



REMITTANCE INFLOWS TO UZBEKISTAN, KYRGYZSTAN AND TAJIKISTAN IN 2016: CURRENT TRENDS AND PROSPECTS

Russia is an essentially important country for Central Asian migrant workers. Considering the fact that 60% of the remittance to the Central Asian countries is coming from Russia, there is a heavy reliance on the Russian economy by the region countries. In addition, remittance coming from Russia is an essentially important source of income for Tajik and Kyrgyz economies. In 2015, remittance transfers were equal to 28.8% of Tajikistan's GDP which was \$7.8 billion. Kyrgyzstan is in similar condition with Tajikistan. For instance, remittance transfers to the country reached 25% of Kyrgyzstan's GDP which was \$6.5 billion in 2015. It could be noted that in comparison with Tajikistan and Kyrgyzstan, Uzbekistan is in a better situation where remittance transfers were only equal to 5% of country's GDP which was \$66.7 billion in 2015.

Therefore, it is not surprising that after the economic slowdown in Russia and significant depreciation of ruble against US dollar in 2014 caused by sharp fall in oil prices, remittance inflows to Central Asia have started to decrease. In addition, the decline in remittance payments was triggered by recent developments in the migration legislation in Russia. For instance, starting from January 1, 2015, new changes in the migration law have complicated the bureaucratic process and increased the price of work permit called patent, which migrants need to buy in order to work officially in Russia. Due to new changes in the law, the annual cost of getting a work permit reached 58,000 ruble that is equal to two-month average salary of a migrant worker in Russia.

Under these circumstances, in 2015 remittance flows to Uzbekistan, Kyrgyzstan and Tajikistan fell by 57%, 46% and 66% or to \$2.3 billion, \$1 billion and \$1.2 billion respectively compared to 2014. This fall in the trend continued in the first quarter of 2016. For instance, in the first quarter of 2016 the growth rate

of remittance flows to Uzbekistan, Kyrgyzstan and Tajikistan decreased by 48%, 32% and 54% or to \$256 million, \$150 million and \$103 million compared to the fourth quarter of 2015. Therefore, there is a drastic shrinkage in remittance amount in dollar value while remittance payments in ruble terms declined only by 3% in 2015.

It was expected that after joining the Eurasian Economic Union (EEU), remittance flows to Kyrgyzstan would increase. Following the completion of the accession process, the Kyrgyz labor migrants were allowed to work in Russia without paying work permit price that allows them to save more and send more to their home country. However, the EEU membership could not prevent the reduction in remittance inflow to Kyrgyzstan. Even after becoming a member of the EEU, the remittance transfers in terms of US dollar have decreased. For instance, in the third quarter of 2015 the remittance payments in terms of US dollar reduced by 18% compared to the second quarter of the same year. Moreover, the fall deepened in the first quarter of 2016 decreasing by 32% in comparison with the fourth quarter of 2015.

It is worth mentioning that the majority of migrant workers are paid in rubles. However, before sending their earnings to their families, the migrants (especially from Uzbekistan) prefer to convert it into US dollars. Currency transfers to Uzbekistan indicates that almost all of the remittance payments are sent in US dollars. For instance, in the first quarter of 2016 the share of remittance amount transferred in US dollars increased by 2.2% and reached 97.1% while transfers in rubles reduced to 2.9%. As for Tajikistan, ruble is the major currency used in transfers. In the first quarter of 2016, the share of transfers in rubles reduced to 82.5% while the share of transfers in US dollars increased by 4.5% to 14.6% compared to the same period in 2015.

However, the rate of depreciation of ruble against US dollar was more than currencies of Uzbekistan, Kyrgyzstan and Tajikistan. Therefore, the families of migrant workers receive less money when they convert dollars into local currencies.

According to the World Bank's report, the Russian economy had a negative 3.8% growth in 2015. However, according to the forecast of the World Bank, the economic growth in Russia is expected to improve with -0.6% by the end of 2016 and to turn positive reaching 1.5% in 2017, which could contribute to recovery of remittance outflows from the country. Moreover, there are numbers of factors that could raise money transfers to migrants' home countries. Firstly, the amount of remittance transfers will definitely increase in the second quarter of 2016 compared to first quarter of the year because traditionally, the annual need for seasonal migrant workers reaches its peak in the period from May to September. Secondly, since there is a strong correlation between oil prices and remittance outflows from Russia, the positive contribution to the increase of remittance inflows to Central Asia could be caused by the rise in oil prices.

To conclude, recession in the Russian economy, sharp fall in oil prices and significant depreciation of ruble against US dollar have sharply reduced the remittance inflows to Central Asia in 2015. However, losses in remittance in terms of ruble could be recovered in the mid-term under the condition that there would be a positive economic growth in the Russian economy and oil prices would rise back up. The fall in the remittances hit its bottom in 2015. Nevertheless, it is expected that after a period of stagnation in 2016 the remittance inflows to Central Asia will gradually recover starting from 2017.

Politics, Foreign Affairs and Security

- A result of the joint session of the Parliament of Uzbekistan, the Prime Minister of the country, Shavkat Mirziyoyev, was named as the acting President despite the fact that according to the Constitution, the Head of the Senate of Parliament temporarily should take up the presidential duties and powers in case if Uzbekistan's President is unable to exercise his duties.
- The President of Kazakhstan, Nursultan Nazarbayev, signed a decree on appointment of Karim Massimov as the Chairman of the National Security Committee of Kazakhstan releasing him from the position of the Prime Minister. The First Deputy Prime Minister of Kazakhstan, Bakytzhan Sagintayev, became the acting Prime Minister of the country.
- The Prime Minister of Armenia, Ovik Abramyan, announced about his resignation following weeks of civil unrest in the country caused by a two-week standoff at a police station in Yerevan. It was also noted that the Prime Minister resignation should give way to a coalition Government.
- The Prime Minister of Japan, Shinzo Abe, endorsed the establishment of a new ministerial position for economic relations with Russia. The Minister of Economy, Trade and Industry of Japan, Hiroshige Seko, was appointed to the new post of the Minister in charge of developing economic cooperation with Russia.
- During the 11th East Asia Summit (EAS) held in Vientiane, the Prime Minister of Russia, Dmitry Medvedev, and the EAS's participants discussed ways to promote cooperation in infrastructure development and strengthen the EAS potential in fighting with regional security threats.
- During the meeting of the Turkmen Interdepartmental Commission on the Caspian Sea held in Ashgabat, the parties discussed the draft agreements on trade and economic cooperation among the Caspian-littoral countries and agreements on transport cooperation in the Caspian basin.
- During his official visit to Moscow, the King of Bahrain, Hamad bin Isa Al Khalifa, and the President of Russia, Vladimir Putin, discussed on pressing issues of the current situa-

tion in the Middle East and North Africa and focused on the situation in Syria, primarily in the context of joint efforts against international terrorism.

- The Deputy Minister of Defense of Kazakhstan, Okas Saparov, reported that armed forces of the country would receive two Su-30 multirole fighters and two Mi-17 transport helicopters from Russia this year as a part of the existing contracts. It was also stated that Kazakhstan plans to sign a contract on the purchase of four Russian Mi-35 helicopters by the end of 2016.
- The Ministry of Defense of Russia announced that more than one thousand companies would display more than 11,000 samples of weapons and military equipment at the second international military-technical forum Army-2016, which opened in the Patriot Theme Park near Moscow.

Economy, Finance and Energy

- On the sidelines of the G20 Summit held in Hangzhou, Russia and Saudi Arabia signed a joint statement on measures to stabilize the oil market pointing the freeze of crude oil production as one of the possible measures.
- According to the BP's Regional President for Azerbaijan, Turkey and Georgia, Gordon Birrell, the company supplied 1.31 billion cubic meters of associated gas free of charge to Azerbaijan in the first half of 2016.
- The Chairman of the Kaznex Invest, Borisbiy Zhangurazov, reported that Kazakhstan attracted \$2.7 billion foreign direct investment (FDI) in the first quarter of 2016. It was also noted that the total amount of the FDI is expected to reach \$10 billion by the end of the year.
- According to the Gazprom Kyrgyzstan LLC, the tariffs per cubic meter of gas for the population of Kyrgyzstan slightly increased from 14.27 soms in August to 14.43 soms in September. It was also noted that the cost of fuel for industrial companies, commercial entities and budget funded organizations, including VAT and sales tax, would amount to 17.69 soms per cubic meter of natural gas.
- On the sidelines of the G20 Summit held in Hangzhou, the President of Kazakhstan, Nursultan Nazarbayev, and his Chinese counterpart Xi Jinping discussed prospects of bilateral cooperation. The parties agreed on joint construction of 51 modern

enterprises in the territory of Kazakhstan with the cost of \$26 billion.

- According to the Chamber of Commerce and Industries of Afghanistan, the first cargo train from China arrived to Hairtan city passing Kazakhstan, Tajikistan and Uzbekistan. It was noted that the railway route connecting China to Afghanistan is an alternative for Pakistan's ports which will help to reduce the time cost for goods transportation from 60-90 days to 15 days.
- The Eurasian Development Bank (EDB) and the Halyk Bank Kyrgyzstan signed \$5 million credit line agreement. The funds would be provided under the EDB Microfinance Support Program by opening earmarked credit lines to financial institutions of the country.
- Russian state atomic energy corporation, Rosatom, announced that Russia and Iran are set to launch the construction of the second stage of Iran's Bushehr nuclear power plant. It was stated that the Bushehr-2 nuclear power plant would use a unique technology and a new safety system.

Society and Culture

- The Parliament of Azerbaijan announced about its plans to adopt amendments to the Code of Administrative Offences, according to which the demonstration of religious slogans, flags and other religious attributes (excluding religious attributes carried by a person) in public places, outside places of worship will be prohibited in Azerbaijan.
- According to the National Aeronautics and Space Administration (NASA), the Soyuz spacecraft with three astronauts onboard made a safe landing in the steppes of Kazakhstan. Station commander Jeff Williams, from the US space agency, and flight engineers Alexey Ovchinin and Oleg Skripochka, both from Russia's Roscosmos agency completed a 172-day mission aboard the International Space Station.
- Tajikistan has been holding military parade in the honor of 25th anniversary of State Independence. The parade took place in Dushanbe with participation of 16,000 officers. Celebration of the State Independence started after the congratulatory speech of the President Emomali Rahmon. It was noted that this year's parade was the biggest one in Tajikistan.