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Economic Performance of Kazakhstan And Uzbekistan Since Independence: Impacts Of Selected Economic Policies And Institutions

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Abstract: The article examines factors impacting countries' economic performance, focusing on Kazakhstan and Uzbekistan. Despite shared culture and region, Kazakhstan's superior economic growth is attributed to divergent economic policies and institutions following independence. Kazakhstan embraced radical transition, liberalizing its economy, trade, and currency for increased FDI and private sector involvement. In contrast, Uzbekistan adopted a neutral strategy with controlled policies and institutions, hindering FDI and private sector growth. Correlation analysis confirms a positive link between Kazakhstan's GDP growth and the quality of economic institutions and a negative link for Uzbekistan.

Keywords: Economic development, Uzbekistan, Kazakhstan, economic policy, institutions.

Introduction: The End of the Cold War, which lasted almost four decades, defined a critical point for the Central Asian region. With the total collapse of the communist regime, several independent states emerged in Central Asia's political map. Although the region has a long history of statehood, the Soviet legacy had an enormous impact on the political and economic structure of the region.

This article will specifically focus on the economic transition and the subsequent economic performance of the two neighboring countries, Kazakhstan, and Uzbekistan.

Kazakhstan and Uzbekistan are two "big" powers of Central Asia, which have been the most politically and socially stable countries of the region for the last 28 years. Notably, although countries became independent almost simultaneously, they had quite different economic performances. They both claim hegemony in the region yet regarding economic development, Uzbekistan is far behind its regional rival.

What are the main causes of the comparatively low economic performance of Uzbekistan? Were the different transition approaches the main cause of different economic performances? Why have governments of newly independent states chosen a different approach to economic development?

This article argues that the comparatively poor economic performance of Uzbekistan was due to the economic institutions and economic policies that the government has chosen. The article also argues that the governments chose different paths mainly because of different political and economic conditions in the initial years of independence.

The primary aim of the research is to analyze the effect of policies and economic institutions on the economic performance of Uzbekistan and Kazakhstan and to explain the adoption of different economic institutions and policies by the governments.

THEORIES AND LITERATURE

Generally, four leading theories in the political economy attempt to explain factors influencing countries' economic development: Culture theories, Geography theories, Policy theories, and Institutional theories.

Scholars are long aware of the impacts of these factors on economic growth. A pioneer in the study of economic growth, Moses Abramowitz stated that economic development "is a social process that cannot be completed unless the state creates economic institutions, fosters social behavior, and pursues policies favorable to economic development" (Gilpin 2001: 332).

Uzbekistan and Kazakhstan generally share similar history, culture, and geographical location. Thus, neither cultural nor geography theories are suitable to explain differences in economic performance between the countries.

The policy theories of sustainable economic growth were paradigms in the field of economic development. Also, the policy theories of economic development are the most researched, debated, and controversial theories among the theories of economic development. Robert M. Solow whose work has been a starting point for other more recent neoclassical economists, conducted prominent studies on policy effects of economic growth (Solow 1956).

Generally, there are three economic models on strong policy effects: the neoclassical model, increasing returns to scale, and constant returns to scale (Easterly 2005). Overall, economic models assert that to stimulate growth a government should cut the tax rate, which in turn will raise saving, and investment in capital and vice versa.

There is a separate field of transition economics, which studies the economic performance and the policies of the countries that are in the transitional phase to the market economy. The scholars of this field distinguish two main types of transition strategies: radical and gradual.

Although some articles asserted that there is no clear evidence that Central Asian countries have strictly applied one of the models during the transition (Hoen 2010) and Uzbekistan's approach even could be described as neutral (Iwasaki and Suzuki 2015), this article argues that the countries' transition strategies are indeed quite different.

In addition, there are contrasting arguments about the policy effects of the economic performance of the countries and an insignificantly small number of papers have tried to investigate the countries' performance through the prism of the transition models after 2000. Therefore, this article attempts to reveal the effects of chosen transition models and economic policies on the economic performance of the countries.

The next in the review is the theoretical approaches of institutional academics.

Institutional theories try to explain different rates of economic development by the institutional arrangement of society. They assert that the structure of economic and political institutions of society defines the future of the economy in the first place. The idea is not recent and goes far back to Adam Smith.

Almost all scholars in the field of economic development unanimously agree that institutions matter for growth. Without a proper institutional arrangement, no market-type economy could operate.

Interestingly, there are scholarly works within the transition debate, which emphasize the role of institutions. Institutional gradualism emphasizes the establishment of market institutions such as property rights and the rule of law. Similarly, with Acemoglu and Robinson (2012), the proponents of the approach assert that no policy change (particularly price liberalization and privatization) could be made unless those institutions have been built. In addition, the pioneer scholars in the field stated that in the transition process, former socialist countries should focus on property rights and law enforcement. Other scholars mentioned a strong central state to promote reforms, and strong institutions to mitigate the side effects of the liberalization process. For them, consistency among different institutions is more important than reform speed for a successful economic transition (Iwasaki and Suzuki 2015).

Popov (2001) presented quite a different approach to the transition process. He asserted that the debate between shock therapists and gradualists is largely "misfocused". The debate neglected the role of strong state institutions, which were crucial in explaining the economic performance of the transition countries until 2001. The article argues that differences in the economic performance of the transition countries were due to different institutional strengths rather than the rate and speed of liberalization. Thus, the debate about rapid and gradual transition is not quite right. Irrespective of the rapid or gradual transition strategies, the state institutions should be strong enough to enforce the rule of law, secure property rights, etc.

Irnazarov (2009) has written another paper on the influence of economic institutions on economic growth. After mentioning the initial years and "prominent" causes of different performances, the author switched to the performance in the second decade and argued that the political elites of Kazakhstan and Uzbekistan had pursued different economic institutions, which were one of the primary causes of the entirely different economic outcome.

However, existing institutional approaches to the transition process failed to provide a more precise analysis of institutions. They merely divided them into formal and informal institutions (Popov 2001, Popov 2009) while institutional theories clearly distinguish the economic institutions that affect economic growth such as property rights, rule of law or contract enforcement, labor market institutions, institutions of corruption control, and so forth. Thus, it is an agenda to combine the works of the institutionalists and transitional institutionalists for more accurately analyzing the economic performance of the transition economies and to reveal the crucial factors that affect economic performance.

THEORETICAL FRAMEWORK

The main analytical conjecture for policy factors is that chosen transition strategies affected countries' economic policies which in turn affected the economic performance (or economic growth) of the countries through the rate of productivity of the private sector. Selected policy variables are Industrial, Trade, and Currency Exchange policies. I selected these policies among other policies because they sufficiently represent policies, which are listed in "Washington Consensus" recommendations (Williamson 1993).

The selected institutional variables are Private Property Rights, Labor Market Institutions, the Institutions of Corruption Control, and Rule of Law. These institutional factors are essential in building a business-friendly environment in a society. Proper institutional arrangement of a society affects economic performance by boosting productivity in the private sector.

There are various definitions of economic institutions. However, this article defines economic institutions as institutions or institutional arrangements that aim to create a favorable environment for business in an economy. Thus, components that represent economic institutions are as follows: Private Property Rights, Labor Freedom, Control of Corruption, and Rule of Law.

METHODOLOGY

To explain the major causes of the low economic performance of Uzbekistan paper conducted a comparative analysis. In this case, Uzbekistan and Kazakhstan are the countries that share a similar culture, history, and location. In addition, at the time of independence, both countries faced almost identical cultural and geographical impediments to economic development. Therefore, it is appropriate to compare countries' institutional and policy patterns during the investigated period.

Among the five states of Central Asia, Kazakhstan and Uzbekistan were selected because they have been the most politically stable countries in the region for 26 years of independence. Only those countries could carry out the market reforms since independence. Other states, namely Tajikistan and Kyrgyzstan, suffered from political and social chaos for several years, which were the apparent impediments to economic reform and growth, while Turkmenistan has not accomplished significant reforms at all. The recent notable GDP growth of Turkmenistan is rather the result of exploiting and exporting the vast natural gas resources than the outcome of economic reforms. The presence of political stability, in the selected countries, will help to limit factors influencing the process of economic reforms and economic growth.

All relevant data has been obtained from the internet resources of well-known international organizations, regional intergovernmental organizations, government websites, related articles, and magazines. Mainly, the article relies on data from EBRD's Transition Report (EBRD 1994-2016), The Worldwide Governance Indicators (World Bank 2018) and the Index of Economic Freedom by the Heritage Foundation (The Heritage Foundation 2019). It is worth noting that only specific measures that related to the topic were taken from the reports. In addition, data from various websites was used.

To examine which, factor or factors affected the economic performance of the countries, the Most Similar Systems Design was applied. The logic of the method is "based on selecting countries that share many important characteristics but differ in one crucial respect" (Halperin and Heath 2012: 210). In our case, the countries share similar culture, history, and geography but differ in chosen policies and economic institutions, which presumably caused different rates of economic development. It must be confusing for the reader that instead of one factor the article will analyze differences in two factors. However, if take into account that the countries are "countries in transition" to a market economy, it is appropriate to consider those factors as "two sides of one coin". Neither policies are effective without proper market institutions nor will institutions alone (without proper policies) cause economic growth. To succeed, countries should have both market-friendly policies and sufficient market institutions.

The arguments of the paper derive from institutional and policy theories, thus related institutions and economic policies of the countries were compared.

Particularly, the institutions of Private Property Rights, Labor Market, Rule of Law, and Corruption Control have chosen to conduct a comparative analysis. These institutions have been chosen because they got equal attention from scholars of economic institutionalism and market transition. Although other economic institutions like institutions of banking and finance are also important for market-based economies, the institutions listed above have been selected because they are economic institutions that are required to build a market economy in the first place.

To measure the Private Property Rights conditions, the article uses the Property Rights component of the Index of Economic Freedom from the Heritage Foundation (2019). Data has been aggregated for the period from 1998 to 2016. The component includes the measurement of physical property rights, intellectual property rights, the strength of investors' protection against the risk of expropriation, and the quality of land administration. To put it another way, the Private Property Rights variable measures to what extent the private property is secured from confiscation and illegal seizure by the state. Countries' performance is assessed by a 100-point system. The better the private property rights protection in a country, the higher the country's score will be, and vice versa.

Next, the Labor Freedom component of the Index of Economic Freedom from the Heritage Foundation (2019) is a quantitative measure that considers various aspects of the legal and regulatory framework of a country's labor market, including regulations concerning minimum wages, laws inhibiting layoffs, severance requirements, and measurable regulatory restraints on hiring and hours worked, plus the labor force participation rate as an indicative measure of employment opportunities in the labor market. The Labor Freedom component of the index represents the average score (between 0 to 100) of a country on the following sub-factors: The ratio of the minimum wage to the average value added per worker, a hindrance to hiring additional workers, the rigidity of hours, difficulty of firing redundant employees, legally mandated notice period, mandatory severance pays, and labor force participation rate. Data has been aggregated for the period from 2005 to 2016.

The third index, the Control of Corruption index, relies on the World Bank's (2018) "The Worldwide Governance Indicators". Data has been aggregated for the period from 1996 to 2016. The Control of Corruption Index measures to what extent "public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests" (World Bank 2018). In addition, unlike previous components, this index reflects real aggregated evidence about the presence or absence of corruption in a country.

Similarly, the last index, the Rule of Law index, relies on the Worldwide Governance Indicators. Data has been aggregated for the period from 1996 to 2016. The Rule of Law index "reflects perceptions of the extent to which agents have confidence in and abide by the rules of society and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence" (World Bank 2018).

It is necessary to note that the Control of Corruption and Rule of Law indexes were estimated differently and ranged from -2.5 (weak) to 2.5 (strong) performance (World Bank 2018).

Furthermore, to estimate the correlation between GDP growth and institutional quality, the article used the Pearson Correlation analysis. The Pearson correlation coefficient measures the degree and the direction of the linear relationship between two variables (Gravetter and Wallnau 2014). The general formula to estimate the Pearson Correlation Coefficient is next:

$$r = \frac{SP}{\sqrt{SS_x SS_y}}$$

Or more simply[1],

$$r = \frac{\sum \left((x - \underline{x}) \left(y - \underline{y} \right) \right)}{\sqrt{\sum (x - \underline{x})^2 \sum \left(y - \underline{y} \right)^2}}$$

The scale of the correlation in Pearson's Correlation Analysis ranges from 0 to 1.00 (ibid.). The further the correlation coefficient (r) from zero, the stronger the correlation. The correlation coefficient equal to zero means that there is no correlation between variables. If the correlation coefficient has a minus (-) sign, the correlation is negative. If the correlation has a positive sign (+), the correlation is positive. There are no clear definitions of which correlation coefficient means weak, or moderate, or significant relationship. However, Gravetter and Wallnau (2014) estimated r=0.5 as a moderate and r=0.8 a strong correlation. Based on this estimate, I treated the correlation results as follows: if $r<0.5$ the correlation is insignificant; if $r \leq 0.5$ correlation is significant, if $r \geq 0.8$ correlation is strong.

Regarding the components of the policy variables, the chosen policies for comparison are countries' Industrial Policies, Trade, and Exchange Rate Policies, as well as Investment Policies. Countries have chosen very different policies namely in the industrial and trade sector. The policymakers adjusted the exchange rate policies and investment policies to support the industrial and trade sectors. To investigate differences in chosen policies, I applied the systematic literature review method.

[1] Here, x and y refer to the variables, while $\underline{x}$ and $\underline{y}$ refers to the average means of x and y.

The article investigates the period from 1991 to 2016. It is important to include the early 1990s because the choice of transition strategy and economic reforms in the initial years of independence were the determinant factors that affected countries' economic performance for the whole period. I excluded the period from 2017 to 2019 because in 2016 Uzbekistan elected a new president after the death of Islam Karimov who had ruled the country since 1989.

Overall Pace and Sequence of Policy Implementation

The reform tracks of Uzbekistan and Kazakhstan are quite different, especially in the initial phase of transition. Kazakhstan chose a more radical strategy, in terms of time pace than Uzbekistan. In addition, concerning policy sequence, Kazakhstan had a more consistent and systematic approach, while Uzbekistan demonstrated inconsistency in policy implementation. Thus, Kazakhstan's transition strategy has features of the holistic model and could be considered as "shock therapy", though in a relative term. Meanwhile, the government of Uzbekistan had its views on the transition process, which could not be attributed to any transition model identified in the literature.

Political and Economic Roots of the Adoption of Different Transitional Strategies

The adoption of a radical approach to economic transition is a political decision that requires favorable social and economic conditions. In the case of Kazakhstan, the close ties with Russia and the relative stability of the economy allowed for the successful implementation of shock therapy. However, in Uzbekistan, the unstable social and political situation, ethnic conflicts, and the rise of political Islam made rapid reforms impractical. Additionally, Uzbekistan's lower level of economic development and high unemployment further hindered the adoption of a radical transition strategy.

Kazakhstan

Among other governments of the Central Asian region, the government of Kazakhstan faced the most challenging political conditions in the early years of independence. Apparently, in the last years of the USSR and early independence years, the impact of Russia was substantial.

First, Russia had been a ruling center for the republic for many years, and some areas of Kazakhstan were strategically important for Russia. For instance, the Baikonur Cosmodrome is located in the South-West (far from Russia). It was from here that the first artificial satellite, Sputnik 1, launched into orbit in 1957. The Cosmodrome was not only the launching center for Soviet spacecraft but also a storehouse for the strategic and tactical nuclear arms of the Soviet Republic. More than 700 hundred nuclear tests had been held in this polygon between 1943 and 1989. In 1992, several years after the dissolution of the USSR, Kazakhstan had "the fourth largest nuclear arsenal in the world" (Hiro 2009: 248). Thus, Russia could not easily be refused entry to important and strategic areas of Kazakhstan. Indeed, when Boris Yeltsin (the first president of Russia) won the elections in 1993, his government's policy classified the Central Asian countries as "Near Abroad" which showed Russia's desire to hold a significant political impact on the region.

Second, the presence of a large population with Slavic ethnicity (mostly Russians) in the north of the country also enhanced the role of Russia in domestic politics. It also shaped the political choices and the institutional development of Kazakhstan (Ahrens and Stark 2012). In 1991, Kazakhstan had the "highest proportion" of Europeans - 48 percent of the total population, mostly Russian and Germans, among the Muslim-majority republics (Hiro 2009). The Slavic majority of Kazakhstan had significant social and political influence in the early years, especially in Northern Kazakhstan - the parts of the country adjacent to Russia.

At that time, Slavic people, along with the Germans, represented the most skilled labor force in Kazakhstan. Slavs owned large enterprises, and lucrative industries in the North. They were the wealthiest and most influential part of the population. Thus, when unsurprising tensions between Slavic and Kazakh people arose, the government of Nursultan Nazarbayev (the first president of Kazakhstan) had no choice but to be tolerant of Slav's demands, at least until the mid-1990s. For example, in July 1992, during a meeting in Almaty, the delegation of Russian settlers demanded "amending the draft constitution to prohibit discrimination against non-Kazakh speakers". In addition, in 1993, the adopted constitution recognized the Russian language as the lingua franca, making "Kazakh-speaking Slavs eligible" to run for the presidency (Hiro 2009: 253).

What is more, in the early 1990s, Russian people occupied most of the government posts in Kazakhstan. Notably, the second most important government official was Russian. Sergey Tereshenko served as the Prime Minister of Kazakhstan between 1991 and 1994. Tereshenko oversaw the implementation of economic reforms in the country. In addition, Nazarbayev himself "took on board" Grigoriy Yavlinskiy who was one of the radical economists of Gorbachev's government in the late 1980s (Hiro 2009). Briefly, Russians had a crucial influence on Nazarbayev's early government.

Under the Soviet rule, Kazakhstan was the richest country in the Central Asian region. "Living standards and human-capital endowments" were high in the country (Ahrens and Stark 2012: 10). In 1990, Kazakhstan's GDP rate was the highest in the region, and particularly twice that of Uzbekistan. Meanwhile, the GDP per capita of the country was almost three times bigger than Uzbekistan's (World Bank 2019). Unlike its counterparts, Kazakhstan had achieved self-sufficiency in food products long before the 1990s. Moreover, Kazakhstan had been the main exporter of cereals within the Soviet Union and was not dependent on food imports (Hiro 2009, Trushin and Trushin 2000). Thus, when the country became independent shortages in food products were not as severe as in other countries.

In addition, unlike other countries in the region, Kazakhstan's economy was more industrialized and closely integrated into the Soviet economy (Ahrens and Stark 2012). For instance, in the 1980s Kazakhstan was responsible for 10 percent of coal production and 5 percent of oil production of the Soviet Union. Heavy industries like metallurgy and the production of ferrous and nonferrous metals were largely developed. Kazakhstan's first President, Nursultan Nazarbayev, started his career as a worker at the Temirtau steel plant in Kazakhstan (Hiro 2009).

Moreover, the integration into the Soviet economy was so significant that after the independence Kazakhstan was not able to freely export oil from its main Tengiz oil field. After independence, the oil field was sold to Chevron and Exxon Mobile, two US-based companies. Under the new owners, oil production started in 1993 but they could not export the product because the pipeline leading to the Black Sea port of Novorossiysk was owned by Russia. Russia demanded 20 percent "of Kazakhstan's taking from the deal" and preferences for Russian petroleum companies to enter "into the Chevron-led consortium" (Hiro 2009: 255).

Uzbekistan

Political conditions in early Uzbekistan were quite different from Kazakhstan. The former was more prone to social and political instability, just before independence. A tense social and political atmosphere in the republic was due to the strained relationship between ethnic groups and the rising popularity of political Islam.

At the time of independence, Uzbekistan had a largely homogenous population, as 70 percent of the inhabitants were Uzbeks. Other representatives of large ethnic groups were Tajiks, Kazakhs, and Russians (O'ZSTAT 2017b). Ethnicity was rarely a political issue after independence, but just a couple of years prior to independence several clashes had shaken the stability in the country. For instance, in July 1991, the Tajik police in Samarkand city beat up dozens of Uzbek revelers who were later hospitalized. Considering that, at the time, a great number of Uzbeks were living in Tajikistan, any tensions between those groups might have transformed to the national level (Hiro 2009).

However, albeit significant, the Samarkand event was merely a dim blink of what happened two years before, in Fergana Valley. The ethnic clashes between Uzbeks and Meskhetian Turks left 200 people dead and more than 160, 000 people homeless. The unprecedented cruelty and "bloodshed of events shook the minorities, including Russians" (Hiro 2009: 136). Islam Karimov, at the time first secretary of the Uzbek SSR, immediately banned the public meetings on the grounds of preserving stability in the republic. Karimov later explained that the clashes between ethnic groups could be more widespread without the government's firm actions.

Apart from ethnicity issues, there was another issue that could undermine political and social stability in the country in the late 1980s and early 1990s - political Islam. In 1991, when Karimov, the first president of Uzbekistan, announced independence, there were two political camps in the country. On the one hand, there was the government (de facto political power) formed by old communist party members, intellectuals, and local intelligence. On the other hand, there was an opposition including Islamists and movements with pan-Turk ideology.

Karimov's government faced strong opposition from political movements with Islamist and pan-Turk ideologies. The most prominent representatives of such kinds of movements were Wahhabism, Akramism, Adalat, IRP (Islamist Renaissance Party), Birlik and Erk parties. It should be noted that, although the movements attracted people for religious beliefs, Islam had more political inclination than pure spiritual. Wahhabism had Saudi roots while Birlik and Erk rely on connections with Turkey (Hiro 2009).

The Islamist political movements and other movements with similar ideologies reemerged and got popularity mainly because of repressive political actions of the central Communist apparatus against Uzbeks, in the late 1980s. As a result of so-called "Uzbek affairs", thousands of Uzbeks were convicted and imprisoned. This led to the growing discontent and nationalist mood among most of the population, who later joined Islamist movements.

In 1992, Islamists made their first big "move". A group of people in Namangan, a strategic city in the Fergana Valley, rallied demonstration with thousands of local people who were continuously shouting “Allahu Akbar” (Allah the Great). They demanded the establishment of the religious state in Uzbekistan with the norms of Shariah- Islamic legislature. Karimov first tried to negotiate with demonstrators and offered to run a referendum on this issue. However, later, he changed his mind. Obviously, he saw those groups as a threat to peace and order in the newly emerged country. In March of 1992, police arrested leading Adalat and IRP members, allegedly initiators of the move. More than seventy people had been arrested (Hiro 2009).

Old communist party members, intellectuals and most importantly KGB, the intelligence service, backed Karimov’s government because of his “discipline and order” ideology. The local intellectuals feared that openness and democracy might lead to the rise of nationalism or political Islam (Hiro 2009).

What is more, the unstable political situation in neighboring Tajikistan and Afghanistan also threatened to cross borders and spread into other countries in the region. In 1992, in neighboring Tajikistan, radical Islamists rose against the constitutional government, which led to the six years of bloody civil war in the country, and the resignation of President Nabiyev (Hiro 2009). Peace was restored only after providing some ministerial posts to the Islamists and promises of free elections. In Afghanistan, after an almost ten-year war, Soviet troops left the country in 1989. This gave way to another civil war in the region from 1992-1996. The Taliban, another fundamentalist organization, emerged in the aftermath of the Afghan Civil War. In a nutshell, Afghanistan has always been a war-prone country associated with political chaos.

Despite its potential, Uzbekistan was among the poorest Republics of the Soviet Union in terms of economic development “with the second highest poverty rate” (Pomfret 2000: 4). By one estimate, the poverty rate stood at 24 percent (headcount index) compared to Kazakhstan’s 5 percent. GNP per capita for 1989 was 2,740 US dollars compared to Kazakhstan’s 5,130 US dollars (Alam and Banerji 2000). In addition, Uzbekistan had one of the lowest standards of living and the highest rates of unemployment among the Soviets republics (Trushin and Trushin 2000).

The high poverty rate and relatively lower level of incomes were associated with economic structure inherited from the Soviet Union. Uzbekistan, as almost all Central Asian countries, was simply a source of cheap raw materials for the central Communist regime. The leading sector of the economy was agriculture, where the central hub was cotton production. Other leading sectors were the mining of gold and uranium. Approximately 40 percent of the workforce was employed in the agricultural sector (Pomfret 2000), especially in picking cotton.

Uzbekistan was the leading republic in the Soviet Union in terms of cotton production where most of the harvest had been picked by hand. By one estimate, Uzbekistan had been producing eight million tons of the “white gold” (cotton) by the mid-1970s, which “accounted for two-thirds of the Soviet Union’s cotton production” (Hiro 2009:131). Between the 1970s and 1980s, Uzbekistan was the biggest exporter of cotton in the world with a market share of 25 percent (MacDonald 2012). In 1990, 62.4 percent of all cotton harvest in Central Asia was cultivated in the country, but only 7 percent of the harvest was processed domestically (Зияева and Исроилова 2016).

Apart from the cotton industry, the economy included relatively advanced gold mining, machinery industry, and the production of chemicals. However, although Uzbekistan “had a more diversified economy” than Kazakhstan (Alam and Banerji 2000:16), diversification in general command economy structure virtually meant nothing. By 1992, right after independence, a considerable part of imports (43 percent of total) were food products (Popov 2013). Although agricultural land in Uzbekistan was favorable to cultivate different crops, it was mainly associated with growing cotton. As a result, the country was unable to provide food sufficiency. The food products therefore had been imported from Russia, Kazakhstan, and the USA. Under the Soviet regime, Uzbekistan could provide only 25 percent of domestic wheat demand. The country became self-sufficient in wheat 10 years after independence (Зияева and Исроилова 2016).

Uzbekistan’s economy was associated with a low level of industrialization coupled with insignificant integration to the general structure of the Soviet Economy. In 1990, the share of industry constituted 33 percent of GDP while the shares of agriculture and services reached 31 and 36 percent respectively. The heavy concentration of economic resources around cotton production gave some independence from the central authority. In the case of independence, it would easily rely on revenues from cotton export, which was the case in fact.

Comparative analysis of impacts of the government policies on the economic performance

Kazakhstan's successful shock therapy implementation was facilitated by its close ties with Russia, stable economy, and ability to navigate the political influence of Russia. Uzbekistan, on the other hand, faced challenges such as instability, ethnic conflicts, and lower economic development. Kazakhstan's early privatization of industry, liberal trade policy, free currency exchange policy, and more open investment policy were major factors in its economic growth compared to Uzbekistan. However, the impacts of transition strategies on economic performance are not absolute, and overall economic performance also reflects general economic management.

Industrial Policy

Kazakhstan

The industrial output of Kazakhstan increased significantly, especially after the mid-1990s, when the recession phase of transition had passed. It was due to two factors: early privatization of existing industries and the re-direction of resources from the oil industry, through national funds, to diversify industrial output and develop private non-oil sector. The private sector was the major locomotive of industrial production. Kazakhstan's authorities did not attempt to "jump over its head" in the initial years, and "got prices right" by privatizing existed industrial sectors in which the country had a comparative advantage. After 2000, the government effectively managed to diversify its industrial products through effective industrial policies. Although the government increased its involvement in strategic sectors in recent years, the corporate governance and decision making of private firms have been largely free of government intervention during this period.

Uzbekistan

In contrast to Kazakhstan, Uzbekistan's government demonstrated reluctance to the privatization of large enterprises since gaining independence and allowed direct foreign investment mainly to establish new production in the manufacturing sector. Besides, under the policies deriving from the so-called "Uzbek Model" of development, the government played an active role in industrial enterprise decision making, pursued industrial policies that favored sectors at the expense of others, and attempted to implement the strategy of import substitution of industry and manufacturing.

Concisely, the state-ownership of the industry was an obvious pattern of Uzbekistan's economy throughout the period. The state provided limited access to foreign investment in the industrial sectors, which it has considered as a strategic. In addition, the authorities prioritized a large number of production sectors as important due to the overall inward-oriented strategy of the country. Also, the government deeply involved in the decision-making and management of not only the state-owned enterprises but also private firms. Consequently, the government's involvement in every industrial sector posed huge obstacles to the country's economic growth.

Trade Policy

In the Soviet Union, trade was extremely restricted, and the Central Asian countries were closed to external trade. The central apparatus of the Soviet republics controlled domestic as well as foreign trade of the republics, including Kazakhstan and Uzbekistan. Therefore, at the time of independence, both countries had a highly controlled trade regime with the government's tariffs on exports and imports.

However, like in other sectors, Kazakhstan promptly liberalized its trade regime until the 2000s (Irnazarov 2009), while Uzbekistan time after time applied draconian measures to limit domestic and foreign trade. Kazakhstan has shown the intention to arrange regional trade agreements and integrate into the global trade whereas Uzbekistan has attempted to organize trade regime mainly in such a way that it protects selected producers from international competition and gives the government total control over the revenues from the export of the main commodities.

As a result of the open trade regime, the amount of Kazakhstan's imports and exports rose substantially (Figure 4). Particularly, after 1995, following the establishment of Customs Union with Russia and Belarus, and easing control over foreign trade, the volume of trade began to increase rapidly. In its peak during the period, the volume of Kazakhstan's exports had reached 65.5 billion US dollars while the volume of imported goods and services reached 44.2 billion US dollars.

Uzbekistan

With a few exceptional years, Uzbekistan's trade regime for the whole period could be characterized as "closed" with high tariff and non-tariff barriers for many products. The state had strict control over the main export and import items such as cotton, gold, and gas. The trade regime has been organized to support the overall strategy of the economy - the import substitution (Pomfret 2000).

As a consequence of the illiberal trade regime and restrictive foreign trade policies, the volume of Uzbekistan's exports and imports has been quite small. For instance, in 2010, when Kazakhstan's export volume reached its all-time high, Uzbekistan's exports barely exceeded 10 billion US dollars. In the same year, the volume of imported goods almost reached 20 billion US dollars.

Currency Exchange Policy

Probably, the most contrasting economic policy between Kazakhstan and Uzbekistan was the currency exchange policy. The currency exchange policies mirrored the general economic approach of the countries. On the one hand, Kazakhstan's fast liberalization of the currency exchange rate aimed to attract foreign investors to the strategic sectors. On the other hand, Uzbekistan applied quite an inconsistent exchange rate policy because of the frequent failures of the regime in providing foreign currency. Notably, the countries began the period of independence with the same large black-market exchange rate premia (Alam and Banerji 2000).

To conclude, once Kazakhstan liberalized its currency regime in 1996, the authorities have never returned to strict currency controls. Foreign currencies could be freely traded in foreign exchange auction where all major Banks were allowed. The liberal exchange rate of Kazakh tenge attracted a vast amount of FDI into the Kazakh economy. Early liberalization of the currency regime helped to attract foreign investors and issue Eurobonds, which provided the government with additional financial resources. After 2008, in order to reduce the negative effects of currency appreciation, the government pegged tenge to US dollars and allowed tenge to fluctuate in a fixed currency corridor. Recently, the foreign exchange rate against the US dollar is freely determined in the stock exchange. The exchange rates of other currencies are calculated through cross rates.

Uzbekistan

During the whole period under study, the Uzbek authorities had kept the currency exchange regime and the conditions of currency convertibility strictly regulated and distorted. Frequent and direct interventionist policies of the government to the currency market implied managing the currency regime in such a way that it matches the overall inward-oriented development strategy of the country. Also, the government had tried to be self-sufficient in foreign currency and sometimes applied draconian measures to restrict foreign currency outflow, especially US dollars, from the economy. Thus, in almost all cases when the government faced the dollar shortage, instead of liberalizing currency regime, it used restrictive measures, such as multiple and weekly fixed foreign exchange rates or compulsory export concessions for firms.

The decline of the cotton yield in 1996 and the drop in cotton price by 15 percent in international markets, which at a time represented almost half of the country's foreign exchange earnings, caused economic turmoil (Kotz 2004). In addition to the decline of the hard currency supply, the gap between the official exchange rate and the black-market rate almost doubled (EBRD 1994-2016). Policymakers reacted with the establishment of the regime with multiple exchange rates in 1997.

The world financial crisis in 2007-2008 severely hit the Russian economy, which was a significant source of foreign currency (US dollars) for Uzbekistan. Several years prior to the crisis, a significant part of foreign currency earnings had been coming from the export of passenger cars to Russia and from remittance of Uzbek migrant workers there. However, starting in 2009, both the volume of the exports of cars (60 percent) and remittance began to decline (EBRD 1994-2016). This urged the government to apply restrictive foreign currency policies. Currency convertibility again became limited, and the authorities reintroduced multiple exchange rate regime.

What is more, by Presidential decree № 1914 from 30 of January 2013, commercial banks banned to sell cash currency to the individuals. As a result, the black-market rate of the US dollar began to increase rapidly.

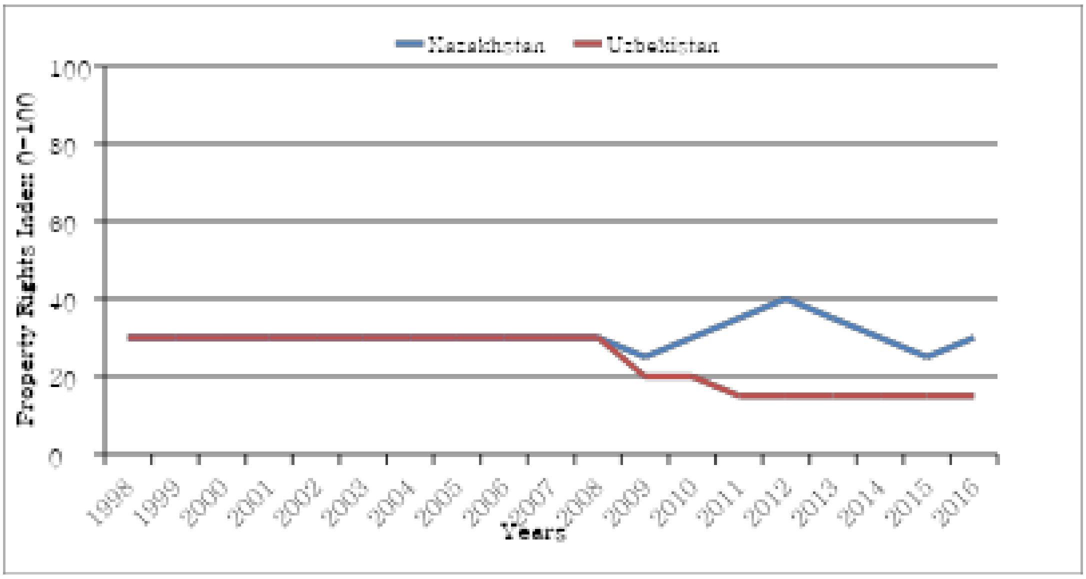
Uzbekistan's exchange rate policy was one of the main impediments to the FDI inflows into the country.

Comparative analysis of economic institutions and its influence on the countries' economic performance

Private Property Rights

In the early years of independence, both Kazakhstan and Uzbekistan had rigid private property laws inherited from the Soviet Union. However, Kazakhstan's legal framework for property rights improved over time, reaching its highest score in 2012. In contrast, Uzbekistan's private property rights deteriorated, reaching its lowest level in 2011. Kazakhstan's property rights condition was significantly better than Uzbekistan's throughout this period.

Figure 1: Private Property Rights



Source: The Index of Economic Freedom. The Heritage Foundation, 2019.

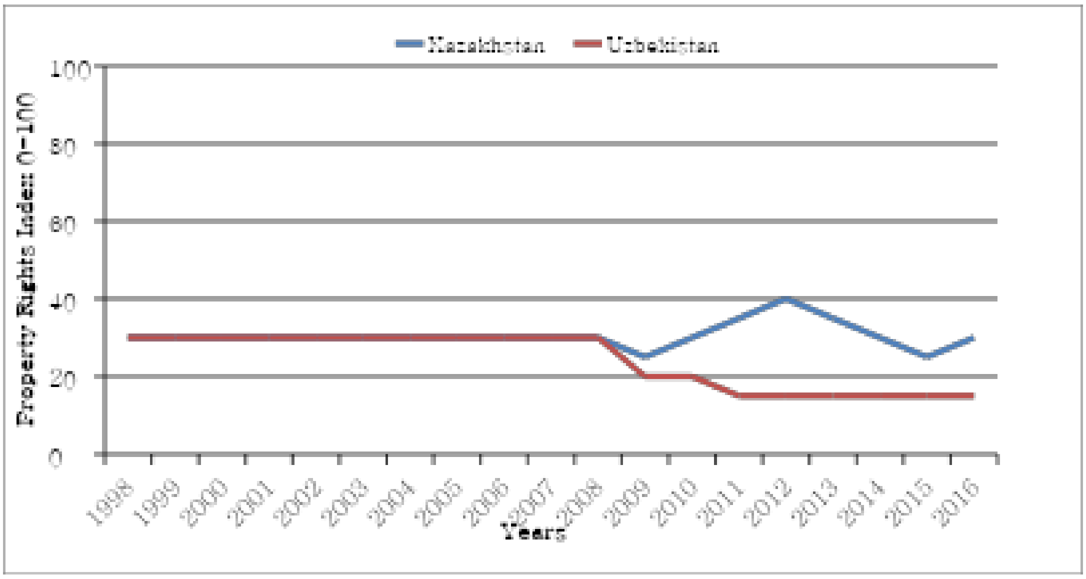
To summarize, as the graph clearly illustrates, the condition of private property rights in both countries is clearly repressed. Because of the devastating effect of colonial experience under the Soviet' regime, the laws that had to secure private property were unsurprisingly weak. Relative to advanced economies, countries' acts on private property are still inadequate. However, from 2008, Kazakhstan has shown signs of improvement in the conditions of private property security, whereas in Uzbekistan, private property rights are still tremendously weak.

Labor Market

In contrast, the labor market is more liberalized than property rights in both countries. As figure 10 visibly displays, the labor freedom score was above 50, which mean labor market conditions have not been repressed at all.

Nevertheless, even in this index, Uzbekistan could not outperform Kazakhstan. For instance, from the beginning of the period until 2016, Uzbekistan's labor freedom index had been fluctuating between 60-70 points. While Kazakhstan started period for 10 points higher than Uzbekistan and ended the period at approximately the same point ranging between 80-90 points, it is worth noting that countries' labor market conditions were significantly different between 2011 and 2013 when Kazakhstan almost had reached perfect conditions of labor freedom, while Uzbekistan reached its worst score ever.

Figure 2 : Labor Freedom



Source: The Index of Economic Freedom. The Heritage Foundation, 2019

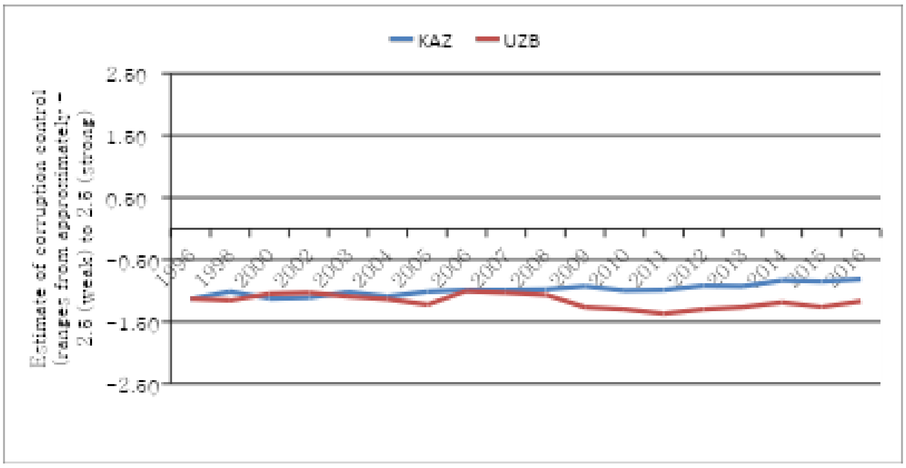
Briefly, the Heritage Foundation has measured labor market conditions since 2005. The data for twelve years reveals that the situation in the labor market was relatively healthy both in Uzbekistan and in Kazakhstan. However, Kazakhstan's labor market conditions were substantially better than Uzbekistan's and showed, during the best period, a result 30 points higher.

Control of Corruption

Fortunately, data for the most critical indicator of our analysis is almost entirely available from a reliable source. Figure 11 perfectly illustrates the situation regarding corruption in countries.

Kazakhstan made significant progress in reducing corruption over time, while Uzbekistan struggled to effectively address the issue. The graph also indicates that the gap between the two countries widened during the period from 2008 to 2016, indicating a more pronounced difference in corruption levels. Overall, the data supports the assertion that Kazakhstan had better conditions regarding corruption compared to Uzbekistan.

Figure 3: Control of Corruption



Source: The Worldwide Governance Report (1996-2016). World Bank,2019

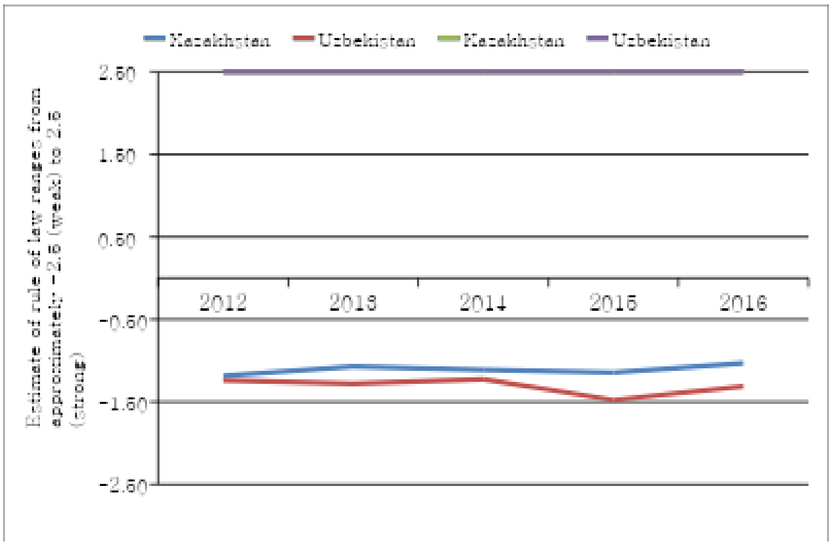
To sum up, although both countries demonstrate results far below the perfect case, Kazakhstan achieved superior results to Uzbekistan in corruption control. For instance, it steadily improves its degree of corruption presence by 0.30 points.

Rule of Law

Institutions of the Rule of Law, along with the Property Rights institutions, are one of the few institutions that got attention of not only institutional scholars but also scholars who specialize in transitional economies. Scholars of both fields agree that the Rule of Law is indispensable.

Briefly speaking, Kazakhstan's rule of law index has upward trend, and did not experience sharp declines, which indicates that conditions of the rule of law have only improved over the period (figure 12). In addition, the country's index improved for more than half a point from below -1.00 point until above -0.50 point, which is significant improvement.

Figure 4: Rule of Law



Source: The Worldwide Governance Report (1996-2016). World Bank,2019

Meanwhile, data for Uzbekistan illustrates that the country's index fluctuates between -1.50 and -1.00

points, never passing the latter point. Uzbekistan's results show that the conditions of the rule of law in the country have not ameliorated. In addition, Uzbekistan's index has almost the same starting and ending point.

Relationship between Economic Performance and Economic Institutions

To estimate the relationship between GDP change and conditions of economic institutions, the article applied the Pearson Correlation analysis (Tables 3 and 4 below). The first pair of variables is GDP change and the conditions of private property rights. The period of the analysis is 1998-2016. The second pair of variables consists of GDP change and the variations in the labor market institutions. The period of analysis for this pair is 2005-2016. The third pair of variables is the countries' GDP change and the countries' control of corruption performance. The last pair of variables is GDP variations and the conditions of the rule of law. The period of analysis for the two last pairs is 1996-2016.

The results of the analysis for the first pair of variables show that there is no significant correlation between Kazakhstan's GDP changes and the conditions of the country's private property rights. In contrast, the Pearson Correlation coefficient for Uzbekistan is -0.946, which indicates almost perfect negative correlation between GDP changes and the conditions of property rights.

Estimation of the correlation coefficient for the second pair reveals a significant correlation between variables for both countries. The correlation coefficient for Kazakhstan is significantly positive, 0.741, while the estimated correlation coefficient for Uzbekistan is -0.751, significantly negative.

Turning to the results of the third and fourth pairs of variables, it should be noted that the estimated correlation coefficients of Kazakhstan are strongly positive, while in the cases of Uzbekistan the picture is quite different. For instance, the Pearson Correlation coefficients of the third and fourth pairs for Kazakhstan are 0.801 and 0.869, respectively. In the case of Uzbekistan, the estimated coefficient for the third pair is significantly negative, -0.625 and for the fourth pair the coefficient is positive but insignificant, 0.445.

Table 3: Pearson Correlation analysis-Kazakhstan

1st pair of variables		GDP	Private Property Rights
GDP	Pearson Correl.	1	,367
	Sig (2tailed)		,122
	N	19	19
Private Property Rights	Pearson Correl.	,367	1
	Sig (2tailed)	,122	
	N	19	19
2nd pair of variables		**GDP**	**Labor Market**
GDP	Pearson Correl.	1	,741**
	Sig (2tailed)		,006
	N	12	12
Labor Market	Pearson Correl.	,741**	1
	Sig (2tailed)	,006	
	N	12	12
3rd pair of variables		**GDP**	**Control of Corruption**
GDP	Pearson Correl.	1	,801**
	Sig (2tailed)		,000
	N	21	21

Control of Corruption	Pearson Correl.	,801**	1
	Sig (2tailed)	,000	
	N	21	21
4th pair of variables		**GDP**	**Rule of Law**
GDP	Pearson Correl.	1	,869**
	Sig (2tailed)		,000
	N	21	21
Rule of Law	Pearson Correl.	,869**	1
	Sig (2tailed)	,000	
	N	21	21

**. Correlation is significant at 0,01 level (2 tailed).

Table 4: Pearson Correlation analysis-Uzbekistan

1st pair of variables		**GDP**	**Private Property Rights**
GDP	Pearson Correl. Correlation	1	-,946**
	Sig (2tailed)		,000
	N	19	19
Private Property Rights	Pearson Correl.	-,946**	1
	Sig (2tailed)	,000	
	N	19	19
2nd pair of variables		**GDP**	**Labor Market**
GDP	Pearson Correl.	1	-,751**
	Sig (2tailed)		,005
	N	12	12
Labor Market	Pearson Correl.	-,751**	1
	Sig (2tailed)	,005	
	N	12	12
3rd pair of variables		**GDP**	**Control of Corruption**
GDP	Pearson Correl.	1	-,625**
	Sig (2tailed)		,002
	N	21	21

Control of Corruption	Pearson Correl.	-,625**	1
	Sig (2tailed)	,002	
	N	21	21
4th pair of variables		**GDP**	**Rule of Law**
GDP	Pearson Correl.	1	,445*
	Sig (2tailed)		,043
	N	21	21
Rule of Law	Pearson Correl.	,445*	1
	Sig (2tailed)	,043	
	N	21	21

*. Correlation is significant at 0,05 level (2 tailed).
**. Correlation is significant at 0,01 level (2 tailed).

What does all of this mean?

In the case of Kazakhstan, the dynamics of the GDP have a positive relationship with changes in economic institutions, though the relationship with private property institutions is insignificant. The positive relationship between variables could be the sign of either effect of GDP growth on economic institutions or vice versa. However, taking into account that private sector share of the GDP had upward trend for most of the period, reaching at the best the seventy percent-point, we can conclude that improvement in the conditions of economic institutions had positively affected the rate of economic growth in Kazakhstan.

Regarding the analysis of Uzbekistan, the results of three out of four estimations are negative. In addition, the value of the positive relationship is poor. Growth in the volume of GDP is largely the result of an increase in output in the public sector rather than private sector. Moreover, the almost perfect negative relationship between GDP growth and the conditions of private property institutions reveals that Uzbekistan's economy resembles the Soviet Union's command economy. In other words, Uzbekistan's economy lacks sufficient liberalization and remains strictly regulated by the government. Accordingly, the private sector share of GDP was significantly lower in Uzbekistan than in Kazakhstan. At the highest point, the private sector in Uzbekistan was responsible for the forty-five percent of the total output, which is significantly lower compared to Kazakhstan.

CONCLUSION AND FINDINGS

In 2016, the Central Asian countries celebrated 25 years of independence from the Soviet rule. Kazakhstan and Uzbekistan were among those countries. Both countries were classified as countries in transition- the transition from the centrally planned economic system to the market economy. Today, we can adequately assess and compare the economic performance of the countries.

This article attempted to investigate the countries' economic performance through the lens of policy and institutional theories since the countries share a similar cultural background and geographical location. Kazakhstan applied a quite radical pace of economic reforms with the consistent sequence of the policy implementation, which resulted in the liberal economic system and economic institutions. Whereas Uzbekistan, after the initial phase of transitional reforms, slowed down the pace of reforms and showed inconsistency in the adoption of market-friendly policies and institutions. The authorities referred to the neutral "Uzbek" model of transition to the market economy, which supposedly shares similarities with East Asian countries' development strategy.

Authorities, because of different political and economic conditions, chose different approaches to the transition (Shock therapy and "Uzbek" model) in the early 1990s. Kazakhstan had favorable preconditions such as a stable social, economic, and political situation within its borders, to implement the rapid transition. The per capita income and the rate of industrialization were higher in Kazakhstan than in any other CIS country. Another influential factor that affected the choice of transition strategy was the immense impact of Russia and Russian people in the economy and politics. In the case of Uzbekistan, the authorities could not resort to the "shock therapy" because of several factors. Among the CIS countries, Uzbekistan had a comparatively low level of economic development and high rates of poverty. The political situation was unstable due to the presence of Radical Islam within its borders as well as in neighboring countries. Additionally, Uzbekistan had liquid commodities such as gold and cotton, the exporting revenue of which could give authorities immediate economic power to oppose rapid reforms.

As a result of the selected pace and sequence of reforms, Kazakhstan and Uzbekistan had completely different industrial, trade and currency exchange policies which affected the subsequent economic performance of the two countries and caused different economic performance through the private sector. Kazakhstan has chosen liberal policies in all three sectors which attracted a substantial amount of the FDI, and which gave an incentive to the private sector to engage in economic activity. Uzbekistan has pursued illiberal policies in all these sectors, which prevented private investment from entering the economy.

In Kazakhstan, the opening of industry for privatization, liberal trade and floating exchange rates created the favorable environment for the private sector (especially foreign business) to thrive and provided the Kazakh economy with needed financial resources. Later, this helped to diversify the economy and increase productivity in the non-oil sector. In Uzbekistan, the government's reluctance to privatize large industrial complexes, the illiberal trade regime with tariff as well as non-tariff barriers to trade and the extremely distorted currency exchange rates negatively affected productivity in the private sector and impeded GDP growth.

To be specific, Kazakhstan privatized its industry early in the 1990s, which contributed to the inflow of financial resources to the sector and boosted industrial output after 2000. Later, the Kazakh government implemented successful industrial policies through a national fund (Samruk Kazyna) to diversify production. In contrast, Uzbekistan's industrial sector for the entire period can be characterized as state dominated. Except for a few cases, the government retained general control over the main industries. Even in the management of less important productions, the influence of the government was crucial. The inward-looking industrial policies, aimed to fulfill demands for imports with domestic production, have proven to be inefficient in the long run.

Apart from a quite short period in the early 1990s, Uzbekistan's economic performance has always been poor compared to Kazakhstan. Although Uzbekistan also has had steady rates of GDP growth, Kazakhstan's rate of GDP growth and the volume of GDP were more substantial than that of in its neighbor. Likely, the volume of Kazakhstan's industrial output, trade, and the FDI were considerably higher than in Uzbekistan.

Furthermore, Kazakhstan's trade policies throughout the period can be assessed as liberal. Export quotas and licensing requirements have been abolished quite earlier. Restrictive practices of foreign trade with tariff and non-tariff barriers have been insignificant; thus, the volume of foreign trade was substantial. By contrast, in Uzbekistan, export and import contracts had to be registered with authorized banks, and a considerable number of export practices had to be licensed. Also in Uzbekistan, tariff as well as non-tariff barriers for imported goods were quite severe.

Lastly, in Kazakhstan, the government has not managed currency exchange regime heavily and exchange rates have been largely determined freely by the market. This practice eliminated uncertainties and gave a positive signal to foreign investors to invest heavily in the Kazakh economy. Meanwhile, the general currency exchange policies of Uzbekistan could be described as heavily managed and restricted. The presence of multiple exchange rates in Uzbekistan raised uncertainties for foreign investors and inhibited them from confidently investing in the Uzbek economy.

With regard to the institutional arrangement of the countries, the Kazakh government has established more adequate economic institutions than Uzbek authorities to stimulate the productivity of the private sector. A descriptive comparison of the countries' main economic institutions, such as institutions of private property rights, labor market institutions, institutions of control of corruption and the rule of law, revealed that Kazakhstan's institutions were of better quality than those of Uzbekistan.

The article also analyzed the relationship between countries' GDP growth and the quality of economic institutions using Pearson Correlation analysis. The analysis revealed a significant positive interrelation between Kazakhstan's GDP performance and the quality of the economic institutions. Pearson Correlation coefficient of all pairs of variables is positive, and the correlation of 3 out of 4 pairs is significantly positive which indicates that Kazakhstan's GDP growth was associated with an improvement in the quality of economic institutions. Meanwhile, the correlation between Uzbekistan's GDP change and the quality of economic institutions is almost perfectly negative. Pearson Correlation coefficient of 3 out of 4 variables is significantly negative. Although the correlation coefficient of the first pair of variables is positive, the correlation is insignificant. Results show that Uzbekistan's GDP growth has no association with the changes in the quality of economic institutions.

Concisely, the results of the analysis indicate that Kazakhstan's liberal economic policies and economic institutions have boosted production by providing a business-friendly environment for the private business, while Uzbekistan's illiberal economic policies and economic institutions inhibited large-scale growth by creating barriers for the private business in the country.

In the end, I would like to add some points for future research. This research revealed that, in the case of Uzbekistan, the "binding constraint" is the lack of market liberalization. The state had crucial coercive power and the capacity to implement policies. However, the state capacity without appropriate market institutions could not foster sustainable economic growth. In the case of Kazakhstan, the research detected positive effects of market liberalization coupled with moderate state involvement. The future agenda is to investigate whether Kazakhstan would have done better performance with more state involvement in the economy (and less liberal markets) or not.

Every approach has its side effects, and so does the neoliberal approach to economic development. The possible drawbacks of the neoliberal approach for Kazakhstan may be the chronic threat of the "Dutch disease" and possible rent-seeking behavior of state officials since neoliberal policies attracted immense resources to the extractive sector. The task of the policymakers is to find "golden mean" which will put into use all available resources of a country with maximum efficiency for the benefit of a broad range of population and not only a narrow circle of elites.

Declaration of Generative AI and AI assisted technologies in the writing process.

During the preparation of this work the author used Chatgpt 3.5 in order to improve readability and language of dome parts of the article. After using this tool, the author reviewed and edited the content as needed and takes full responsibility for the content of the publication.

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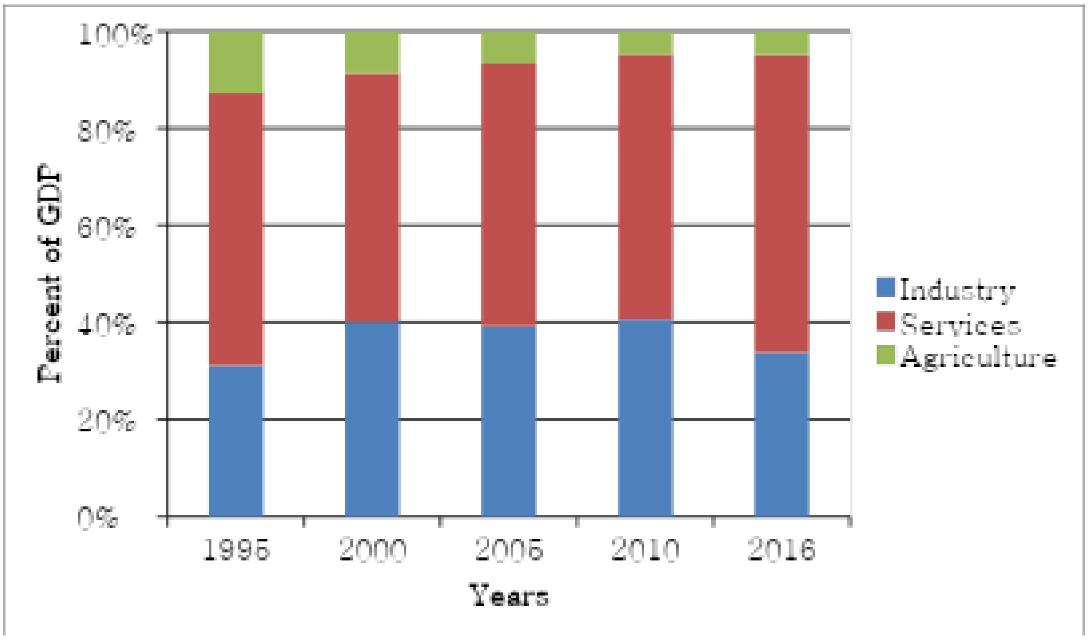
APPENDIX (A)

Figure A.1: GDP Growth after Independence

Source: World Bank, World Development Indicators 2019

Figure A.2: GDP Structure of Kazakhstan

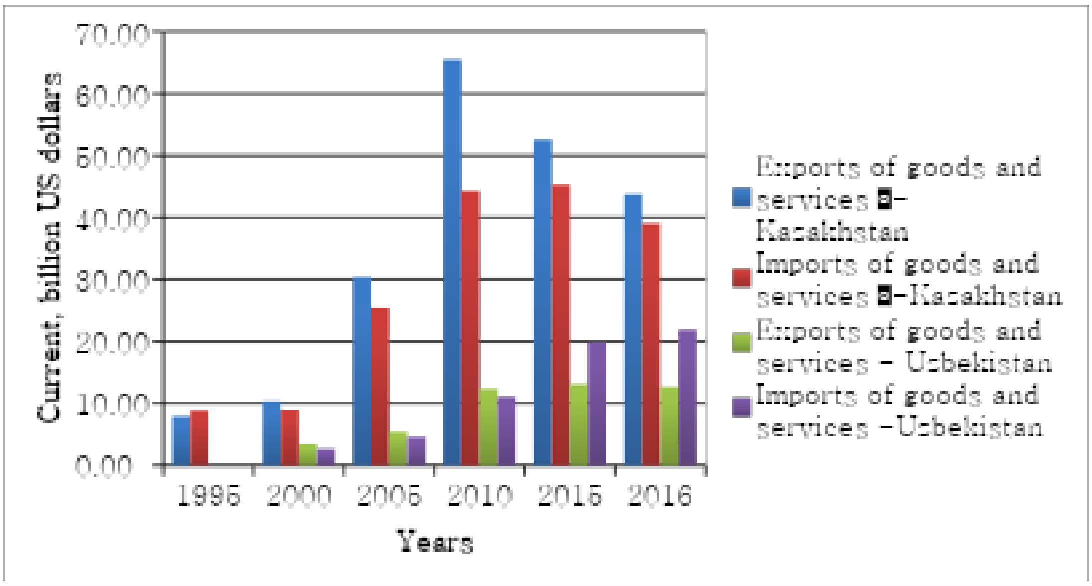


Source: World Bank, World Development Indicators 2019

Figure A.3: GDP Structure of Uzbekistan

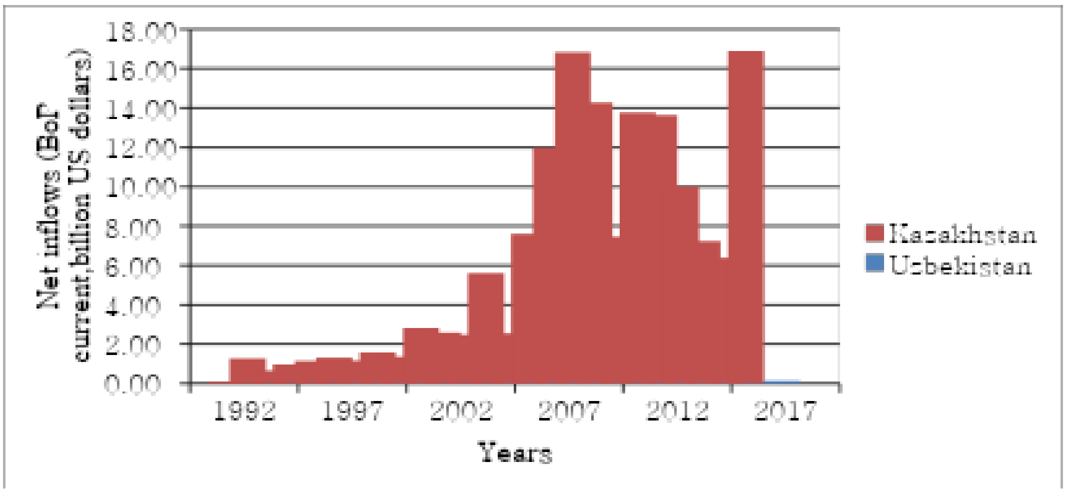
Source: World Bank, World Development Indicators 2019

Figure A.4: Volume of Exports and Imports



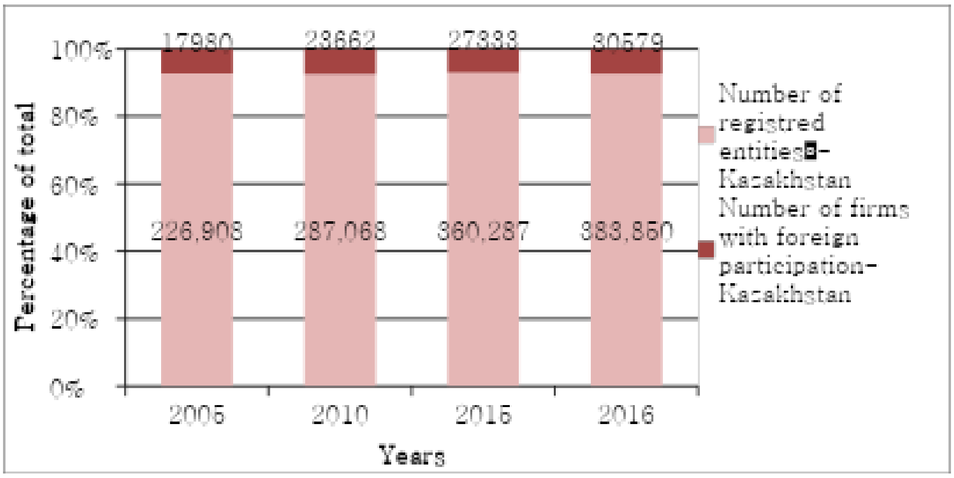
Source: World Bank, World Development Indicators 2019

Figure A.5: Volume of Foreign Direct Investment



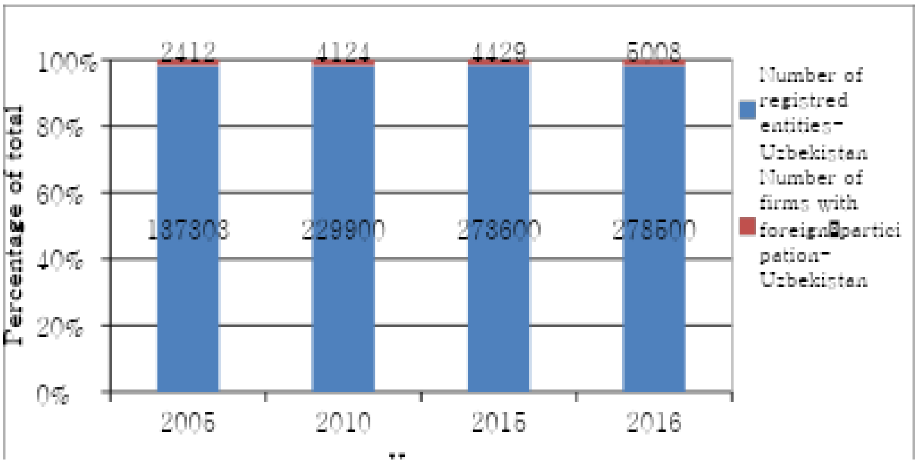
Source: World Bank, World Development Indicators 2019

Figure A.6: Private Business in Kazakhstan



Source: Ministry of National Economy of the Republic of Kazakhstan Statistics committee, 2019.

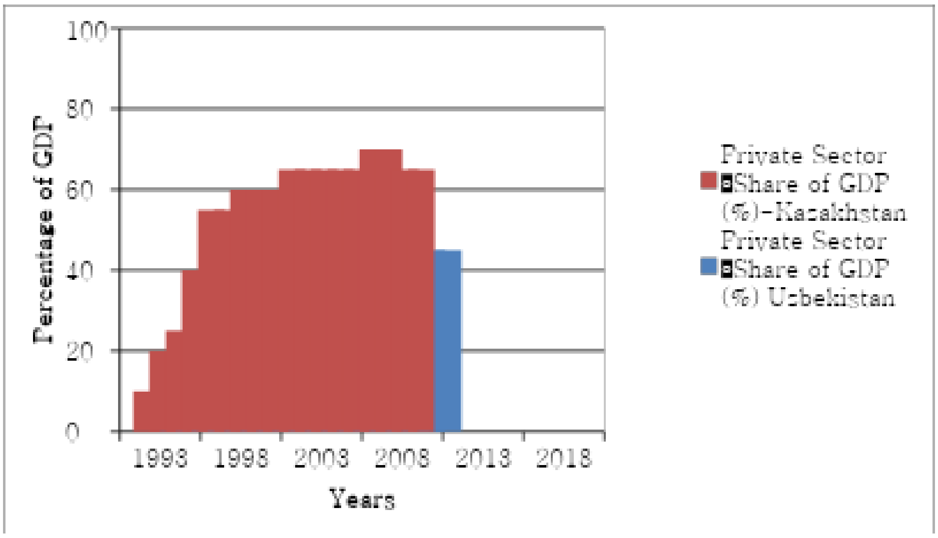
Figure A.7: Private Business in Uzbekistan



Source: The State Committee of the Republic of Uzbekistan on Statistics (O'ZSTAT), 2017

Furthermore, concerning the GDP share of the private sector, the graph below indicates the percentage of private business in the Gross Domestic Product.

Figure A.8: Share of Private Firms in GDP



Source: EBRD Transition Report (1994-2016)

APPENDIX (B)

Country Level Transition Indicators from 1994 to 2016-Uzbekistan

Years	Large-Scale Privatization	Small-Scale Privatization	Enterprise restructuring	Price Liberalization and Competition	Trade and Foreign Exchange System	Competition Policy	Banking Reform	Securities markets and non-bank financial institutions	Infrastructure reform
1994	2	3	1	3	2		1		
1995	3	3	2	3	2	2	2	2	
1996	3	3	2	3	2	2	2	2	
1997	3-	3	2	3-	2-	2	2-	2	
1998	3-	3	2	2	2-	2	2-	2	
1999	3-	3	2	2	1	2	2-	2	
2000	3-	3	2-	2	1	2	2-	2	
2001	3-	3	2-	2	2-	2	2-	2	
2002	3-	3	2-	2	2-	2	2-	2	2-
2003	3-	3	2-	2-	3-	2-	2-	2	2-
2004	3-	3	2-	3-	2-	2-	2-	2	2-
2005	3-	3	2-	3-	2	2-	2-	2	2-
2006	3-	3+	2-	2-	3-	2	2-	2	2-
2007	3-	3+	2-	3-	2	2-	2-	2	2-
2008	3-	3+	2-	3-	2	2-	2-	2	2-
2009	3-	3+	2	3-	2	2-	2-	2	2-
2010	3-	3+	2-	3-	2	2-	2-	2	2-
2011	3-	3+	2-	3-	2-	2-	1	2-	2-
2012	3-	3+	2-	3-	2-	2-	1	2-	2-
2013	3-	3+	2-	3-	2-	2-	1	2-	2-
2014	3-	3+	2-	3-	2-	2-	1	2-	2-
2015							1	2-	2-
2016							1	2-	2-

EBRD, Transition Reports (1994-2016); adjusted by author. Note: The transition indicators range from 1 to 4+, with 1 representing little or no change relative to a rigid centrally planned economy and 4+ representing the standards of an industrialized market economy.

APPENDIX (B)

Country Level Transition Indicators from 1994 to 2016- Kazakhstan

Years	Large-Scale Privatization	Small-Scale Privatization	Enterprise restructuring	Price Liberalization and Competition	Trade and Foreign Exchange System	Competition Policy	Banking Reform and Interest Rate Liberalization	Securities markets and non-bank financial institutions	Infrastructure reform
1994	2	2	1	2	2		1		
1995	2	2	1	3	3	2	2	2	
1996	3	3	2	3	4	2	2	2	
1997	3	3+	2	3	4	2	2+	2	
1998	3	4	2	3	4	2	2+	2	
1999	3	4	2	3	3	2	2+	2	
2000	3	4	2	3	3+	2	2+	2+	
2001	3	4	2	3	3+	2	3-	2+	
2002	3	4	2	3	3+	2	3-	2+	2
2003	3	4	2	4	3+	2	3	2+	2+
2004	3	4	2	4	3+	2	3	2+	2
2005	3	4	2	4	3+	2	3	2+	2+
2006	3	4	2	4	4-	2	3	3-	3-
2007	3	4	2	4	4-	2	3	3-	3-
2008	3	4	2	4	4-	2	3	3-	3-
2009	3	4	2	4	4-	2	3-	3-	3-
2010	3	4	2	4	4-	2	3-	3-	3-
2011	3	4	2	4-	4-	2	3-	3-	3-
2012	3	4	2	4-	4-	2	3-	2+	2+
2013	3	4	2	4-	4-	2	3-	2+	3-
2014	3	4	2	4-	4-	2	2	2	3-
2015							2+	2	3-
2016							2+	2	3-

EBRD, Transition Reports (1994-2016); adjusted by author. Note: The transition indicators range from 1 to 4+, with 1 representing little or no change relative to a rigid centrally planned economy and 4+ representing the standards of an industrialized market economy.