rouble's fall is also negatively affecting household spending in the Kyrgyz Republic. The weakening som and a highly dollarized economy boosted inflation, which reached 10.5 per cent in 2014, compared with 4 per cent in 2013.² A negative trade balance will further deteriorate the welfare of households through higher prices for imported primary goods—such as food products, clothing, and chemicals. On the state level, the fall in the som's value will further increase the external debt; in 2014,

1. International Monetary Fund: Statement at the End of an IMF Mission to Kyrgyz Republic. Press Release No. 15/27, 30.01.2015. Available at: <http://www.imf.org/external/np/sec/pr/2015/pr1527.htm> (accessed 30 March).

2. National Statistics Committee of the Kyrgyz Republic: Main indicators (Kyrgyzstan in figures). Available at: http://stat.kg/index.php?option=com_content&task=view&id=36&Itemid=101 (accessed 30 March).

public debt reached an alarming 50 per cent of GDP and was USD 3.4 billion.

Figure 1: Share of FDI



Source: National Statistics Committee³

Falling Investment and a Threat to Infrastructure Projects

Since 2011, Russian direct investment into the Kyrgyz economy has been growing steadily. But the decline is expected to have a broad impact, and the most noticeable decrease might be in the investments agreed upon by the governments.

It is expected that these investments will decrease, and that large energy projects will be hit the hardest. The Kyrgyz Republic is in urgent need of energy generation, and it is believed that one of the main reasons the Kyrgyz government decided to join the EEU was to secure Russian investments in its energy sector.

The Russian government promised to finance the Kyrgyz-Russian Development Fund and most importantly to invest in hydropower stations. However, top Kyrgyz officials doubt—given the current situation—that the Russian investment will occur in the amount and with the terms

3. National Statistics Committee of the Kyrgyz Republic (2014): Investments Kyrgyz Republic 2009-2013. Available at: <http://stat.kg/images/stories/docs/tematika/building/Investment%20in%20the%20KR%202009-2013.pdf> (accessed 30 March).

promised.⁴ High consumption and a lack of generating capacity have already forced the Kyrgyz government to import electricity from neighbouring Kazakhstan.

Decline in Remittances Slows Down the Economy

Migrants have been one of the key drivers in the recent Kyrgyz economic growth. Remittances from abroad account for 30 per cent of GDP, and about 90 per cent of all remittances are transferred from Russia.⁵ According to various estimates, the Russian labour market employs from 600,000 to 800,000 Kyrgyz workers. Given a population of about five million, even the smaller figure is a significant number for the economy of the Central Asian state.

The migrants were the first to be hit by the Russian crisis. The fall of the rouble and decreasing employment opportunities cut the cash transfers to the Kyrgyz Republic. During the period 2010–2013, the amount of remittances grew by 20 per cent on average, but in 2014 it fell for the first time by 5.5 per cent.⁶

The fall in remittances resulted in the decrease of household consumption in rural areas and slowed down the booming construction sector in cities. In 2015, property prices fell 15 per cent compared with the previous year, and experts predict that some constructions will not be completed due to the lack of demand, banking credit, and higher prices of construction materials.

Vulnerability of the Tourism and Textile Industries

Tourism and textile are two industries that are closely associated with the welfare of the Russian economy. In 2013, about a half million tourists from Russia spent

roubles at Issyk Kul lake in the summer, and at ski resorts in the winter. It is too early to predict the impact on ski tourism, because the falling incomes in Russia may also increase the number of visitors to the Kyrgyz Republic due to higher prices in European ski resorts. It is most likely that the number of summer tourists at Issyk Kul will decrease, because prices there are higher than in Turkish resorts.

The textile industry is another sector that is vulnerable to the Russian crisis. The textile industry employs about 200,000 women, and 80 per cent of its production is exported to Russia. Production components are bought mainly from China and Turkey in dollars, while profits are earned in roubles. Falling profit margins will restructure the industry through cutting costs and thus may increase unemployment.

Deeper Economic Integration with Russia: So far only Problems

The Russian crisis will have a significant, negative impact on the current government and poses many political and economic challenges. For the last two years, the Kyrgyz government seemed to be winning the public debate on joining the EEU. Its main arguments in favour of joining included better conditions for migrants, Russian investment in the energy sector, growth of tourism, export opportunities and hence a decrease in unemployment. Today, none of these arguments are reliable.

Real incomes of citizens are declining. The 10.5 per cent inflation rate, the reduction in transfers from abroad, and a 28 per cent increase in the energy bill for households have resulted in growing disappointment. The forecasted low growth of GDP will increase unemployment and further drive down real incomes. The largest retail market, Dordoi—which employs about 300,000 people—is under threat of closing due to EEU rules.


Returnees from Russia will contribute to unemployment and increase social tension. A typical migrant is a low-skilled, single man in his thirties.⁷ This type of citizen

4. In 2015, we will put a lot of effort in attracting Russian producers and investors to Kyrgyzstan. http://www.knews.kg/analitika/59998_v_2015_godu_myi_budem_prilagat_bolshie_usiliya_chtoby_peremanyt_rossijskikh_proizvoditeley_i_investorov_v_kyrgyzstan__almaz_sazbakov/ (accessed 27 March 2015)

5. National Statistics Committee of the Kyrgyz Republic (2013): National accounts of the Kyrgyz Republic, 2008–2012. Available at: <http://stat.kg/images/stories/docs/tematika/sns/National%20accounts%20public.2008-2012.pdf> (accessed 30 March).

6. National Bank of the Kyrgyz Republic, available at: <http://www.nbkr.kg/index1.jsp?item=1551&lang=RUS> (accessed 30 March).

7. Eurasian Development Bank (2013): Consequences of Kyrgyzstan's entry into the Customs Union and the Eurasian Economic Project with regard to labor market and human capital of the country. Available at: http://www.eabr.org/general/upload/CII%20-%20izdania/Proekti%20i%20dokladi/Kyrgyzstan%20-%20CU/EDB_Centre_Report_13_Full_Rus_1.pdf (accessed 30 March).



is the most vulnerable to political manipulation: experts believe that the revolution in 2010 was also supported by migrants who had to return after the Russian crisis in 2010. Thus far, no one can predict how many migrants will return due to the current crisis, but in 2010 it was about a third.

The other major concern is the dissemination of a Russian, authoritarian system of governance. Thus far, the Kyrgyz government has followed Russia and initiated a number of laws restricting freedom of press and increasing surveillance—including compulsory checks of foreign entities, mobile phone registrations, and anti-gay laws. The impact of the new adopted and proposed laws and regulations will be clearer in the spring—the season when political activities usually start in the Kyrgyz Republic.



Moldova: Stagnation Looming

By Roman Chirca

The Russian economic crisis will influence the following areas of social and economic spheres in the Republic of Moldova:

- Bilateral trade, through the reduction of imports, exports, and a decrease in Russian socio-economic influence in Moldova,
- Monetary policies, especially the exchange rates, devaluation, and inflation of the national currency,
- Decrease of foreign direct investment,
- Moldovan migrants who work in the Russian Federation and the decline of remittances that play an important role in the national GDP.
- Social aspects.

Bilateral Trade

Before the current economic crisis and for the last 17 years, the Russian Federation has imposed continuous pressure and bans on bilateral trade with the Republic of Moldova. This began with the withdrawal in 1997 of several important categories of goods from the bilateral trade agreement—such as vegetable oil, sugar, and ethyl alcohol—followed by major prohibitions imposed on wine production in 2006, and more recently with an embargo in 2014 on agricultural products (fresh vegetables and fruits). All of this significantly reduced the Russian Federation's position as an important trade partner for the Republic of Moldova. Bilateral trade is in continuous decline, and the share of Moldovan exports to Russia dropped from 50 per cent in 1997 to 18 per cent in 2014.¹ Despite the reduction of trade, the Moldovan economy grew during this period at a pace of 3.4 to 3.5 per cent per year. The Russian recession will have a negative effect on trade and exports from the Republic of Moldova are expected to decline further.

1. National Bureau of Statistics, 2014.

Monetary Policies

The monetary sector in the Republic of Moldova is fragile and vulnerable to internal and external factors. The inflation rate of the Moldovan leu grew from 4.8 per cent in August 2014, to 6.2 per cent in December 2014. In recent months, the depreciation of the national currency exceeded 30 per cent. At the same time, the National Bank has recently raised the base rate of credit from 3.5 to 8.5 per cent. Moreover, policies were adopted in order to stabilize the created conjuncture, including a release of funds from the state reserve.² This situation has caused an increase in prices and a decreased capacity to ensure economic development and investments in SMEs.

The reduction of the remittances will influence the devaluation and inflation of national currency with more than 10 per cent per year. This phenomenon is due to the fact that remittances represent about one-third of the national GDP. The volume of remittances sent annually to Moldova is about USD 1.8 billion, 62 per cent of which comes from the Russian Federation.³ The current Russian economic crisis and recently introduced restrictions for migrants will significantly reduce the number of Moldovan migrants working in Russia, which will reduce the volume of remittances sent to Moldova. The decrease in remittances will lead to a shortage of foreign currency and the depreciation of the national currency.

Foreign Direct Investment

As the general investment climate in the Republic of Moldova is weak, the main source of capital inflow in the national economy is remittances, which exceed the import share, while the total foreign direct investment in 2013 was about USD 154 million.⁴ Russian investors contributed with about USD 13.86 million as direct investment in specific areas of the economy, and this represents a small share in the national GDP. In general, the Republic of Moldova is not an attractive investment destination. Any reduction of Russian investments will have no signifi-

2. National Bank of Moldova, 2014.

3. National Bureau of Statistics, 2014.

4. National Bank of Moldova, 2014.

cant effect on the general volume of investments in the Republic of Moldova.

Moldovan Migrants and Remittances

Remittances still remain an important source of the national GDP. Annually, the volume of remittances that come to the Republic of Moldova is around USD 1.8 billion. More than half of remittances come from migrants who work in the Russian Federation. Because of the economic crisis—and taking into consideration the restrictions and limitations imposed on Moldovan citizens—the volume of remittances will continue to fall, causing a gap in the national budget and a lot of social problems.

The Russian Federation has recently imposed strict rules and restrictions for the more than 200,000 Moldovan migrants remaining in Russian territory, arguing that they violate their national labour legislation.⁵ Nevertheless, the amount of remittances from the Russian Federation is high and has not registered any significant decrease. The decrease of remittances can happen in a short period of time and this will have a direct impact on Moldovan economy, which may fall up to 7 to 8 per cent annually as a result. Moreover, the potential economic recession combined with high inflation may lead to the stagnation of the Moldovan economy in the short or medium term, which will be difficult to overcome.

Social Problems

More than 30 per cent of the Moldovan population is working abroad and remittances are still the main source for maintaining the high level of demand for imports, the indirect taxation of which forms the Moldovan state budget. At the same time, the incomes of about one million citizens are directly connected to the state budget. In fact, about 15 per cent of the total population are old people who benefit from pensions or other financial assistance administered by the state, while 25 per cent of the total working population is hired by public institutions.⁶ The decrease in remittances will result in a decrease in state budget revenues, difficulties in payments, and an increase in the unemployment rate. The

budget difficulties will be converted into an increase in social spending. The depreciation of the national currency will also lead to the diminishing of the population's purchasing capacity. At the same time, the crisis in Russia will damage the employment of Moldovan migrants and force them to return to Moldova, which will raise the unemployment rate.

The high price for gas delivered by the Russian Federation has a negative impact, in terms of high bills for the population because Russian gas is utilized in the production of thermal energy and electricity. The risk of Russia halting the delivery of gas is a possible threat. Should this happen, it would have a significant social impact, and the Republic of Moldova does not yet have an immediate alternative scenario in place.

Conclusions

The current Russian economic crisis could impact the Republic of Moldova in the following areas:

- The reduction of remittances could be significant and will negatively affect the national GDP, up to 15 per cent in the worst case and up to 5 per cent most likely.
- The decrease of salaries and working possibilities will force Moldovan migrants to return to Moldova, considerably increasing the unemployment rate and social tension in the worst case; and a sliding decrease in the number of Moldovan migrants working in the Russian Federation most likely.
- The further decrease of bilateral trade with the Russian Federation is possible, but this decline is compensated by the reorientation of Moldovan exports to EU markets in framework of the Moldova–EU Free Trade Agreement.
- A reduction of Russian investments will have no significant effects on the general volume of foreign direct investments in the Republic of Moldova or on national GDP, because Russia is not a primary investor in Moldova.

5. Federal Migration Service of Russia, 2015.

6. National Bureau of Statistics, 2014.



Tajikistan: No Alternatives to Russia

By *Konstantin Parshin*

Migration Flows and Remittances

The economic ramifications of Russia's economic crisis for Tajikistan are profound. One reason is that the total remittances from Tajik workers abroad are roughly the equivalent of half the country's GDP; the number is greater than Tajikistan's annual national budget.¹ The Russian slowdown mostly affects the country through the remittance channel. According to the National Bank of Tajikistan, the volume of remittances in 2014 decreased by 8.3 per cent. Around 90 per cent of the remittances were transferred in Russian roubles, 10.8 per cent in US dollars and 0.1 per cent in euros.² This means that the majority of transactions to Tajikistan were hit hard by the devaluation of the rouble. According to unofficial information from Tajik commercial banks, remittances from Russia have decreased by 30 per cent for the period from November 2014 to January 2015, compared to the same period a year ago.

There is widespread foreign media coverage about the return of migrants due to the crisis. Tajiks, similar to other foreign migrants, either no longer find jobs or the income does not sustain living costs or is considered to be insufficient. According to some sources, the income of migrants has fallen by 30 to 50 per cent. In general, statistical figures on migration and money flows are very controversial. The Tajik government agencies are not effectively collecting or processing such data. Media stories on a mass return are often biased; they are based on rumours and emotions, rather than on common sense and justified calculations. There is an obvious return of migrants, but it is seasonal rather than systematic.

Although many construction sites in Russia have been frozen—because of the West's economic sanctions, declining oil prices, etc.—potential returnees clearly understand that the employment opportunities in their own country are even slimmer nowadays. Residents of Dushanbe jokingly call their capital »the city of drug stores and taxi drivers«—which illustrates the situation in Tajikistan's labour market.

1. Parshin, K. (2015): Eyeing Tajikistan's Weak Spot, Russia Presses for Integration. Available at: <http://www.eurasianet.org/node/71631> (accessed 10 March 2015).

2. AKIpress (2015): Remittances of Tajik migrants decrease by 8.3% in 2014. Available at: <http://www.akipress.com/news:555972/> (accessed 10 March 2015).

In December 2014, the author conducted a series of proxy interviews with Tajik labour migrants through colleagues/journalists living in different regions of Russia. Most of the respondents said that they have no desire to return—despite the economic problems and other hardships in Russia. They have no option other than to remain in Russia and become more frugal and cautious, because they see no perspectives in their own country. For many of them, the ultimate goal is to receive Russian citizenship and reunite with their families—in Russia.

One worrying factor with regard to future trends is that in 2014, the Russian Federal Migration Service (FMS) deported more than 200,000 Tajik citizens who were working without proper permission or committed administrative violations. This trend is even more troublesome, because most of the Tajiks who were deported are now in the FMS's database and will be prohibited from entering Russia for several years. Some experts estimate that the number of blacklisted people could significantly reduce the amount of remittances to Tajikistan.

Agriculture, Service Sector, and Housing Construction

Russia is one of Tajikistan's top ten trading partners; in 2013, the country exported to Russia the equivalent of USD 34.44 million and imported from Russia the equivalent of USD 796.80 million.³ Currently, the World Bank sees some potential for Tajikistan to use Russia's ban on imports from the West for its own market access, particularly for fruits and vegetables. However, because the agricultural sector is underdeveloped and faces many challenges, the potential benefit from higher Russian demand is limited. Decreased remittances led to a downturn in household demand, particularly for services.⁴ The decline of household income is quite obvious. It follows from stories in the Tajik media, which describe rural families relying more than ever on their kitchen gardens

3. Direction of Trade Statistics (DOTS) / International Monetary Fund: Tajikistan – Top 10 Export Partners in 2013. Available at: <http://elibrary-data.imf.org/DataReport.aspx?c=1449337&d=33060&e=162026> (accessed 17 March 2015).

4. Marina Bakanova and Ravshan Sobirzoda, Ravshan (2014): Tajikistan: Moderated Growth, Heightened Risks. Tajikistan Economic Report No.6. Washington, DC: World Bank Group; Available at: <http://documents.worldbank.org/curated/en/2014/01/20302396/tajikistan-moderated-growth-heightened-risks> (accessed 10 March 2015).

and small land plots. It is also reflected in recent surveys conducted by international organizations that indicate the deterioration of the economic situation in rural areas, which affects the health and nutritional status of the most vulnerable communities.

Furthermore, the impact was also felt in the construction sector. Until quite recently, there was a construction boom in Dushanbe. It is still a mystery where the money comes from, but a great number of multi-storey buildings have been erected in the capital in recent years. In the poorest of the CIS countries, the price per square metre in new apartments has reached USD 1,500–USD 3,000—depending on the location, type, and quality. Observers are now seeing a gradual decline in prices; many newly built houses remain empty. It should be also noted that most of these houses were built by Chinese workers whose labour is very cheap. The average monthly salary of a Tajik construction worker in Dushanbe is about USD 300. It goes without saying that they can earn much more in Russia—regardless of the crisis and the declining rouble.

Economic Growth and Devaluation Pressure on the Tajik Somoni

The World Bank predicts that the crisis will significantly undermine growth and poverty reduction efforts in Tajikistan for 2015; economic growth is now only projected at 4.2 per cent compared to 6.5 per cent in 2014.⁵

With regard to low prices for energy resources such as oil and aluminium or cotton on international markets—the latter two playing a significant role in Tajikistan's exports—some experts predict that many post-Soviet governments will have to deal with a significant reduction in the inflow of foreign currency in the next two years. Consequences might be a devaluation of local currencies against the USD, reductions in national budgets and social spending, as well as higher inflation. Due to the Russian economic crisis, and confirming this argument, the Tajik somoni was already devalued by 5.5 per cent in 2014.⁶ This rather moderate figure—compared to other

trading partners—was reached after various interventions by the Tajik National Bank. According to the World Bank, maintaining a high level of intervention is unlikely in the future due to restricted resources.⁷

Tajikistan between China and the Eurasian Economic Union (EEU)

Some analysts assert that Tajikistan is looking to China, as Russian remittances decline.⁸

It is expected that during the next few years, Tajikistan will receive Chinese loans in the amount of USD 6 billion. There are certain risks here, because Tajikistan's solvency is limited, and it is far too optimistic to expect serious economic growth in the near future. Jamoliddin Nuraliev, the Deputy Finance Minister, confirms that the country needs investment to offset the slowdown in Russia. According to him, the government is aware of the risk of being too dependent on China, but is trying to tackle these risks in the long run.⁹

In the course of the crisis, Russia has drastically changed its labour migration policy, which entailed a number of other interrelated consequences for Tajikistan. In December 2014, Russia introduced new rules for migrants arriving from outside the Eurasian Economic Union (EEU), a Kremlin-designed economic and trade bloc. Guest workers from Central Asia are among the hardest hit by the changes, forcing them to take expensive language, history, and legislation exams and pay three times more than previously for work permits.

Citizens from the countries that have accepted membership in the EEU (e.g., Armenia joined the EEU in January 2015) fare much better—they enjoy the same labour rights as Russian citizens and need no special work permissions. This implies that Russia is expecting Tajikistan to enter the newly organized economic union. Although

tajikistan-en/138-parviz-mullojanov-on-the-impact-of-the-russian-crisis-on-the-countries-of-central-asia (accessed 10 March 2015).


7. Bakanova and Sobirzoda: Tajikistan: Moderated Growth, Heightened Risks.

8. Rickleton, C. (2015): Are Chinese Investors Ditching Kyrgyzstan for Tajikistan?. Available at: <http://www.eurasianet.org/node/71696> (accessed 10 March 2015).

9. Tajikistan looks to China as Russian remittances dry up. Available at: <http://www.ft.com/cms/s/0/2c87ee20-58f9-11e4-9546-00144feab7de.html#slide0> (accessed 10 March 2015).

5. World Bank (2015): World Bank Regional Director for Central Asia Visits Tajikistan. Press release NO. 2015/ECA/054 of 5 February 2015; Available at: <http://www.worldbank.org/en/news/press-release/2015/02/05/world-bank-regional-director-for-central-asia-visits-tajikistan>.

6. Mullojanov, P./ Central Asian Bureau for Analytical Research (CABAR) (2015): Analytical of Tajikistan. Available at: <http://www.cabar.asia/en/>



some critics call it »political extortion«, others see plenty of advantages for Tajikistan from this rapprochement—historically, Tajikistan has always been closer to Russia rather than to any of its other neighbours; moreover, the Central Asian country is far away from Western Europe and the US.

It has been mentioned that Tajikistan is building up its economic relations with China with respect to long-term loans. As for rapprochement between Tajikistan and Russia, it will largely depend on Tajikistan's desire to join the EEU. The country has the opportunity to enter the EEU in the near future. So far, the government has been successful in maintaining a multi-vector foreign policy; however, it should be more vigilant regarding both external and internal threats. Among the external threats is the proximity to Afghanistan and its Islamist extremist groups and drug trafficking. Internal threats include economic instability and social insecurity in Tajikistan, which can be aggravated by declining remittances and the return of labour migrants.

With regard to the migration regime in general, there is no reorientation in the official approach, which has been criticized by experts as too short-sighted. The government prepared some strategic documents targeted to creating employment opportunities in Tajikistan, but these initiatives remain on paper.



Uzbekistan: Migrants Affected

By Farkhod Aminjonov

Despite some ups and downs in trading dynamics between the two countries,¹ Russia remains Uzbekistan's largest trading partner. Overall bilateral trade was at more than USD 7 billion in 2013. Due to the crisis, however, bilateral trade between Russia and Uzbekistan has been slowly decreasing with trade turnover amounting to only USD 4,5 billion in the first nine months of 2014.

Economic sanctions against Russia forced the government to make sure that Uzbekistan, which is not institutionally bound by the Eurasian Economic Union (EEU) membership with the Russian economy, refrain from reorienting trading dynamics, not abruptly at least. Russia agreed to write off USD 865 million of Uzbekistan's USD 890 million debt as a gesture of good will. In return, Uzbekistan agreed to consider establishing a free trade zone with the EEU.

Banning around 50 per cent of the imports of European agricultural goods opened up a spot in the Russian market that can hypothetically be filled with Uzbek products. While Uzbekistan will most likely increase the volume of Uzbek agricultural exports to Russia, this will not be critical for the Uzbek economy. First, all other major suppliers of such products (China, Turkey Israel, etc.) will increase the export volume and Uzbekistan will be one among many. Second, of all exports Uzbek food products, including agricultural goods, constitute only 13 per cent. Thus, any increase in the exports of agricultural products will be relatively insignificant in the overall export balance.

Influence on Migrant Workers

Currently, there are six direct, negative impacts of Russia's economic crisis on migrant workers from Uzbekistan.

First, due to the crisis, competition in the job market is becoming harder. Uzbek migrants now have to compete with Ukrainian labour migrants who fled to Russia as a result of the Russia-Ukraine conflict. Falling job opportu-


nities due to the crisis and the rapidly increasing number of Ukrainian migrants, who are given certain preferences, forced the Russian government to restrict the access of Central Asian labour migrants to the job market, through the introduction of new regulations for obtaining work permits.

Second, it has become much more difficult for migrant workers to get a work permit. The cost of obtaining work permit is now higher than most of the migrant workers from Uzbekistan can afford. The cost varies from 15,000 to 20,000 roubles (USD 250 to 320), including a 2,500 rouble work permit fee, 3,000 to 5,000 rouble fee for taking tests, 3,400 roubles for medical examinations and health insurance, 1,000 roubles for processing documents, etc. Since tests can only be taken in regional centres (for some regions Moscow is the only option), transportation costs are also added to the sum. Moreover, a newly introduced system of language and history testing for labour migrants to obtain work permits has not yet been properly worked out. Applicants have to apply for a work permit within a month of officially crossing the border, which is practically impossible to accomplish. It takes up to a week to be assigned for a test. Applicants wait two weeks for the results and up to three weeks until their application is processed. Even if it is positively considered, the process exceeds the one-month period, which means that applicants have to cross the border of the Russian Federation and then enter the territory again (additional financial burden on migrants).

While these conditions affect any migrant workers from Central Asia, Uzbek migrants represent the most vulnerable category. This is because, on the one hand, Uzbekistan does not have dual citizenship and strictly controls movement of its citizens. On the other hand, Uzbek migrants maintain very close ties with their families back home and used to refrain from applying for permanent residence—as did their Tajik and Kyrgyz counterparts—thus, they now suffer the most from newly established regulations for non-residents.

Third, Uzbekistan has successfully implemented national language reforms. As a result, Uzbek youth who are being educated by the new system, which diminishes the importance of the Russian language, may not be able

1. Uzbekistan increased excise duties for some Russian goods resulting in drop of up to 25 per cent in Russian exports of goods to Uzbekistan, while Uzbekistan complains about discriminatory Russian measures, which, for instance, resulted in a 30 per cent fall in the sales of Uzbek cars in Russia.



to pass Russian language test. Central Asian migrants are now required to pass five language exams (reading, writing, listening, speaking, grammar, and vocabulary), as well as tests on Russian history and law.

Fourth, Russia's crisis resulted in decline of remittances to labour migrants' home countries. Yet in Uzbekistan's case, the consequences are even more severe. Around 12 per cent of Uzbekistan's economy relies on remittances from labour migrants. Uzbek labour migrants benefited from both the amount of remittances, as well as the possibility to exchange earned roubles for US dollars, send the money home, and exchange US dollars for SUM on the black market for up to 35 per cent more (3,900 SUM per 1 USD) than the official exchange rate (2,470 SUM per USD). Since the rouble has devalued up to 50 per cent against the US dollar, migrants' salaries also practically decreased twofold, plus they lose the exchange rate difference for wasted 50 per cent of income. Since the black market exchange rate difference largely applies to US dollars rather than other currencies, including roubles will not make a significant difference.

Fifth, according to Russia's Federal Migration Service, the number of Uzbek citizens residing and working in Russia was estimated to be 2.7 million in August 2014. Taking into account the fact that the average Uzbek family accounts for five to six people, the number of household members benefitting from remittances increases several times. Decreasing the number of Uzbek labour migrants, due to the reasons explained above, will also affect their family members who sustain their livelihood from the remittances.

Sixth, due to a fear that they will not be able to come back, some Uzbek labour migrants did not leave Russia. But the majority did. Having made it through the winter, they are now waiting for seasonal work in the construction sector to begin. However, the inability to move to Russia due to strict regulations, financial burdens, and low wages may force millions of labour migrants to return to and/or remain in Uzbekistan, thus setting the ground for potential social unrest, in the event that the government fails to provide them jobs.

As an alternative, Uzbek migrants may seek jobs in the neighbouring Kazakhstan, where obtaining a work permit is now easier than in Russia. But the phobia among Uzbek labour migrants regarding the corruption and

discrimination on the Kazakhstani job market may affect the desire to work there.



Abbreviations

AMD	Armenian Dram
AZN	Azerbaijani Manat
BEL	Belarus
Bn	Billion
BOP	Balance of Payment
CBAR	Central Bank of Azerbaijan Republic
CESD	Centre for Economic and Social Development
CIS	Commonwealth of Independent States
CPI	Consumer Price Index
CU	Custom Union of Belarus, Kazakhstan and Russia
DCFTA	Deep and Comprehensive Free Trade Area
EBRD	European Bank for Reconstruction and Development
EEU	Eurasian Economic Union
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEL	Georgian Lari
IMF	International Monetary Fund
KAZ	Kazakhstan
NBG	National Bank of Georgia
NPL	Non-Performing Loan
RA	Republic of Armenia
RF	Russian Federation
SOFAZ	State Oil Fund of the Republic of Azerbaijan
SME	Small and Medium Sized Enterprise
US	United States
USA	United States of America
USD	United States Dollar
FMS	Federal Migration Service



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Imprint

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This publication is printed on paper from sustainable forestry.



ISBN
978-3-95861-141-2