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Rollercoaster Cycles of Resource-Dependent Economies

Point of View column by Wilson Center Fellow Gul Berna Ozcan, *Centerpoint*, June 2009



Central Asian countries are facing a perilous economic future dependent on radically fluctuating markets in cotton, gold, oil, and gas. These nations could have brought about structural and economic reform that may have lessened the impact of the global economic crisis, but instead they frittered away 20 years of opportunity.

In the process of perpetuating the monolithic economic structures inherited from the Soviet Union, they overlooked industrial policies to encourage enterprise development and placed millions of people at the mercy of migrant workers' remittances and the benevolence of governments and aid programs. A local form of oligarchic market structure, supported by authoritarian politicians, has perpetuated the concentration of ownership and controls in all major sectors.

There are important differences among countries and sectors in the nature, scope and boundaries of oligarchic markets. Turkmenistan and Uzbekistan retain the most rigid market control and the deepest dependence on a few key sectors. Kazakhstan has fostered some diversification and has a more flexible market structure, a strategic difference partly necessitated by its vast territory and small population. Neither Kyrgyzstan nor Tajikistan has avoided sliding toward chaotic authoritarianism, a tragedy given their poor resource base and other limitations to sustaining their populations.

Oligarchic markets in major internationally traded commodities have a geopolitical strategic dimension. The region is once again contested by large neighbors and old patrons. China has a tremendous appetite for the region's raw materials and Russia is intent on reasserting hegemonic controls. Both see U.S. influence as a challenge and are using commercial arrangements to out-manuever western companies.

In the past, Central Asian states have successfully insulated their economies and political regimes from commodity price fluctuations and external shocks, but this economic crisis seems different. Kazakhstan's more advanced financial sector has made it more vulnerable to international market fluctuations, and its diversity of customers for oil has made it more reliant on world oil prices. Kazakhstan's recent double-digit growth will disappear, and we can only hope the limited flexibility built into its markets will allow it to recover when the global downturn is reversed.

Turkmenistan and Uzbekistan are most likely to become further entrenched as they preside over increasingly inequitable, weakening economies. And Tajikistan and Kyrgyzstan are relegated to the position of trying to minimize the inevitable collateral damage they are poorly equipped to withstand.

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“Government should not be made an end in itself; it is a means only -- a means to be freely adapted to advance the best interests of the social organism.
 The state exists for the sake of the society, not society for the sake of the state.”

—WOODROW WILSON, *THE STATE: ELEMENTS OF HISTORICAL AND PRACTICAL POLITICS* (1911)

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Woodrow Wilson International Center for Scholars
 Ronald Reagan Building and International Trade Center
 One Woodrow Wilson Plaza
 1300 Pennsylvania Ave., NW
 Washington, DC 20004-3027
 T 202/691-4000