



ECONOMICS OF DEMOGRAPHICS IN CENTRAL ASIA

As of January 2018, the population of the five Central Asian countries, Uzbekistan, Kazakhstan, Tajikistan, Kyrgyzstan and Turkmenistan, reached a landmark figure of 71 million people. Uzbekistan, being the most populated country in the region, has a population of 32.12 million people, followed by Kazakhstan with 18.16 million people, while the population of Tajikistan, Kyrgyzstan and Turkmenistan is 8.99 million, 6.2 million and 5.55 million, respectively. Taking into account that in the early 1990s the combined population of the region was around 50 million, in terms of demography, Central Asia is a rapidly expanding region. The overall annual population growth in the region is currently about 1.51%, which is a bit higher than the world average of 1.18% and substantially higher than in China (0.54%) or Russia (0.17%). Tajikistan (2.18%) and Kyrgyzstan (2.11%) have the region's fastest growing populations. Uzbekistan and Turkmenistan have nearly the same population growth rates of 1.76% and 1.75%, respectively, whereas Kazakhstan has the lowest growth rate of 1.4%. Moreover, the fertility rate, which is the total number of births per woman, remains above the world average of 2.45 in most countries of the region. For instance, in 2017, the fertility rate in Tajikistan, Kyrgyzstan, Kazakhstan and Uzbekistan amounted to 3.35, 2.97, 2.55 and 2.35, respectively.

There are several factors that characterize the demographic landscape of Central Asia making it to a certain degree a unique region. Firstly, similar to all other CIS countries, the demography in the Central Asian countries is still subject to a cyclicality characterized by an increased number of births that comes every 20-25 years, which is basically the echo of the World War II. Secondly, the population distribution across Central Asia is highly disproportionate with extremely high population densities in certain regions, like, for instance, the Fergana valley where the population density is 360 people per square kilometer, and very low population densities in vast areas like the deserts of Turkmenistan and the western part of Kazakhstan, where the population density is only 3.4 people per square kilometer. Thirdly, despite the vast number of common factors and similarities, like historical, ethnic, linguistic and religious ones, the countries of the region differ a significantly from each other when it comes to demographic patterns.

Demographic transition is an evolution from higher to lower birth and death rates that a country or region experiences when transiting from a pre-industrial to a post-industrial economic system. There are four stages of

demographic transition – pre-transition, early transition, late transition, and post-transition. Currently, Central Asia as a whole is in the first half of the third stage of the demographic transition, which is characterized by a gradually decreasing population growth rate caused by lowering birth rates and falling mortality. However, the natural increase of the population in Central Asia is expected to continue for several more decades before peaking at 90 million people by 2055-2060. On the other hand, we should bear in mind that the demographic economic situation within the region differs a lot from country to country. Thus, the population growth in Kazakhstan, which is currently at the mature third stage of the demographic transition and approaches the final fourth stage, will already stabilize within the next decade. Therefore, we can expect increasing migration pressures within the region due to differences in demographic processes.

Moreover, according to the demography's "basic rules", this will accelerate migration flows towards less populated and more economically developed neighboring countries, which is, first of all, Russia. Despite the fact that the depreciation of the Russian ruble in 2014 and economic sanctions imposed against Russia caused a decrease of the migration flows from Central Asia to Russia by 21.3% in 2015 and 0.8% in 2016, the dynamics turned positive again in 2017. The number of migrants increased by 15.8%, and it is expected that the net migration flows to Russia will continue. There are a number of reasons for that. Firstly, differences in income and job opportunities between Russia and many Central Asia countries are still significant despite the crisis of the Russian economy, sanctions, etc. Secondly, the difference in the median age of the population between Russia (38.9) and Central Asia (26.7) favors migration by creating a demand for younger labor force. Thirdly, since Russia considers the region as the sphere of its political influence, Moscow will continue to maintain friendly relations with the Central Asian countries keeping the visa-free regime and granting large work permit quotas. As a result, despite being less intensive than in the past, the migration flows from Central Asia to Russia will experience the upward trend in the near future.

Another important factor that actively reshapes the demographic landscape of the region is the urbanization process, which, in general, is accelerating in Central Asia. Thus, 38.4% of the population in Central Asia live in cities. This figure is 57.2% in Kazakhstan and 50.4% in Turkmenistan. On the other

hand, Uzbekistan (36.5%), Kyrgyzstan (35.9%) and Tajikistan (26.9%) are much less urbanized. In overall terms, the process of urbanization in Central Asia is still at an early stage. In 2017, the urban population of the region grew by slightly more than half a million people. The outflow of labor migrants to Russia and other countries partially restrains the urbanization process. Nevertheless, it will accelerate due to changes in the age structure of the population in favor of youth searching for urban amenities in an effort to avoid poverty in rural areas. At present, the second largest age group in Central Asia is people aged 25-29, who suffer from the regional governments' failure to match demography with economic policies. Namely, during the last two decades, the Central Asian countries, especially those with a high share of youth, did not focus on the development of labor intensive sectors of their economies taking advantage of low-cost labor resources and did not properly invest in human capital. As a result, they missed an opportunity to turn shifts in the population's age structure, when the share of the working-age population exceeded the share of the non-working-age population, into the economic growth potential. However, there is still a chance for Central Asia to use the demographic window of opportunity to ensure economic growth. Currently, the largest age group in Central Asia is the group aged below nine years. In 10 years, this age group will start entering the labor market and become the main driving force of the Central Asian economies. Hence, the economic welfare of the region in the mid and long-term perspectives is highly dependent on investments in human capital and modification of the economic policy in accordance with the existing demographic realities.

It appears that in order to benefit from ongoing demographic changes in the region economic policies aimed at retrieving demographic dividends should be adopted, which would imply comprehensive measures not only in economic, but also social, cultural and political spheres. The uniqueness of the situation lies in the fact that the demographic expansion that occurred in Central Asia within the past 5-10 years might be the last opportunity for the region to gain from such a favorable age structure. Through pursuing adequate policies on such issues as human capital, education, healthcare, gender policy, etc., the Central Asian countries can harness demographic dividends overcoming serious socio-economic challenges and attaining sustainable economic development.

Politics, Foreign Affairs and Security

- The Central Election Commission of Russia registered eight candidates for the March 18 presidential election, including incumbent President Vladimir Putin. This year only two of the four parliamentary parties made nominations for the election, namely, Vladimir Zhirinovskiy from the Liberal Democratic Party and Pavel Grudinin from the Communist Party. Other five candidates were nominated by the opposition parties that are not represented in the Russian Parliament: Boris Titov from the Party of Growth, Grigory Yavlinsky from the Russian United Democratic Party Yabloko, Ksenia Sobchak from the Civil Initiative, Sergei Baburin from the Russian People's Union, and Maxim Suraykin from the Communists of Russia.
- During his official visit to Ankara, U.S. Secretary of State Rex Tillerson met with President of Turkey Recep Tayyip Erdogan to discuss the situation in Syria and Iraq, as well as the fight against terrorism. The parties exchanged views on the Operation Olive Branch launched by the Turkish Armed Forces in Afrin, Syria.
- During his three-day visit to New Delhi, President of Iran Hassan Rouhani met with Prime Minister of India Narendra Modi to discuss further economic cooperation between the two countries focusing on boosting business relations. The parties also discussed the ways to improve energy security and regional transport links to reach landlocked Afghanistan and Central Asia by developing Iran's Chabahar Port as well as road and rail routes.
- During his official visit to Baku, First Deputy Prime Minister, Minister of Economy and Sustainable Development of Georgia Dimitri Kumsishvili met with President of Azerbaijan Ilham Aliyev to discuss bilateral cooperation in the fields of oil and gas transportation, focusing on the implementation of the Southern Gas Corridor project.
- During his official visit to New Delhi, Foreign Minister of Uzbekistan Abdulaziz Kamilov met with Foreign Minister of India Sushma Swaraj to discuss topical issues of the bilateral agenda focusing on creating conditions for the further strengthening of cooperation between Uzbek and Indian entrepreneurs, representing leading firms and companies of the two countries.
- During his official visit to Berlin, Prime Minister of Turkey Binali Yildirim met with Chancellor of Germany

Angela Merkel to discuss the ways of improving bilateral cooperation. The parties called for an intensified dialogue and stronger solidarity in the fight against terrorism.

Economy, Finance and Energy

- According to the State Statistics Committee of Uzbekistan, in January 2018 construction and installation works worth over 1,966 trillion soums (\$235 million) were completed in the country, which is an 8.2% decrease compared to the same period of 2017. Bulk of the construction works was carried out in the city of Tashkent (23.1%), while the Bukhara, Samarkand, Ferghana and Kashkadarya regions accounted for 8.6%, 8.4%, 8.3% and 8.1%, respectively.
- According to the National Bank of Tajikistan, in 2017 the money supply in the country stood at 11.7 billion somoni (\$1.3 billion), which is 39% more than in 2016. The reserve funds in the reporting period were equal to 14.6 billion somoni (\$1.6 billion), which is 20.9% more than in 2016. Moreover, in 2017 5 billion somoni (\$566.2 million) were introduced into circulation, which is 2.5% more than in 2016.
- According to the National Statistics Committee of Kyrgyzstan, in January 2018 the country's GDP increased by 2.3% compared to the same period of last year amounting to more than 27 billion somons (\$391 million). The service industry accounted for the largest share of GDP, or about 47%. The share of the industry sector was more than 27%, while the shares of agriculture and construction amounted to 8% and 3%, respectively.
- According to the National Bank of Tajikistan, in 2017 the bank carried out interventions in the amount of 2.6 billion somoni (\$300 million) to support the exchange rate of the national currency. It is noted that the exchange rate policy, based on the floating rate regime, was underway in 2017. The official exchange rate of somoni against the U.S. dollar decreased by 12% in 2017.
- According to the National Statistics Committee of Kyrgyzstan, the country's foreign trade turnover in 2017 exceeded \$6 billion, which is a 12.5% increase compared to 2016. It is noted that last year exports of goods from Kyrgyzstan increased by 13.8%, while imports increased by 12%. The volume of mutual trade between the member states of the Eurasian Economic Union (EEU) in January 2018 amounted to \$2.4 billion, which is a 16.6% increase

year-on-year. The greatest shares of mutual trade between the EEU member states belong to Russia and Kazakhstan with 59.7% and 36.5%, respectively.

- According to the State Statistics Committee of Azerbaijan, the country's GDP reached around 6.05 billion manats (\$5.38 billion) in January 2018, which is 2% more than in January 2017. In particular, the volume of GDP produced in the non-oil sector of the country increased by 3.9%, while a decline by 0.5% was observed in the oil and gas sector.

Society and Culture

- The Uzbek state-owned air carrier Uzbekistan Airways announced its intention to introduce Sunday direct flights on the Tashkent-Astana-Tashkent route starting in March 2018. At present, Uzbekistan Airways operates direct passenger flights to Astana three times a week on Mondays, Thursdays and Saturdays.
- According to the Mission Control Center of the Russian Federal Space Agency, the Soyuz-2.1a rocket carrying the Progress MS-08 cargo spacecraft was launched from the Baikonur space center to the International Space Station.
- The Parliament of Kyrgyzstan approved amendments to the law on advertising, which prohibit alcohol ads on the Internet. The bill is applied to the websites that are located in the KG domain zone.
- According to the Foreign Ministry of Russia, Russian citizens residing abroad will be able to cast their ballots in the March 18 presidential election at 378 polling stations in 145 countries worldwide. It is noted that the largest number of Russian passport holders – 487,000 – is registered in Germany. Among other countries with the largest numbers of Russian voters are Moldova (189,000), Israel (146,000), Estonia (114,000), United States (104,000), Georgia's Abkhazia region (89,000), Ukraine (74,000), Kazakhstan (73,000), Belarus (67,000) and Latvia (63,000).
- According to the National Bank of Kyrgyzstan, labor migrants transferred \$2.48 billion to Kyrgyzstan in 2017. The volume of transfers has been falling in the last 4 months of 2017. In December, the inflow of remittances to the country totaled \$194.3 million, which is \$10.9 million less than in November and \$67.7 million less than in August. Russia accounts for more than 90% of remittances received by Kyrgyzstan.