

Commonwealth of Independent States Transformation: Moving from Stagnation to Semi-Periphery

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ABSTRACT

This study examines the post-Soviet states, emphasizing the divergent developments in the Baltic states and the Commonwealth of Independent States (CIS), with a specific focus on Uzbekistan. It highlights the central role of regional cooperation and integration as key drivers of economic growth. The success of the Baltic states is attributed to strong regional cooperation, consistent economic policies, and cultural similarities, while CIS members struggle with challenges related to political instability and security risks. The study challenges the conventional assumption that full market liberalization is the sole catalyst for economic growth and emphasizes the significance of active state involvement in promoting regional integration. The findings suggest the need for a nuanced approach to managing political instability, promoting regional cooperation, and balancing market liberalization and state control to enhance economic performance. Recent developments in Uzbekistan, including the eradication of black markets, bolstering regional connections, and attracting more foreign investment, indicate the potential for substantial economic growth.

Keywords: global diaspora studies, regional cooperation, post-Soviet countries, Baltic states.

INTRODUCTION

The dissolution of the Union of Soviet Socialist Republics (USSR) in 1991 marked the beginning of a new era for its fifteen successor states (Roeder, 1998). In transitioning from centrally controlled economies to market-oriented systems, post-Soviet countries faced various economic challenges. After Lithuania, Latvia, and Estonia joined the European Union (EU) in 2004, the remaining twelve states formed the Commonwealth of Independent States (CIS). This difference led to varying economic developments, particularly evident in the divergent fates of the Baltic states and the CIS members.

This study addresses the central question of how CIS members, particularly Uzbekistan, can transition from the periphery to the semi-periphery. To understand this, one must recognize the common historical threads that bind these nations, many of which are linked to the Russian Empire and Tsarist Russia. In the post-Soviet era, Russia has emerged as a hegemonic power with significant influence due to its vast territory and large population. However, economic growth in countries like Ukraine, Kazakhstan, and Uzbekistan has varied significantly despite their large populations. Countries like Uzbekistan, Kyrgyzstan, and Tajikistan, which experience economic disadvantages, encounter numerous challenges.

The success of the Baltic states is due to effective regional cooperation, harmonized economic policy, and a strategic orientation toward the West. Through market-oriented reforms and prudent fiscal and monetary policies, they have pursued economic growth. Many CIS members faced political instability, regional

conflicts, and security risks that hindered economic integration and development. The Commonwealth of Independent States (CIS), intended to promote integration among former Soviet states, faced challenges in implementing its goals. Economic and political integration attempts were mostly symbolic and overshadowed by trade barriers and internal conflicts. Uzbekistan gained a reputation for imposing trade barriers, taxes, and promoting its automotive industry to maintain a relatively closed economy in Central Asia.

This study contends that regional cooperation is essential for economic growth and challenges the prevailing liberal view advocating full market liberalization. The setbacks of the CIS members are due to flawed policies and political instability rather than a lack of a free market. The Central Asian states, particularly Uzbekistan, have the potential to improve their economic performance by addressing political instability, resolving security issues, and promoting regional integration. While market liberalization and privatization are important, the government must maintain control to regulate and strengthen industry competitiveness. Important steps for Uzbekistan's economic growth involve revising policies for emerging industries, enhancing industrial quality, and integrating seamlessly into the global market.

Recent developments in Uzbekistan, including the elimination of the black market, strengthening of regional ties, attraction of foreign direct investment, and implementation of strict import and export regulations, highlight the country's economic potential. The study proposes solutions to help Uzbekistan transition from the periphery to the semi-periphery, emphasizing effective regional cooperation, balanced market regulation, and addressing political and security challenges. The following sections analyze the impact of regionalization/regionalism on economic growth, contrast the strengths and weaknesses of the EU and the CIS, examine the experiences of the Baltic states and CIS members, and identify possible strategies for Uzbekistan's economic development.

TRANSITION AND CHALLENGES: POST-SOVIET ECONOMIC REALITIES

A crucial part of understanding the economic situation in post-Soviet countries is recognizing their shared history, especially with the Russian Empire. Russia, with its vast territory and population, has emerged as a dominant power among former Soviet states. Despite being populous, states like Ukraine, Kazakhstan, and Uzbekistan showed significant economic growth disparities. After joining the EU in 2004, the Baltic states experienced higher growth, while Uzbekistan, Kyrgyzstan, and Tajikistan faced economic disadvantages. This section examines the impact of regionalization and regionalism on economic growth in CIS countries, focusing on Uzbekistan.

An analysis of GDP per capita and PPP data from the World Bank for 2016 highlights significant economic disparities among post-Soviet countries. The Baltic states outperform CIS members, with exceptions in Russia and Kazakhstan. Central to this analysis are regionalism and regionalization. Regionalism refers to an institutional framework established by governments, while regionalization signifies a natural locational phenomenon that fosters closer economic ties. Evaluating the strengths and weaknesses of the EU and CIS sheds light on the success factors of specific countries.

The success of the Baltic states can be attributed to effective economic reforms, including a well-functioning tax system and strict control of monetary and fiscal policies. Regional cooperation among the Baltic states, characterized by similar economic policies, labor mobility, trade links, and cultural similarities, has significantly contributed to their economic development. Political instability and conflicts have hindered economic integration in Central Asian countries, as seen in the Tajik civil war and ethnic unrest in Kyrgyzstan and Uzbekistan. Security challenges in Central Asia, such as civil wars and separatist movements, have had a negative impact on trade and economic integration. The Baltic states, distancing themselves from Russia and aligning with the West, have experienced positive economic growth.

Commitment to Western policies facilitated EU membership in 2004, leading to increased growth, foreign direct investment, and reduced unemployment.

Despite its establishment for political, economic, and cultural integration, the CIS experienced practical failures. Efforts to integrate economically and politically faltered, leading to trade barriers among member states. Uzbekistan's economy has been hindered by trade barriers and a lack of openness, causing slower growth compared to the Baltic states. This study concludes that effective regional cooperation is crucial for economic growth, challenging the prevailing liberal view that only full market liberalization leads to development. The state plays a crucial role in promoting regional integration, and the failure of CIS members is attributed to misguided policies rather than the absence of a free market. Central Asian countries, especially Uzbekistan, have the potential to improve economic performance through cohesive regional integration, addressing political instability, and resolving security issues. Policy changes, such as revising policies for emerging industries, re-regulating trade barriers, and promoting regional integration, are essential for Uzbekistan's economic growth. Recent developments, such as the new president's initiatives, indicate a positive change toward economic growth. Initiatives like eliminating black-market activities, strengthening regional ties, welcoming foreign investment, and integrating into the global economy can move Uzbekistan from the periphery to the semi-periphery.

POST-SOVIET REALITIES AND THE PURSUIT OF REGIONAL PROSPERITY

The economic landscape of post-Soviet countries is highly diverse after the dissolution of the Union of Soviet Socialist Republics. While Lithuania, Latvia, and Estonia seamlessly integrated into the European Union in 2004, the remaining twelve states formed the Commonwealth of Independent States (CIS). Notable differences in economic development and growth were observed, with the Baltic states outperforming the CIS states. Economic development within the CIS varies widely. Russia and Kazakhstan are experiencing higher growth [1], while Uzbekistan, Kyrgyzstan, and Tajikistan are struggling with economic problems [2].

The disparities among post-Soviet countries stem from their common history and connections to the Russian Empire and Tsarist Russia. Despite Russia's dominant influence, populous countries like Ukraine, Kazakhstan, and Uzbekistan have experienced significant economic growth relative to their size. This study investigates the influence of regionalization/regionalism on economic growth, with a focus on Uzbekistan as a case study within the CIS. Central to economic performance are regionalism and regionalization [3]. Regionalism refers to the government's institutional framework, while regionalization is the natural location phenomenon that fosters closer economic ties within a region. The analysis of the strengths and weaknesses of the EU and the CIS reveals the factors contributing to the success of the Baltic states compared to their CIS counterparts [4].

After the dissolution of the USSR, the newly independent states experienced hyperinflation, with the Baltic states reaching 100% inflation in 1992. To overcome stagnation, successful economic reforms were implemented through effective tax systems, strict control of monetary and fiscal policy, and inflation management. In contrast, Uzbekistan and other former Soviet states struggled until the mid-1990s, with Uzbekistan experiencing inflation of 1000% between 1992 and 1994. With the assistance of international institutions like the IMF, Uzbekistan managed to reduce inflation rates. The success of the Baltic states is also attributed to effective regional cooperation, including similar economic, monetary, and banking policies, high labor mobility, trade relations, a common economic structure, and cultural similarities.

Country/Region	Inflation Rate (1992-1994)
Baltic States	100%
Uzbekistan	1000%

Other CIS members, especially Central Asian countries, have faced challenges in achieving effective integration due to political instability, ethnic and regional conflicts, and security risks. Examples include the Tajik civil war, ethnic unrest in Kyrgyzstan, uprisings in Uzbekistan, and revolutions in Kyrgyzstan [5]. These conflicts and political instability significantly impacted the economy and hindered economic integration. In the region, security threats like the civil war in Afghanistan, the separatist movement in China's Xinjiang region, conflicts in the South Caucasus, and Iran's economic and political isolation have limited trade, transit, investment, and tourism opportunities [6]. In the region, security threats such as the civil war in Afghanistan, the separatist movement in China's Xinjiang region, conflicts in the South Caucasus, and Iran's economic and political isolation have restricted trade, transit, investment, and tourism opportunities [7].

The successful development of the Baltic states relied on their commitment to distancing themselves from Russia and aligning their policies with the West. Joining the EU in 2004 provided access to a larger market, foreign direct investment, and reduced unemployment. External support from institutions like the EU, the World Bank, and the IMF, along with an effective monetary policy, aided in their recovery from the 2008 global crisis and bolstered economic growth. CIS members, particularly Uzbekistan, are known for creating trade barriers and implementing ineffective policies for the automotive industry, despite multiple integration efforts. The lack of genuine integration among CIS member states and limited coordination on political, cultural, social, and security issues contrasts sharply with the successful regional cooperation within the EU and between the Baltic states. This emphasizes the importance of regional cooperation in promoting economic growth and challenges the dominant liberal view that complete market liberalization and privatization are the sole drivers of economic growth. The failures of CIS members are due to flawed policies and political instability rather than the lack of a free market.

To improve economic performance, particularly in Central Asian countries, it is essential to create a cohesive environment and integrate with neighboring countries and the global market. While market liberalization and privatization are important, governments should maintain some control to regulate and promote industry competitiveness [8]. Reviewing and updating industrial policies and trade barriers can enhance industry competitiveness in the global market. Recent developments in Uzbekistan, such as the elimination of the black market, strengthening regional ties, welcoming foreign direct investment, implementing import and export regulations, and closer integration with the outside world, highlight the country's potential for economic growth [9]. The developments align with the solutions proposed in this research paper and indicate a potential shift for Uzbekistan from the periphery to the semi-periphery. By implementing these measures, Uzbekistan can create a favorable environment for economic growth, foster regional cooperation, and attract foreign investment to achieve sustainable development.

DISCUSSION

The dissolution of the USSR in 1991 brought about a significant geopolitical change that impacted the political development of the successor states. In the analysis of economic development and regional dynamics, political geography is an important tool for understanding political interactions within and beyond borders.

The emergence of regional blocs, such as the European Union (EU) and the Commonwealth of Independent States (CIS), exemplifies spatial reorganization after political change. The Baltic states, which aligned with the West upon joining the EU in 2004, saw economic prosperity and significant geopolitical realignment. This change in spatial dynamics had significant political implications, providing access to a larger market and foreign direct investment. In contrast, CIS members, particularly Uzbekistan, have encountered economic challenges because of limited regional integration and trade barriers, highlighting the

interconnectedness of political economy and geography. The EU's enlargement policy toward the Baltic states, as opposed to Russia's efforts within the CIS, exemplifies the politics of spatiality, where regional affiliations significantly influence political development.

The historical connections to the Russian Empire and Tsarist Russia have a significant impact on the economic performance of post-Soviet countries. With its large territory and population, Russia became a dominant power that influenced neighboring states. This historical legacy contributes to unequal economic growth, leading to inequalities in countries like Ukraine, Kazakhstan, and Uzbekistan, despite their large populations. The annexation of Crimea by Russia in 2014 is a current geopolitical event that underscores the complexity of geopolitics, rooted in historical ties, challenging established borders, and requiring differentiated political responses.

The Central Asian countries in the CIS are grappling with political instability, ethnic conflicts, and security risks related to space politics. The Tajik civil war, ethnic unrest in Kyrgyzstan, and uprisings in Uzbekistan demonstrate how internal spatial dynamics affect economic integration. Security threats, such as the ongoing civil war in Afghanistan and the separatist movement in China's Xinjiang region, continue to limit trade, transit, and investment opportunities. The Ferghana Valley, spanning Uzbekistan, Kyrgyzstan, and Tajikistan, exemplifies spatial challenges where ethnic and political complexities intersect, impacting regional stability and economic policy.

The success of regional cooperation between the Baltic states, characterized by common economic policies and cultural ties, stands in stark contrast to the failing attempts at integration within the CIS. The state's role in promoting regional integration is proving to be a decisive factor, challenging the traditional liberal view that attributes economic success solely to market liberalization. The absence of true integration among CIS member states, as opposed to the EU's cohesive regional policy, highlights the spatial dimension of policy decisions and their significant impact on economic results.

The politics of spatiality also extends to the global level, where economic policies intersect with global networks. The Baltic states' integration into the EU improved access to a larger market and foreign direct investment, demonstrating the interconnectedness of regional and global levels. The Chinese-led Belt and Road Initiative, which crosses Central Asia, underscores the geopolitical significance of spatial locations in the global political economy and influences regional policy responses.

The political geography of the post-Soviet states intertwines historical ties, regional dynamics, and spatial politics. Analyzing these dimensions provides a detailed understanding of the political impacts, economic development, and geopolitical challenges in these countries. Recognizing the spatial context is crucial for navigating today's complex political landscapes and promoting sustainable development.

CONCLUSION

This study examines the economic geography of post-Soviet countries, with a focus on the Baltic states, the Commonwealth of Independent States (CIS), and Uzbekistan. The analysis shows a varied view of economic development and highlights the crucial role of regional cooperation in promoting growth. The success of the Baltic states is attributed to their strong commitment to regionalism, leading to aligned economic policies, coordinated monetary systems, strong trade relations, and shared cultural affinities.

Contrary to the prevailing view that full market liberalization and privatization are the only catalysts for economic growth, our findings show that the failures in the CIS are due to flawed policies and a lack of robust regional cooperation. This challenges the simplistic liberal economic paradigm and emphasizes the crucial role of government engagement and the creation of a cohesive environment in promoting economic prosperity.

For CIS members, particularly Central Asian countries like Uzbekistan, improved economic performance is contingent on addressing political instability and security concerns while promoting regional integration. Creating a cooperative environment with neighboring countries and global markets is crucial. Even as governments promote market liberalization and privatization, they must maintain control to foster industry competitiveness and guide development toward sustainability.

Recent developments in Uzbekistan, including the eradication of the black market, bolstering regional connections, attracting foreign direct investment, and expanding into global markets, indicate significant economic growth potential. The developments align with the solutions proposed in this study and demonstrate a feasible path for Uzbekistan to transition from the periphery to the semi-periphery. Effective regional cooperation and integration are essential for the economic growth of post-Soviet countries.

The experiences of the Baltic states and CIS members confirm the central importance of regionalism, active state participation, and the resolution of political and security challenges. By embracing these principles, CIS members, including Uzbekistan, have the potential to pursue sustainable economic development and establish themselves as strong global economic competitors

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