

POLITICS, SECURITY, AND COMMERCE:
EFFECTS OF UZBEKISTAN'S MEMBERSHIP IN
MULTILATERAL SECURITY ORGANIZATIONS ON
BILATERAL TRADE FLOWS

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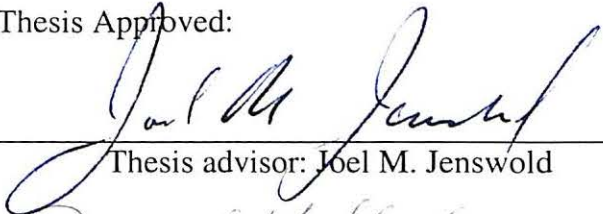
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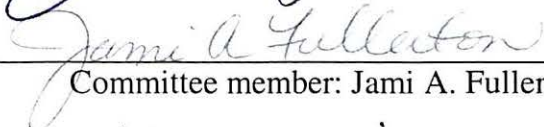
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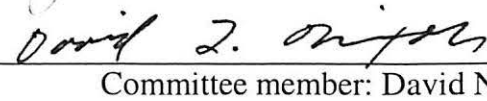
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List of Acronyms

CIS	Commonwealth of Independent States
CST	Collective Security Treaty
EACP	Euro-Atlantic Partnership Council
EBRD	European Bank of Reconstruction and Development
ECO	Economic Cooperation Organization
FY	Fiscal Year
GNI	Gross National Product
GUAM	Georgia, Ukraine, Azerbaijan, and Moldova
GUUAM	Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova
IMF	International Monetary Fund
IMU	Islamic Movement of Uzbekistan
NATO	North Atlantic Treaty Organization
NACC	North Atlantic Cooperation Council
OSCE	Organization for Security and Cooperation in Europe
PfP	Partnership for Peace
PTA	Preferential Trade Agreements
SCO	Shanghai Cooperation Organization
SES	Single Economic Space
UN	United Nations
U.S.	United States
UzSSR	Uzbek Soviet Socialist Republic

Chapter 1

Introduction

Central Asia is defined in this study as the five former Soviet republics geographically located south of Russia between China and the Caspian Sea. At the heart of the Great Silk Road, Central Asia was in the center of human civilization, leaving grand achievements in arts, architecture, science and poetry. Because of its riches and favorable geographic location, Central Asia was a battleground for numerous conquerors including Greeks, Arabs, and Mongols. In the 16th century the region, however, found itself cut off from the rest of the world for the next four centuries, first because the importance of the legendary Great Silk Road as a transport corridor connecting East and West vanished and later because Czarist annexation and Soviet rule isolated the region from the outside world.

The 19th century scramble between the European powers for colonies revived interest in the region. Russian and British empires fiercely competed for control of Central Asia's natural resources, markets and trade routes. This period of fierce struggles, espionage, coup d'états and intrigues between the great powers became known in history as the Great Game (Hopkirk, 1994). In his book, "The Great Game: The Struggle for Empire in Central Asia," Hopkirk (1994) argues that trade ties were frequently employed as an instrument of political influence. In the 19th century, the main spoil in the game was the huge landmass in the middle of the Eurasian continent- Central Asia, which was seen by both empires as a key to their security.

After the collapse of the Soviet Union in 1991, five new independent Central Asian states were formed: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. None of the countries had ever “existed in their present form,” within the borders of the former USSR (Rumer & Zhukov, 1998). At the beginning of the 1990’s, the newly independent Central Asian states seemed to have received little world attention. “Lumped together as the ‘stans,’” they were known in the West for authoritarianism and human rights violations (Aslund, 2003 & Ahrari, 2003). However, Central Asia’s enormous oil deposits and other natural resources eventually heightened interest in the area (Rumer & Zhukov, 1998). The September 11th events elevated Central Asia’s geo-strategic importance to a new level due to its geographic proximity to Afghanistan, large Muslim populations, and pro-U.S. ties (Kleveman, 2003; Menon, 2003; Rashid, 2002).

Central Asia has recently been labeled as the arena of “the New Great Game,” resonating with history (Kleveman, 2003; Menon, 2003; Rashid, 2002; Smith, 1996). Nowadays, the major difference is that the national interests of many nations are in play. Along with Russia and United States, which replaced Britain as a world power, new regional powers, such as China, Turkey, Pakistan and India have their own national interests in the region (Kleveman, 2003). The main spoil in today’s Great Game is the same as in the 19th century- to exert control of the region that will determine the future of Eurasian geo-politics. On the other hand, it has also been argued that the big powers are pushing for large untapped reserves of oil and gas and for control of pipeline routes. Central Asia is estimated to have the second largest energy reserves in the world (Kleveman, 2003).

Although the former U.S. Ambassador to Uzbekistan Henry Lee Clarke rejects “Great Game” politics in Central Asia (1999), American interests are apparent. Military presence in

Central Asia allowed the United States to wage war in Afghanistan against Al Qaeda and remnants of the Taliban (Rashid, 2002), politically isolate Iran from the region (Ahrari, 2003) and contain Chinese and Russian influence (Yom, 2002). The presence of U.S. and NATO troops in Uzbekistan, Kyrgyzstan, and Tajikistan disturbed Russia, China and other regional powers that border Central Asia (Aslund, 2003). In an atmosphere of diplomatic tension between Russia, China, the United States and other regional powers over influence in the region, the Central Asian republics pursued a policy of more active engagement in regional multilateral security organizations run by the great powers. The New Great Game alliances are not exclusive. Uzbekistan has chosen to pursue closer cooperation with NATO, but at the same time hosting a Shanghai Cooperation Organization (SCO) anti-terrorist center in Tashkent (McDermott, 2003). Kyrgyzstan granted U.S. and Russian troops access to its military bases. All Central Asian republics, with an exception of neutral Turkmenistan, are members of the SCO and all four enjoy partnership with NATO. In addition, Kyrgyzstan, Tajikistan, and Kazakhstan are signatories of the Collective Security Treaty (CST).

Purpose of the Study

In the light of the latest regional security developments, it is extremely interesting to examine the impact of security alliances on international commerce in Central Asia. As mentioned earlier, in the 19th century commerce was used as one of major instruments to build closer personal ties and gain control over the area. This study hypothesizes that trade arrangements and aid continue to serve the same purposes. The purpose of this study is therefore to examine the relationship between security alliances and commerce in Central Asia, a subject about which there is little systematic knowledge.

This study specifically aimed at examining the relationship between Uzbekistan's membership in security organizations and its bilateral trade flows. The reason for choosing Uzbekistan is that it is the most populous state and the largest economy in the region. In addition, possessing the largest and best-trained army in the area, the republic has emerged as a key player in regional security (Kazemi, 2003). Membership in military blocks is likely to increase its military prowess. But how has the membership in security organizations influenced Uzbekistan's commerce with its allies? Has close military partnership and membership in security organizations opened new economic opportunities for Uzbekistan? Which security alliance is gaining preeminence in Uzbekistan's external trade relations? These and other questions will be addressed in this study.

Significance of the Study

After the attacks on Washington and New York on September 11, 2001, Central Asia emerged as a key strategic area on the globe. The region is now in the focus of various security organizations. The unprecedented degree of military cooperation between the former Soviet Central Asian republics and multilateral security organizations has been astonishing. Although political and social implications of the security arrangements in Central Asia have excited a great deal of scholarly debate, there appears to be a huge gap in academic literature on relationship between membership in regional security organizations and international commerce in Central Asia.

This relationship is extremely important to study, assuming that politics and regional security have an impact in shaping trade. This study does not examine causality as if membership in security organizations causes changes in trade patterns. It solely focuses on

testing the proposition that participation in security organizations is related to increase of trade flows and improvement of trade balance. The study will thus help to gain insights into Central Asian politics, which have not been previously studied from this perspective.

Organization of the Study

The following study is divided into seven chapters. The first chapter is an introduction, which states the purpose and significance of the study. Chapter 2 presents an overview of the Republic of Uzbekistan and the multilateral security organizations, in which it has been a member for the past ten years. Chapter 3 is a literature review that consists of two parts. The first part surveys relevant published literature on the effects of political determinants on foreign trade patterns. The second part is a review of studies examining political and economic factors that influence foreign trade in Central Asia. The fourth chapter presents the hypotheses and introduces a model that measures bilateral trade flows. The fifth chapter is a description of the results. Chapter 6 discusses the impacts of Uzbekistan's membership in security organizations on its bilateral commercial flows. The goal of Chapter 7 is to summarize and provide limitations and suggestions for future research.

Chapter 2

Background: Uzbekistan

Uzbekistan is located between Central Asia's two major rivers, the Amu Darya and Sir Darya. It is bordered by Kazakhstan to the north and northwest, Kyrgyzstan and Tajikistan to the east and southeast, Turkmenistan to the southwest, and Afghanistan to the south. Uzbekistan does not have a direct access to high sea ports and along with Liechtenstein, is one of the only two doubly landlocked countries in the world (CIA, 2004). Uzbekistan, whose capital is Tashkent, is as big as the state of California (Clarke, 1999) and has population of 26 million.

Most of its population (60%) live rural areas and are employed in agriculture (CIA, 2004). Uzbekistan's young population (the median age is 21) is ethnically homogeneous, with the Uzbeks, a Turkic-speaking group, making up 80% of total population. The large minority ethnic groups include Tajiks (5%), Russians (5%), and Kazakhs (3%). Around 88% of population is Sunni Muslim and 9% is Orthodox Christian (CIA, 2004).

Uzbekistan is a presidential republic with most of the power concentrated in the hands of President Islam Karimov, a former first secretary of the Communist party of the Uzbek Socialist Soviet Republic (UzSSR). The president is *ex officio* chairman of the Cabinet of Ministers with a power to appoint and dismiss the prime minister, cabinet ministers, the procurator general and regional governors (Bohr, 1998). The office of president serves as "a center of political and economic life in Uzbekistan, while the

legislature was reduced to a large advisory role” (Kazemi, 2003, p.210). Although, the Uzbekistani constitution allows the president to serve two consecutive terms, through several referendums, Karimov extended his presidency through 2007 (Kazemi, 2003).

Following independence in 1991, Karimov’s government “sought to prop up its Soviet-style, largely closed economy with subsidies and tight controls on production and prices” (CIA, 2004). Since 1996, the government actively pursued an import substitute strategy and had to tighten controls over exports and foreign currency exchange after the Russian financial crisis of 1999 (IMF staff country report, 2000). As a result, the measures undertaken further increased “the government's control over business decisions” (CIA, 2004). The World Bank (2004) places Uzbekistan in the low income group of nations with a Gross National Income (GNI) per capita of \$460.

The Uzbekistani government maintains tight control of the political life of the society and demonstrates little tolerance to political opposition or criticism of its policies. A decree issued in 1993 requires all political parties and public organizations to register at the Ministry of Justice. As a result, all opposition parties were either denied official registration or refused to submit papers regarding the decree unconstitutional (Bohr, 1998). A year earlier, the government banned several pro-Islamic groups, based in the Ferghana valley (Ahrari, 157). President Karimov justified the crackdown on these groups and tight political control of the society because of the threats of upheaval and instability caused by the growing Islamic political movements (Borh, 1998). However, Western scholars argue that political repressions and limited economic progress bolster the Islamic extremism in the republic (Kazemi, 2003 & Borh, 1998).

Background: Multilateral Security Organizations

Uzbekistan has been a member in number of multilateral security organizations for the past decade including GUUAM, NATO's PfP, SCO and CST. The republic has been cooperating with the multilateral security organizations on a range of political and security-related matters, including regional security, peacekeeping, arms control, and defense economic issues. Specifically, the Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova Group (GUUAM) was formally founded as a strategic, economic, and political alliance designed to strengthen sovereignty of its members. The North Atlantic Treaty Organization's (NATO) Partnership for Peace program (PfP) is based on a two-year action plan that focuses on consultations and cooperation on politico-security issues. The purpose of the Shanghai Cooperation Organization (SCO) is to encourage effective cooperation between its members, especially on security issues. CIS Collective Security Treaty (CST) is aimed at fostering military-technical cooperation and information exchanges between several former Soviet republics.

Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova

GUAM Group was originally founded in 1996 as a political, economic and strategic alliance designed to strengthen the independence and sovereignty of Georgia, Ukraine, Azerbaijan and Moldova. The four had in common their opposition to Russia's dominant position in the CIS, expressed in its military presence on their territories or dependence on Russia in the sphere of energy transportation routes and supplies (Salukvadze, 2001). The

GUAM member states, therefore, saw their primary goal as strengthening their independence while enhancing economic cooperation through development of an Europe-Caucasus-Asia transport corridor (GUUAM Group, 2004). Uzbekistan joined the initial group during the GUAM summit, which was held in Washington, D.C. in April 1999. Enlarged, GUAM became GUUAM.

During the nine years of its existence, GUUAM became an important intergovernmental group for enhancement of regional security, principles of sovereignty, territorial integrity and inviolability of borders, which is expressed through joint exercises, consultations, and exchange of information on military and regional security issues (GUUAM Group, 2004). The Presidents of the GUUAM countries pledged to intensify multilateral cooperation within the framework of the GUUAM by giving it a multilevel character (GUUAM Group, 2004). Although the presidents did not sign an expected agreement on free trade, they reconfirmed their commitment to intensify regional economic cooperation, foster beneficial trade relations and implement joint financial projects between the GUUAM member states.

Since its creation, GUUAM has been dependent on U.S. support and encouragement. The U.S. Congress has been providing financial support for the GUUAM Group. It provided \$ 9 million in foreign and military assistance in fiscal year (FY) 2001 alone. For the FY 2002, the amount of Congressional aid increased 400% to about \$37 million (GUUAM Group, 2004). Recently, the United States committed \$1 million to the GUUAM in the form of expert and consultative assistance to intensify efforts to establish a free trade area (GUUAM-U.S. Communiqué, 2003). In turn, the GUUAM presidents pledged to develop

interaction within the framework of the Euro-Atlantic Partnership Council (EAPC) and NATO's PfP program.

Euro-Atlantic Partnership Council and NATO's Partnership for Peace

Uzbekistan has been developing its cooperation with NATO since it became a member of the North Atlantic Cooperation Council (NACC) in December 1991 ("Uzbek mission to NATO," 2004). The EAPC was set up in 1997 to succeed the NACC. It brings together 19 NATO members and 27 partners. The EAPC provides an opportunity for political negotiations on all aspects of partnership between NATO allies and partners. The Council meets once a month at the level of ambassador. Uzbekistan, as a non-NATO EAPC member, has a mission accredited to NATO headquarters in Brussels.

The EAPC activities complement NATO's PfP programs, which were established in 1994 and based on a two-year action plan established between each country and NATO. The PfP programs focus on cooperation "on a range of political and security related matters, including regional issues, arms control, international terrorism and others." (NATO handbook, 2001). Uzbekistan signed the PfP Framework Document on July 13, 1994. The republic has been actively participating in the activities organized under the framework of the EACP and PfP, in particular NATO joint exercises (Uzbek mission to NATO, 2004). According to the Head of the Uzbek mission, Alisher Shaykhov, Uzbekistan views its cooperation with NATO as "a way of strengthening the independence and acquiring modern technology," and as an important tool aimed at the establishment of global security and stability (Uzbek mission to NATO, 2004).

Shanghai Cooperation Organization

The SCO is an intergovernmental organization founded in Shanghai, China on June 15, 2001 by six countries: China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. SCO's predecessor, Shanghai Five, which did not include Uzbekistan, was founded in 1996 with the purpose of solving border problems. The Shanghai Five gradually evolved into multilateral cooperation on a wide range of issues with regional security and anti-terrorist activities remaining among its top goals. According to the charter of the SCO, the main goals of the organization are working together to maintain regional peace, security and stability; fostering effective cooperation in political affairs, trade, energy, transportation and other fields.

The SCO members disagree about which goals should be given priority. Small countries like Kyrgyzstan and Tajikistan prefer to emphasize regional security needs and in particular development of anti-terrorist capabilities (Blagov, 2002), while China and Russia seek to intensify economic cooperation and multilateral trade (Declaration by the Heads of Member States of the SCO, 2002). Nonetheless, the recent developments demonstrate that regional security remains a key component. The SCO anti-terrorist center in Tashkent became operational earlier this year. Military maneuvers in August 2003 focused on combating separatists and terrorists, providing a security alternative to the U.S. presence in Central Asia (McDermontt, 2003).

CIS Collective Security Treaty

In May 1992 Russia, Armenia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan signed CST in Tashkent. Georgia, Azerbaijan, and Belarus acceded to the Treaty later. The

Collective Security Council, the Treaty's supreme political body, comprises national heads of states and the Commander-In-Chief of the joint CIS armed forces. The Collective Security Council has supreme consultative bodies such as the Council of Defense Ministers and the Council of Foreign Ministers of signatory countries, which coordinate joint activities and provide the required support for such activities. The CST states agreed on deepening military cooperation and refraining from the use of force against each other in order to settle mutual differences. In the case of aggression against any of the signatories, other members pledged to provide military assistance.

However, the signatories of the CST were not able to reach a comprehensive agreement on military cooperation; and therefore, conduct a coordinated policy in the sphere of collective security (Heenan & Lamontagne, 1999). On April 2, 1999 at the session of the Collective Security Council the presidents of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan signed a protocol on prolonging the treaty for another five-year period. However, Azerbaijan, Georgia and Uzbekistan decided not to renew their membership in the Treaty.

Chapter 3

Literature review

Economic and Political Determinants of International Trade

What explains international trade patterns? How do countries choose their trading partners? Questions of this type have agitated the minds of scholars for a long time. In attempting to answer these and other questions, researchers developed a substantial body of literature on economic and political determinants of international trade patterns. Ricardo's theory of comparative advantage with its concept of relative cost and price differences became the basic modern theory of international trade. Later the Heckscher-Ohlin theory developed into another cornerstone of modern trade theory. For a half-century, it tried to explain international trade through differences in labor productivity across nations (Helpman, 1999). It emphasized the role of labor, capital, and land in explaining how factor endowments shape a nation's patterns of international trade.

However, in the second half of the 20th century beginning with the "Leontief paradox" (Leontief, 1956), some scholars began questioning the conventional theories. Krugman (1983) suggested that "the conventional model of comparative advantage does not give an adequate account of world trade" and therefore does not accurately predict certain trade patterns (p. 343). Economic determinants that could help provide a better explanation of foreign trade patterns have been the subject of considerable empirical research. The

economic theories such as economies of scale, intrafirm trade, and the like attempted to offer an alternative explanation of world trade (Helpman, 1984; Yarbough & Yarbough, 1990).

The second theoretical approach, based in political thought, focused on exploring the role of extra-economic factors in international trade, particularly political and social ones. Recognizing the important role of profit-driven firms and individuals, this approach postulates “that the structure of nation states and the interdependence of nations is the key to understanding trade policies” (Hansen & Park 1995, p. 184; Keohane, 1978). By pursuing their own national interests, a nation state plays a major role in shaping trade patterns. The studies representing a statist approach select the nation states as the unit of their analysis and partner composition, trade volume, and state trade policies as the object of investigation (Dixon & Moon, 1993).

There exists substantial empirical research on the effects of preferential trading arrangements on bilateral trade flows. This work accentuates bilateral or multilateral trade bargaining aimed at reducing tariffs between trading partners. Most of the studies found that in preferential trading arrangements (PTA) increase trade among member states, although trade intensity could vary (Brada & Mendez, 1983; Pollins, 1989). While PTAs facilitate trade between member states by reduction of tariffs; they seem to have a negative effect on excluded countries. Krueger (1999) who surveyed and summarized the debate on the effects of PTAs, points out that there are substantial grounds to justify the threat to open multilateral trade systems arising from regional PTAs.

Another set of theories rigorously considers the role of political factors in foreign trade patterns such as the significance of politico-military alliances, foreign policy, political relations, form of government and others. There have been fewer studies that examine the

effects of the political factors on bilateral trade flows. Gowa and Mansfield (1993) found that alliances exert “a direct, statistically significant, and large effect on bilateral trade flows,” although these effects could vary (p. 416). In their study, they came to the following conclusions: free trade flows are more likely to be stronger within alliances rather than across them. Bilateral alliances and alliances in bipolar systems have a greater influence on trade intensity. But in general alliances could be considered an important political determinant of international trade.

In addition, Mansfield and Bronson (1997) discovered that alliances and preferential trading agreements together promote bilateral trade and in combination they generate more commerce than does either alone. Trade with an ally or a PTA partner significantly reduces the possibility of imposing high tariffs on products and expropriation of assets located overseas by a foreign government. The researchers also emphasized the tendency of major powers “to promote trade with allies at the expense of political rivals”(Mansfield & Bronson, 1997, p.104).

Along with mutual benefits, international trade can also generate security externalities (Walt, 1988). Neorealism claims that trade brings economic benefits that nations will devote to producing a military advantage and then use against a trading partner (Morrow, 1997). States may therefore reject opportunities for mutually profitable trade because of these “relative gains” (Grieco, 1988). States with extensive market powers can also discriminate in their foreign policies between “favorable” partners and adversaries (Gowa, 1994). Nonetheless, the most recent studies found no evidence that trade can generate significant security externalities. One of these studies finds that relative economic gains are unlikely to

interfere with cooperation, since they are distributed quite evenly between partners (Lieberman, 1996).

Some scholars are skeptical that alliances alone can enhance foreign trade (Morrow et al., 1998). The researchers argue that it is uncertain whether alliances may increase or decrease trade. Political determinants of international trade such as political relations between states and similarity in political systems play a much bigger role than alliances (Morrow et al., 1998). Mutual democratic institutions and common interests are likely to increase bilateral trade flows. A dyad of democratic states has trade twice that of a non-democratic dyad.

Dixon and Moon's study (1993) also tested two of these aspects of the relations between nations that could predict an increased trade level for U.S. exports. The results of their study indicated that similarity in political systems and similarity in foreign policy orientation have a substantial impact on trade patterns. American exporters appear to have greater business success in the countries that share U.S. democratic values and have similar foreign policy orientation as measured by the voting patterns in the United Nations. Moon and Dixon (1993) also argue that trade is likely to be facilitated by foreign aid and trade credits in the presence of open and friendly diplomatic relations between countries.

Pollins constructed a model that incorporated a foreign policy orientation as a determinant of trade (1989). His findings show a considerable support for the hypothesis that dyadic economic exchange between states is significantly and continuously impacted by "international conflict and cooperation" (Pollins, 1989). The researcher emphasized that this relationship between international politics and commerce is reciprocal. Each one can influence the other.

Almost all of the above studies on political determinants of international trade use data collected during the period of the Cold War and largely rely on empirical research involving major powers or developed countries. Yet, the existing research rarely examines bilateral trade patterns of developing countries. Few studies could be found on the effects of multilateral organizations on foreign trade flows that were specifically focused on developing countries. The existing studies rather tend to discuss trade dependency and economic dominance. Examination of trade patterns in Africa revealed that economic links to former metropolises remain stable, fluctuating little since independence. (Athow & Blanton, 2002).

Foreign Trade in Central Asia

Contrary to popular belief, Central Asia has been one of the most dynamic parts of the world, with high economic growth (Aslund, 2003). Foreign trade has been very important for the newly independent states from their beginning in 1991. The economic growth has mainly relied on foreign trade, especially for two biggest Central Asian economies: Kazakhstan and Uzbekistan (Rumer, 2000). Exports of primary products provided most of the foreign revenues and accounted for much of the economic growth. Traditionally they were dependent in trade on Russia and other Soviet republics (Aslund, 2003). However, in the 1990s all former republics, including those in Central Asia, saw a significant drop in the CIS trade. The study of the geographic structure of CIS foreign trade by Trushin revealed that in the mid 1990s total volume of trade amounted to 35% of the level in 1991 (Rumer, 2000). At the same time, the trade turnover with non-members increased dramatically (IMF staff country report, 2000).

There exists several explanations of the above mentioned foreign trade patterns. Trushin (1998) suggests that the deep economic crisis in the former Soviet republics and the break up of economic ties accompanied with the rise of protectionism contributed to the decline of trade with member states of the CIS. Spechler (2000) asserts that desperate for foreign currencies, most of the republics exported their products to external markets where they were paid higher prices in addition. As a result, higher prices in overseas markets contributed to the growth of trade turnover with non-CIS countries.

Intraregional trade in Central Asia followed the same pattern as that in the CIS. Despite geographic proximity and close economic and cultural ties, the trade between newly independent states in Central Asia declined dramatically. Although the studies conducted in the first half of the 1990s demonstrated active trade being carried on between all countries of Central Asia (Trushin, 1998), findings of later studies were alarming. The trade volumes among Central Asian states decreased (IMF staff country report, 2000). Moreover, Boris Rumer (2000) describes the beginning of trade wars between Central Asian States. In 1999 the republics began to impose strict restrictions and heavy duties on trade with Russia and between each other. Kazakhstan went further and cut out the railroad connection from Uzbekistan and Kazakhstan to Russia (Rumer, 2000). This has largely contributed to growing tensions and animosity between these states.

Determinants of Uzbekistan's Foreign Trade

Some researchers understandably blame Uzbekistan for the drop in intraregional trade (Rumer & Zhukov 2000). Uzbekistan, a key country because of its population and economic potential, neither extended special preferences to CIS partners nor attempted to integrate, at

least economically, with other Central Asian states (Spechler, 2000). Uzbekistan pursued the strategy of export globalism consisting of obtaining capital goods by exporting primary products such as cotton and gold (IMF staff country report, 2000; Spechler, 2000; Spechler, 2000a). In order to avoid economic as well as political dependence on neighboring countries and Russia, Uzbekistan also promoted an import substitution strategy (Spechler, 2000a). It tried to replace previously imported Russian/CIS goods with its own production in order to lessen the dependence on imports from these countries and improve the balance of payments.

Uzbekistan's governmental intervention into all spheres of economic activities remained pervasive (IMF staff country report, 2000). The government continued to determine production targets, pricing and marketing arrangements for most agricultural production. It also kept a tight grasp on entrepreneurial activities. The government maintained "firm control over most of trade activities including export licensing, bilateral flows, clearing arrangements, and access to hard currency" (Connolly & Vatnick, 1994). Within a state-controlled policies framework, Uzbekistan's trade declined significantly.

In addition, external factors should be considered when investigating the causes of intraregional trade drop between the Central Asian states. The inspection of trade data for the region demonstrates a continuing decline in foreign trade for all countries throughout 1998 and 1999. The IMF staff country report (2000) reveals that the Uzbekistani economy was largely influenced by three major external shocks at the end of the 1990s- the Russian financial crisis, a poor cotton harvest, and decline in world prices on cotton and gold. Export earnings dropped dramatically and the balance of payments worsened significantly. Other Central Asian states experienced similar external shocks.

Several scholars explicitly and implicitly point out that Uzbekistan's foreign policy and political relations have enormously influenced the shape of its trade patterns and geographic composition of trading partners (Aslund, 2003; Kazemi, 2003; Rumer, 2000). Uzbekistan's obsessive pursuit of sovereignty led to emergence from the Russian influence and "diversification of relations with outside world" (Kazemi, 2003). Uzbekistan tried everything to join any international structures that could lessen its traditional economic dependence on "the older brother," Russia (Kazemi, 2003). In 1991 Uzbekistan embraced the Economic Cooperation Organization (ECO), which was dominated by the largest economies in the region -Turkey, Pakistan, and Iran (Bahae & Saremi, 2002). Yet Uzbekistan's fear of radical Islam undermined political relations with these three Muslim countries (Kazemi, 2003). A study that assessed ECO performance during the 1990s indicates that it was extremely poor in terms of increasing intra-regional trade (Bahae & Saremi, 2002).

Uzbekistan was not the only former Soviet republic that tried to escape Russian influence. As a result, two major political blocks emerged in the former Soviet Union (Rumer, 2000). The first included members of the defensive alliance of the CIS: Russia, Belarus, Armenia, Kazakhstan, Kyrgyzstan and Tajikistan. Uzbekistan, Azerbaijan and Georgia chose not to renew the defensive treaty in 1999. The second political alliance was composed of Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova (GUUAM). The country members of GUUAM increasingly demonstrated their pro-U.S. and NATO stance (Rumer, 2000). They actively participate in the NATO's PfP program. It is also important to note that PfP goals include fostering market economies and trade relations along with providing military logistic support (Groves 1999).

Feither (2002) described post September 11 politics in Central Asia in his article. Uzbekistan's common borders with Afghanistan and four other Central Asian states made it strategically important for Washington. Cooperation between Uzbekistan and the United States entered into a new more active phase after 2001. Uzbekistan permitted the United States to use its military and air bases for the military operation in Afghanistan. In its turn, the United States promised "tripling of U.S. foreign assistance to Uzbekistan in 2002- \$160 million" (Feither, 2002, p. 86). The American military involvement in Central Asia alarmed Russia and China. In response to U.S. military presence, Russia enhanced its own military activities by opening an air base in Kyrgyzstani Kant (Azizian, 2003). It has also pushed for establishing a Single Economic Space (SES) that would unify markets of several CIS states including Kazakhstan, Uzbekistan's rival for regional supremacy (Jellinek, 2004).

Another influential political player, China, considers the U.S. military presence in Central Asia an attempt to strengthen American influence at the expense of China, Russia, and Iran (Chung, 2003). Chung (2003) elaborates further on this issue and reviews China's response to curtail the rising influence of the United States. He argues that the SCO serves this purpose particularly well. Since 2001, there has been some cooling of diplomatic relations between the SCO and Uzbekistan, which is the closest U.S. ally in the region. Uzbekistan did not participate in the SCO joint exercises last summer. It also failed to send its representatives to several recent SCO summits (Blagov, 2002).

The review of the existing economic and political literature on Central Asia clearly points toward the growing regional tensions between members of several military blocks including those internal to Central Asian. As former U.S. Ambassador Henry Lee Clarke (1999) referred to Uzbekistan, the country has become "the central piece of the puzzle of

Central Asian stability.” It will be especially valuable to examine interaction of Uzbekistan’s participation in politico-military alliances and its foreign trade patterns since the recent focus of the international community on Central Asia. Previous research revealed that trade patterns can be greatly affected by political factors, including alliance membership. This study shares the theoretical assumptions with past literature that membership in regional security organizations are most likely to influence Uzbekistan’s bilateral flows.

Although several studies examined political and social implications of security organizations on Central Asian states, no studies could be found that specifically addressed the impact of alliances on bilateral trade flows in any of Central Asian states. Motivated by the lack of empirical research assessing bilateral trade flows in Central Asia, this study examines the magnitude of the relationship between alliances and trade. The study will test previous studies, most of which relied on trade data of major powers collected during the Cold War period. It will also provide insights into the evolving nature of regional politico-security structures and international commerce in the post-Cold War period.

Chapter 4

Methodology

Developing Hypothesis

The primary goal of this study is to examine the relationship between Uzbekistan's bilateral trade relations and its membership in multilateral security organizations. Therefore, the first hypothesis is:

H1. Uzbekistan's membership in multilateral security organizations has an impact on its bilateral trade flows.

Particularly, it will measure whether foreign trade shares between Uzbekistan and its allies have increased over the time. Any significant increase in trade flows between alliance members will indicate that alliances influence trade patterns.

The second hypothesis will examine whether membership in alliances closely associates with beneficial economic relations for Uzbekistan.

H2. Membership in regional security organizations is beneficial for Uzbekistan.

Specifically, economic advantage is defined in terms of a) increase of trade shares in bilateral trade and b) positive balance of trade. The latter refers to the difference between the value of the goods and services that Uzbekistan exports and the value of the goods and services that it imports. When exports exceed imports, the balance of trade is said to be positive.

Design and Measurement

One of the most frequently used bilateral trade pattern determinations is the “gravity model” (Gowa, 1994; Dixon & Moon, 1993; Mansfield & Bronson, 1997; Pollins, 1989). The gravity model describes trade flows between two countries in terms of total exports and imports, size of the economy, size of the population and geographic distance between given countries (Mansfield & Bronson, 1997; Morrow & Siverson, 1998, Gowa & Mansfield, 1993).

However, computation of this complex formula requires testing of multiple variables and their interaction. Unfortunately, not all economic data are available for Uzbekistan. A simpler model, which utilizes easily accessible trade data to analyze bilateral commercial flows between Uzbekistan and its allies will be used. One of the ways to accomplish this goal is to examine trade shares between Uzbekistan and its allies from regional security organizations. A trade share is defined as “a proportion of the trade between two countries to the total trade of a given country” (Athow & Blanton, 2002, p. 226). Uzbekistan’s trade share (%) with a trading country can be expressed as:

$$S_{uj} = T_{uj} / \sum T_u \times 100\%$$

Where

S_{uj} = trade share (exports plus imports) of Uzbekistan to country j

T_{uj} = trade (exports and imports) between Uzbekistan and j , and

$\sum T_u$ = total trade of Uzbekistan.

Trade shares have one major weakness because they do not entirely account for the size of economies. Therefore, they are likely to underestimate or overestimate trade intensity between countries or a group of countries (Athow & Blanton, 2002). Nevertheless, in most

studies they are frequently used as a common and “readily-interpretable index” of the amount of trade between two countries.

The foreign trade data used in this study was drawn from the Direction of Trade Statistics (DOTS) published annually by the International Monetary Fund (IMF). The complete data set includes annual values of Uzbekistan’s imports and exports in millions of U.S. dollars. Furthermore, the IMF reports the trade flows as zero if little trade is conducted between a pair of countries and if data are not available for certain pairs of countries. As such we these pairs are not included in any of this analysis. The time frame of the analysis is the first decade of Uzbekistan’s independence (1993-2003). In this study 1991, 1992 and the two last quarters of 2003 are not considered because trade data are not available.

Although Uzbekistan is a member of numerous international organizations, this study will focus only on multilateral security organizations. The study regards all politico-security organizations, military blocks, ententes, defense pacts and military partnership programs as multilateral security organizations. Uzbekistan is considered a member beginning in its full year of membership in the specified multilateral security organization. The multilateral security organizations used in this study are:

- CIS Collective Security Treaty (1991-1999).
- NATO’s PfP programs (1994-present) and the EAPC (1991-present)
- OSCE (1992-present)
- GUUAM (1999-present)
- SCO (2001-present)

Uzbekistan is also a member of the OSCE, the largest regional security organization in the world with 55 participating members from Europe, Central Asia and North America.

This organization is not included in the analysis for the following reasons. First, Uzbekistan's cooperation with the OSCE has been quite limited and focused primarily on economic and environmental issues (Erozan, 2003). Second, the OSCE is a big regional organization, which is composed of 55 members. Members of NATO, SCO, G7 and CST are simultaneously members of the OSCE.

Expected Relationships

Alliances primarily serve for security reasons, especially for smaller nations. States appear to form alliances to balance against mutual threat (Morgenthau & Thompson, 1985; Waltz, 1979; Walt, 1988). Although there are several versions of the power-balance theory, the most prominent neorealists agree with the prediction that smaller and weaker states utilize alliances to oppose stronger powers. Moreover, Walt (1988) suggests that balancing behavior will be frequent when 1) states are strong enough to alter a power balance in a region; and 2) effective partners are available to form a strategic alliance. Central Asia seems to account for all of the above conditions, indicating that membership in security organizations is a matter of both political and economic convenience in contemporary Central Asia.

Nevertheless, we expect to find that Uzbekistan's politically motivated membership in regional security organizations will produce an increase in bilateral commercial flows. Moreover, we expect that the growth will be greater when analyzing dyadic trade with big powers, so-called main players in alliances. They are more likely to attempt to facilitate trade by rewarding their allies for participation with foreign aid, trade credits or granting a most preferred nation status. As to bilateral trade between smaller states, members of the

same alliances, it is expected that the relationship will not be very significant unless they are located in close geographical proximity and enjoy common cultural and economic ties.

In turn, the Uzbekistani government will most likely prefer to foster trade with the allies it considers “strategic.” As discussed earlier, in Uzbekistan the state sector accounts for a substantial share of the economy. Accordingly, the state is involved in most of foreign trade transactions. This type of trade is mostly likely to be responsive to political relationships (Dixon & Moon, 1993). Firms of these “strategic” allies seem to have higher chances of receiving an access to the restricted Uzbekistani economy, particularly to import licensing and foreign currency convertibility. Although trade shares may increase over the time, there is a high possibility that imports from industrialized countries will exceed exports. Uzbekistan therefore might carry a large negative balance of trade with its Western allies. This is due to several reasons: high competitiveness of western goods and Uzbekistan’s development policy, which encourages imports of capital goods from the West.

Chapter 5

Results

I. GUUAM

A look at the comparative foreign trade data and the balance of trade with the GUUAM member states reveals that Uzbekistan's share of trade has always been quite insignificant with the three GUUAM member states- Azerbaijan, Georgia, and Moldova (see Table 1). The republic's share of trade with these countries jointly accounted for less than 0.5%. As shown, Ukraine is the most important trading partner for Uzbekistan among the GUUAM members. Throughout the 1990s, Uzbekistan's share of trade with Ukraine was 4% on average. At the beginning of the 1990s, Uzbekistan's volume of trade with the GUUAM had been persistently growing and reached \$464 million in 1997. However, the volume of trade as well as share of trade dropped drastically in the following year. This may be largely attributed to the Russian financial crisis, which had negative effects on economies in all CIS countries. As a result, external commercial activity dropped between all of the republics.

Before Uzbekistan joined GUUAM in 1999, its balance of trade with the GUUAM member states was negative, i.e. their imports exceeded Uzbekistani exports. In 1998, the trade deficit with the GUUAM countries reached its highest figure of \$132 million. It should be mentioned that \$126 million of this deficit was carried with its major trading partner in the

alliance - Ukraine. As Table 1 shows, Uzbekistan also carried a continuous trade deficit with Georgia and Moldova.

The examination of the data after Uzbekistan's entry into GUUAM reveals that its trade relations with the alliance improved significantly. The trade share with GUUAM countries increased from 3% in 1999 to 9% in 2002. The growth of trade volume is largely linked to increased trade activity between Ukraine and Uzbekistan. Uzbekistani exports to Ukraine doubled during this period. Moreover, for the first time Uzbekistan enjoyed a favorable balance of trade with Ukraine. Though in 1998 Uzbekistan had \$126 million deficit with Ukraine, after 1999 it enjoyed an annual \$40 million trade surplus with it. Uzbekistan improved its balance of trade with Georgia and Azerbaijan as well. Overall, the data demonstrate considerable improvements in Uzbekistani trade relations and its balance of trade with GUUAM member states since Uzbekistan joined the organization.

II. CIS Collective Security Treaty

The results of the thorough inspection of trade data for the CIS countries are echoed in findings of previous studies that show deteriorating trade relations between CIS countries (IMF staff country report, 2000; Trushin, 2000). Consistent with previous findings is the discovery of a significant decline in Uzbekistan's trade shares with traditional partners from CIS in the 1990s. Uzbekistan's trade share with CST member states dropped from over 50% in 1994 to 24% in 1998 (Table 3). It accounted for about a quarter in 1999. The most significant decline in foreign trade was with Uzbekistan's major trading partner- Russia, from 40% in 1994 to 11.2% in 1999. Similar patterns can be observed for another traditional partner- Kazakhstan, from 7.15% to 2.5%. Trade with the North Caucasian republics of

Azerbaijan, Georgia and Armenia accounted for a minor share of trade- less than 1% of total trade.

Uzbekistan carried a huge chronic trade deficit with its allies from the CST. The figures were \$600 million for Russia in 1996, \$140 million for Kazakhstan in 1996, \$ 52 million for Belarus in 1996, and \$70 million for Kyrgyzstan in 1998. As Table 3 indicates, Uzbekistan enjoyed a favorable trade balance only with Tajikistan in this period. However, the volume of trade with Tajikistan was minor.

While the data analysis used in this study is inadequate to prove causality, Uzbekistan's withdrawal from the CST in 1999 appears to have a tremendous impact on its commercial flows. Since 1999 Uzbekistan enjoyed for the first time had a favorable balance of trade with the CIS. Therefore, Uzbekistan's membership in the CST seemed not to improve its trade relations with CIS members. Just the opposite, they dramatically deteriorated. During membership, Uzbekistan's volume of trade was continuously decreasing with its major trading partners and it was quite insignificant among other CIS members. This finding is an apparent contradiction to the proposition that alliances are likely to contribute to fostering trade relations between its members.

III. NATO's Partnership for Peace

Since independence Uzbekistan intensively sought ways to reorient its economy away from the CIS. It chose to expand political, economic, and military cooperation with the West. As a result of this policy, Uzbekistan's trade outside the CIS has been increasing at the expense of trade with the CIS. It should be noted this trend is typical for other CIS member states as well.

NATO member states Germany, Italy, Turkey and France were Uzbekistan's main trading partners, accounting jointly for over 20% of the value of Uzbekistani trade in the first half of the 1990s. A further assessment of trade data shows that Uzbekistan's share of trade with the NATO member countries was maintained at 30% level between 1994 and 1997 (see Table 2). There were no drastic changes in the percentage of trade share during this period despite minor fluctuations. A glance at patterns of Uzbekistan's bilateral trade with individual countries demonstrates the following. Two years later, after Uzbekistan joined NATO's Partnership for Peace program, the volume of trade with the United States soared from \$83 million in 1995 to \$537 million in 1996, with U.S. imports accounting for \$387 million. This could be attributed to an increase in U.S. interest in Central Asia and Uzbekistan. In the same period, Uzbekistan's volume of trade doubled with Turkey and Great Britain. The examination of data indicates that Uzbekistan's volume of trade with other NATO countries increased between 1994 and 1996, reaching its height in 1996.

However, in 1998 Uzbekistan's share of trade with NATO member countries fell dramatically from 31.7% in 1997 to 21.7% in 2000. Nevertheless, this fact does not necessarily suggest that trade intensity declined between Uzbekistan and NATO. This could be attributed to deteriorating terms of trade. In 1998-1999 world prices for cotton and gold, export commodities that accounted for almost half of Uzbekistani exports, fell dramatically. Uzbekistan's volume of trade measures in ml. of USD dropped by 50% with the United States, Turkey, Germany and Poland, its major trading partners. The trade volume remained the same only with Belgium and the United Kingdom.

A year later, after the September 11 events, Uzbekistan's share of trade with NATO member countries soared again and reached its 1997 level of 32%. The share of trade almost

doubled with Turkey, Poland, Italy and the United States. It should be noted that while the share of trade with NATO members increased, the volume of trade did not change after Uzbekistan's support of the West in the war against terrorism. The volume of trade with NATO remained at 1997 level, around \$1300 million, while the volume of Uzbekistani trade with the world shrank almost in half, from \$2360 million in 1997 to \$1290 million in 2002. This probably explains the dramatic increase in trade shares with the NATO.

A look at Uzbekistan's balance of trade shows that Uzbekistan continuously carried a large trade deficit with its major trading partners from NATO during the entire period of its participation in the NATO's PfP program (Table 3). The imports of machinery and capital goods from the developed countries always exceeded Uzbekistani exports of raw materials. Uzbekistan enjoyed a trade surplus only with Spain, Portugal, Italy and Poland whose trade share consists of about 5 %.

IV. Shanghai Cooperation Organization

As shown in the Table 4, Uzbekistan enjoyed a sizeable trade with SCO member states, especially Russia and Kazakhstan. However, between 1994 and 1999 Uzbekistan's share of trade with the SCO countries fell dramatically from 52% to 23%. This huge drop is primarily linked to a large decline of Uzbekistan's trade with Russia and Kazakhstan, its major trading partners. Since 1998 when Uzbekistan started to demonstrate a great interest in the SCO, its share of trade with Russia and Kazakhstan grew almost twice and increased five times with China. The most significant increase in trade occurred after Uzbekistan's entry into the SCO. The figures for Russia went from 15% to 20%, for China from 1% to 3.5%, and for Kazakhstan from 4% to 6.5%.

Although Uzbekistan's share of trade increased after its entry into the SCO, the republic carried a large negative balance of trade with the SCO member states. Prior to its entry into SCO, Uzbekistan was able to improve its balance of trade with Russia for a short period of time (1999-2001). However, in 2002 it again had a \$190 million trade deficit with Russia, \$98 million with Kazakhstan, and \$90 million with China. Thus, the analysis of data for Uzbekistan's trade with the SCO produces mixed results. Although its share of trade with the SCO member states grew, Uzbekistan continued to have a negative balance of trade with most of these countries after its entry into the security organization.

In general, the examination of the data reveal that the relationship between Uzbekistan's membership in politico-security organizations and the bilateral trade flows with its allies is mixed. An examination of data for the GUUAM, NATO's PfP and SCO shows a tendency of increase in Uzbekistan's trade share percentage with their respective member states after its entry into these organizations. Finally, the membership in the CIS Collective Defense Treaty was followed by a decline of trade turnover with the CIS, which dramatically fell during the 1990s.

Chapter 6

Discussion

This study tested two hypotheses about the relationship between multilateral security organizations and bilateral trade flows: 1) whether Uzbekistan's membership in multilateral security organizations impacts trade patterns and 2) whether this membership is followed by an advantage for the republic.

The results for GUUAM completely support both hypotheses (Table 1 and Figure #1). After Uzbekistan's entry into GUUAM in 1999, the trade shares between the republic and GUUAM member states doubled within next two years. The trade shares continued to grow in 2002 and in the first half of 2003. Moreover, foreign trade data indicate that Uzbekistan received important economic benefits from its politically motivated participation in GUUAM. Since 2000, Uzbekistan has been enjoying for the first time a favorable balance of trade with GUUAM. Changes in trade patterns were obvious and were clearly linked to improvement of trade relations with Ukraine, which accounted for over 90% of Uzbekistan's trade turnover with GUUAM member states.

Uzbekistan, Ukraine and other members of GUUAM share a common foreign policy expressed in open opposition to Russia's growing influence in CIS and attempts to align closely with the West, especially with the United States. Fostering of economic cooperation and mutually beneficial trade relations between its members seems to directly follow directly the framework of the U.S.-leaning alliance. The United States facilitated cooperation on

regional security issues as well as on trade and transportation within GUUAM by “funding exploratory stages of trade and transport initiatives”(U.S.-GUUAM Communiqué, 2002). The United States also encouraged the GUUAM member states to forward movement on the creation of free zone and promised to offer consultations on this project (U.S.-GUUAM Communiqué, 2002). It looks as if these efforts produced positive results and enhanced trade within GUUAM.

Figure 2 and table 2 present the results of bilateral trade with NATO member states. The results partially support both hypotheses. Although there was a small increase in bilateral trade flows in 1995-1996 after Uzbekistan joined the PfP, in general, Uzbekistan’s military partnership with NATO had a moderate impact on bilateral trade flows in the period between 1995 and 2001. The flows even slightly declined after the Asian and Russian financial crises.

Uzbekistan’s close political alignment with the United States and its emergence as a key ally in the ongoing war against terrorism have had a considerable impact on bilateral trade flows and balance of trade with NATO member states. Immediately after the September 11th attacks, the share of trade with the NATO increased by 30%. Furthermore, Uzbekistan’s balance of trade improved noticeably. Although imports from NATO member countries continued to exceed Uzbekistani exports, this figure dramatically declined from \$166 million in 2000 to only \$19 million in the first two quarters of 2003.

Trade balance does not consider the amount of foreign assistance provided by one country to another. The participation in the EAPC and PfP programs brought enormous economic benefits to Uzbekistan in the form of military and foreign aid. The United States alone allocated over \$800 million to fund assistance programs and military modernization

between 1992 and 2003 (U.S. Department of States, 2002 & 2004). This amount represents one third of the total trade turnover between the two countries for the past decade. U.S. government agencies budgeted a total of \$220 million for numerous assistance programs in 2002 (U.S. Department of State, 2002) and \$90 million in 2003 (U.S. Department of State, 2004). The French government also provided military assistance to Uzbekistan that covered the training of military personnel and computer simulation of armed conflicts. France also assisted in the organizing of a center for maintaining peace under a NATO project (Interfax, 2003). Unfortunately, no data are available for the other NATO member states.

Considering the recent post-September 11 dramatic increase in external trade with NATO and the amount of foreign assistance provided by the United States, it can be suggested that Uzbekistan's participation in NATO programs was extremely beneficial for Uzbekistan. The financial flows from the West, in the form aid and credits, completely compensate for the everlasting trade deficit with NATO member states. Moreover, this relationship did not involve any significant Uzbekistani concessions except for participation in PfP programs and providing the United States access to several Uzbekistani airbases in the fall 2001.

The findings for the SCO support hypothesis 1, while hypothesis 2 can be accepted only partially (Table 4 and Figure 4). The analysis shows that Uzbekistan's membership in the SCO has an obvious impact on bilateral trade flows. The trade shares with the SCO increased 30% in 2002 and remained on the same level in 2003. As to the balance of trade, it worsened after Uzbekistan's entry into the SCO. Although, not measured in this study, aid may play a crucial role, as in the case with NATO. Russia and China provided Uzbekistan with millions in the form of military assistance (Blua, 2003).

The analysis of trade between the CST member states does not support either of the two hypotheses (Table 3 and Figure 3). Uzbekistan's trade flows with the CST members were worsening during the entire period of Uzbekistan's membership in the CST. The following contradiction could be best explained in the context of balance-of-power theory and Uzbekistani foreign policy orientation.

From the beginning the CIS, founded in December 1991, was "a loose post-USSR community representing a rather useful means of 'civilized divorce' among the former Soviet states" (Trenin, 2003). Uzbekistan's membership in the CIS Collective Security Treaty, as argued, was not entirely voluntary, but rather caused by necessity. The CIS Collective Security Treaty was "a civilized way to divide the former Soviet Union's military assets" (Trenin, 2003). As a result, the CST was composed of member states with diverse policy orientations and interests, which eventually failed to reach a comprehensive decision on common security policy and joint command of military forces. The CST thus represents an exception. There could be found no similar security organizations that were formed in such a way.

Moreover, the CST came to be seen by Uzbekistan as Russia's tool to preserve its former influence over ex-Soviet republics, especially when Russia required Uzbekistan to remain willingly within the ruble zone and to turn over its gold reserves (Bohr, 1998). Uzbekistan tried to balance against perceived threats to its sovereignty by aligning with the West in order to lessen political and economic dependence on Russia. Once the relationships with Moscow started deteriorating, they significantly improved with Brussels, leading to the signing by Uzbekistan of the PfP framework document in 1994. In the pursuit of sovereignty, Uzbekistan's leadership developed "an aversion to any mechanism" designed to sustain

Russia's influence in the region (Kazemi, 2003). Consequently, Uzbekistan might have treated any trade agreement or any proposal of economic integration with Russia or CIS as an encroachment on its sovereignty. Uzbekistan rejected Moscow's claim to defend the USSR's old external borders and host Russian troops in 1995, but since 1996 it participated actively in NATO joint exercises, which frustrated Russian leadership. The political tensions between Uzbekistan and Russia, as well as its Central Asian neighbors, were gradually deteriorating during this period and finally culminated in 1999, when Uzbekistan refused to renew its membership in the CIS Defense Treaty and instead joined the U.S.-leaning GUUAM.

Consequently, the radical foreign policy realignment caused reorientation of trade ties. The moderate growth of Uzbek-NATO trade followed an almost simultaneous contraction of trade ties with the CST. The trade may be affected significantly by foreign trade orientation. However, as mentioned earlier, at the beginning the growth of trade with the West was moderate. Efforts to establish a strategic partnership with NATO did not proceed quickly. Uzbekistan's relations were quite limited with the United States and Western Europe in the mid 1990s due to lack of interest in Central Asia and frequent criticisms of Uzbekistani domestic policies by the West. This is consistent with previous findings that diplomatic relations have a significant effect on bilateral economic exchange.

In the late 1990's, Western pressures on Uzbekistan about human rights issues, urgent economic liberalization and the Islamic Movement of Uzbekistan (IMU) attacks from Afghanistan pushed the republic to pursue closer cooperation with the Shanghai Five, and particularly with its two most powerful members, Russia and China. This shift is of special interest since Uzbekistan has always been concerned with reducing Russia's influence in the region. However, it should not be surprising that Uzbekistan pursued a closer political and

economic relationship with Russia and the SCO. The entry of Uzbekistan into the SCO coincided with the IMU attacks on its territory in 2000-2001. So it was crucial for Uzbekistan at this time to receive military assistance from Russia and China in order to prevent future attacks invasions of Uzbek fundamentalists from the IMU, whose goal was to overthrow the existing secular government and establish an Islamic state. At that time the United States and NATO demonstrated little interest toward this problem. The fact appears to have convinced President Karimov that Russia might be the only power willing to help his government retain power (Kazemi, 2003). Uzbekistan's external commerce was apparently affected by its political rapprochement with the SCO (Table 4).

The September 11th events, however, had a dramatic effect on the world political topography as well as that of Central Asia. The American military presence in so-called Russia's "backyard" limited Russian and Chinese influence on the Central Asian states. The United States affirmed that "it would regard with grave concern any external threat to the security and territorial integrity of the Republic of Uzbekistan," implicitly guaranteeing its protection from attacks of the IMU (U.S. Department of State, 2002). At the same time the new strategic alliance with the United States unlocked for Uzbekistan opportunities to obtain economic and military aid from the West (Yom, 2002).

Although Russia was astonishingly supportive of the American presence in Central Asia, it tried to reassert its diminishing influence in Central Asia¹. Russia and China attempted to use the SCO as a counterweight to growing U.S. influence in Central Asia (Chung, 2003). In order to increase their influence, Russia offered Uzbekistan "sales of arms

¹ On March 14, 2004 CIA Director Tenet testified before U.S. Senate Committee on Armed Services, "Russia remains supportive of U.S. deployments in Central Asia for Afghanistan, but is also wary of U.S. presence in what Russia considers to be its own backyard." He told that Russia had already become more assertive in its approach to the former Soviet republics.

at concessionary prices;” while China tried to accelerate “development of lucrative energy projects” (Yom, 2002). The Sino-Russian attempt to foster a close partnership allowed Uzbekistan to complement newly found U.S./NATO assistance, although neither Russia nor China can compete with the United States in amounts of economic assistance provided to Uzbekistan. As a result, generous Western economic assistance encourages a U.S.-leaning orientation.

Uzbekistan is simultaneously a member of SCO and a partner with NATO, both of which are more likely to play a principal role in Central Asian security in the near future. Considering its close alignment with the United States, Uzbekistan is a fickle SCO member. While Russia and the United States enjoy cooperation in the war on terrorism, they do not directly confront each other over Central Asia; Uzbekistan will likely maintain friendly relations with Russia and China. The analysis of Uzbekistani bilateral trade flows suggests that the SCO member states strengthened their position in trade relations with Uzbekistan.

Uzbekistan’s foreign trade policy appears to be very consistent with one of pillars of its foreign policy, which is diversification of relations with the outside world (Kazemi, 2003). It is unwilling to leave its national security cooperation with only one security partner. The trade shares have been increasing with NATO and SCO, indicating that Uzbekistan enjoyed superior economic relations with both in 2001-2003. The republic has currently achieved a greater balance in the geographic structure of external trade. NATO and SCO each made up over one third of the total trade of Uzbekistan. The balance-of-power theory suggests that balancing strong powers is a predictable tendency for nation-states (Walt, 1988).

The examination of the volume of Uzbekistan’s foreign trade presents a gloomy picture of the Uzbekistani economy. In 2002-2003, Uzbekistan’s foreign trade dropped by

almost 33% compared to 2001 and was at \$ 3. 9 billion. The IMF staff country report (2000) blames the economic strategy adopted by the Uzbekistani government for this decline. The over-valued exchange rate in combination with strict export control “reduced production incentives for traditional exports (cotton and gold) and hindered the development of non-traditional exports” (IMF Staff country report, 2000, p.9). Non-convertibility of the Uzbek currency soum made the country less attractive for foreign investors. As a result foreign direct investment in Uzbekistan was one of the lowest among Central Asian states (Spechler, 2000).

The trade volume with the security organizations dropped proportionally. If in 1998 the volume of trade with NATO was \$ 1. 8 billion, in 2001 it dropped to \$ 1. 3 billion. The trade shares between Uzbekistan and the NATO, however, increased from 25% to 32%. The volume of trade with CIS states, members of the SCO, was falling since 1997, from \$ 2. 9 billion to \$ 1. 5 billion in 2002. In contrast, the trade shares with the SCO member states grew from 24% in 1998 to 32% in 2002. All of the above suggests that in 2002 Uzbekistan traded less with its allies from security alliances than it did in 1997. Despite this decline in trade volume, trade shares with allies from the security alliances have been increasing. The latter suggests that Uzbekistan relies heavily on its allies for trade. Although the volume of trade with allies dropped significantly, the multilateral security organizations were responsible for a bigger percentage of the Uzbekistani total trade.

The findings also reveal that during the past few years Uzbekistan’s economy has stagnated and trade with the world has deteriorated dramatically. With the economic situation rapidly deteriorating, political stability in the republic is threatened. September 11th provided Uzbekistan with a unique opportunity to keep afloat its nearly stagnating economy and

prevent its even further decline. It also gave Uzbekistan greater bargaining power in its relations with Russia, China, and United States, which allowed Uzbekistan to receive significant amounts of foreign aid and access to loans. In addition to foreign assistance, the United States is expected to pressure the IMF and the World Bank to provide financial aid package to its key ally in the war on terror.

Where is the republic heading? The present indicators seem to show that Uzbekistan has made western movement and is building strong security and commercial ties with the West. However, the trends have yet to be determined, leaving open several scenarios. The significance of Central Asia and Uzbekistan, particularly for the United States, is likely to increase in the near future. While the United States and NATO wage the war against terrorism and maintain their presence in that part of the world, Uzbekistan is likely to remain their strategic partner. It can therefore be expected that trade with the West will make up a substantial share of Uzbekistan's trade with the outside world. Uzbekistan will also remain one of the biggest recipients of foreign assistance from the West in the CIS.

The second scenario is less likely to happen in the near future, although it is still possible. If the West starts pressuring Uzbekistan on human rights and liberalization reforms,² we may expect cooling of diplomatic ties between Uzbekistan and the United States/NATO, and consequently a contraction of their bilateral trade flows with each other. In its press release from April 6, 2004, the European Bank of Reconstruction and Development (EBRD) expressed "serious concerns about genuine multi-party democracy, respect for the rule of law and human rights." The EBRD announced its decision to stop financing its projects in Uzbekistan. (EBRD updates its policy in Uzbekistan, 2004).

² U.S. Department of State has recently warned the Uzbekistani government that it will cut back funding assistance programs on the grounds that Uzbekistan is unwilling to improve human rights situation and to conduct liberalization reforms.

Diplomatic hostility with the West will force Uzbekistan to strengthen economic and trade ties with Russia and China, which seek to return and restore their influence in the region.

Chapter 7

Conclusions and Recommendations

Summary and Conclusions

The study provides insights into the evolving nature of regional politico-security structures and international commerce in Central Asia. The results of the empirical analysis support the argument that Uzbekistan's membership in security alliances impacts Uzbekistan's trade. Since 1997, the volume of bilateral trade with member states of the security organizations, measured in millions of U.S. dollars, has shrunk dramatically due to the unwillingness of the Uzbekistani government to reform its stagnating state-controlled economy. Nevertheless, the study discovered that while the volume of trade has been decreasing, the percentage of Uzbekistan's total trade (trade shares) attributed to the security organizations has increased substantially. The findings, therefore, reveal the tendency of Uzbekistan to trade heavily with the security organization, in which holds membership.

The study found that the increase of Uzbekistan's trade shares with the multilateral security organizations was related to its participation in these security organizations. The SCO and NATO are the most influential security organizations in the region and will probably play a vital role in regional security. Trade with these organizations made up well over half of the total trade of Uzbekistan. Nonetheless, neither security organization gained prominence in trade relations with the republic. The trade shares are rather distributed equally between them. In the situation when several political military alliances are competing surreptitiously for the influence in the region, Uzbekistan appears to gain a lot from it,

receiving loans on favorable terms and economic and military assistance from all parties involved.

The fourth case with the CST represents an exception. It also serves an illustration that along with membership in security organizations other factors such as foreign policy orientation and immediate threats to national security may explain fluctuations in Uzbekistan's bilateral trade flows. The evidence indicates that the bilateral economic exchanges of Uzbekistan highly depend on what priority status it holds within the foreign policy orientation of the United States and NATO member states. Common foreign policy orientation combined with the membership in security organizations is likely to exert a large effect on bilateral trade flows. In the case with Uzbekistan, Western-leaning foreign policy orientation appears to play a larger role on external trade than does geographic proximity or close economic and cultural ties with the CIS countries, suggesting that its external trade relations reflect Uzbekistani foreign policy.

Limitations and Recommendation

The present study is not without some limitations. There are three of these that should be mentioned. First, international financial institutions and other independent observers have, in the past, questioned the reliability of official Uzbekistani statistics, which does not consider the size of the black market and the multiple exchange rates in the country. International organizations therefore combine official statistics with their own estimates. As a result, sources such as the IMF Direction of Trade Statistics and the UN Yearbook frequently provide different trade figures for the same country and for the same year.

Second, trade shares can make errors in estimations of trade intensity, although many studies use them to measure bilateral trade flows. For the future studies it is recommended to use, along with trade shares, additional instruments that would account the intensity ratio and geographical proximity. The gravity model, which describes trade flows between two countries in terms of total exports and imports, size of the economy, size of the population, and geographic distance, is strongly recommended for future research.

Finally, the most important limitation resides in the fact that it is possible that the ten year time span built into the analysis is not long enough to allow membership in the security organizations to affect changes in bilateral trade. Uzbekistan's membership in the SCO and the GUUAM accounts for three and six years respectively. Changes in bilateral trade flows may have not yet taken place within the given time framework. Therefore, further studies should examine longer periods of time and use a range of methodologies to measure bilateral trade in order to contribute additional conclusions to the topic. Further studies examining the relationship between other Central Asian states' membership in security alliances and bilateral trade flows, could also provide additional important insights into Central Asian politics.

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Table 1

Uzbekistan's trade with GUUAM member states

Exports

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Russia	0	774	808	593	923	474	423	602	527	310.56	175.92
Kyrgyzstan	0	0	64	120	119	111	46	68	61	54.7	32
Kazakhstan	0	0	245	81	60	88	79	67	73	80	45.34
Tajikistan	0	76	229	181	238	207	240	169	137	120.33	68.62
China	10	75	64	136	127	29	12	11	7	25	23.75

Imports

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Russia	0	917	907	1191	962	533	264	302	400	499	260
Kyrgyzstan	0	0	98	127	141	42	51	98	53	30.6	11.54
Kazakhstan	0	304	168	222	163	131	73	153	164	177.64	105.2
Tajikistan	0	25	145	210	190	138	199	108	96	80.23	45.74
China	47	57	52	42	68	64	30	43	56	114	39.5

Balance of trade

Russia	0	-143	-99	-598	-39	-59	159	300	127	-188.44	-84.08
Kyrgyzstan	0	0	-34	-7	-22	-69	-5	-30	-8	21.4	20.46
Kazakhstan	0	-304	77	-141	-103	-43	6	-86	-91	-97.64	-59.86
Tajikistan	0	51	84	-29	48	75	41	61	41	40	22.88
China	-37	18	12	94	59	-35	-18	-32	-49	-89	-15.75
Total	-37	-378	40	-681	-57	-131	183	213	20	-313.68	0

Total trade with GUUAM

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Russia	0	1691	1715	1784	1885	1007	687	904	927	809.56	435.92
Kyrgyzstan	0	0	162	247	260	153	97	166	114	85.3	43.54
Kazakhstan	0	304	413	303	223	219	152	220	237	257.64	150.54
Tajikistan	0	101	374	391	428	345	439	277	233	200.56	114.36
China	57	132	116	178	195	93	42	54	63	139	63.25
Total	57	2228	2780	2903	2991	1817	1417	1621	1574	1492.06	807.61

Total trade with the world

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Uzbekistan	1449	4250	5738	7576	7434	7341	6133	6265	6077	3959	2118.3

Share of trade (%)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Russia	0	39.78824	29.88846	23.54805	25.35647	13.71748	11.2017	14.42937	15.25424	20.4486	20.57877
Kyrgyzstan	0	0	2.823283	3.260296	3.497444	2.084185	1.581608	2.649641	1.875926	2.154584	2.055422
Kazakhstan	0	7.152941	7.19763	3.999472	2.999731	2.983245	2.478396	3.511572	3.899951	6.507704	7.106642
Tajikistan	0	2.376471	6.517951	5.161035	5.757331	4.699632	7.157998	4.421389	3.834129	5.065926	5.398669
China	3.933747	3.105882	2.02161	2.349525	2.623083	1.266857	0.68482	0.861931	1.036696	3.510988	2.985885
Total	3.933747	52.42353	48.44894	38.31837	40.23406	24.7514	23.10452	25.8739	25.90094	37.6878	38.12538

Table 2**Uzbekistan's trade with NATO member states***Exports*

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Belgium	10	14	26	39	63	75	39	35	45	33.66	20.6
Canada	0	11	5	13	9	9	7	12	27	5.26	6
Czech Republic	4	20	47	41	41	45	21	21	23	25.32	13.5
Denmark	1	9	4	5	2	1	0	0	0	0.08	0.05
France	49	97	119	104	92	88	52	48	44	29.24	16.5
Germany	272	282	167	125	121	117	73	68	56	44	28.67
Greece	0	1	3	26	8	1	8	8	30	10.44	6.16
Hungary	0	87	145	47	20	13	8	6	7	4.7	2.07
Italy	82	114	197	232	197	148	137	173	155	133.7	97.1
Netherlands	2	1	1	0	0	1	7	27	18	11.5	6.57
Poland	37	72	110	99	100	84	43	37	82	89.34	50.32
Portugal	8	11	18	17		11	14	23	18	17.5	8.75
Spain	18	31	31	45	19	17	9	7	10	7	4.7
Turkey	29	71	15	49	86	87	43	78	33	66.3	49
UK	0	5	2	4	26	11	35	20	35	30	18.15
USA	7	3	13	150	37	31	26	34	52	74	35.28

Imports

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Belgium	6	10	15	25	42	33	21	14	12	3.69	5.79
Canada	37	13	1	6	6	4	2	2	10	2.72	1.52
Czech Republic		6	19	33	42	19	15	17	24	26.38	6.69
Denmark	12	3	10	17	6	10	7	7	10	10.35	5.22
France	34	29	56	147	70	152	68	73	119	39	19.54
Germany	149	354	389	522	483	304	292	233	227	215.33	102.34
Greece	1	2	4	8	5	4	3	1	1	4	3.1

Hungary	0	0	0	22	28	22	10	9	6	4.74	2.63
Italy	23	38	33	52	54	74	53	53	46	69.17	44.83
Netherlands	18	31	30	67	49	38	19	18	16	14.1	7.67
Norway	0	0	0	1	3	5	2	0	2	0.62	0.23
Poland	20	24	18	23	86	30	39	36	21	22.75	12.8
Portugal	0	0	0	0	0	0	0	0	0	0	0
Spain	1	1	1	10	5	4	4	2	14	10.52	4.36
Turkey	71	74	74	252	232	172	109	91	99	102.06	67.6
UK	14	28	26	66	166	65	54	27	32	24	14.5
USA	81	98	70	387	258	162	378	183	162	152	83.5

Balance of trade

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Belgium	4	4	11	14	21	42	18	21	33	29.97	14.81
Canada	-37	-2	4	7	3	5	5	10	17	2.54	4.48
Czech Republic	4	14	28	8	-1	26	6	4	-1	-1.06	6.81
Denmark	-11	6	-6	-12	-4	-9	-7	-7	-10	-10.27	-5.17
France	15	68	63	-43	22	-64	-16	-25	-75	-9.76	-3.04
Germany	123	-72	-222	-397	-362	-187	-219	-165	-171	-171.33	-73.67
Greece	-1	-1	-1	18	3	-3	5	7	29	6.44	3.06
Hungary	0	87	145	25	-8	-9	-2	-3	1	-0.04	-0.56
Italy	59	76	164	180	143	74	84	120	109	64.53	52.27
Netherlands	-16	-30	-29	-67	-49	-37	-12	9	2	-2.6	-1.1
Poland	17	48	92	76	14	54	4	1	61	66.59	37.52
Portugal	8	11	18	17	0	11	14	23	18	17.5	8.75
Spain	17	30	30	35	14	13	5	5	-4	-3.52	0.34
Turkey	-42	-3	-59	-203	-146	-85	-67	-13	-66	-35.76	-18.6
UK	-14	-23	-24	-62	-140	-54	-19	-7	3	6	3.65
USA	-74	-95	-57	-237	-221	-131	-352	-149	-110	-78	-48.22
Total	52	118	157	-641	-711	-354	-553	-169	-164	-118.77	-18.67

Total trade with NATO

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Belgium	16	24	41	64	105	108	60	49	57	37.35	26.39
Canada	37	24	6	19	15	13	9	14	37	7.98	7.52
Czech Republic	4	26	66	74	83	64	36	38	47	51.7	20.19
Denmark	13	12	14	22	8	11	7	7	10	10.43	5.27
France	83	126	175	251	162	240	120	121	163	68.24	36.04
Germany	421	636	556	647	604	421	365	301	283	259.33	131.01
Greece	1	3	7	34	13	5	11	9	31	14.44	9.26
Hungary	0	87	145	69	48	35	18	15	13	9.44	4.7
Italy	105	152	230	284	251	222	190	226	201	202.87	141.93
Netherlands	20	32	31	67	49	39	26	45	34	25.6	14.24
Poland	57	96	128	122	186	114	82	73	103	112.09	63.12
Portugal	8	11	18	17	0	11	14	23	18	17.5	8.75
Spain	19	32	32	55	24	21	13	9	24	17.52	9.06
Turkey	100	145	89	301	318	259	152	169	132	168.36	116.6
UK	14	33	28	70	192	76	89	47	67	54	32.65
USA	88	101	83	537	295	193	404	217	214	226	118.78
total	986	1540	1649	2633	2353	1832	1596	1363	1434	1282.85	745.51

Total trade with the world

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Uzbekistan	1449	4250	5738	7576	7434	7341	6133	6265	6077	3959	2118.3

Share of trade (%)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Belgium	1.10421	0.564706	0.714535	0.844773	1.412429	1.471189	0.978314	0.782123	0.937963	0.94342	1.24581
Canada	2.553485	0.564706	0.104566	0.250792	0.201776	0.177088	0.146747	0.223464	0.608853	0.201566	0.355002
Czech Republic	0.276052	0.611765	1.150227	0.976769	1.116492	0.871816	0.586988	0.606544	0.773408	1.305885	0.953123
Denmark	0.89717	0.282353	0.243987	0.290391	0.107614	0.149843	0.114137	0.111732	0.164555	0.26345	0.248784
France	5.728088	2.964706	3.049843	3.313094	2.179177	3.269309	1.956628	1.931365	2.682245	1.723668	1.701364
Germany	29.05452	14.96471	9.689787	8.540127	8.124832	5.734913	5.95141	4.804469	4.656903	6.550392	6.184676
Greece	0.069013	0.070588	0.121994	0.448786	0.174872	0.068111	0.179358	0.143655	0.51012	0.364739	0.437143
Hungary	0	2.047059	2.527013	0.910771	0.645682	0.476774	0.293494	0.239425	0.213921	0.238444	0.221876
Italy	7.246377	3.576471	4.008365	3.74868	3.376379	3.024111	3.097994	3.607342	3.307553	5.124274	6.700184
Netherlands	1.380262	0.752941	0.540258	0.884372	0.659134	0.531263	0.423936	0.718276	0.559487	0.646628	0.672237
Poland	3.933747	2.258824	2.230742	1.610348	2.502018	1.552922	1.337029	1.165204	1.694915	2.831271	2.979748
Portugal	0.552105	0.258824	0.313698	0.224393	0	0.149843	0.228273	0.367119	0.296199	0.442031	0.413067
Spain	1.311249	0.752941	0.557686	0.725977	0.322841	0.286065	0.211968	0.143655	0.394932	0.442536	0.427701
Turkey	6.901311	3.411765	1.551063	3.973073	4.277643	3.52813	2.478396	2.697526	2.172124	4.252589	5.504414
UK	0.966184	0.776471	0.487975	0.92397	2.582728	1.035281	1.451166	0.7502	1.102518	1.363981	1.54133
USA	6.073154	2.376471	1.446497	7.088173	3.968254	2.62907	6.587315	3.463687	3.521474	5.708512	5.607327
Total	68.04693	36.23529	28.73824	34.75449	31.65187	24.95573	26.02315	21.75579	23.59717	32.40338	35.19379

Table 3
Uzbekistan's trade with CST member states

Exports

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Azerbaijan	1	2	7	7	5	3		1	6	6	3.42
Georgia	0	0	1	1	1	1	1	6	7	7.23	14.43
Kyrgyzstan	0	0	64	120	119	111	46	68	61	54.7	32
Kazakhstan	0	0	245	81	60	88	79	67	73	80	45.34
Tajikistan	0	76	229	181	238	207	240	169	137	120.33	68.62
Belarus	12	13	33	33	28	32	23	22	14	15.07	8.09
Armenia	0	0	0	0	0	0	0	1	1	1.19	0.68
Russia	0	774	808	593	923	474	423	602	527	310.56	175.92

Imports

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Azerbaijan	5	3	4	6	5	2	1	1	3	3.71	2.12
Georgia	0	3	1	3	5	7	9	1	1	1	0.56
Kyrgyzstan	0	0	98	127	141	42	51	98	53	30.6	11.54
Kazakhstan	0	304	168	222	163	131	73	153	164	177.64	104.53
Tajikistan	0	25	145	210	190	138	199	108	96	80.23	45.74
Belarus	21	13	66	85	33	20	23	12	18	20	11.12
Armenia	0	0	0	0	1	0	0	0	0	0.7	0.04
Russia	0	917	907	1191	962	533	264	302	400	499	300

Balance of trade

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Azerbaijan	-4	-1	3	1	0	1	-1	0	3	2.29	1.3
Georgia	0	-3	2	-2	-2	-2	-2	8	0	0	13.87
Kyrgyzstan	0	0	-34	-7	-22	-69	-5	-30	-8	21.4	20.46
Kazakhstan	0	-304	77	-141	-103	-43	6	-86	-91	-97.64	-59.19
Tajikistan	0	51	84	-29	48	75	41	61	41	40	22.88
Belarus	-9	0	-33	-52	-5	12	0	10	-4	-4.3	-3.03
Armenia	0	0	0	0	-1	0	0	1	1	-0.47	0.64
Russia	0	-143	-99	-598	-39	-59	159	300	127	-188.44	-124.08
Total:	-13	-400	0	-828	-124	-85	198	264	69	-227.16	-127.15

Total trade with CST

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Azerbaijan	6	5	11	13	10	5	1	2	9	9.71	5.54
Georgia	0	3	2	4	6	8	10	7	8	8.23	14.99
Kyrgyzstan	0	0	162	247	260	153	97	166	114	85.3	43.54
Kazakhstan	0	304	413	303	223	219	152	220	237	257.64	149.87
Tajikistan	0	101	374	391	428	345	439	277	233	200.56	114.36
Belarus	33	26	99	118	61	52	46	34	32	35.07	19.21
Armenia	0	0	0	0	1	0	0	1	1	1.89	0.72
Russia	0	1691	1715	1784	1885	1007	687	904	927	809.56	475.92
Total	39	2130	2776	2860	2874	1789	1432	1611	1561	1407.96	824.15

Total trade with the world

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Uzbekistan	1449	4250	5738	7576	7434	7341	6133	6265	6077	3959	2118.3

Share of trade (%)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Azerbaijan	0.414079	0.117647	0.191704	0.171595	0.134517	0.068111	0.016305	0.031923	0.148099	0.245264	0.26153
Georgia	0	0.070588	0.034855	0.052798	0.08071	0.108977	0.163052	0.111732	0.131644	0.207881	0.707643
Kyrgyzstan	0	0	2.823283	3.260296	3.497444	2.084185	1.581608	2.649641	1.875926	2.154584	2.055422
Kazakhstan	0	7.152941	7.19763	3.999472	2.999731	2.983245	2.478396	3.511572	3.899951	6.507704	7.075013
Tajikistan	0	2.376471	6.517951	5.161035	5.757331	4.699632	7.157998	4.421389	3.834129	5.065926	5.398669
Belarus	2.277433	0.611765	1.72534	1.55755	0.820554	0.70835	0.750041	0.542698	0.526576	0.88583	0.906859
Armenia	0	0	0	0	0.013452	0	0	0.015962	0.016455	0.047739	0.03399
Russia	0	39.78824	29.88846	23.54805	25.35647	13.71748	11.2017	14.42937	15.25424	20.4486	22.46707
Total	2.691511	50.11765	48.37923	37.75079	38.66021	24.36998	23.3491	25.71429	25.68702	35.56353	38.9062

Table 4

Uzbekistan's trade with SCO member states

Exports

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Russia	0	774	808	593	923	474	423	602	527	310.56	175.92
Kyrgyzstan	0	0	64	120	119	111	46	68	61	54.7	32
Kazakhstan	0	0	245	81	60	88	79	67	73	80	45.34
Tajikistan	0	76	229	181	238	207	240	169	137	120.33	68.62
China	10	75	64	136	127	29	12	11	7	25	23.75

Imports

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Russia	0	917	907	1191	962	533	264	302	400	499	260
Kyrgyzstan	0	0	98	127	141	42	51	98	53	30.6	11.54
Kazakhstan	0	304	168	222	163	131	73	153	164	177.64	105.2
Tajikistan	0	25	145	210	190	138	199	108	96	80.23	45.74
China	47	57	52	42	68	64	30	43	56	114	39.5

Balance of trade

Russia	0	-143	-99	-598	-39	-59	159	300	127	-188.44	-84.08
Kyrgyzstan	0	0	-34	-7	-22	-69	-5	-30	-8	21.4	20.46
Kazakhstan	0	-304	77	-141	-103	-43	6	-86	-91	-97.64	-59.86
Tajikistan	0	51	84	-29	48	75	41	61	41	40	22.88
China	-37	18	12	94	59	-35	-18	-32	-49	-89	-15.75
Total	-37	-378	40	-681	-57	-131	183	213	20	-313.68	0

Total trade with SCO

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Russia	0	1691	1715	1784	1885	1007	687	904	927	809.56	435.92
Kyrgyzstan	0	0	162	247	260	153	97	166	114	85.3	43.54
Kazakhstan	0	304	413	303	223	219	152	220	237	257.64	150.54
Tajikistan	0	101	374	391	428	345	439	277	233	200.56	114.36
China	57	132	116	178	195	93	42	54	63	139	63.25
Total	57	2228	2780	2903	2991	1817	1417	1621	1574	1492.06	807.61

Total trade with the world

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Uzbekistan	1449	4250	5738	7576	7434	7341	6133	6265	6077	3959	2118.3

Share of trade (%)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003-I&II
Russia	0	39.78824	29.88846	23.54805	25.35647	13.71748	11.2017	14.42937	15.25424	20.4486	20.57877
Kyrgyzstan	0	0	2.823283	3.260296	3.497444	2.084185	1.581608	2.649641	1.875926	2.154584	2.055422
Kazakhstan	0	7.152941	7.19763	3.999472	2.999731	2.983245	2.478396	3.511572	3.899951	6.507704	7.106642
Tajikistan	0	2.376471	6.517951	5.161035	5.757331	4.699632	7.157998	4.421389	3.834129	5.065926	5.398669
China	3.933747	3.105882	2.02161	2.349525	2.623083	1.266857	0.68482	0.861931	1.036696	3.510988	2.985885
Total	3.933747	52.42353	48.44894	38.31837	40.23406	24.7514	23.10452	25.8739	25.90094	37.6878	38.12538

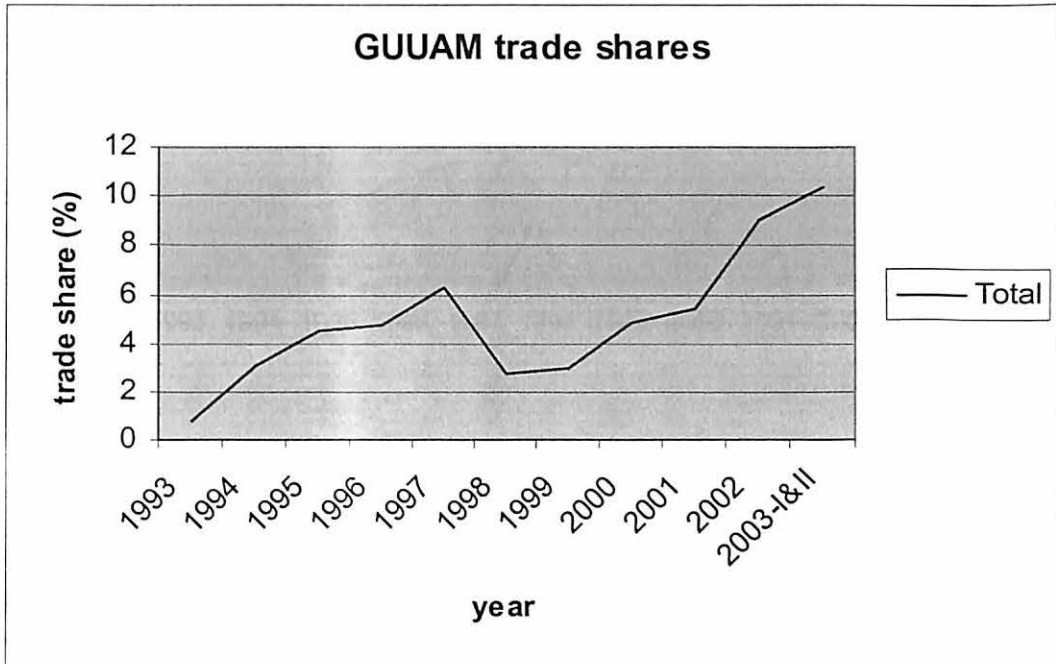


Figure 1. Uzbekistan's share of trade with GUUAM member states.

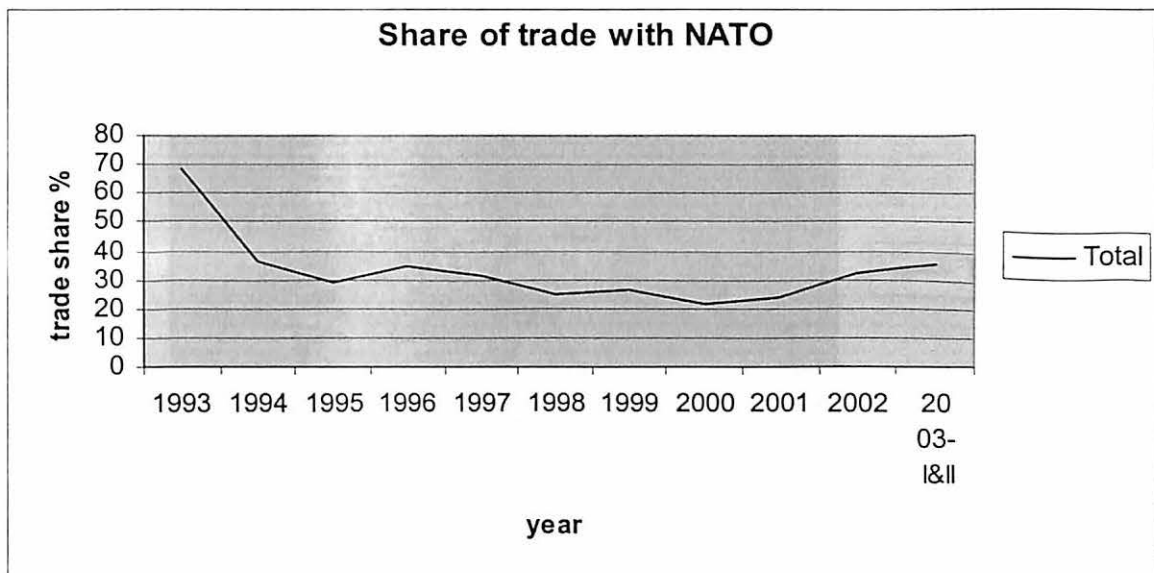


Figure 2. Uzbekistan's share of trade with NATO member states.

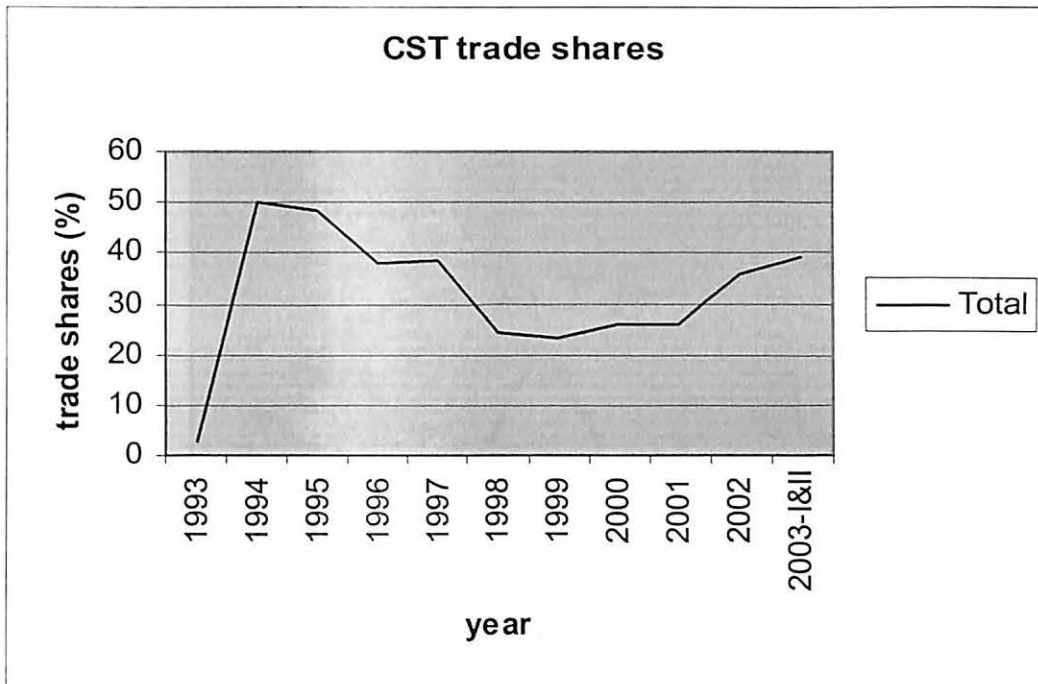


Figure 3. Uzbekistan's share of trade with CST member states.

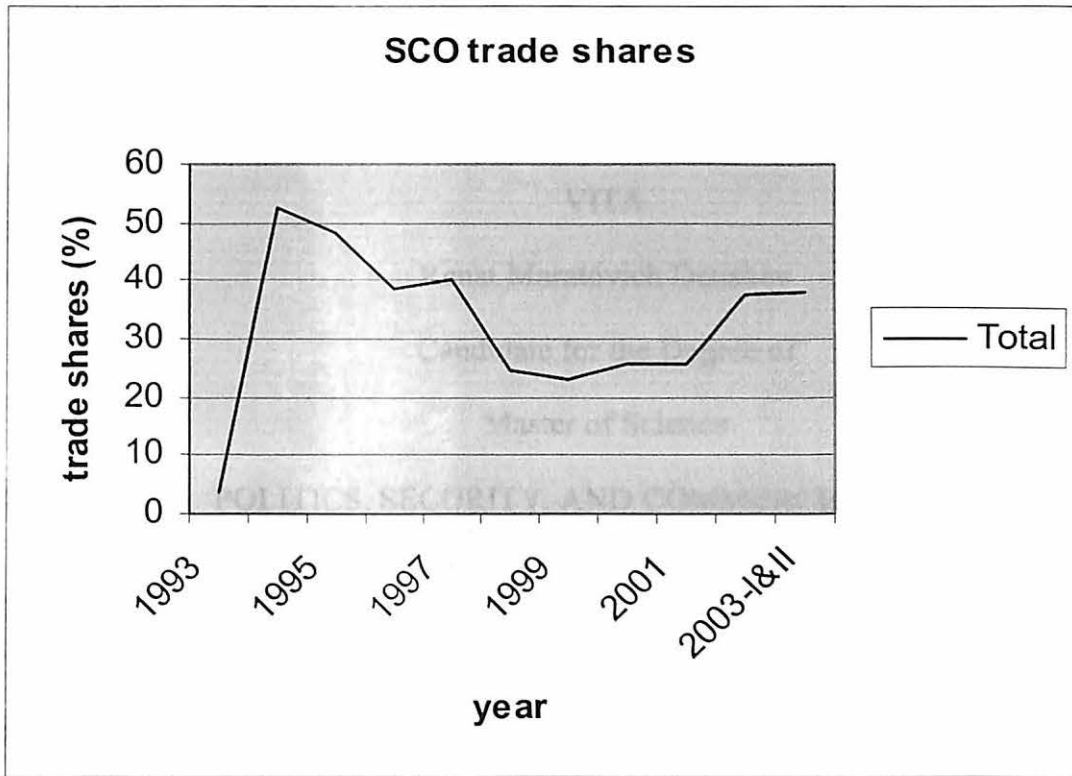


Figure 4. Uzbekistan's trade with SCO member states.



VITA

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