INTERNATIONAL LABOR MIGRATION FROM RURAL CENTRAL ASIA:

THE POTENTIAL FOR DEVELOPMENT IN KYRGYZSTAN AND UZBEKISTAN

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# TABLE OF CONTENTS

ACKNOWLEDGEMENT .................................................................................................................. v  
DEDICATION ................................................................................................................................... viii 
LIST OF TABLES AND FIGURES ................................................................................................. ix  

CHAPTER 1  
INTRODUCTION ............................................................................................................................... 1 
1.1 Overview .................................................................................................................................. 1  
1.2 Importance of Region and Issue at Hand ............................................................................... 4  
1.3 Statement of the Research Problem and Questions .......................................................... 8  
1.4. Remainder of the Study ....................................................................................................... 14  
1.5. Literature Review ................................................................................................................... 15  
1.6. Research Methodology, Conceptual Definitions, and Data Collection ...................... 54  

CHAPTER 2  
THE POLITICAL ECONOMY OF CENTRAL ASIA IN HISTORICAL PERSPECTIVE ..................... 77  
2.1. Overview ................................................................................................................................ 77  
2.2. Central Asia in the pre-Soviet Era ...................................................................................... 78  
2.3 Central Asia in the Soviet Era ............................................................................................. 80  
2.4 Central Asia in the Post-Soviet Era ..................................................................................... 94  
2.5 Conclusion ............................................................................................................................. 113  

CHAPTER 3  
LABOR MIGRATION IN POST-SOVIET CENTRAL ASIA: THE SHADOW OF HISTORICAL AND SOCIOLOGICAL INSTITUTIONS .............................................................. 117
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LIST OF TABLES AND FIGURES

Table 1.1 : Demographic Indicators across the Regions of Kyrgyzstan...... ...... 68
Table 1.2 : Demographic Indicators across the Regions of Uzbekistan...... ...... 68
Table 1.3 : List of Places Where Household Surveys Conducted................. 69
Table 2.1 : Basic Demographic, Economic, and Social Indicators............ 102
Table 3.1 : Demographic Projections for the Selected CIS Countries......... 126
Table 3.2 : Kyrgyz Labor Migrants in Russian Regions
(from Household Surveys)................................................. 130
Table 3.3 : Kyrgyz Labor Migrants in Kazakh Regions
(from Household Surveys)............................................... 130
Table 4.1a : Top 2 Motives for Kyrgyz Migrants in their Migration ........... 148
Table 4.1b : Top 2 Motives for Uzbek Migrants in their Migration ........... 149
Table 4.2a : Top 2 Reasons for Kyrgyz Migrants Selecting Where to Migrate...
Table 4.2b : Top 2 Reasons for Uzbek Migrants Selecting Where to Migrate...
Table 4.3 : Annual Consumption and Remittances per capita by Income Quintiles
in Kyrgyzstan in 2003 (USD )............................................. 172
Table 4.4a : Foreign Trade in Kyrgyzstan (million USD).......................... 173
Table 4.4b : Foreign Trade in Kyrgyzstan (Percentage of GDP)................ 173
Figure 4.4c : Actual Final Consumption of Uzbekistan.......................... 174
Table 4.5a : Basic Banking Sector Indicators: Kyrgyzstan...................... 181
Table 4.5b : Basic Banking Indicators of Kyrgyzstan.............................. 182
Table 4.6a : Remittance Sending Channels for Kyrgyz Migrants ............... 184
Table 4.6b : Remittance Sending Channels for Uzbek Migrants ................. 184
Table 4.7 : Health Expenditure in Kyrgyzstan and Uzbekistan in 2004........ 200
Table 4.8 : Micro-Credits in Kyrgyzstan ...................................... 206
Table 4.9 : Micro-Credits by Oblast in Kyrgyzstan............................... 207
CHAPTER 1

INTRODUCTION

1.1 Overview

Global economic integration through trade, migration, capital flows, and the spread of technology entails several processes, two of which are particularly important for political scientists. First is the increase of trade volume. For example, since 1950, the volume of world trade has increased more than twenty times. Second is the restructuring and rescaling of economic factors of production, such as increasing mobility of labor, capital, and technology especially in the post-communist era.

Regarding the “restructuring” and “rescaling” of factors of production in the world economy, there have been significant changes in the reciprocal relationship between individuals and other market actors on the one side, and between individuals and national states on the other such as powerlessness and lack of social security nets for less educated, and increasing power of multinational corporations. Additionally, due to the changing power structure between states, markets, and citizens, it is likely that the direction, content, and nature of political transitions, including democratization trends, may also be affected.

It is clear that in this volatile environment national states, from the most powerful to the weakest, have all encountered serious policy hurdles in their attempts
to insulate domestic politics and policies against systemic economic pressures. While these economic processes operate according to their own rules, national states struggle to adapt to rapidly changing economic conditions as they attempt to anticipate and overcome the negative side effects of global economic integration.\(^1\)

The issue of labor mobility, including domestic and international dimensions, has become increasingly important in the last several years as huge numbers of people and vast amounts of financial resources are moving across regions and borders. For instance, in the last three decades in China, over 100 million rural residents have left their native villages to work in cities in what has been described as “the largest peacetime movement of people in history.”\(^2\)

In the Central Asian context although it is hard to establish a precise number of labor migrants working abroad, it is estimated that approximately one third of labor force has experienced labor migration in both Kyrgyzstan and Uzbekistan in the post-Soviet era. As of 2009 over 300 thousand Kyrgyz labor migrants obtained Russian citizenship in the recent a few years in a country of almost 5.5 million people which is a succinct example of rapidly changing relations between individuals, states, and markets in the global age.\(^3\) This example shows that a large portion of Kyrgyz people live outside of the Kyrgyz state’s jurisdiction, and they are not entirely subject to the Kyrgyz Republic’s domestic regulations.

In light of this large scale labor mobility and the dynamic political and economic relations this entails, the ideal role of national governments can be prescribed as successful management and alignment of the domestic political-

\(^1\) Jagdish Bhagwati 2004; Thomas Friedman 2000.
economic structure with global economic integration. From the state’s perspective, there exists a need for adjustment in usage of power and authority, and adoption of effective new governance techniques. It is apparent that factor mobility at the global level including labor migration processes are resistant to governmental control. Therefore, a state has no better alternative than to reconsider its macro policies of political economic development and its overall usage of power and authority. Ideally, states should aim to be flexible and cautious so as not to weaken or damage their ties with the citizen population. It is often emphasized that a nation-state’s restrictive policies do not have real impact on citizens in the global age. A common axiom states that “individuals vote with their feet.” Under new global trends, individuals and all other market players within the national state are playing directly at the systemic level, and they have more options so as to circumvent regulations and restrictive policies established by national states.4

Under these circumstances the issue of political and economic development is now more important than ever for the labor sending nations. Economists argue that if Central Asian people, especially the rural population, cannot actively participate in the development process and share material benefits generated by that process, the newly emerging political system, which is an amalgam of crony capitalism and authoritarian leadership, will not have legitimacy in the eyes of the people and will therefore be unable to achieve economic and political development.5 Central Asians have increasing demands and expectations from their states, and national governments have to find ways to improve their quality of governance, and ultimately capture

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4 Stephen Castles and Mark Miller 2009.
5 Nimal Fernando and Thomas Moyes 2006, p. X.
economic growth and development, in order to successfully respond to those gestures and remain representatives of their subjects. Central Asia is located in a region of the world where it is particularly important for national governments to succeed in political-economic development. Positioned in the middle of three potential world powers, China, Russia, and India, and given their lack of experience with statehood, Central Asian governments have ample reason to pursue modernization and economic development rapidly. This is not only to preserve irreplaceable human capital but also to perhaps secure sovereignty and independence against powerful and ambitious neighbors.

1.2 Importance of Region and Issue at Hand

There are almost two hundred million migrants worldwide, approximately 3% of the global population. If all the world’s labor migrants were to constitute a nation, it would be the 5th most populous country in the world. In 2009, according to figures by the World Bank, total recorded global remittance flows increased to USD 444 billion. With 6% decrease from the 2008 figure of USD 336 billion officially recorded remittances to developing countries were USD 316 billion in 2009. The flow of officially recorded remittances to developing countries increased from USD 17.7 billion in 1980, USD 30.6 billion in 1990, USD 80 billion in 2002, USD 160 billion in 2004, and to the peak level at USD 336 billion in 2008.7

A total of 42 developing countries had remittance inflows greater than 5% of their GDP in 2004. In the same year, remittances sent to developing regions of the

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6 World Bank 2010, 2009b.
7 World Bank 2010.
world were roughly 50 percent greater than all Official Development Assistance (ODA). Correspondingly, money transfer institutions have experienced incredible growth: as of 2010 there are more than seven times as many Western Union agencies worldwide than McDonalds and Starbucks locations combined.

Remittances provide significant economic potential for labor sending countries. In Kyrgyzstan and Uzbekistan for example, an average teacher’s salary is USD 100 per month; meanwhile, the average monthly remittance transfer is around USD 200, approximately 40 per cent of average monthly earning abroad as of 2007. The economic importance of this money for those migrant sending families is indisputable, allowing migrants’ families to proliferate their sources of income with additional remittance monies.

Another perspective is that these remittance monies are different from other forms of international money flows. Remittances are decentralized in form and money flows directly into the households’ disposition. Unlike FDI or ODA, remittance monies flow directly to individual households, usually to people at the lower echelons of income distribution, rather than to public institutions. As stated by policy experts, in comparison with official aid remittances “flows directly to the people who really need it and do not require a costly government bureaucracy on the sending side,” and they are far less “likely to be siphoned off into the pockets of corrupt government officials.”

The large amount of money flowing into the labor sending countries is also beneficial at the government level, since these remittances are also a stable source of funding for national governments. For example, as stated by a policy expert,

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9 David Singer 2010.
unlike foreign aid, labor remittances are not subject to the whims of donors, or the conditionality of lending institutions, or the herd behavior of private investors and money market centers.\textsuperscript{11}

The sheer number of international migrants, the magnitude of global remittances and the potential implication for development have attracted a great amount of attention from scholars and policy analysts recently. With the start of the new millennium, the World Bank and other major international institutions have become aware of the fact that worldwide remittances are substantially greater than the global development assistance aid. It follows that the most recent scholarship on migration includes a section entitled “Globalization, Development and Migration,” which ask a similar research question: “Does migration encourage development of the countries of origin, or hinder such development?”\textsuperscript{12} As international institutions and national governments discovered that this invaluable private inflow also does not require any conditionality or back payment, the main characteristics and the volume of migrant remittances drew more interest. The United Nations has established a Global Commission on International Migration (GCIM), and its 2005 report, which put emphasis on the potential benefits of migration for development, has become one of the most cited pieces in the most recent migration studies.\textsuperscript{13} Additionally, another international institution, the World Bank took international migration and remittances as its major focus issue in the Global Economic Prospects in the year 2006. After a decision taken in 2003 by the UN General Assembly to hold a global level dialogue on international migration and its developmental prospects the first Global Forum on

\textsuperscript{11} Devesh Kapur and John McHale 2003; GCIM 2005; IOM 2008.
\textsuperscript{12} Stephen Castles and Mark Miller 2009, pp.57-58.
\textsuperscript{13} Ibid, p. 13; Caglar Ozden and Maurice Schiff 2007
Migration and Development was held in Belgium in 2007; the second one was held in the Philippines in 2008; the third one was held in Greece in 2009; and the fourth one was held in Mexico in November 2010. All of these institutions and national states have been aware of the fact that the receipt of these huge amounts of money transfers from migrants may provide significant benefits to development prospects of the sending countries.

In the post-Soviet domain the most significant labor suppliers to the Russian economy within the CIS system are three Central Asian nations, Kyrgyzstan, Uzbekistan, and Tajikistan, and naturally they are also significant remittance receivers. Among these three labor sending countries this dissertation focuses on Kyrgyzstan and Uzbekistan, and it presents a comparative study of the inflow of remittance earnings and the developmental impacts on the sending regions.

The remittance figures for Kyrgyzstan and Uzbekistan are striking in comparison with the magnitude of their corresponding national macroeconomic indicators. For example, “In 1992-2000, the Kyrgyz Republic received USD 1,690 million in external assistance.”¹⁴ In 2005, total external flow of aid including the official development assistance (ODA) came to USD 268.5 million, and foreign direct investment (FDI) net inflow amounted to USD 42 million. While the sum of these two major financial inflows equal to 12.5% of GDP for that year, estimated total remittance inflow, at a conservative level, is USD 600-700 million for that year, and equals 26% of GDP. In the same year, for Uzbekistan, the ODA and FDI summed up to USD 214.3 million, or 1.5% of GDP while estimated total remittance inflow is

¹⁴ UN 2003b, p.9.
USD 1 billion, or 7.1% of GDP. A more recent work gives an estimated remittance inflow into the country as 30% of Kyrgyz GDP, which is one of the highest in the world, and at least 10% of Uzbek GDP for the peak year 2007.

Estimates of the number of labor emigrants concerned vary from 350,000 to over 1 million for Kyrgyzstan out of a total population of approximately 5.5 million; and estimates of Uzbek labor emigrants range from 2.5 to 6 million out of a population of 28 million people. If we accept the conservative estimates, at least one quarter of the labor force in both Uzbekistan and Kyrgyzstan has been experiencing labor migration in one way or another in the recent decade.

1.3 Statement of the Research Problem and Questions

In this dissertation, I focus on international labor out-migration from the Central Asian countries of Uzbekistan and Kyrgyzstan in the post-Soviet era and the potential developmental outcomes for the sending regions. Political science scholars who have an interest in migration studies tend to be split into two theoretical traditions: interest-based rational choice approaches and cultural-institutional approaches. In this study, I would combine these two traditions in a joint effort and employ one interest-based, the “New Economics of Labor Migration” (NELM), and one cultural approach, a sociological variant of the new institutional theory. However, I would like to emphasize the need for modification in some of the assumptions of the NELM.

15 These calculations are made by the author based on the UNDP Human Development Reports. Another study gives similar numbers: according to this study, the remittance inflow comprises almost 7% of Uzbek and 22.5% of Kyrgyz GDP in 2005 (Korobkov and Palei 2005 p. 142).
16 Andrei Korobkov 2007, p. 185.
17 Ilan Greenberg 2007; IWPR 2007; Gulnura Toraliyeva 2006a. According to the National Statistical Committee of the Kyrgyz Republic (NSC 2005b), as of 2003 the number of available labor force was almost 2.1 million.
Especially regarding the migration and remittance decisions, migrants are not entirely rational actors. They are boundedly rational; goal oriented, and look for satisficing outcomes.

In light of these theories I investigate the general patterns of remittance usage at the micro level, in the form of family level consumption, saving and investment decisions, and the potential effect of those remittance usage patterns on the economic development of the origin country. In other words, I elaborate on whether individual agents exhibit variation in their economic behavior regarding the usage of their remittance monies in those two very similar contexts where pre-Soviet and Soviet era policies have left behind almost identical social institutions. Between Kyrgyzstan and Uzbekistan, the only significant difference is recent political regime divergences.\(^{18}\)

In the development literature it has been debated since the early 1970s that labor migration and migrants’ remittances can potentially be an important part of national growth and development strategies, or conversely they are nothing but low level traps to those labor sending countries.\(^{19}\) Another mid-way perspective has argued that migration’s developmental outcomes are hard to calculate, and disputed and unsettled at best.\(^{20}\) Because of this difficulty in measuring the developmental outcome, which is context specific, it would be the best available choice to analyze micro level behaviors. Thus, in order to measure the extent of potential developmental outcomes, an analyst must uncover remittance usage patterns in the form of consumption, saving and investment decisions at the micro level.

\(^{18}\) Caroline Brettell and James Hollifield 2008, p. 8.

\(^{19}\) Edward Taylor et al 1996a,b; David Ellerman 2003.

Sharing the idea that there are limitations of human rationality due to built-in constraints on human nature and some other factors that prevent people from reaching optimal decisions; and that there is no universal rationality, this dissertation takes a position that the decisive role of sociological institutions matter most in terms of understanding the effect of individual behaviors on micro economic decisions particularly in the transition societies where uncertainties are widespread and formal institutions are weak. While appreciating the role of sociological institutions it is also important to take them within their historical continuities. Thus, the Soviet legacies of demographic, social, educational, professional, and occupational patterns, which are also associated with social status, is a decisive factor in understanding migration processes in the post-Soviet domain. As stated by a scholar, unlike the Soviet era in which the state was a provider of resources and was quite involved in citizens’ lives, in the post-Soviet era states and societies have mostly become disengaged with one another.\textsuperscript{21} Therefore, in light of the changing economic relations in these transition societies sociological institutions in the form of daily habits, regularities, and informal rules in the economic lives of people become influential.

In terms of political context, in Kyrgyzstan, the state is weaker, less institutionalized, and almost entirely disengaged from the society as compared with the state government of Uzbekistan. Additionally, the institution of private property is less secure in Kyrgyzstan.\textsuperscript{22} Despite those macro-political variations people in Uzbekistan and Kyrgyzstan have reacted almost in the same way, and they have built several informal institutions and social capital to defend themselves against the

\textsuperscript{21} Kelly McMann 2005.
\textsuperscript{22} Kumar Bekbolotov and Shairbek Juraev 2006.
negative effects of the political transition. Perhaps due to this, the corruption perceptions index by the Transparency International ranks these two countries at the same level as both 166th out of 180 countries in 2008.

Scholars and policymakers have studied labor out-migration, remittances, and development and have built a substantial body of literature addressing these issues. For example, many scholars have focused on: the propensity of, especially poor, people to migrate; once they have migrated, upon their propensity to remit; and the propensity of people to use remittances as investments in certain sectors among the important parameters to measure.\(^{23}\) It is significant to note that only a fraction of remittance monies are allocated to productive investments while the vast majority is reserved for consumptive investments all over the developing countries.\(^{24}\) My case studies were not exception. Relatively less productive investments were seen associated with remittances, and there were a large share of consumptive investments out of remittances in both Kyrgyzstan and Uzbekistan.

In the migration and development literature significant questions still remain to be settled and answered. For instance, “the fundamental question for researchers is not whether or not migration leads to certain types of development, but why migration has more positive development outcomes in some migrant-sending areas and less positive or negative outcomes in others.”\(^{25}\) This question is more relevant, valuable, and understudied in the post-Soviet transition countries. Additionally, there is a lack of empirical study in the post-Soviet area, and little is known about migration, remittance, and development relationship based on micro analysis of migrants and

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24 Rachel Murphy 2006, p.23.
historical-sociological determinants to affect individual behaviors. Therefore, an attempt will be made in this study to fill this gap. Based on the original fieldwork predominantly in Kyrgyzstan and Uzbekistan, and to a lesser extent in Turkey and the USA, this dissertation answers two sets of questions that remain unsettled in the migration literature: 1- How do sociological institutions and individuals’ rationality interact with each other, and they affect potential migrants’ decisions about (a) whether to leave, (b) where to go if they do leave, (c) propensity to remit; and they also affect actions, goal-setting, and ultimate decisions about a variety of migration related issues that each has potential to foster development in the home country such as (d) the usage of remittance monies in a variety of social and life cycle events, (e) interfamilial relations and reproduction of society, (f) the propensity and major patterns to allocate remittances into saving, investment, and consumption? 2- In what way are social context and sociological institutions impacting other migration related issues, especially whether remittances are used successfully to foster development in the home country?

According to my findings, I maintain that social dynamics play a greater role in potential migrants’ decision-making and potential developmental outcomes than dominant theories suggest. Moreover, the path dependent nature of the institutional context with sociological regularities, habits, norms, social capital, and social networks plays a crucial role especially in the transition societies. The combined effects of several major development policies, relatively higher birth rates, sectoral and geographic concentration of indigenous population into the least modernized occupations and rural areas, ever growing informal economic activities, in the Soviet
era are significant factors to understand the current sociological context and institutional framework in Central Asian societies where private economic decisions are made.

While focusing on the determinants of the decision making at micro level it is important to analyze sociological dynamics such as the role of social networks which serve as a source of information, from the first decision to migrate to every aspect of the migration process. For example, networks provide vital information from finding a place to stay, to find better paid jobs, legal short cuts and so on. The conventional theories see potential migrants as individual, utility-maximizing rational actors; the reality is more complex, which helps explain, for example, why Central Asian migrants usually go to Russia, rather than another country such as Japan.

Thus, this dissertation study makes micro-analysis of labor migrants regarding their decisions starting from the initial migration decision to the usage of remittance monies so as to assess the validity of the hypothesis that labor migration from Central Asia is a boundedly rational and socially informed household coping strategy in these transition environments; and additionally, labor migrants and their families are only partly rational constrained by historical macro structures as well as built-in and social limitations. There is enough evidence to support the hypothesis that in the contextual environment where there are weaknesses of the state institutions and market failures are intensive in the domestic arena labor migration is not only a household coping strategy serving to diversify income, but is also a means to overcome local developmental constraints on investment. Therefore, on the question of economic
development, I find that the role of the state is central in explaining outcomes especially in the post-Soviet transitioning societies.

1.4. Remainder of the Study

The rest of this dissertation proceeds as follows: In the following Section (1.5.) I portray the core argument and contribution of the dissertation as built upon previous research. It states that international labor migration from rural Central Asia and associated remittances might provide a net positive contribution to the overall economic development of these regions and/or countries as long as public policies are designed properly and informed by the inherent and social constraints over human decision making and rationality. In other words, the core determinants of the remittance-development relationship are the social institutions which are rooted in the legacy of the historical political economy in Central Asia. In this light, the migration-development nexus is analyzed under two theoretical approaches: rational (more correctly bounded rationality) and sociological, both of which provide most of the explanatory power of the analysis. While the conventional rational approach in the migration studies, NELM, achieves an understanding of individual/household rational behavior by strategic calculation; and the sociological institutionalism helps to understand the impact of the past structures, and the way migrants describe their goals, norms, duties, and tools to reach their life goals. In this dissertation, the argument is made that migrants’ behaviors are constrained by long-established social institutions, and they can be described as boundedly rational and socially informed household coping strategy in the Central Asian transition environments.
The Section 1.6 lays out the research design, including case selection, data collection, and descriptive statistics based on my original data as well as secondary data. Chapter 2 goes on to review the political economy of Central Asian countries in an historical perspective. Chapter 3 and Chapter 4 discuss research findings: the former concentrates on the past structures to understand current migration patterns, and the latter pays most of its attention to micro level analysis and its interactions in the contextual environment. Chapter 5 concludes with future research directions, and outlines policy implications of the study.

1.5. Literature Review

1.5.1 Labor Migration Literature: Neoclassical Rational Approach

The migration literature was born into and dominated by the economics field. The neoclassical framework of the Todaro’s earlier models dominated the migration studies by the 1980s. At the micro level, the early Todaro model and all other associated economic approaches have fundamentally based their assumptions on the rational actors at the micro level. The neoclassical school conceptualizes the rational actors and their decision-making behavior by the ‘logic of consequences’ which is based on individualism, rationality, cost-benefit, efficiency, utility maximization, and strategic calculation. Thus, rational behavior of a potential migrant is related to his/her struggle to increase income potential, and maximize personal utility. Individuals’ decisions to migrate are based on mere cost-benefit calculations at the beginning of the migration process as between two major choices, remaining at home or moving. Accordingly, the forerunner of rational approaches in the migration studies, the
Todaro model, argues that each potential risk-neutral migrant was seen as the decision-maker whether or not to move, typically from rural to urban areas, within the same national borders on the basis of the expected income maximization purposes.

Another rational economic approach, the ‘push and pull’ framework, looks for those factors that either forcefully push actors into the decision to migrate or attract them (or pull them) into the destination places. In other words, pull factors are located in the destination country and pressure or motivate migrants to seek to working opportunities there, while push factors are located in the sending countries and pressure or motivate migrants to leave and seek opportunities elsewhere. In the Central Asian case, the most powerful push factors are demographic factors such as high population growth rate, low living standards, and lack of economic opportunities. For a majority of Central Asian emigrants, the most crucial pull factors are the Russian labor market’s desperate demand for labor, wage differentials, the existence of prior migrants in a variety of urban centers in Russia, and a common background from the Soviet era.

Another branch of the neoclassical [i.e., rational choice] school, the dual labor market theory, which was designed in the late 1970s by Michael J. Piore, argues that international labor migration can best be explained by intrinsic labor demands of developed nations.26 Thus, this approach focuses on interaction between agency and structural context. According to Piore, immigration is not caused by push factors in the sending regions, because of low wages or other economic difficulties, but by pull factors in receiving countries where local nationals are not enthusiastic to do those 3D jobs (dirty, dangerous, and difficult), which entail either relatively low level wages or

26 Michael Piore 1979.
low level social status. Piore’s dual market theory portrays a segmented labor market that is divided along the quality of the jobs that convey social status. At this point one note needs to be highlighted, with the inclusion of structural factors in the push-pull framework, and inclusion of social status in the dual labor market theory as an explanatory factor, that there were earlier promising interdisciplinary cooperation between economics and sociology. Nonetheless, the predominant focus in the 1970s and 1980s was mostly on the rationality of actors, and the sociological dynamics were only peripheral to affect crucial decisions at the micro level.

While the world economy has been transforming along with the increasing global economic trends, the new empirical evidence has made it clear that the neoclassical rational models were insufficient to be able to explain the newly emerged and diverse migration patterns.27 Accordingly, since the 1980s, the pace and intensity of the critiques on the traditional neoclassical rational economics approaches have been increased. The previous versions of those economic approaches have been critiqued on the basis of their narrow focus on income differentials as the core stimulator of the individual decisions to migrate, and on their neglect to encompass other potential impacts on sending regions and inhabitants living there.

More specifically, earlier neoclassical economic approaches take material incentives such as wage differentials between developed and developing nations as the main causal factors that stimulate individuals to migrate; and that by migrating, individuals basically aim at getting higher wages and improved life standards. By contrast, the most recent evidence has shown that a minority of nations accounts for the vast majority of the world’s international migrants, and usually they are neither

the poorest nor the least developed of nations. International labor migration for the most part originates in countries at an intermediate level of development rather than in the poorest countries with the lowest wage levels. More specifically, “the principal beneficiaries are lower middle-income countries (those with a gross national income per capita between USD 736 and USD 2,935), which receive nearly half of all remittances worldwide.” Furthermore, within these countries with medium income levels, it is not the very poor or the unemployed who migrate, but rather those citizens with some resources. In my survey I have also found a similar pattern: regarding the question about the motivations of initial migration decision desperate conditions do not fully account for the desire to migrate; thus, the most frequent drives cited by respondents were not unemployment or poverty, but they were low wages and to search for new opportunities abroad. Especially in rural areas, the poorest people often lack the resources to migrate, and those who migrate are members of relatively better off households, in terms of land ownership, assets, productivity, and social networks. The neoclassical approaches have also failed to explain other dimensions of migration phenomena such as temporary (or seasonal) migration, further cycles of migration, and migrants’ motivation to send substantial amount of remittances to their households and relatives at origin.

1.5.2 New Economics of Labor Migration

29 Devesh Kapur and John McHale 2003, p. 49.
30 Ibid.
The New Economics of Labor Migration (NELM) was introduced to the literature in the mid-1980s, and it responds to some of shortcomings discussed above.\(^\text{33}\) This new perspective has improved on its predecessors by introducing some structural concepts; for example, it argues that migration is not driven only by wage differentials, but by a variety of market failures, including missing or incomplete capital and insurance markets. Additionally, the NELM diverges from the previous rational approaches, and instead of individual agency it considers the household as the most appropriate decision-making unit. Stark and Bloom argues that “[NELM] shifts the focus of migration theory from individual independence (optimization against nature) to mutual interdependence (optimization against one another).”\(^\text{34}\) The NELM approach takes the migration decisions as a collective choice or family strategy which aims not only to maximize income, but also to minimize risks, diversify income earnings, and relax financial constraints through remittances.\(^\text{35}\) Thus, changing the unit of analysis from individual to the family the NELM takes a further step to enjoy interdisciplinary cooperation between sociology and economics by using a significant social reality (and structure) into its explanatory scheme.

Another theoretical advancement by the NELM is that it incorporates a socio-psychological dimension of human behavior, and it successfully combines rationality with the social environment in the human decision making process: “households send workers abroad ‘not only to improve income in absolute terms, but also to increase

\(^{33}\) Edward Taylor 1999.
\(^{34}\) Oded Stark and David Bloom 1985, pp. 174-5.
Scholars found empirical evidence that the initial relative deprivation of households plays a significant role in their migration decisions. It is interesting to note that during the field survey when we approached a man in the street in a town (Osh/Kyrgyzstan), and asked him whether there is an international migrant in his household he was not so eager to answer this question; however, he exclaimed that “Everybody is gone. Only old men, children, women, and fools like me stayed here.”

It was argued by a group of scholars that “sooner or later theories must change to reflect new social and economic realities.” Additionally, existing theories must respond to the newly emerging anomalies. From this perspective, the NELM has demonstrated an innovative approach to prove its merit. That is why it has been widely used in most of the recent migration studies. However, it is still not perfectly sufficient to have a complete understanding of the new societal realities of the post-industrial age. In sum, there is a need for further cooperation between sociology and economics with institutional focus, and a deep understanding of rationality in diverse settings.

This dissertation maintains that the core problem with the neoclassical [rational] school is about its epistemological aspect. There have been several critiques of human rationality as a source of acquiring knowledge and as a driver of human action from other non-economic social science disciplines such as psychological and socio-psychological works on human perception and cognition. It is necessary to

37 Oded Stark and David Bloom 1985; see also Hein De Haas 2005 for his argument about absolute poverty versus relative depravity as a root cause of migration.
focus on the structure of human cognition regarding the perception of the self and the external environment when analyzing an individual’s decision making pattern. These critiques claim that there are two major limitations, inherent and social, over human decision making and rationality. Additionally, migrant workers are neither equipped with full information nor they do have extensive freedom to choose in their decisions related to their migration experiences.

When we look at labor migrants and their economic behaviors in the post-Soviet domain, those are merely adaptation strategies by boundedly rational actors, who are also constrained by historical macro structures. Because of human nature and its inherent limitations along with other external factors people are not always fully capable of making rational decisions, and reach optimal outcomes. According to the bounded rationality, human decision making mechanisms are bounded: cognitive and emotional aspects of human mind prevent people to process information objectively; human adaptability is limited; information from outside is not always objective or accurate; our receiving and processing mechanisms are not always perfect.\textsuperscript{39}

Additionally, migrants’ behaviors are also constrained by long-established social institutions that affect them either in the sending and receiving locations. For example, in the receiving countries, “migrants have limited and often contradictory information, and are subject to a range of constraints (especially lack of power in the face of employers and governments).”\textsuperscript{40} Anthropologists and historians argue that economic factors and rationality cannot suffice to fully explain migration processes

\textsuperscript{39} Bryan Jones 2001 provides a detailed portrayal of “bounded rationality.” Bounded rationality was first introduced by Herbert Simon, and it has been extensively used in the decision-making studies in the political science and other social sciences.

\textsuperscript{40} Stephen Castles and Mark Miller 2009, p. 23.
when they are divorced from social and cultural context; in fact, some anthropologists maintain that there is no universal rationality.\textsuperscript{41} Additionally, economic sociologists argue that, while economic actions and the functioning of markets can be explained with individual rationality and rationally designed institutions to certain extent, but they are not sufficient by themselves to be able to address the whole picture. For example, while the NELM represents an improvement with its explanation of rationality within a wider social context there is a need for further improvement in the connection between rationality and the role of informal institutions in the transition societies. Thus, it is necessary to take into consideration non-rational and non-economic sources of human motivation and behavior along with their contextual environment. For example, one scholar points out that in Uzbekistan individual interests might be merged within a social structure, such as well-disciplined mahalla could be understood: “both mahalla and family as insurance mechanisms…”\textsuperscript{42}

\textbf{1.5.3 Non-Economic Approaches to Migration}

In a review of non-economic approaches to migration three key characteristics are underlined. First, these approaches are actor-centered, and seek to reveal the migrants’ point of view at the micro level analysis. When analyzing an individual’s decision making pattern and its consequences on the developmental outcomes it should be kept in mind that there are limitations on the rationality of human beings; additionally, individuals have noneconomic goals too. In other words, micro analysis of migration should pay attention to “the interactions among values, goals, and

\textsuperscript{41} Caroline Brettell and James Hollifield 2008, p. 7.
\textsuperscript{42} Eric Sievers 2002, p. 127.
resources,” as well as both economic and non-economic factors in the individuals’ decision making mechanisms.\(^{43}\) Second, non-economic approaches commonly see migration one aspect of migrants’ lives, and emphasize that migration is strongly embedded in the local institutions of the sending community. Third, non-economic approaches have historical dimensions, i.e., contemporary patterns of migration are often indicative of established historical connections between sending and receiving countries through structural and/or institutional ties. Such an approach may explain, for instance, why places that seem to be unlikely destinations for outsiders often attract sizable migrant flows for various reasons.\(^{44}\)

### 1.5.3.1 Micro Analysis of Migration through Non-Economic Perspectives

As opposed to economic and rational explanations of human behavior, non-economic approaches maintain that people do have other concerns, and they use different logics while formulating their actions. For example, political science scholars who are affiliated with the new institutionalism school maintain that there are distinct aspects of human behavior and decision-making. Different branches of this school according to their epistemological orientation introduce particular logics to explain individual behavior.\(^{45}\)

One of the branches of the new institutionalism school, the sociological variant, as a response to its rational choice variant, argues that individual behavior is not necessarily guided by consequentialist logic, purposive behavior, or even efficiency. Individual or group actions are predominantly guided by ‘socially

\(^{43}\) Rachel Murphy 2002, p. 10.  
\(^{44}\) Michael Bommes and Holger Kolb 2006.  
\(^{45}\) Peter Hall and Rosemary Taylor 1996.
appropriate behavior’ that is non-calculative, practical, and social. Individuals aim at social legitimacy and acceptance rather than working to achieve efficient goals. Thus, it is better to see individuals’ actions within their social milieu.\textsuperscript{46}

For sociological institutionalism, individuals develop particular goals, identities, ideas, norms, values, and preferences in their social context. As they make decisions, individuals and groups construe their social environment, and they use this while developing their goals through institutional arrangements that are learned throughout life. From this point of view, while analyzing “socially oriented economic action” the role of “logic of appropriateness” is the best tool to be used in order to see individual decision making patterns.\textsuperscript{47} Individuals prioritize appropriateness before efficiency while adopting their life-long personal goals, and they often use the same logic during the selection of means to reach them. In other words, sociological institutions such as commonly accepted norms, social expectations, and reciprocal obligations constrain and shape individual rationality. Then, it becomes convenient to focus particularly on the cultural context and social forces with the sociological perspective in the transitioning societies where difficulties of daily life make social institutions more useful to explain individuals’ behavior and their decision-making patterns.\textsuperscript{48}

Sociological institutionalism critiques the rational approach regarding its weak theorization about the feedback mechanisms between interests and institutions, and their particularities at specific contexts: according to these critiques, the rational

\begin{footnotes}
\footnote{Paul DiMaggio and Walter Powell 1991; Peter Hall and Rosemary Taylor 1996; Kathleen Thelen 1999.}
\footnote{Alejandro Portes 1995, p.3.}
\footnote{Paul DiMaggio and Walter Powell 1991; Alejandro Portes 1995; Peter Hall and Rosemary Taylor 1996; Kathleen Thelen 1999.}
\end{footnotes}
approach assumes that actors strategically construct macro institutions that achieve the goals they wish; and ordinary individuals act according the incentive mechanisms that created at the macro level. But the missing point is that there might be incoherent institutional settings at the macro level; and that the rational approach fails to explain the way individuals adopt their goals and preferences in an ambiguous environment. In a study to analyze private business development in the post-Soviet context scholars highlight the importance of “the interplay between the institutional setting, the environment and the individual characteristics of the entrepreneur” the combination of which only can create an ‘enabling context’ for innovative behavior to develop and grow in these uncertain settings. Therefore, the rationality in these unstable settings, where it is common to see arbitrariness in law enforcement and a variety of governance problems for businesses, must be different than the one that could be used in politically stable settings. In an empirical study regarding the transition societies, it is highlighted that entrepreneurs in these countries are increasingly developing sophisticated ways to adapt to post-Soviet governance idiosyncrasies and uncertainty, and success depends on strategy of coping with uncertainty through social networks.

Sociological institutionalism scholars maintain that individuals do not have a fixed system of adopting efficient results when they rank their priorities. Besides, due to a variety of social institutions, such as social networks and social capital, the human pursuit of utility maximization is constrained by reciprocity expectations built up in the course of social interaction. Additionally, routines and other social regularities guide actions not because of their efficiency but because of habits and

49 Ruta Aidis and Friederike Welter 2008.
their entrenchment in the wider structure. For instance, in an empirical study the relationship between informal institutional context and migrants’ goal settings and decision making patterns are plausibly portrayed:

Kiribati culture is based on extended families that are bound into a community and village system. Young men are expected to be caretakers of families; therefore, the decision to become a seafarer, although made on an individual basis, occurs against the background of expectations from their families to take on a job that will provide income... A seafarer has to fulfill obligations to his parents, wife and perhaps family members.

Similarly, in the Central Asia context migrants are almost entirely guided by the sociological institutions such as social networks, norms, and practices. For instance, the power of long-established sociological institutions is described in a study of the post-Soviet Uzbekistan:

Three principal structures [family, mahalla, and the state] intrude on the ideal of complete discretion in the enjoyment of private property in Uzbekistan. These intrusions capture what it means in Uzbekistan to be not only an individual, but to be enmeshed in social networks at the family, community, and national levels. Property rights and norms speak as much to individual rights as they do to what duties and expectations lie at the foundation of the interpersonal relations of Uzbek society.

The same study informs that in Uzbekistan, sales of houses may take place only if the approval of all individuals, for whom the residence is the principal residence, is taken. This is known as the right of first refusal for mahalla (traditional neighborhood) members in the event of a sale of real estate. This right is protected and enforced by the state institutions, and “Violators of mahalla decisions may now face arrest.”

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52 Maria Borovnik 2006, p. 160.
In an empirical analysis of the migration patterns from Central Asia to Russia one scholar shows evidence that a majority of labor emigrants are not making perfectly rational decisions as suggested by the rational approaches. The statistical analysis in this study finds that Central Asians migrate to areas with declining economies.\textsuperscript{55} This example shows that migrants cannot take perfectly rational decisions due to several built-in or contextual limitations: lack of information, or misinformation, or mere habits, or built-in weaknesses of the human mind to process information, or a variety of social constraints that prevent people from adopting more efficient goals. In other words, migrants and their families may take their crucial migration-related decisions not entirely for utility maximization purposes even if they desire to do so. Migrants’ behaviors could better be described as socially informed bounded rationality, in which actors fulfill normative expectations of society with the logic of “proper behavior.” In my household surveys it is common to see cases where a younger brother joins his older one in Irkutsk out of respect, rather than moving to Moscow with its higher income potential. Likewise, many females and their children move because of the belief that their place should be near the male household member abroad. Finally, the youngest brother almost always stays with his parents’ house due to the Central Asian cultural traditions. Consequently, the studies in transition economies show that sociological institutions are influential factors at every stage of migration processes.

\subsection*{1.5.3.2 Institutional Analysis of Migration through Non-Economic Perspectives}

\textsuperscript{55} Richard Wolfel 2001 (Cited in Saltanat Liebert 2007).
Two main sorts of embedded transactions are cited in the workings of the market: 1- interpersonal embeddedness (includes the normative expectations, human need for appreciation and approval, and reciprocity transactions related to social networks), and 2- structural embeddedness (the aggregation of economic exchanges into larger social regularities).\textsuperscript{56}

The best example for the structural embeddedness is social networks. They are sources for the acquisition of scarce means, such as financial capital, and at the same time they may manipulate personal goals and diminish individual gains. Depending on the characteristics of their networks and their personal positions within them, individuals may be able to mobilize resources; or on the contrary be tightly bound by group-enforced expectations. These scarce resources may be tangible or intangible benefits, such as price discounts, loans, or information about profitable activities. Being a member of a social network provides both benefits and costs associated with the reciprocal expectations.\textsuperscript{57} For example, membership of a social network may help people with informal contract enforcement and compensation for the ineffective formal institutions. One major cost is the constraint that community norms place on individual conduct and capacity for innovation, entrepreneurship, and personal initiative. Moreover, potential social costs might be cited as increasing social distrust to public offices and rules, rent-seeking behaviors, and corruption. The aggregation of benefits and costs produced by social networks in the entire country and its overall effects may be positive or negative depending on the particularities. In some places it may provide for capital accumulation and innovation; in another society it may

\textsuperscript{56} Alejandro Portes 1995.
\textsuperscript{57} Alejandro Portes 1995.
undermine innovation or entrepreneurship and capital accumulation.\textsuperscript{58} For example, as is argued by a scholar, who studied entrepreneurship in post-Soviet Kyrgyzstan, social networks are good at helping the initial start-up and survival; but at some later point they hinder development and innovative capacity at the country level.\textsuperscript{59}

In one of the qualitative studies, researchers analyze social networks in Kyrgyzstan, and they argue that in the post-Soviet Kyrgyz society the widespread and highly institutionalized practice of gift exchange has been distorted, and turned into a form of marketized social relationship. The authors concluded that rapid economic transformation and social differentiation in these transition environments have converted a variety of social networks into marketized social capital. The special focus on the functioning and norm structure of the social networks in post-socialist countries is an important task to be able to suggest particular policy prescriptions for those societies.\textsuperscript{60}

1.5.3.3 Historical Analysis of Migration

As a third major common characteristic among non-economic approaches to the migration processes, historical patterns and institutions established in the past can help explain many current migration outcomes and their developmental prospects. For instance, early rail lines established in the Central Mexico have had an effect on the formation and maturation of migrant-sending communities with their social networks. Despite diversification of transportation means and routes throughout Mexico those

\textsuperscript{58} Janna Rysakova et al 2002; Alejandro Portes 1995.
\textsuperscript{59} Gul Berna Ozcan 2008, p.85.
\textsuperscript{60} Kathleen Kuehnast and Nora Dudwick 2004.
early regions have remained as the major sending locations.\textsuperscript{61} Thus, the core-periphery structure offers a consistent macrosociological explanation of the origins of migrant flows. It is evident that there is a strong link between past colonialists and their former colonies because of linguistic, cultural and other ties. This pattern holds for Kyrgyz and Uzbek migrants who predominantly migrate to Russia, the former colonizer. Besides, in other non-CIS countries they live and work in the Russian speaking, or former Soviet settings. For instance, in a dissertation study, it is mentioned that most of the immigrants from the entire post-Soviet domain, including Kyrgyz laborers, prefer to socialize with other Russian speaking nationalities in the broader New York area.\textsuperscript{62} In a media article about Uzbek immigrants in the USA the same pattern is reported:

There are people who do not speak English even after a year spent in the United States, say, in New York. Setting in the so-called Russian districts (like Brighton Beach in Brooklyn), some people manage without English even after a decade of living there.\textsuperscript{63}

Regarding the decision making of individual migrants from Central Asia it seems that there is a significant impact from the historical macro structures along with the social-institutional context which follows a path dependent reproduction process. Former Soviet regime and its development policies and their outcomes, such as relatively higher birth rates, sectoral and geographic concentration of indigenous population into the least modernized occupations and rural areas, and ever growing

\textsuperscript{61} Christopher Woodruff 2007.
\textsuperscript{62} Saltanat Liebert 2007.
\textsuperscript{63} Ferghana.ru news portal “Uzbek Gastarbeiters learn new trades in the United States,” (May 20, 2009).
informal economic activities, are significant factors to understand the current framework in Central Asian societies.⁶⁴

Historical patterns and sociological institutions are not only influential in explaining the macro level factors, but they also help explain individual behaviors, particularly habits at the micro level.⁶⁵ An anthropologic narrative is given to exemplify the power of informal institutions in transition environment of post-Soviet Kyrgyzstan in which herders essentially disregard government’s market-oriented pastoral reforms and associated formal rules which are arguably based on the principle of utility maximization. This study, which is based on direct observation, shows that Kyrgyz herders prefer to act according to the long-established Soviet-era institutions that continue to structure herding practices: “Today, despite Kyrgyzstan’s early embrace of ambitious programs of land reform, life in many Kyrgyz herding communities is structured far more by historically embedded informal institutions than by the goals of reformers.”⁶⁶ Similarly, in another study about the rural development projects, the author shares the same view regarding the failed reform projects in Kyrgyzstan: “Thus, it is questionable whether changes in formal laws and public sector rules in post-Soviet countries can transform historically established informal norms and practices within public institutions.”⁶⁷

All sorts of migration related decisions including the costs and benefits of those decisions that enter into such individual calculations are themselves conditioned by the path dependent institutional structure reflecting the colonial past. Besides, the

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⁶⁵ Alejandro Portes 1995.
⁶⁷ Babken Babajanian 2007, p. 32.
division of ethnic groups into particular occupations, such as retail traders, cab drivers, cooks, occurs through a path dependent historical process. This is also an important reason for ethnic concentrations in certain economic sectors. It is common to see that ‘pioneers’ set a foot in certain occupations, and they subsequently open the doors for their kin and co-ethnics for other job openings through referrals.\textsuperscript{68} For example, in an empirical study conducted during the Soviet era, the concentration of ethnic Uzbeks in particular sectors in the Soviet Uzbekistan is simply explained by the interaction of formal rules and culturally based choices. According to the author, choices made by the indigenous people as a response to the formal rules lead to the “persistence of rural residence and associated occupations.”\textsuperscript{69}

When it comes time to decide about the choice of destination place to migrate, and later all other associated decisions, it would be possible to explain those decisions by rational approaches; however, they cannot be useful to see the larger picture. Particularly in transition societies, including Central Asia, the nature of the structural shortages and coping mechanisms are informed mostly from the historical and sociological institutions, and they differ from context to context. For the most part, these processes and individual behaviors are socially oriented and norm- or habit-driven in nature.

\subsection*{1.5.4 Literature on Migration-Remittance-Development}

Remittance with its plain definition refers to the money that international labor migrants send back to their families in the communities of origin. For developing

\textsuperscript{68} Nancy Lubin 1984; Alejandro Portes 1995.  
\textsuperscript{69} Nancy Lubin 1984, p. ix; Alejandro Portes 1995.
countries, particularly for the poorest post-communist transitioning nations, remittances are like “mother’s milk” as one Asian newspaper described it for all Asian migrant sending countries.\textsuperscript{70} Due to increasing importance and relative magnitude of remittance inflows vis-à-vis other forms of financial aids into developing countries such as ODA and FDI, the potential developmental impacts of these private funds have become ever more popular among scholars. Thus, international migration and associated remittance flows, as being relatively new phenomena, have turned into one of the most frequently used in the migration studies.

In the past, migration studies looked only at domestic level factor mobility which is relatively simpler and easier to theorize; on the other hand, international migration is rather more complex and multifaceted issue with a variety of dimensions. In a review of migration and remittances a scholar maintains that while analyzing micro level remittance practices three key characteristics are underlined: geography, history, and transnationalism (social networks). According to the author:

Communities with relatively better access to the state’s capital show a higher rate of remittance investment than more isolated and rural communities. Similarly, strong networks linking migrants across regions and to sending communities encourage both remittances and investment at home.\textsuperscript{71}

There are two major theoretical orientations regarding international labor migration and its developmental outcomes for the sending countries. The first one holds a structuralist position, and it sees international labor flows as an adverse phenomenon, like a zero-sum game between host and sending regions. On the other hand, the modernization school argues that depending on the contextual conditions the

\textsuperscript{70} Devesh Kapur and John McHale 2003, p. 49.
\textsuperscript{71} Jeffrey Cohen 2005, p. 100.
sending regions and/or countries may gain developmental outcomes through financial and/or social remittances.\textsuperscript{72}

1.5.4.1 Literature on Positive Impacts of Migration and Remittances on Development

On the positive side, the modernization school argues that labor migration and remittances are potentially a win-win situation for all parties involved. Those optimistic scholars maintain that remittances have many positive developmental impacts for the sending regions such as poverty reduction, improvements to the well-being of people, reduction of unemployment, increased human capital through newly acquired skills, training, and expertise, much needed financial capital, and potential for investment opportunities and job creation.\textsuperscript{73} For example, regarding the positive effects of remittances on poverty reduction in an empirical study it is suggested that a 10\% increase in the percentage of international remittances leads to a 1.6\% reduction on average in the size of the local population living in poverty.\textsuperscript{74} On the other hand, a previous study by the same authors suggests that “a 10 percent increase in the share of migrants in a country’s population will lead to a 1.9 decline in the share of people living on less than USD 1 a day.”\textsuperscript{75}

We could divide the potential positive effects of remittances into two major areas. The first is benefits that enjoyed by migrants and their families, and the second is communitarian benefits that are enjoyed by everybody who lives in the sending

\textsuperscript{72} Jeffrey Cohen 2005, p. 89; Hein De Haas 2006, 2007; Ninna Nyberg-Sorensen et al. 2002; Edward Taylor et al. 1996a,b.
\textsuperscript{73} Jeffrey Cohen 2005.
\textsuperscript{74} Richard Adams and John Page 2003.
\textsuperscript{75} Richard Adams and John Page 2003 (Cited in World Bank 2007a, p.8).
regions. As is argued by a group of scholar migrant households tend to have a higher propensity to make investments in comparison with non-migrant households; besides, all sorts of consumption (e.g. housing, small business, and education) or investment spending by migrant households create positive income multiplier effects. The multiplier effect of remittances means that remittances contribute to the receiving economies more than their nominal values. The benefits of remittances might also indirectly affect non-migrant households too.\textsuperscript{76}

Accordingly, the impact of remittances on local economies and microenterprises has two major courses. Migration and associated remittances may help to provide for “the supply of capital available to invest in microenterprises” or the demand for products offered by them.\textsuperscript{77} On the supply side, at the earlier stages of migration labor migrants concentrate on building small enterprises with low-capital sectors. These small enterprises are seen as a place to accumulate the liquidity coming from remittance generated savings. On the demand side, \textit{migradollars} is the term to refer to the increasing demand for local products with additional remittance monies.

In other words, remittances increase the spending power of all residents in the sending communities, which is associated with the multiplier effect of remittances. There is empirical evidence to support the idea that multiplier effects from remittance spending, particularly due to house construction, are quite large.\textsuperscript{78} For example, one study finds that each remitted dollar generates USD 4 in demand for goods and services in the Mexican economy.\textsuperscript{79} The scale of the multiplier depends on which

\textsuperscript{76} Edward Taylor et al. 1996a,b; Hein De Haas 2006, p.567.
\textsuperscript{77} Christopher Woodruff 2007, p. 62.
\textsuperscript{78} Robert Lucas 2005, p.191.
\textsuperscript{79} David Singer 2010.
sector receives the remittance and which socio-economic group spends it.\textsuperscript{80} In demand-deficient economies, through the multiplier effects of expanded spending, migrants and their families increase their consumption of services or goods produced in local economies, and this additional demand extends local economic capacity for all inhabitants including non-migrant families.\textsuperscript{81} In sum, remittance-induced consumptive or productive investments significantly contribute to the growth, diversification, partial de-agrarisation and urbanization of the regional economies and creation of employment. This means “livelihood diversification and improvement for non-migrants too. This is another reason not to dismiss migrants’ consumption, housing and other ‘non-productive’ investments as non-developmental.”\textsuperscript{82}

For the modernization school, it is an obvious fact that there is a two way interaction on the remittance and development relationship: development at home shapes out-migration, while the process of out-migration simultaneously affects developmental prospects at home in a number of ways. Thus, a substantial amount and quality of economic development at home, including job creation and thriving labor markets, act to diminish labor emigration pressures. Migrants with their move not only alleviate several economic pressures but also they promise a long run return with newly acquired skills, training, and expertise.\textsuperscript{83}

Another benefit at the community level is collective actions to support cohabitants in the origin who need help. Recent studies have highlighted the increasing role of ‘collective remittances’ as well as hometown associations to

\textsuperscript{80} Jeffrey Cohen 2005, p. 93. 
\textsuperscript{81} Robert Lucas 2005, pp. 55-56
\textsuperscript{82} Hein De Haas 2006, p. 577.
\textsuperscript{83} Robert Lucas 2007, p. 12.
support and improve their home communities.\textsuperscript{84} For example, representatives of the Kyrgyz Diasporas in Moscow, Cheliabinsk, Ekaterinburg and other cities of Russia and Kazakhstan united to help their compatriots affected by the earthquake in Nura village of Osh/Alay district in 2008.\textsuperscript{85} \textit{Zamandash}, the Association of Kyrgyz Diasporas in Russia and Kazakhstan, has initiated several social and community projects.\textsuperscript{86} During the field research I have observed that there were some institutions and non-governmental organizations in Kyrgyzstan to defend the rights of labor migrants abroad.\textsuperscript{87}

\textbf{1.5.4.2 Literature on Negative Impacts of Migration and Remittances on Development}

On the negative side, the structural school (or the dependency school) argues that international labor migration and associated remittances, in essence, bring nothing home but more dependency and capitalist habits such as consumerism. Proponents of the structural school argue that the labor out-migration represents a kind of dependency relationship between the North and South; and it is nothing more than a developmental trap for the poor people and regions who/which lock themselves into a semi-permanent role of supplying labor for the dirty, difficult, and dangerous (3 Ds) jobs in the receiving countries.\textsuperscript{88} Scholars in the structural school maintain that labor migration brings about “the emergence of passive, non-productive and

\textsuperscript{84} Stephen Castles and Mark Miller 2009, p. 61.
\textsuperscript{87} Informal meeting with Nurdin Tynaev at the AUCA/SRC (Director of the Public Foundation: “Network of Labor Migrants’ Assistance Centers in Kyrgyzstan), September 17, 2007 in Bishkek.
\textsuperscript{88} David Ellerman, 2003; Edward Taylor 1999.
remittance-dependent communities.” Additionally, politicians in the remittance receiving countries opt for delaying necessary structural reforms. A scholar maintains that

…remittances amplify the deleterious effect of migration by relieving the pressure of pressing problems. Many governments in developing countries have now discovered the ‘oil well’ of remittances which will help them to paper over problems and pay the costs of not changing.  

One of the most important arguments unanimously shared among pessimists is the concept of brain drain. It means that well-educated people from less developed countries leave not only their home countries but also those countries’ hope for reform and development potential. There is ample supporting evidence for the pessimists’ claim in the Central Asian context. According to the media reports, there is a significant shortage of high-skilled occupations such as teachers and medical personnel. According to a Kyrgyz MP; the national education system needs an extra 3,500 teachers. Currently there is a shortage of teachers of physics, math, and chemistry in the secondary schools of Bishkek, while Kyrgyz doctors and teachers are easily finding jobs in Russia and Kazakhstan.

On the other hand, a counter argument was developed by the modernization school in reaction to the concept of brain drain. According to this perspective, “in some LDC countries, the economies and labor markets cannot effectively absorb some skilled people and they can make a greater contribution to development by

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89 Hein De Haas 2007, p.5.
90 David Ellerman, 2003, p.16.
91 See NMCA No. 13, and other news stories at 24.kg.
92 See NMCA No. 60.
93 Gulnura Toralieva 2006.
emigrating and remitting earnings back.”\textsuperscript{94} As opposed to the brain drain these scholars introduced the concept of brain gain which argues that departure of skilled labor force is balanced with the counter flow of remittances, investment in education, innovation, and other benefits.\textsuperscript{95} Regarding my case studies it is important to note that overwhelming majority of indigenous Central Asian emigrants is not highly skilled or even semi-skilled. Furthermore, most of highly skilled labor force (European ethnicities) had already left Central Asia at the earlier stage of independence, and created severe imbalances. The proponents of brain gain would argue that the departure of highly skilled indigenous Central Asians is also a beneficial phenomenon for their communities since they cannot contribute effectively under current economic conditions. A local analyst claims that in the post-independence Kyrgyzstan government officials established the national education system just as a tool for prolonging the period before youth enters in the job market; and due to imbalances in both education and employment in Kyrgyzstan “[especially in social sciences] the massive graduation of specialists beyond the demand of the labor market has worsened the employment situation…”\textsuperscript{96}

Another argument shared among pessimists is that with migration of people from the sending communities inequality deepens between rural and urban locations as well as between migrant and non-migrant families.\textsuperscript{97} Developmental effects of remittances are weak at best since they are not channeled into investment and growth, and that extra income sent by migrants induces withdrawal from labor force and

\textsuperscript{94} Graeme Hugo 2005, p. 98. \\
\textsuperscript{95} Hein De Haas 2005. \\
\textsuperscript{96} Anar Musabaeva 2006. \\
\textsuperscript{97} David Ellerman 2003 and 2005.
production in the originating communities. Furthermore, remittances can cause overvaluation of the exchange rate, which diminishes national advantages in exporting.\textsuperscript{98} In addition to diminishing exports, labor sending countries experience increasing imports since most of remittances are spent for conspicuous consumption: luxury spending such as foreign cars, expensive furniture etc. This pattern in turn causes increasing imports, price inflation for land and other scarce resources, increasing real-estate prices, and more dependence.\textsuperscript{99}

Another important negative impact as a result of massive labor out-flows is workforce imbalances. This is known as the “lost labor effect.” Absence of the productive members of the community causes a critical shortage of agricultural labor, the decline of land under cultivation, and drop in production; thus, land is under-utilized.\textsuperscript{100} During the household surveys a male respondent (21-years old, part time university student, and single) from Chui oblast of Kyrgyzstan said that There are so many pieces of land in Kyrgyzstan, but people are not using them efficiently. Since many young people have left the country.\textsuperscript{101}

Based on anecdotal evidence in both Uzbekistan and Kyrgyzstan’s rural sites from March to December, most villages become empty, even in some areas people cannot find enough number of males to observe some religious (e.g. funeral prayers) events. In the media reports there are some stories about the heavy usage of students and child labor in the fields due to labor shortages at harvest time. Particularly, in Uzbekistan, human rights groups observe that thousands of school children are

\textsuperscript{98} Robert Lucas 2005, p. 11.
\textsuperscript{100} Hein De Haas 2005, p. 1274.
\textsuperscript{101} Survey No. KG 15.1.
forcefully sent to the cotton fields as it was the case during the Soviet era.\textsuperscript{102} According to media reports, it is a government policy in Uzbekistan which forces almost two million underage workers to pick cotton annually.\textsuperscript{103}

In the literature it is also highlighted that most of remittance-taking family members experience moral hazard problems; they entirely forgo productive activities; and they live primarily on remittance receipts. This tendency may create inefficiency and waste at home. Some other major implications on the negative side include the deterioration of interfamilial relations and reproduction of society in general, protracted separation of family members and its effect on family structure and cohesion, difficulties of raising and educating children without family heads, and increasing divorce rates. There is no dearth of information in media reports about the problems of labor migrants in the host locations too, including poor health, labor slavery, suicides, skin head murders, and so on.\textsuperscript{104}

While ample evidence is provided by both modernization and dependency school it seems that migration’s effects are complex. As the midway studies suggest migration’s developmental outcomes are hard to calculate, and disputed and unsettled at best.\textsuperscript{105} I tend to share more with the most recent conciliatory approach to the extent that there is a potential but not a magic wand in respect to remittance inflows, and I subscribe to the commonly accepted fact that more research is needed to properly understand the relationship between migration and development in the sending regions. As is frequently stated international migration and related remittances should

\textsuperscript{102} Ferghana.ru news portal “Uzbekistan Open for Dialogue over Child Labour in Cotton Fields,” (August 29, 2008)

\textsuperscript{103} Ferghana.ru news portal “Uzbekistan: Harvest by force,” (October 2, 2008).

\textsuperscript{104} See NMCA No. 36.

\textsuperscript{105} Papademetriou and Martin 1991 (cited in Ninna Nyberg-Sorensen et al 2002); Robert Lucas, 2005.
not be seen as panacea for the sending regions and their developmental struggles. It is self evident that something is definitely wrong there, and that is why local residents are looking for external opportunities.\textsuperscript{106}

While analyzing migration’s developmental outcomes one study offers that “A more accurate evaluation would compare current conditions against those that prevailed before migration, or, more subtly, against those that might have prevailed had migration not occurred in the first place.”\textsuperscript{107} Thus, I tend to agree with this crucial highlight that migration outcomes are dependent upon the specific context. For instance, on the one hand, many empirical studies suggest that there is a positive balance for the Asian labor sending countries; on the other hand, it is the reverse case for most of African nations.\textsuperscript{108}

1.5.5 New Institutionalism and Reconsideration of the Remittance-Development Nexus under the Global Pressures

In the global age, the issues of international labor migration, remittances, and their developmental impacts for the sending communities are more important than ever. Most scholars suggest that because of its complexity a multifaceted view with multidisciplinary, multi-level, and multi space dimensions must be adopted. Thus, recent studies have already highlighted the need for building a compact multilevel migration theory; however, it is yet to be theorized under a grand theoretical approach. Regarding the necessity for the cooperation between major social science disciplines on the migration studies, more specifically economic and non-economic

\textsuperscript{106} Hein De Haas 2007.
\textsuperscript{107} Douglas Massey et al 1998, p. 223.
\textsuperscript{108} J. Edward Taylor 1999.
dimensions must be taken together. For example, one scholar argues that economic and cultural (including sociological aspects) works should be taken together. According to him, “Economic actions can be wholly or partly governed by normative value sets adopted throughout socialization process...”\textsuperscript{109}

In the absence of an overarching migration theory, recent works mostly tend to use multilevel models to include more than one level and interrelations between them such as individual, household, community, institutional context, state, and the global system. Complex interrelationship between the levels entails multiple economic, political and social dynamics and trends in the migration processes. For instance, while analyzing developmental consequences of migration and remittances for the sending countries it is crucial to connect this issue within the broader globalization framework and ever-increasing degree of factor mobility at the system level. Additionally, it is also crucial to be aware of the strong interrelationships and changing power structures between markets, states, and individuals.

A migration scholar argues that both material resources, including remittances, and abstract resources, including social networks and information derived from these relationships, are distributed according to culturally embedded rules.\textsuperscript{110} That is the reason why in the most recent migration scholarship the effects of all sorts of social institutions on migration outcomes, and the cause and effects of institutionalization of the migration process, attract a great deal of attention among the migration scholars. If we understand these institutions, particularly informal ones, it might be easier to

\textsuperscript{109} Alejandro Portes 1995, p. 3.
\textsuperscript{110} Rachel Murphy 2002, p. 10.
predict the patterns of migrants’ individual behaviors regarding the usage of remittances and their effects on economic development.\textsuperscript{111}

Another recent approach in international migration studies is to include multiple locations, and to find out institutional connections between spaces. The increasing speed of globalization and associated trends, and the ever-changing interrelationships between the state and its citizens necessitate a better understanding of new [mostly informal] institutions that have been designed by individuals to adjust themselves against those trends. According to some scholars, in the migration literature one of the major weaknesses “crying out for interdisciplinary and cross-national examination is the impact (political, economic, social, and cultural) of emigration and transnationalism on sending societies.”\textsuperscript{112} Despite of a need for taking international migration processes as a multifaceted phenomenon and policy issue, it is safe to say that the overwhelming portion of the migration literature deals with the host countries to labor migrants (so called receiving end) and related migration processes. Moreover, international organizations that have an interest in this issue mostly deal with the global management of migration movements on behalf of solving migration related problems that mostly concern to advanced countries. Accordingly, a great deal of recent empirical work has dealt with labor migration issues with a particular interest on the perspective of the global governance issue. This means that sending regions and their political, economic, and social problems have been usually neglected. And those problems in the sending regions have been intensified and deepened, and have been the root causes of other new problems in the receiving

\textsuperscript{111} Leah VanWey 2007; Hatice Deniz Yukseker 2007.
\textsuperscript{112} Caroline Brettell and James Hollifield 2008, p. 20.
countries. By the same logic, a better understanding of the developmental outcomes of remittances could be possible when someone figures out informal institutional connections between the sending and receiving areas. However, one major weakness in the labor migration theories and empirical cases has been overemphasis either on only one particular level of analysis, or under emphasis on the sending regions, or neglecting interactions and connecting institutions among the levels and spaces.

While working on the developmental impacts of remittances it is necessary to see complicated interactions between global economic dynamics, the state, informal institutions, and individuals. There are newly emerging [and understudied] new phenomena created by global economic trends. Saskia Sassen coins the term “borderland” in describing the intersection between the corporate economy and the informal economy as an analytical borderland. According to her, people form new institutions and unique cultural domains outside of the scope of the state’ regulation and oversight. Due to slowness and inadequacy of the state to build necessary structural framework (laws, organizations, regulatory organizations and mechanisms etc.) to keep its citizens protected from the global economic pressures, especially in the metropol cities of the world, individuals themselves attempt to build new informal economic organizations such as shuttle trade (or suitcase trade). In these newly formed informal institutional arenas, actors act according to their own informal business practices and rules which substitute the role of the state and its regulatory framework.\footnote{Hatice Deniz Yuşeker 2007.} \footnote{Francine Pickup 2003.} “The role of social networks is particularly important for recruitment into the informal economy, because of its associated risk and hidden character.”
In light of these new developments it is clear that existing theoretical perspectives, which assume that the state is the unique organization to regulate its domestic markets, prove to become inadequate. Similarly international labor migrants and their social networks act in distinct spaces which are much broader than those usually assumed in the economic and political studies literatures. According to scholars, migrants and their social networks connect distant world regions in countries of origin and destination, and this relative flexibility equips migrant workers with superior information gathering capacity, and the usage of economic opportunities distributed unequally in space.\textsuperscript{115}

As argued by a scholar “International migration provokes a sense of crisis and has been steadily increasing as a result of social and economic forces that seem to be beyond the control of states and communities.”\textsuperscript{116} That is the reason why most of the political science scholars who have an interest on international migration have by and large interested in the issues of state capacity, state-society relations, evolving nature of state sovereignty, and changing meanings of citizenship.\textsuperscript{117} An example for the changing interrelationships between markets, states, and individuals at the system level is new forms of national governance and citizenship. Globalization and international migration have caused a number of changes in the institutions of national governance and even in the institution of citizenship which implies substitution of geographical territorialism with new forms. The concept of residence and legally acknowledged membership has been replacing the nationality principle with an

\textsuperscript{115} Saskia Sassen 1998 (cited in Hatice Deniz Yukseker 2007).
\textsuperscript{116} Caroline Brettell and James Hollifield 2008, p. 184-188.
\textsuperscript{117} Douglas Massey 1998; Saskia Sassen 1996 (Both are cited in Caroline Brettell and James Hollifield 2008, pp. 184-188).
emphasis on socially acknowledged membership. The crucial point is that global economic integration and other associated trends do have significant impacts upon individual actions and decision-making behaviors, especially within the transition environments where uncertainty is widespread.

Studies on international migration, remittances, and development therefore require a better understanding of individual behavior within these ambiguous environments where the negative effects of the global economic trends are felt more deeply than in other places. Because international migration incorporates a variety of formal and informal institutions it is necessary to understand micro analysis of individual behavior within its institutional context. In the post-communist environment in which weak state capacity is in existence social networks shoulder some portion of the burdens/obligations that supposed to be taken by the state. In a politically ambiguous environment in which major institutions of capitalism have not yet been stabilized—property rights are not fully safe; legal institutions are weak; and the state’s usage of enforcement is feeble—“social networks retained from the Soviet period often offer the most reliable and efficient ways of dealing with pervasive uncertainty and day-to-day business problems encountered by entrepreneurs.”

Additionally, in order to design appropriate state policies on migration issues, it is crucial to understand the way individual migrants see the world around them and make decisions on their migration-remittance related issues.

As the complexities of the modern life increase, and the state becomes weak or late to respond to those changes, individuals develop reactions to those gaps in the form of informal rules that are designed within the social context. In this light, it is

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118 Ruta Aidis and Friederike Welter 2008, pp. 5-6.
necessary to focus on economic and non-economic as well as rational and non-rational aspects of individual behavior. In other words, rationality should be informed by social dynamics. It would be convenient now to review micro analysis of labor migration in the existing literature with an eye towards its relationship with remittance and development.

It is clear that migration and remittances may pose benefits and challenges to the state and its society in Central Asia. The state, as a single institution, to organize society, is expected to intervene properly so as to bring about maximum benefits to the entire society. The migration and remittance outcomes will be depending upon state’s capacity to formulate coherent policies all over its territories. And designation of coherent policies might start from understanding individual citizens’ lives and their demands from the state.\textsuperscript{119}

Although a huge amount of remittances enter into national economies of the developing countries decisions about their usage are taken by individuals and their families in a decentralized form. As is highlighted by analysts from the development studies, remittances “fit in with a communitarian approach – neither inefficient socialism nor savage capitalism – and exemplify the principle of self-help.”\textsuperscript{120}

Although remittances are less volatile, less pro-cyclical, and a more reliable asset for national economies than other type of financial inflows, the decentralized aspect of remittances makes migration-development nexus more unpredictable and context specific.

\textsuperscript{119} Pauline Jones-Luong 2004b.
\textsuperscript{120} Devesh Kapur and John McHale 2003, p. 50.
International labor migration, remittances, and developmental potentials for economic growth and improvements to the social well-beings of people are crucial issues for Central Asian countries, too, considering that a huge proportion of people, such as between 25-40% of labor force in Kyrgyzstan and Uzbekistan, and vast amounts of money inflows relative to the magnitude of national economies, such as remittance inflow/GDP ratio between 7-30%, are involved. In light of these huge numbers and the potential power of these financial flows for the sending communities, the aim of this comparative study is two-fold. First, it will examine the basic characteristics, dynamics and mechanisms of the labor migration outflows, keeping an eye on similarities and differences between Kyrgyzstanis and Uzbeks in terms of migrants’ (and their families’) behaviors regarding their usage of remittance monies as savings/investments or consumption. Second, on the other, it will analyze these migrants’ behavior within a broader historical-institutional context. More specifically, the inquiry is about what determines the ultimate usage of remittances in the form of consumption or saving/investment by rural households in the two Central Asian countries. In the existing literature on remittance and development regarding the allocation of remittances to consumption and saving it is suggested that remittance usage patterns change across cultures and countries depending on social institutions. In other words, these economic behaviors and patterns are often structured by social norms and informal institutions of that society.\(^{121}\)

A comparative study, which focuses on immigrants from six Latin American and Caribbean countries, in the U.S.A, shows that consumption is much more important as a remittance motive for immigrants from the Dominican Republic than

The same study finds that people from the Dominican Republic on average send USD 179 a month (or 16% of their monthly earnings), while the Costa Ricans send about USD 500 (or 55% of their monthly earnings). Investment patterns through remittances also show variation across cultures and countries; for instance, Costa Ricans prefer to farm and land purchase as the second most frequent preference after housing among remittance-receivers; for Dominicans business investments are the second priority after housing. This opens the question of why migrants’ behavior varies across countries. In this dissertation, comparing the two Central Asian countries where there are strong socioeconomic and cultural similarities, it would be possible to take basic sociological institutions constant. This opportunity could enable us to understand some other factors, including the role of macro-structural political differences in explaining migrants’ microeconomic behaviors. This is significant for policymakers while devising country-specific developmental policies. In order to facilitate these private money inflows and establish incentives so as to channel them into more productive sectors it is necessary to find out the basic dynamics behind individual decisions in these two politically different and culturally similar environments.

While explaining migrants’ microeconomic behaviors an analyst should also take into consideration global contextual factors such as the systemic changes including global economic crises or the dissolution of the Soviet Union which have caused people to experience adjustment shocks. People in transition environments have found it very difficult to get adjusted to new conditions. In the post-communist

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122 Catalina Amuedo-Dorantes 2007.
transitions when we make a micro analysis of an average citizen (including migrants) it is common to see “Personalized relations, unwritten rules, favoritism, misuse of public institutions and positions, and rent-seeking behaviors continue to be part of post-Soviet reality.”

Thus, people tend to by and large rely on “informal alternatives” such as informal lending, “personalized relationships and connections, or breaking or bending rules.”

In the most recent studies scholars have started to appreciate the effects of social institutions in both the receiving and sending regions, and institutionalization of the migration process attracts increasing attention of the migration scholars. Recent migration studies have also emphasized the need for the construction of a theory of the process linking migration and remittances that might predict the patterns of migrants’ individual behaviors and their effects on economic development.

The role of social institutions, as an influential determinant of migrant behavior—from the decision to move, motivations to send remittances, who remits, when, and how much, and remittances’ ultimate usage—are noteworthy. They are powerful influences on the distribution of particular duties and roles among family members; they shape expectations of individuals filling various roles in the family; they shape individuals’ way of setting life-long goals; and they influence all sorts of migration patterns including the usage of remittances. For example, in patriarchal communities social institutions such as community norms specify who could be the most appropriate person to work abroad among family members. Other social institutions such as family norms guide behavior regarding which member would care

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124 Babken Babajanian 2007, p.22.
125 Babken Babajanian 2007, p.27.
for the children and home chores and who would provide financial support. For example, in Central Asia support for aging parents is expected from the youngest male in the household. Research shows that this often leads differential investment by parents, as parents give more support to the child who is expected to later support them.127

Previous studies have documented that the usage of remittances shows variation according to immigrants’ age, family responsibilities, the amount of earnings abroad, and whether they have temporary or permanent jobs, authorized or unauthorized to work in host countries. Accordingly, the scale and significance of remittance transfers into the rural Central Asia vary from community to community. This variation is related to the type of migration, the destinations to which migrants prefer to go, the type of jobs migrants find, the level of earnings in the destination, the percentage of foreign earnings sent back to home, and some other demographic factors.

The gender of the migrant, for instance, has important implications for how much and what type of remittance is sent. The type and length of migration (such as seasonal, short term, or long term), and marital status of the migrant also significantly affect the propensity to remit especially for particular family goals. For example, if the migrants are young adults who moved before they have begun to form their own families, these moves are highly likely to be temporary sojourns, generally in between stopping school and marrying.128 This type of short term migration is very common in Central Asia, and young people send their monies to their parents so as to be saved

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127 Leah VanWey 2007, p. 128.
and spend for wedding expenditures. Remitting patterns also change according to whether immigrants reside and work in a large urban center or a relatively small place. All of these factors directly or indirectly can be related to the sociological institutions at origin.

According to World Bank data, although remittances and incomes vary among post-communist countries, the average propensity to remit (i.e. the percentage of remittances to the income earned in the destination) does not vary very much, from 30 percent for Bulgarian immigrants to 44 percent for Romanian immigrants. However, a closer look gives variation. For example, for the Kyrgyzstan and Tajikistan, approximately 50% of migrants surveyed have remitted almost half of their monthly incomes, but for more urbanized Bulgaria and Bosnia-Herzegovina the corresponding percentages are much lower, correspondingly 17 and 26 percent.

Finally, in the existing literature, two more dimensions of migration are emphasized: These are space (geographic scale) and stage of migration.\(^\text{128}\) The difficulty in determining the consequences of migration and development nexus is due to the fact that the stages of the migration experience for a specific region may display different outcomes. If the migration experience is very new to that specific region, it is called innovator stage in which middle and/or upper classes have enough resources to migrate. In the second, early adopter stage, people from the lower-middle levels of social strata could join the migration experience. In the third, late adopter stage, extensive participation of all strata becomes possible; and inequality between stratas as well as between urban and local diminishes. Another point in regards to the stage of migration is that at the earlier stages migrant families give priority to their urgent

\(^{128}\) Richard Jones 1998a,b.
needs while spending remittance monies. Additionally, longitudinal perspectives show that the way of spending the remittances changes over time: first they are spent on family maintenance and improving land productivity; in a second stage spending tends to be on ‘conspicuous consumption’ and symbolic purposes; and in a third stage remittances are also invested to start commercial, non-agricultural activities.\textsuperscript{130}

1.6. Research Methodology, Conceptual Definitions, and Data Collection

1.6.1 Research Methodology

The main goal of social [political] science is to produce verifiable findings, and with accumulation of mutually supporting findings construction of causal theories that explain why things occur the way they do. In line with this cause accumulation of empirical findings aims at answering the broader “why” and “how” questions through a logically constructed set of propositions about two or more phenomena. Accordingly, as one of the building blocks of social scientific study, and more specifically empirical research, those logically constructed propositions, or research hypotheses, must be formulated so as to be testable statements of social reality, and they must be explicit expressions of causal relationships between phenomena.

While the core purpose of social science is to find out causal relationships between phenomena, researchers highlight some major methodological requirements. For example, as a prerequisite for the achievement of social scientific research, definitions of major research concepts should be as clear, accurate, precise, and informative as possible, so that other researchers may replicate, and social science

\textsuperscript{130} Arjan De Haan 1999; Ninna Nyberg-Sorensen et al. 2002.
studies can become transmissible, cumulative, and falsifiable. Another major point in the social science research is the selection of the unit of analysis: As is pointed out in one of the migration studies objects of analysis and theory building are closely related to the levels and units of analysis.\textsuperscript{131} Regarding methodological approaches to migration studies, most academic works could be categorized into three types: cross-country comparisons, micro analysis that generally focus on a single country, and descriptive case studies with policy centric approach.\textsuperscript{132} For instance, in terms of micro level research, one interesting way of inquiry might be examining how some larger macro forces, such as global economic trends, shape the decisions and actions of individuals and families.\textsuperscript{133}

Having emphasized the major goal and a few crucial premises of social science research, it is time to talk about research design which is the master plan of action for executing any research project to be completed by a scholar. This design comprises the theory to be used in the particular research, the unit of analysis to be focused on, the type of data and the manner of its collection, and the procedures that will be used to examine the data. The selection of a research design is predominantly based on the core purpose of the research at hand; additionally, practical constraints or contextual idiosyncrasies may also determine selection of a particular research design. For example, exploratory and descriptive case studies sometimes may be the most appropriate research design when relatively little is known about a newly emerged phenomenon, and case studies are the best available choices to answer “how” or “why” questions in situations where there is a lack of knowledge, and the literature

\textsuperscript{131} Caroline Brettell and James Hollifield 2008, p. 8.
\textsuperscript{132} Caglar Ozden and Maurice Schiff 2007.
\textsuperscript{133} Caroline Brettell and James Hollifield 2008, p. 9.
does not tell much on the new phenomenon.\textsuperscript{134} In order to propose plausible arguments for those questions, case studies, in general, employ theories that are expected to explain the events, trends, patterns, and the relationship between phenomena. It is obvious that comparative case study is more powerful to explain the events and the relationship between phenomena than a single case study. Especially in this dissertation, taking two very similar contexts, rural areas in Uzbekistan and Kyrgyzstan, in which social institutions are almost identical, the ability to explain any variation in outcome would be greater. While making comparisons about these two cases, the primary unit of analysis is individual migrants along with their households, more particularly their collective decision making behaviors. I also analyze interactions between individual actors and sociological institutions in the form of social networks, habits, and other regularities.

While designing any research design the choice between qualitative and quantitative research is significant. The qualitative research is not mutually exclusive with the quantitative research; they may be seen as complementary research endeavors depending on different research and issue areas, and the researcher’s needs. However, depending on the core purpose of research project preference of qualitative or quantitative approach over each other might be more appropriate. This dissertation project predominantly employs qualitative analysis. The qualitative case study does not represent a randomly selected sample. Accordingly, the purpose in qualitative studies is not to make generalizing conclusions with statistical support so as to address the broader populations. Rather, qualitative research aims at building insights into particular observations from which one can construct a general understanding.

\textsuperscript{134} Robert Yin 1989, p.47.
The researcher with qualitative approach aims at to support or challenge existing theories by means of analytic generalization. In other words, qualitative researchers studying the post-Soviet region do not aim to reach external generalizability, and they prefer to take purposive samples rather than probability samples due to the rapidly evolving nature of social dynamics and concepts in these transitioning societies.

In one of the World Bank studies it is highlighted that qualitative research is more appropriate in transition societies where the rapidity of change and dearth of information may push researchers to find out new approaches through in-depth exploratory research.\textsuperscript{135} Qualitative research has many advantages over its quantitative counterpart in transitioning societies: it enables an understanding of local idiosyncrasies and sociological institutions such as commonly shared perceptions and practices, social values and expectations, division of social roles among members of society and family, or the functioning of social networks. Without understanding these features it is hard to design sensible national policies, especially those for economic development.\textsuperscript{136}

Another advantage of qualitative research in transitioning societies is that usual classifications may not be appropriate in some situations, and existing concepts and definitions may be insufficient to reveal social reality. For example, it is highlighted in one of the World Bank studies in the former Soviet domain that Qualitative research has demonstrated that many people who are engaged in informal or private sector activities respond to questions about their employment status by describing themselves as ‘unemployed,’ not because they are hiding information, but because they equate ‘real’ employment with state sector employment.”\textsuperscript{137}

\textsuperscript{135} World Bank 2003.
\textsuperscript{136} World Bank 2003.
Consequently, it is safe to say that the usage of qualitative research seems more appropriate regarding the labor migration studies in the post-Soviet context. Thus, I have had a preference to employ the qualitative research with household surveys which aim at finding general patterns of labor migration.

1.6.2 Primary Data Sources and Collection

This dissertation is built upon multiple data sources. The most important among these is the primary data collected through original surveys and interviews between 2007 and 2009. I conducted surveys in rural Kyrgyzstan and Uzbekistan in December of 2007; interviews with local official or unofficial notables in the rural contexts; interviews with sources in public, private, international, and NGO organizations in the capital cities of Tashkent (Uzbekistan) and Bishkek (Kyrgyzstan); interviews with Central Asian migrants employed in the urban centers of Turkey in August 2007 and July-August 2008; and interviews with Central Asian migrants who are employed in the U.S. at different times from June 2008 to August 2009. Additionally, several media sources, national and international reports and publications are analyzed for information on recent developments, demographics, and statistics.

My research in labor mobility issues stemmed from a general interest in the political economy of the post-Soviet region, specifically the Central Asian countries. Knowing that my home country, the Turkish Republic, hosts at least one million undocumented foreign labor migrants working in Istanbul alone, I started my preliminary research in Turkey in order to gain an initial perspective concerning labor
migrants of Central Asia and to ascertain basic migration patterns. In August 2007 I began fieldwork first in Istanbul and Ankara, Turkey’s two largest cities, where I spoke with several people from Central Asian countries, most of whom were undocumented migrant workers. I also spoke with students, almost all of whom were employed part-time or full time without legal permission from the local authorities in Turkey. These interviews helped me to grasp and build my preliminary insights about the dimensions of labor migration and they also resulted in social connections that I would later use in Central Asia.

Next, I traveled to Bishkek, Kyrgyzstan, where I was hosted as a visiting research fellow by the Social Research Center at the American University of Central Asia (AUCA). While in Bishkek throughout September and October of 2007, I held several interviews with knowledgeable people concerned with labor migration, including government officials, scholars, representatives of major international organizations, and representatives of civil society organizations, resulting in the collection of a diverse body of expert opinions from both the policy and scholarly world. In late October 2007, I traveled to Uzbekistan and continued to collect expert opinions as I had done in Bishkek.

After finishing the preliminary stage of my research in late November 2007, I finalized the design and content of my survey which was composed of two parts. First is the context section (attached in the Appendix A1) which aims at getting the overall socioeconomic picture of the rural sites from the perspective of local leaders and elites. Second is the household survey (attached in the Appendix A2) which focuses on the micro analysis of migrant households. The household survey is composed of
nineteen questions, some that are designed to elicit straightforward answers and others that are semi-structured with an open ended format.

My research design, which involves human subjects, was approved by the Institutional Review Board of the Kent State University in early December 2007. Upon approval (attached in the Appendix B), I conducted my survey first in Bishkek. To ensure that the survey questions and design did not have serious problems, I first conducted four test surveys with local acquaintances that had labor migration experience. Based on results from the test surveys I made slight format modifications simplifying some questions, deleting others, and rearranging the order. After these changes, the household survey took on average of 30-35 minutes to complete.

The AUCA in Kyrgyzstan and the French research institute, IFEAC (Institute Francais d’Etudes sur l’Asie Centrale) in Uzbekistan provided me with logistical support and human resources. Throughout my field work, I employed three paid workers and several voluntary workers recruited from the different locations in Central Asia, and two voluntary workers assisted me while in Turkey. The household survey was prepared in English, which was the common language for the entire research team in Central Asia and Turkey. However, during the field work and interviews the communication was entirely held in Kyrgyz or Uzbek, and occasionally in Turkish, all of which are the sub-branches of Turkic language. My team members in Kyrgyzstan took notes mostly in English, and sometimes in Kyrgyz, Uzbek, or Turkish depending on the situation, while conducting household surveys and communicating with the local authorities.
In line with the ethical concerns of the social science disciplines I have obtained verbal informed consents from respondents and informants throughout the research process. All of those respondents and informants were informed of my research, its purposes, and were given contact information for Kent State University and for my dissertation advisor, Dr. Andrew Barnes, in the event that they were interested in additional information.

At the beginning of each survey and interview my survey team and I introduced ourselves by name. In each instance, respondents were informed of affiliation with Kent State University, and additionally American University of Central Asia while in Kyrgyzstan, and IFEAC while in Uzbekistan. The respondents were informed that the survey would be conducted on the basis of voluntary participation with no monetary incentive to participate and that they were free to abstain from answering any question and free to end the survey at any time for any reason. Moreover, all respondents were assured that the information obtained from the survey would be kept in absolute confidentiality and that we do not ask for or record their names or any personal information that might reveal their identity.

1.6.3 Selection of Survey Sites

As a legacy of the Soviet administrative divisions, post-Soviet countries are administratively divided into oblasts (provinces) and raions (districts) similar to the division of states and counties, respectively, in the USA. For example, Kyrgyzstan is divided into 7 oblasts and the capital, Bishkek. Rural communities in Kyrgyzstan are predominantly composed of 473 ayils (cluster of villages) which are administered by
ayil bashchi (elected officials) and ayil kenesh (council). The basic local government in Kyrgyzstan is ayil okmotu which is made up of generally 3 to 7 villages, with this number sometimes reaching up to 20 villages. Uzbekistan is divided into twelve oblasts (viloyat in Uzbek) and the autonomous Republic of Karakalpakstan. Overall Uzbekistan is made up of 120 cities, 113 towns, 164 raions, and 11,844 rural settlements. In rural settings there are different types of territorial units, such as villages, kishlaks, auls, and mahallas, each engaging in various forms of self-governing activities.\textsuperscript{138}

Keeping in mind the goal of covering diverse settings the selection of research sites at the village level involved socio-economic, geographic, and demographic considerations such as altitude of the location, poverty level, and availability of transportation. Selection criteria also included locations of markets, bazaars, and distance to urban centers as well as population size so as to comprise small and large ones, and diverse economic activities of farming, animal herding-breeding, dairy production, and trading.

In Kyrgyzstan, the selection of three oblasts, one in the North (Chui), and two in the South (Osh and Jalalabad), was not coincidental. The selection was based on information derived from interviews with local experts and the relatively higher volumes of labor migration out of these oblasts. In addition, the total population of these three oblasts makes up nearly three quarters of the entire population of Kyrgyzstan. One criterion was to address the North-South regional divide in Kyrgyzstan’s politics and culture. Thus, I selected one Northern and two Southern oblasts in order to cover the cultural variation within Kyrgyzstan. Similarly, one of

\textsuperscript{138} Eric Sievers 2002; Babken Babajanian 2009a,b.
my informants suggested that Uzbekistan can be divided into three major geographic-cultural zones: Khorezm, Tashkent, and Ferghana Valley areas. Thus, I keep this information into consideration while doing research and analysis.

A local scholar advised that in Kyrgyzstan as one goes up to higher altitudes it is more likely to see increasing poverty levels. Additionally, poverty is more widespread among ethnic Kyrgyz than other ethnic groups since in higher altitude locations overwhelmingly ethnic Kyrgyz people live; and other ethnic groups predominantly live in the valleys. Thus, I took this information into consideration too. Finally, it is of great importance to take note of the seasonality of migration in the post-Soviet area. A significant portion of labor migrants are seasonal workers and shuttle traders, and given that most of these temporary migrants travel between March and November during the year I had the highest likelihood to access the migrants themselves while conducting the household surveys in the month of December.

1.6.4 Conduct of the Surveys

I began conducting household surveys in Northern Kyrgyzstan in the Chui oblast in early December 2007. Second, I went to Uzbekistan where I traveled in order to the oblasts of Tashkent, Namangan, and Andijan. Third, I crossed into Southern Kyrgyzstan from Uzbekistan’s Andijan oblast. Finally, I completed my surveys in Osh and Jalalabad oblasts of Kyrgyzstan at the end of December 2007.

In the Kyrgyzstan part of field work, at the oblast level, the first step was to make decisions about the selection of survey sites. After my survey team’s

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conversation with the local government officials and other sources, we selected research sites. As stated before, at each survey site the first stage was to complete the context part of the survey in order to get background information from the local notables. Having done this part also enabled me to decide which particular locations in each rural area, and which houses in each village, were most appropriate for conducting the household surveys. My objective was to capture the diversity regarding contacting all varieties of migrants. The major selection criteria included the distance to the oblast center, major economic activities, altitude, accessibility, and the poverty level. After selecting the target villages, I first conducted interviews with the A.O. ("ayil okmoti," the official leader of the village); sometimes my team had interviews with grade school teachers and administrators. Thus, we were able to learn the basic demographic features, economic conditions, and most importantly unofficial migration information. Later, we asked them to show us the houses of our potential respondents. Depending on the size of the village, sometimes with the direction of the A.O., but mostly with the snowballing method, we reached our respondents.

Due to Uzbekistan’s authoritarian political environment, I did not conduct my survey in a conventional format; I talked to several people in taxis, bazaars, and cafes. In order to be able to talk with as many people as possible, I occupied several shared taxis, which will not proceed without a fare of four or five people. Additionally, I visited cafes and bazaars to speak with people. In order not to make locals uncomfortable during our conversations I did not take notes. Rather, I completed surveys after conversations, and I recorded my notes at the end of the day. In sum, I spoke with 25 people who themselves or their relatives have experienced external
migration. Likewise, I was able to collect some data in the two Ferghana Valley oblasts of Uzbekistan: Namangan and Andijan.

Additionally, I conducted surveys with Uzbek migrants who were employed in Turkey. According to the official entry and departure information at customs as of 2007, I estimate that there are more than fifty thousand Uzbek immigrant workers in Turkey. The estimated total number of Uzbek international labor migrants may be up to 5 to 6 million, meaning that almost 1% all Uzbek labor migrants are working in Turkey. Based on my previous observations, and information provided by Turkish authorities, I learned that almost all Uzbek labor migrants in Turkey are irregular.

According to my early observations, Uzbek immigrants in Turkey were predominantly concentrated in the large cities of Istanbul, Ankara, and Izmir, with a very small portion of them working in a few mid-size cities, namely Antalya, Bursa, Adana, Denizli, and Eskisehir. One Turkish migration expert estimates that 80% of irregular labor migrants reside in Istanbul. There are several newly emerging formal and informal institutions established to aid immigrant workers in Turkey, such as private employment agencies and informal labor markets in Istanbul and Ankara where employers can come in the early morning to find workers for construction or domestic work.

After collecting preliminary data from officials, I was able to make contact with several Uzbek labor migrants in Turkey from July to August of 2008. I started

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140 The main source of all statistics about immigrants in Turkey is the Bureau for Foreigners, Borders and Asylum of the Directorate of General Security of the Ministry of Interior. The numbers produced by this agency needs some care while using because of potential data errors.
143 Ahmet Icduygu 2006, p. 8.
this part of the field work first in Ankara. As an initial step, I sought help from the General Directorate of the Turkish National Police. Officials informed me that in Turkey, irregular or undocumented immigrants, including Central Asian or other former Soviet citizens, are overwhelmingly employed in the informal economy. It is stated by officials that each national group from among irregular labor migrants in Turkey tends to concentrate in certain niches of economic sectors. It seems that these ethnic/national divisions keep their strongholds by previously established social networks, informal connections with officials, and informal norm structures. Russian, Ukrainian, and Moldovan women tend to work in the entertainment and sex sectors; Central Asians tend to concentrate in food, textiles, construction, and agriculture.

It would be convenient for me to find some contacts from relevant contexts, and I should gain their trust in order to be able to reach those undocumented workers. Police officials, due to their position as public servants and bound by laws and regulations, could not tell me how to find those undocumented migrants. However, they were able to point me in the right direction and their advice and insights into real world situations and legal context provided me with a good start. Ultimately, I found my initial respondents and informants from among the Uzbek community in Ankara who are employed in the bakery shops and simit cafes. Employing the snowball method I reached many Uzbeks in mostly food-related sectors. During these early interviews I noticed that a significant portion of Uzbek citizens in Turkey, mostly female, are employed in the domestic household services. Next, I traveled to Istanbul and Eskisehir in order to reach a more diverse population of immigrant Uzbeks. Some of these surveys were completed through telephone conversations as domestic
servants were not free to leave the residence unattended where they were employed as nannies or care givers to elders. In total, 73 surveys were completed in Turkey with respondents from different parts of Uzbekistan, almost all of whom are working in one of two specific sectors of the labor market. First is the food sector in which Uzbek migrants perform mostly unskilled jobs in restaurants, cafés, tea houses, and bakeries. Second sector is domestic services in which Uzbek women work as servants, cleaners, nannies, nurses, and babysitters. When I felt that the marginal utility of interviews was not continuing to increase, I concluded the data collection stage of the project.

At this point it is important to emphasize that my dissertation project concerns a newly emerging phenomenon where little is known about the processes of labor migration processes out of former Soviet countries. Thus, this project does not claim to cover a nationally representative sample for both Kyrgyzstan and Uzbekistan. As previously stated, the purpose of the project is to find empirical evidence to make analytic generalization. In this regard, I am confident that a variety of rich data was collected throughout the fieldwork. My original data is sufficient to draw some analytical conclusions and to support arguments regarding the national migration patterns in Uzbekistan and Kyrgyzstan in terms of labor migration and its developmental outcomes. In other words, the data collected during field research provides support for a more focused qualitative analysis.
### Table 1.1: Demographic Indicators across the Regions of Kyrgyzstan

<table>
<thead>
<tr>
<th>Region (Oblast)</th>
<th>Population</th>
<th>Percent in the National Population</th>
<th>Percentage of Rural Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bishkek (city)</td>
<td>806,337</td>
<td>15.54</td>
<td>0.5</td>
</tr>
<tr>
<td>Chui</td>
<td>756,717</td>
<td>14.58</td>
<td>76</td>
</tr>
<tr>
<td>Talas</td>
<td>216,023</td>
<td>4.16</td>
<td>84</td>
</tr>
<tr>
<td>Issik-Kul</td>
<td>430,867</td>
<td>8.30</td>
<td>68</td>
</tr>
<tr>
<td>Namin</td>
<td>268,672</td>
<td>5.17</td>
<td>78</td>
</tr>
<tr>
<td>Jalalabad</td>
<td>973,473</td>
<td>18.76</td>
<td>73</td>
</tr>
<tr>
<td>Osh</td>
<td>1,314,533</td>
<td>25.33</td>
<td>73</td>
</tr>
<tr>
<td>Batken</td>
<td>423,215</td>
<td>8.15</td>
<td>75</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,189,837</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Kyrgyzstan National Statistics Committee, 2006*

### Table 1.2: Demographic Indicators across the Regions of Uzbekistan

<table>
<thead>
<tr>
<th>Region (Oblast)</th>
<th>Population</th>
<th>Percent in the National Population</th>
<th>Percentage of Rural Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andijon</td>
<td>2,234,118</td>
<td>8.27</td>
<td>70</td>
</tr>
<tr>
<td>Bukhara</td>
<td>1,629,412</td>
<td>6.03</td>
<td>68</td>
</tr>
<tr>
<td>Ferghana</td>
<td>3,055,294</td>
<td>11.32</td>
<td>71</td>
</tr>
<tr>
<td>Jizzax</td>
<td>1,071,765</td>
<td>3.97</td>
<td>70</td>
</tr>
<tr>
<td>Namangan</td>
<td>2,190,588</td>
<td>8.11</td>
<td>62</td>
</tr>
<tr>
<td>Navoi</td>
<td>903,529</td>
<td>3.35</td>
<td>59</td>
</tr>
<tr>
<td>Kaskhadarya</td>
<td>2,387,059</td>
<td>8.84</td>
<td>74</td>
</tr>
<tr>
<td>Karakalpak</td>
<td>1,411,765</td>
<td>5.23</td>
<td>48</td>
</tr>
<tr>
<td>Samarqand</td>
<td>2,731,765</td>
<td>10.12</td>
<td>73</td>
</tr>
<tr>
<td>Sirdarya</td>
<td>762,352</td>
<td>2.82</td>
<td>68</td>
</tr>
<tr>
<td>Surkhandarya</td>
<td>1,971,765</td>
<td>7.30</td>
<td>80</td>
</tr>
<tr>
<td>Tashkent</td>
<td>5,235,294</td>
<td>19.39</td>
<td>60</td>
</tr>
<tr>
<td>Khorezm</td>
<td>1,411,765</td>
<td>5.23</td>
<td>80</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26,996,470</strong></td>
<td></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: [http://www.gov.uz/en/section.scm?sectionId=1903&contentId=6833](http://www.gov.uz/en/section.scm?sectionId=1903&contentId=6833) and the UNDP*
Table 1.3: List of Places Where Household Surveys Conducted

<table>
<thead>
<tr>
<th>Country</th>
<th>Oblast</th>
<th>Rayon</th>
<th>Survey Site</th>
<th>Survey Time</th>
<th>Number of Survey Conducted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kyrgyzstan</td>
<td>Chui</td>
<td>Jayil</td>
<td>a small village</td>
<td>Dec 2007</td>
<td>11</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>Chui</td>
<td>Jayil</td>
<td>a small village</td>
<td>Dec 2007</td>
<td>7</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>Chui</td>
<td>Jayil</td>
<td>a large village</td>
<td>Dec 2007</td>
<td>17</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>Jalalabad</td>
<td>Suzak</td>
<td>a large village</td>
<td>Dec 2007</td>
<td>25</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>Jalalabad</td>
<td>Bazar Korgon</td>
<td>a small village</td>
<td>Dec 2007</td>
<td>13</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>Jalalabad</td>
<td>Bazar Korgon</td>
<td>a mid-size village</td>
<td>Dec 2007</td>
<td>10</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>Jalalabad</td>
<td>Suzak</td>
<td>a mid-size village</td>
<td>Dec 2007</td>
<td>19</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>Osh</td>
<td>Ozgen</td>
<td>a mid-size town</td>
<td>Dec 2007</td>
<td>22</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>Osh</td>
<td>Osh</td>
<td>a small village</td>
<td>Dec 2007</td>
<td>12</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>Osh</td>
<td>Osh</td>
<td>a small village</td>
<td>Dec 2007</td>
<td>11</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>Osh</td>
<td>Alay</td>
<td>a mid-size town</td>
<td>Dec 2007</td>
<td>15</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>Namangan</td>
<td></td>
<td></td>
<td>Dec 2007</td>
<td>11</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>Andijan</td>
<td></td>
<td></td>
<td>Dec 2007</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>162</strong></td>
</tr>
<tr>
<td>Turkey (Uzbeks)</td>
<td>Ankara</td>
<td></td>
<td></td>
<td>Jul 2008</td>
<td><strong>47</strong></td>
</tr>
<tr>
<td>Turkey (Uzbeks)</td>
<td>Istanbul</td>
<td></td>
<td></td>
<td>Aug 2008</td>
<td>21</td>
</tr>
<tr>
<td>Turkey (Uzbeks)</td>
<td>Eskisehir</td>
<td></td>
<td></td>
<td>Aug 2008</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>73</strong></td>
</tr>
</tbody>
</table>

Source: My own data.

1.6.5 Conceptual Definitions and Methodological Constrains

The terms ‘international labor migration’, ‘remittance’, and ‘development’, as the central concepts of this dissertation project, need to be clearly defined. ‘Migration’, ‘globalization’ and ‘development’ are very complex and interrelated
concepts, as well as being multi-dimensional and dynamic concepts. Understanding of migration can be complicated since it is no longer a unidirectional phenomenon; new forms of migration include seasonal and cyclical migration. Due to these complexities and dynamism, in the literature there are differences in terms of how these concepts are defined. Furthermore, some definitions do not fit neatly into real life experiences. Moreover, there are also several methodological constraints in the migration and development studies literature.

International migration can be summarized as the movement of persons from their countries of origin to countries of destination with the intention to remain for an extended stay and to be employed in paid economic activities. From this perspective, studies of international labor migration and development do not include other types of migrants such as refugees, exiles, or people who leave their homes under compulsion. As a standard, there exists no commonly accepted definition of ‘labor migration’ and related concepts such as ‘migrant worker’ and ‘remittance’. The International Organization for Migration (IOM) defines migration as “a cross-border movement for purposes of employment in a foreign country.” The United Nations Convention on the Protection of the Rights of all Migrant Workers and Members of Their Families defines a ‘migrant worker’ as “a person who is to be engaged, is engaged, or has been engaged in a remunerated activity in a State of which he or she is not a citizen.” On the other hand, the International Labor Organization (ILO) defines migrant worker as “a person who migrates from one country to another (or who has migrated from one country to another) with a view to being employed otherwise than on his own account, and includes any person regularly admitted as a migrant for employment.”
The two definitions may appear very similar; however, in the former, the definition of migrant covers self-employed workers, in the latter a migrant is conceptualized merely as an employee, without the possibility of owning a business. While the relative size of irregular (also called illegal or undocumented) migrants around the world “has probably never been greater than it is today.”\textsuperscript{144} The definitions made by those international institutions do not include those workers in foreign countries. For example, it is estimated that there are almost 12 million undocumented workers in the USA which has an approximate labor force of 150 million citizens.\textsuperscript{145} The IOM gives the definition of irregular migrants as “persons who are in an irregular situation, not fulfilling the requirements concerning entry, stay and exercise of an economic activity established by the State where they are present.”\textsuperscript{146}

The classification of labor migration as an activity is usually based on the criterion of duration; on the other hand, while categorizing international labor migrants, the distinction is based on the receiving countries’ regulatory framework where the conditions of admission and stay are established. International labor migrants are categorized under two main criteria: The UN uses the “country of birth” criterion, and European institutions generally use the “country of citizenship” criterion. According to the former, a migrant is a resident living in a foreign country different from his/her birth place; and according to the latter, a migrant is a resident who does not have the citizenship of the country which he lives.\textsuperscript{147}

\textsuperscript{144} Stephen Castles and Mark Miller 2009, p. 3.
\textsuperscript{145} Alexei Kireyev 2006; Stephen Castles and Mark Miller 2009, pp. 3,7.
\textsuperscript{146} IOM 2002, p. 13.
\textsuperscript{147} Christopher Schramm 2006, p.7.
Other dimensions with which to conceptualize migration are the duration of stay in a foreign country and the main purpose of stay. Most international institutions define international labor migration as an activity with more than one year of duration. This is a problematic issue in the post-Soviet realm since a significant proportion of labor migrants are seasonal and cyclical workers who spend half of the year in the destination country and spend another half in their home country. Another difficulty regards the purpose of stay. For example, most Central Asian students who are receiving education in Turkish universities are also employed during the summer time, and sending remittances to their home countries.

Three major types of migration could be classified based on duration and legal status: the first one is immigrants who have permanent status; the second is temporary, seasonal, contract-based workers; and the third is irregular workers who stay and/or work in foreign countries without proper documentation. In a similar way, one of the IMF papers classifies immigrants into four categories: 1-) seasonal migrants (people who work abroad but return home within the same year); 2-) settled migrants (people who work abroad on long term contracts usually more than one year); 3-) permanent emigrants (mainly ethnic Russians, Koreans, Jews, and Germans) who have left the sending country permanently but remit part of their income to their remaining relatives; and 4-) shuttle migrants (traders whose commercial activity is related to regular departures and returns).\footnote{Alexei Kireyev, 2006.}

In this dissertation study, I adopt this four-tier classification of migrants. I define ‘labor migration’ as any type of legal or illegal, documented or undocumented, regular or irregular economic activity outside of the national borders, and I define
“remittance” as any kind of monetary transfer that are sent back to the sending region. ‘Household’ is defined as a micro-social unit in the rural areas of the countries, which includes resident individuals as well as non-resident labor migrants contributing to a pooled income.\textsuperscript{149} So, I define “household” as a group of people who consist of a particular social unit and stay under the same roof, whether physically or virtually.

Regarding the definitional differences in remittances, the variation stems from each international or national institution’s primary focus area. Basically, remittance is the portion of an international migrant's earnings sent back from the host country to his/her country of origin. Remittances are seen as credits in the accounting scheme. International remittance credits may further be categorized into the sum of worker remittances, compensation of employees, and migrant transfers.\textsuperscript{150}

It is necessary to distinguish official remittances that are transferred via official bank channels, and are, therefore, recorded in the country's statistics, from unofficial (often referred to as informal) remittances that are sent back via informal money courier systems, via friends and relatives, or carried home by the migrants themselves. In the official statistics of most countries, there is a minimum threshold for remittances below which individual money transfers are not recorded. Moreover, there exist immeasurable informal transfers, some of which are brought directly by migrants to home. All of these factors cause an underestimation of remittances. Moreover, it is difficult to measure change and fluctuations of remittance flows over time. In most countries, in order to regard money transfers as remittances, financial

\textsuperscript{149} Susan Thieme and Simone Wyss, 2005.
\textsuperscript{150} Hein De Haas and Roald Plug, 2006, p. 603.
and central bank statistics observe “one-year rule” of residence in a foreign country.\textsuperscript{151}

While the focus of this dissertation is to shed light on the potential and realized impacts of international labor migration and associated money transfers on local development in the sending countries, it is crucial to be clear what the development signifies. In its simplistic form, “economic growth results when the output of an economy grows because more land, labor, capital, and entrepreneurial talent are devoted to the production process and/or because the productivity of these factors of production rises.”\textsuperscript{152} However, while economic growth is probably a necessary component of development, it is not sufficient to bring about broader community, or national, development. There is a consensus among major international organizations and institutions that development is not merely understood as being rich or to be measured simply as economic growth of nations. IOM emphasizes an extended conceptual model to describe development as a dynamic process implying growth, advancement, empowerment, and progress, with the goal of increasing human capabilities, enlarging the scope of human choices, and creating a safe and secure environment where citizens can live with dignity and equality. In the development process, it is important that people's productivity, creativity, and choices are broadened and that opportunities are created not only for the present generation, but also for future generations.\textsuperscript{153} Thus, the definition of sustainable development is

\textsuperscript{151} Alexei Kireyev 2006.
\textsuperscript{152} Douglass North 1997, p. 13.
\textsuperscript{153} This definition is derived from the IOM Website: It is accessed at November 12, 2009, available at \url{http://www.iom.int/jahia/page271.html}
given as such: “[it] meets the needs of the present without compromising the ability of future generations to meet their own needs.”

By the early 1970s scholars had not settled on a conceptual definition of the migration and development nexus. Since the mid-1980s, scholarly focus has been shifting from the negative effects of migration towards the realization of migration's developmental potential and the marginalization of negative impacts. One of the core sources of scholarly divergence concerning the migration and development relationship is due to the misconceptualization of the phenomena; this consequently contributes to the contradictory findings regarding the overall impacts of out-migration on the sending regions. One of the most critical elements of the scholars’ confusion is related to the question of what constitutes productive investment. More specifically, the debate is over what constitutes productive investment and what constitutes consumption. Scholars from the dependency school conceive of some remittance usages as consumption (such as house construction and improvement, and basic amenities such as refrigerator and TV); however, for the modernization scholars, those items have long term returns for the migrants’ households, and they should be categorized as a type of investment. In this regard, I follow a categorization in which the spending of remittance monies is grouped into productive and consumptive investments on the one side, and pure consumption on the other. Productive investments denote investment in economic activities that enlarge the households’ existing capacity. Consumptive investments denote “goods and services

that more immediately improve the well-being of the household members.”\textsuperscript{156} The productive investment includes three major types: “agriculture,” “land,” and “business creation”; and consumptive investment includes: “house-building and improvement,” “consumer durables,” and “health and education.”\textsuperscript{157}

\textsuperscript{156} Scott Rozelle et al 1999 (Cited in Rachel Murphy 2006, p.23).
\textsuperscript{157} Scott Rozelle et al 1999 (Cited in Rachel Murphy 2006); Hein De Haas 2007.
CHAPTER 2

THE POLITICAL ECONOMY OF CENTRAL ASIA IN HISTORICAL PERSPECTIVE

2.1. Overview

All of today’s political and socio-economic institutions in Central Asia have deep roots in long historical processes. Thus, it would be helpful to start a brief historical tour of Central Asian territories to shed light on what are the major historical events and trends, institutions, social dynamics and patterns that could be helpful in order to better understand current political-economic structure within which individual actors make [rational] choices.

Accordingly, this chapter examines the political economy of contemporary Central Asian countries with an historical perspective, keeping in mind the evolution of major formal and informal institutions and their effects on contemporary migration outcomes, particularly developmental consequences. The objective of this chapter is to highlight the connection between the continuities of the past and institutional effects they have on today’s political economy.

This chapter starts with an overview of the pre-Soviet era, particularly the Russian conquest and Imperial policies which resulted in the region’s first modernization experience. Next it reviews the Soviet era to be able to find historical institutional roots of the contemporary dynamics of political economy. Further it looks over the post-Soviet developments. Finally, the chapter summarizes the core
political and economic developments that still have institutional effects on today’s migration processes and the resulting developmental consequences.

2.2. Central Asia in the pre-Soviet Era

The land that makes up the modern Central Asian republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, has served as a melting pot for several ancient and medieval civilizations of Turkic, Iranian, Arab, and Mongol peoples. Throughout the rich history of Central Asia, ranging from the military conquests of Chinggis Khan to the adventures of Tamerlane, there are never-ending battles of local rulers against their rivals. For the purpose of this dissertation, however, the most relevant developments took place in the early 18th century.

The Russian Imperial Army first took over the Kazak steppes in the late 18th century, and by 1884 the conquest of Central Asia was completed. The advent of Russian rule brought about the first modernization movement in Central Asia resulting in significant changes to the region. In order to exploit the region’s natural resources, Imperial Russia initiated major reforms in economic infrastructure and in sociopolitical domains. The Trans-Caspian Railway, also known as the Central Asian Railway, was built next to the route of the historical Silk Road. Following the construction of the railway, Central Asia established trade and economic ties to Russia and also to a large wave of European migrants. These settlers (mostly Slavs and to lesser extent non-Slavic ethnics) moved into the Central Asian territories. In sum, the Central Asian periphery had already been connected to the Russian Imperial
center with several economic, social, and political ties before the Bolshevik Revolution in 1917.158

In pre-Soviet modernization two major branches of the local economy were significantly transformed: agriculture and manufacturing industry. Several new workshops and factories were opened in the flourishing urban centers of Central Asia. Russians brought new technologies, especially in agricultural production and irrigation, and commercial crops, especially cotton and tobacco, were introduced to the region. Russian colonization and the development of cotton production in Central Asia coincided with the American Civil War and interruption of the cotton production there. The southern parts of Central Asia gradually became the major cotton supplier to the Russian textile industry. In addition to agricultural improvements, industrial production also gained momentum. In line with the directives of the Russian Imperial center, its demand for metal ore was partly provided from newly discovered mines in Central Asia.

Arguably the most significant impact on the political economy of Central Asia was the introduction of capitalism to the region.159 Capitalism led several groups, families and clans to change their traditional livelihood patterns and reliance on subsistence economy towards production for markets. Another aspect of the economic modernization and development is related to the changing social relations. The new Slavic immigrants, who increasingly settled in Central Asia after the construction of the railway, changed the demographic balance and social environment. New settlers were given lands that were expropriated from local people, causing resentment

158 Rafis Abazov 2007.
159 Rafis Abazov 2007, p. 36.
towards the Slavic settlers in particular and towards the Imperial rule in general. Changing power relations and newly introduced institutions such as taxes, forced labor, and land appropriations aroused fury and resistance from local people. This tension often turned into armed struggle. The Kyrgyz rebellion against the Russian imperial rule one year before the Bolshevik Revolution was crushed brutally by killing or driving one-third of the Kyrgyz people to Chinese Turkestan.  

Discontent and violence were not only taking place in Central Asia, but were widespread in the entire Russian Empire’s territories. The Russian Civil War was going on and the Red Army was fighting with the pro-tsarist forces of the White Army. In Central Asia, the fight to remain independent from external domination was waged by local militias known as basmachi fighters against all outsiders, including the Red Army as well as the White Army. Ultimately, the Bolsheviks were able to gain control with a promise to Central Asian elites to implement a new system that would eliminate social, economic, and political injustice and inequality.

2.3 Central Asia in the Soviet Era

There are conflicting views about the overall Soviet contribution to development in Central Asia. Some scholars argue that the relationship between Russia and Central Asia is best described as a predatory colonial relationship with Moscow exploiting the natural resources of the region. According to this group of scholars, under the Soviet regime, on the one hand central planners in general took Central Asia (sometimes Kazakhstan exempted) as a single administrative region due

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to its geographic and cultural unity. On the other hand, the same planners intentionally used divide and conquer policies which not only caused several problematic issues such as cumbersome national borders but also consciously sowed the seeds of tension among prominent social groups and clans in Central Asia. The most crucial long term negative impact of the Soviet legacy is the administrative/national division of the region which broke up the region’s natural unity and cohesion. For example, in the 1980s one scholar argued that “The economy of Central Asia has, in large measure, remained colonial to this day. It has by far the least manufacturing per capita, with the relative level actually declining in every republic because of the burgeoning population growth rates.”

Other scholars, on the other hand, maintain that developmental problems of the region vis-à-vis other parts of the Soviet Union cannot be explained by a single factor, and “the Soviet Central Asian experience is more an example of poor management and planning.” From the perspective of this group of scholars, it is evident that the Soviet experience provided an enormous amount of modernization in every sphere of life including education, arts, sciences, health and social services, transportation and communication systems, and economic infrastructure in Central Asia.

A midway approach maintains that the Soviet policy makers and central planners could not achieve comparable development in Central Asia vis-à-vis other parts of the Union due to several constraints, particularly cultural factors that had accumulated in the pre-Soviet era. Due to those cultural and other structural problems,

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162 Leslie Dienes 1987, p. 123.
163 Alex Stringer 2003, p. 151.
the Soviet planners were faced with a variety of governance dilemmas including socialist ideology and bureaucratic difficulties while designing and implementing economic, political, and social modernization programs for Central Asia.

Despite the theoretical underpinnings of Marxist version of communism, or its more pragmatic version of Leninism, the Soviet politburo often could not achieve broader ideological principles. According to the basic principles of socialism the Soviet society is entitled to equal access to resources. Experts at the central planning units and bureaucracy are supposed to design and implement policies based on the principles of scientific management, expertise, merit-based appointment, rationality, and effectiveness. However, there were disparities in the consideration and treatment of national republics, and ultimately while making strategic plans. In Moscow’s macro policies rationality was sacrificed sometimes merely due to bureaucratic sluggishness, and sometimes due to the prioritization of European Russia, geographically and culturally, in strategic calculations. As of the 1970s, in the European part of the Soviet Union 80 percent of the dominant Slavic population were living, and three-fourths of the economic activities were concentrated. As an outcome, there were always prominent disparities in terms of the level of development, investment allocations, and living standards between Central Asia and other parts of the Soviet Union even between Central Asia and Siberia.164

While the true nature of the relationship between Moscow and Central Asia and overall legacy of the Soviet experience in the region is still subject of debate, this study does not intend to be on the either side of the issue. However, I would like to emphasize the point that major historical events, policies, processes, and institutions

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have a prolonged impact both on micro level behaviors and on the developmental outcomes in the post-independence era. For example, most scholars, who study post-communist transitions, “have attempted to explain the limits of citizen participation by the legacies of the Soviet regime that have arguably produced social distrust, apathy and dependence on the state.”\textsuperscript{165} From this perspective, I draw attention to some major areas of policy debates as well as finished and unfinished reform programs concerning developmental issues in Central Asia. Each political and economic transformation program and its interaction with social dynamics throughout the Soviet era continue to cast shadows on policy debates of today. Thus, it is essential that I should mention major reform issues and policy debates regarding Soviet development efforts that entail political, social, and economic aspects.

At the beginning of the Soviet era, the region of Central Asia was organized under the three Khanates, commonly known as Turkestan (Land of Turks), both historically, as well as in the Russian official documents.\textsuperscript{166} The Soviet regime eliminated these three political units in 1924: Kokand, Bukhara, and Khiva. By 1936 the Moscow administration reorganized these units under the rubric of national-territorial delimitation as related to the Marxist notion of state-sponsored evolutionism.\textsuperscript{167} However, this socialist ideal concerning the assimilation of unique nationalities into the singular “Soviet-man” could not come to be. The social and political transformation efforts of the Soviet Union in Central Asia have always encountered local resistance to change. That is probably why the reform outcomes have been a hybrid solution of implicit reconciliation between central planners and

\textsuperscript{165} Babken Babajanian 2007, p. 27.
\textsuperscript{166} Boris Rumer 1989.
\textsuperscript{167} Francine Hirsch 2000.
local elites. By the description of one scholar regarding the paradoxical developmental project of the Soviet Union “...however staggering the price, this change meant progress in a society whose growth had been arrested in the Middle Ages.”

Regarding the Soviet development project in Central Asia there were some unintended consequences as well as some projected ones. For example, despite the Soviet dream of unique socialist citizens, nationalities and clan identities had survived, and even today their influence on political issues is still alive in the post-Soviet period. Several sub-national identities, such as ethnicity, clan, regional, are still influential in the understanding of political behaviors in the post-Soviet era. Soviet macro policies tended to keep the existing social structure:

Rooted in the tribal and clan traditional structure, the type of nepotism often associated with the influence of family and tribe continued to be felt in the post-Revolutionary period. Rather than abolishing this phenomenon, affirmative action has simply allowed it to flourish within the Soviet context.

On the other hand, despite unsuccessful state and nation-building efforts by the Soviet regime, it is apparent that some modern political institutions of contemporary Central Asia are the deliberate outcome of the Soviet policy: “very existence of five independent states is the direct result of the early Soviet nationalization program.”

As part of the Soviet ideal to create homogenous Soviet citizens, and partly due to specific characteristics of the Central Asian context and its economic necessities, the migration of European (Slav) settlers in Central Asia was promoted,

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169 There are several scholarly works on this issue. Clan identity (Kathleen Collins; Edward Schatz), regional identity (Pauline Jones-Luong), and local networks (Scott Radnitz) are cited in Ruget and Usmanalieva 2007, p. 451.
170 Nancy Lubin 1984, p. 163.
resulting in significant changes in the demographic and social structure. At the very beginning of the Soviet rule in Central Asia “there were few, if any, skilled indigenous personnel, no local cadres. Initially this necessitated importing workers and trained personnel from other parts of the USSR.”\(^{172}\) Because of initial conditions in Central Asian society newly settled European ethnicities (Russians, Ukrainians, Germans, and Jews) employed in high-skilled jobs that concentrated mostly in urban centers, and locals predominantly took semi-skilled and unskilled jobs. This occupational pattern, which is also associated with social status, did not change much throughout the Soviet era.

In the 1970s, the indigenous population was overwhelmingly concentrated in agricultural and service sector jobs with little representation in light and food industries; and Slavs dominated “heavy industry and sectors considered strategically important to the central authorities.”\(^{173}\) The legacy of this social, professional, and occupational division in the economic structure of Central Asia can still be traced in the post-Soviet era. For example, in 1970s Soviet media reports Central Asians are characterized as “bring(ing) with them inferior education, few developed technical skills, and a poor command of Russian.”\(^{174}\) Even today, in post-Soviet Russia, this image has barely improved. In today’s Russian media it has been emphasized that labor migrants from Central Asia have a low level of education, with more than half

\(^{172}\) Nancy Lubin 1984, p. 15.
\(^{173}\) Nancy Lubin 1984, p. 83.
not knowing Russian language. That is why some Russian political organs have discussed training those migrants with low level of language skills.\textsuperscript{175}

Building upon the Russian Empire’s initial improvements in agriculture and manufacturing industry in Central Asia, the economic vision of Soviet leaders gave priority to these two sectors through the socialist institutions of central planning and collective ownership. In order to boost productivity in agricultural production the Soviet government initiated cooperatives and mass collectivization, forcing all individual farmers to join collective farms (kolkhozes). With the completion of agricultural transformation in the 1930s, the new political economy was powered by macro-planning at the center, mechanization of production, and specialization of agricultural crops, namely cotton, wool, silk, fruit, and vegetables. Another major trend that started in the Russian Imperial era, and intensified during the Soviet period was transition from nomadism into agricultural production. In this era there was a dramatic decline in the heads of livestock due to increasing size of land allocation to cultivation.\textsuperscript{176}

Soviet planners also emphasized the establishment of a modern industrial sector, and a number of industrial plants were built throughout Central Asia. For example, during the period from 1913 until 1938, industrial production in Kyrgyzstan increased 736 fold. In the 1930s, Stalin’s administration initiated the first major industrialization campaign in Central Asia to establish petrochemical, light industry, textile and silk-processing, electric power stations, and mining sectors. During the

\textsuperscript{175} There are several news stories that collected in the SRC AUCA Migration News Review. E.g. News Review No 65; Also see Regions.Ru News portal, “Moscow City Duma Approaved a Bill on Mass Education on Russian Language,” available in Russian at \url{http://www.regions.ru/news/2217120/}.

\textsuperscript{176} Hasan Karrar 2009.
Second World War, as a precautionary measure against the German expansion into the European parts of the Soviet Union, a new wave of massive industrialization occurred due to the relocation of production facilities, along with their workers, engineers and technical staff, from the European part of the Soviet Union to the Central Asian republics.\textsuperscript{177}

Despite the rapid growth and relatively egalitarian Soviet economic policies in Central Asia in the first three decades of the communist rule, the pace and intensity of this modernization policies had slowed down starting from the 1950s. Although the Soviet regime accomplished a huge socio-economic transformation, especially until late 1950s, vis-à-vis its pre-Soviet conditions, the reform fatigue of the 1950s, and unfinished or ill-advised reform projects of the following periods have accumulated gradually. While Central Asia’s economic level, social sphere and living standards remained far behind those of the European regions of the USSR a scholar categorizes the negative impacts of Soviet era development policies into four major issue areas: demographic transition, sectoral imbalances, locational imbalances, and macro level mismanagement of political economy.\textsuperscript{178}

Regarding ethnic and demographic divide sharp differences existed between indigenous and non-indigenous nationalities in Soviet Central Asia. By the late 1970s, Soviet economic growth in the entire union, and particularly in Central Asia, had significantly slowed down to the extent that it could not keep up with the population growth of Central Asian societies. In the aftermath of World War II, improved health and living conditions had already caused a population explosion in the region. Due to

\textsuperscript{177} Rafis Abazov 2000.
\textsuperscript{178} Nancy Lubin 1984; Boris Rumer 1989.
relatively higher population growth rates and unwillingness to emigration among the indigenous people labor surplus started to grow up.\textsuperscript{179} However, Soviet distribution policies did not allocate proportional increase in investment and funds so as to respond to the population growth. This trend resulted in relative inequality between Central Asia and other Soviet republics as well as between the urban centers and rural Central Asia in which a pool of “unskilled and basically unemployable youth” has become the main source of social discontent and tension.\textsuperscript{180}

In the 1960s and 1970s Soviet Central Asia experienced some of the highest birthrates in the world, leading to significant changes in economic structure resulting in a large labor surplus with increasing unemployment and underemployment. In 1913 the Central Asian population constituted only 4.6 per cent of the total population of the area that later formed the USSR; by the late 1970s this proportion doubled to 9.4 per cent.\textsuperscript{181} Actually, even by 1940 there was no significant difference between the population growth rate in Central Asia and the rest of the USSR, with rapid industrialization and urbanization the demographic transition started earlier in the latter than the former. On the eve of the Bolshevik Revolution “the level of urbanization in Central Asia was no lower than for the area that later became the USSR.”\textsuperscript{182}

In terms of locational and sectoral divisions during the Soviet era, there were two dimensions of the same issue: developmental gaps among regions and ethnic-occupational distribution of Soviet people across space. The indigenous nationalities

\textsuperscript{179} Nancy Lubin 1984.
\textsuperscript{180} Teresa Rakowska-Harmstone 1991, p. xi.
\textsuperscript{181} Azizur Rahman Khan and Dharam Ghai 1980, p. 7.
\textsuperscript{182} Azizur Rahman Khan and Dharam Ghai 1980, p. 11.
concentrated mainly in the least-developed small and medium-size cities. These locations were labor-surplus areas of rural settings and small towns with little industrial activity and fewest prospects for development. On the other hand, Slavs and other European nationalities were disproportionately located in the large cities or industrial centers. In terms of economic sectors, the indigenous nationalities were employed predominantly in the least modernized sectors of the economy (agriculture and the service sectors), while Europeans were disproportionately employed in the more industrial and technical jobs and sectors. Within industry, Europeans were predominantly in the heavy industrial sectors, while the indigenous nationalities were mostly in light industries and food industries with the lowest-skilled jobs and occupations outside the production process. They were employed in general as “truck-drivers, guards, or other low-level service personnel;” additionally, while Europeans were mainly employed in the formal jobs, the indigenous nationalities encompassed “the vast majority of the population not working in social production,” and as labor surpluses grown this trend continuously increased.183

Despite the region’s richly endowed natural resources (including oil, gas, cotton, and precious metals), during the Soviet era only a small portion of these resources was actually used as raw materials in Central Asian production establishments. Almost all of the raw materials extracted from this region were sent to European Russia for final production. Similar to British colonial policy in India, Russian policy planners at Moscow’s headquarters were not eager to allow development of a local textile industry by locally grown cotton crop. Instead, both British and Russian rulers sent local raw materials to the industrial centers of the

183 Nancy Lubin 1984, pp. 16, 149.
empire, and later final production was sent back to local people at higher prices. In other words, the value added was very tiny in Central Asia relative to other regions of the Soviet Union. Under these circumstances,

Central Asian scholars and Party functionaries have also lobbied energetically for a shift of emphasis from large integrated mills towards a greater number of small specialized plants in light industries, where labor intensity per unit value of fixed assets is the highest.  

It seems that republican leaders had showed their dissatisfaction with the disproportionate amount of Soviet allocation of investment capital to the region. According to them, Moscow saw Central Asia as a peripheral region to provide raw materials for the advanced industrial complexes of European Russia. To illustrate, the western regions of the USSR provided almost 80% of industrial production in the 1980s; from 1971 to 1984, Central Asian nations, with almost 10% of the Soviet population, took 6% of national income and 6% of new fixed capital investment; and they contributed to 4% of industrial production and 8.5% of agricultural production.  

In order to address the union-wide economic stagnation problems, the Politburo was aware of the necessity to increase economic efficiency. In the Central Asia realm, the political-economic conditions could be improved by analyzing policy alternatives in light of demographic, economic, and political variables. According to the Soviet intelligentsia as well as Western Soviet specialists, two alternatives were considered the most efficient avenues to address the surplus labor problems of Central Asia. First was the introduction of incentives for outmigration from Central Asia, especially from rural parts. Second was to increase investment to the region so as to

184 Leslie Dienes 1987, p.143.
fast track regional development. In other words, the Soviet regime had two major choices: either move people to the jobs; or move jobs to the people in the Central Asian context.\textsuperscript{186}

The first option assumed that a significant amount of labor surplus from Central Asia would out-migrate and alleviate the labor deficit problem in European regions of the USSR. However, there were some structural barriers to conducting this policy. Central Asians have strong cultural and economic ties to their native territory. For the rural population there were no economic incentives to abandon their homes even only to venture within their respective republics let alone other republics. While there was a serious labor shortage in the Western parts of the Soviet Union as well as the urban centers of Central Asia, the rural population was not on the move. Despite widespread rural unemployment and underemployment, supplemental income (mainly from private plot farming and generous social welfare benefits), extended family support network, and the possibility of seasonal employment in the non-state (informal) sector often provided better income prospects and improved standards of living of local people.\textsuperscript{187} A sociological study conducted during the Soviet era concluded that “rural incomes in Central Asia are in fact higher than urban ones.”\textsuperscript{188} Moreover, living costs were substantially lower in Central Asia than other parts of the USSR, particularly compared to Siberia and the Far East.

The second option was to accelerate the regional development of Central Asia. Experts argued that Central Asia had to develop labor intensive industries such as ore

\textsuperscript{186} Enders Wimbush and Dmitry Ponomareff 1979.
\textsuperscript{187} Rafis Abazov 2000, p. 217; Enders Wimbush and Dmitry Ponomareff 1979, p. 9.
extraction, metallurgical enterprises, agricultural processing, and machine-building for the textile industry and other light industry. Large industrial factories would use local inputs effectively absorbing the labor surplus. In the developmental path, one of the most crucial points was that increasing industrialization in Central Asia necessitated the solution for the water scarcity. In the Soviet media there was discussion about the rerouting of the Siberian rivers towards Central Asia. However, in regard to strategic calculations the Soviet leaders were reluctant to place a heavy investment in a volatile and strategically secondary region. In the eyes of the Politburo members, Central Asia was a geographic buffer zone that lay immediately in the path of a potential Chinese invasion.\textsuperscript{189}

Noting the inherent limitations of outmigration and of regional development, the Soviet leadership opted for a combination of these two broad policies in order to offset specific drawbacks of each approach. Certainly, these two broad options were not mutually exclusive, but for Soviet planners the structural, institutional and organizational factors were difficult to reconcile into a systematic broader policy towards Central Asia. Finally, there were more important matters on the Politburo’s agenda, and for the Soviet planners to focus on development of the Central Asian periphery would detract from attention to strategic Russian centers such as Siberia and the Far East.\textsuperscript{190}

The economic stagnation of the 1970s was accompanied by social and political decay in the entire Soviet domain. In the 1970s and 1980s, the Soviet administration had to introduce new economic reforms including the addition of

\textsuperscript{189} Enders Wimbush and Dmitry Ponomareff 1979.
\textsuperscript{190} Enders Wimbush and Dmitry Ponomareff 1979.
limited private production and other liberalization efforts within the socialist economic structure. These private activities are known as the ‘second economy’, the ‘parallel economy’, the ‘informal economy’, the ‘counter’ or ‘unofficial’ economy. In the informal economy material incentives included “income from the sale of homemade items or of produce grown on private plots by collective farm,” as well as from “other private activities, both legal and illegal.”\(^{191}\) Deterioration of the economic conditions in the entire Soviet territory caused the shortages of food and consumer goods which led to a further rise in private activities, both legal and on the black market: “… in most parts of the USSR, a shortage of retail goods at official prices is largely compensated by activity in the private sector.”\(^{192}\) Consequently, the net result of this partial reform was the increasing spread of the black market, semi-legal and illegal economic activities across the Soviet Union. On the other hand, one of the most crucial legacies of this period on contemporary Central Asian politics was the growing influence of patronage networks, informal economy, and corruption.

In Central Asia, private activity was extremely widespread: “In 1979, for example, the ratio of the population officially employed (outside the home and private plot) to the total population within the 15 to 60-year age group was 78.1 percent in Uzbekistan versus 90.4 percent in the Russian SSR.”\(^{193}\) For Central Asian people, ‘non-wage’ income and income from the private sector constituted a significant portion of the household budgets. Sewing at home, tailoring, cloth and shoe repair, transportation of people and goods, tutoring, trade in home-garden products in the local bazaars, selling home-distilled vodka, vehicle repair, and speculation in scarce

\(^{191}\) Leslie Dienes 1987, p.172.
\(^{193}\) Leslie Dienes 1987, p.126.
goods, were some of the most common income generating activities in the Central Asian countries.\textsuperscript{194}

The institutionalization of private property and individual entrepreneurship in the post-Soviet domain has strong roots in the political and economic reforms of the Soviet state in the 1970s and later. Increasing economic incentives to private production, particularly in the 1980s, in the Soviet Union, caused a flourishing informal economy. “[T]he appearance of new social groups and new business practices has taken place in societies where a powerful party-state imposed its rules for a long time.”\textsuperscript{195} Newly emerged entrepreneurs of the 1980s and their business practices evolved in the post-Soviet era. Many economic activities in the post-Soviet era have been built upon those private activities in the Soviet era. For example, today’s shuttle trading (also known as suitcase trade) is a pattern of continuity from the socialist era. In the Soviet era people who were engaged in the informal economy, especially women, gained experience, established enough social capital and networks that later turned into regularities in the post-Soviet political economic structure.\textsuperscript{196}

\textbf{2.4 Central Asia in the Post-Soviet Era}

In their first years of independence the course of economic and political development has been driven by the shock of the dissolution in Central Asia. Some major issues were structural dependency of the republics to the Union’s central economic system and common infrastructure. Soviet system created a habit of financial transfers to the poor small republics which could not adjust themselves

\textsuperscript{194} Francine Pickup 2003, p.9.
\textsuperscript{195} Victoria Bonnell and Thomas Gold 2002.
\textsuperscript{196} Hatice Deniz Yukseker 2007.
easily. For example, almost all of Soviet Kyrgyzstan’s production had been sent to other Soviet republics with little chance of exporting. This economic dependency caused small republics of the Soviet Union, including Kyrgyzstan, to feel the negative effects of the transition far worse than larger republics, especially those with relatively favorable natural endowments.

Another major issue about adjustment difficulties is the *brain drain*. Massive ethnic migration of Russians, who were employed in the modern sectors of economy with high skill jobs, put a heavy strain on these new republics. Particularly, in Central Asia it was very difficult for indigenous population to compensate for the exodus of the qualified labor force. European ethnicities were heavily employed in the education and health sectors. As a continuation of the Soviet era, high population growth rates in the Central Asian countries of Uzbekistan and Kyrgyzstan was another hardship to be taken care of at the macro level.

These circumstances that encountered by these newly independent Central Asian countries are seen as key factors to trigger “primitivization – a process well known in the experience of third world countries which includes de-industrialization, re-agrarianization, expansion of informal and traditional sectors, and contraction of modern social services.”\(^{197}\)

In Central Asia, except Kazakhstan, one might see similar economic, political, and social adversities. For example, economically at least half of the people are dependent on agriculture in their livelihoods in Kyrgyzstan and Uzbekistan. Additionally, these two nations remain in the category of the seven-poorest countries of the CIS, known as the CIS-7, and they are in the World Bank’s “Initiative to

\(^{197}\)Stanislav Zhukov 1996, p. 117.
Promote Poverty Reduction” program which aims to provide growth and debt sustainability in these countries. It is important to note that as of 2000 the only economic expansion in these CIS-7 countries came from the shadow economy, “which can be as large as two-thirds of GDP.” ¹⁹⁸

Those 7 countries in the group of the CIS-7 share some additional characteristics, too. For instance, all of these 7 countries have some sort of natural resources; however, these resources are inefficiently exploited due to the Soviet legacy of problematic border delimitations and other artificially created problems among their neighboring countries. Furthermore, they all have inherited problematic ethnic issues such as border demarcations and ethnic enclaves from the Soviet Union. Since most of these countries are majority rural, and people are more dependent on traditional authorities and value systems, informal institutions are influential. In sum, all of them continue to deal with Soviet structural inefficiencies. Not surprisingly, all of those 7 countries (including all Central Asian nations except Kazakhstan) send a significant proportion of their labor force abroad. ¹⁹⁹

Coming to the specifics of the national economies and its characteristics a few major descriptions might be helpful. Almost 90% of the Kyrgyzstan’s territory is situated at more than 1,500 meters above sea level. Since the Kyrgyz Republic is mostly a mountainous country raising livestock is one of the largest activities in the national economy. Both Kyrgyzstan and Uzbekistan are landlocked countries, and their economies are mainly based on agriculture and natural resource extraction. Almost one half of the labor force in each country is mainly engaged in the

¹⁹⁸ Nancy Vandycke 2004, p. 239.
agricultural sector which absorbs (and conceals) the true underemployment and unemployment figures. The share of agricultural products in the national GDPs is about one quarter for each country. The ratio of urban population is again similar between these two countries; while one third of the population is living in cities, remaining two thirds live in rural areas including small towns and villages.

In terms of political economy, starting from the early years of their independence national governments in Central Asia have followed one of two major macroeconomic models. In the 1990s, while the Kyrgyz government, with a relatively more reformist approach, followed liberalization policies in its economy, Uzbekistan preferred statist and gradual economic transition policies. Up until the mid-1990s, Kyrgyzstan pursued several leading marketization reforms such as financial restructuring, banking sector reform, private ownership of land, and pension, health care, and education reform. While the Kyrgyz Republic was consistently implementing quick pro-market reforms, these efforts provided it with accession to the World Trade Organization (WTO) in 1998.\footnote{Martha Brill Olcott 2006}

Due to its relatively poorer resource endowment vis-à-vis other post-Soviet countries, agriculture has remained important for the Kyrgyz Republic and its people. In the early transition, the Kyrgyz labor force shifted to agricultural and trade activities to alleviate the adverse effects. By the early 1990s, the private agricultural sector provided between one-third and one-half of overall production. In 2002 agriculture accounted for 35.6% of GDP and about half of employment in Kyrgyzstan. Agricultural production has regained and, in fact surpassed pre-transition levels, and the share of the workforce in agriculture also increased from 33% in 1990
to 52% in 1999.\textsuperscript{201} By 2002 about 70 percent arable land previously held in state and collective farms had been transferred to peasant farmers in Kyrgyzstan. The share of leased land has also increased from 4% in 1998 to 11% in 2001. As of the early 2000s, the private sector contributed 70 percent of national GDP. More recently, about 80-90 per cent of arable land is privately owned in rural households, and “Based on official assessment, private sector provides 86 percent of the GDP.”\textsuperscript{202} Besides, it was reported that almost half of rural households received credit, but in small size loans. However, it is obvious that private plots are too small and “fragmented to allow for economies of scale in production.”\textsuperscript{203} Productivity increase in the agricultural sector in the Kyrgyz Republic since the 1990s is partly explained by increasing demand for agricultural products; however, in the long term the economic development will depend on expansion in the export markets and agribusiness.\textsuperscript{204}

While the Kyrgyz Republic had followed liberal policies initially, it was soon seen that pro-market and pro-democratic policies were not enough to achieve development in the absence of strong supporting institutions, such as the state, and in the presence of structural flaws and weak economic endowments. On the other hand, the Uzbek government has always been suspicious of Western advisers and their ideas about democratization and the free market system. Thus, Uzbekistan preferred to design a gradual transformation policy with mixed elements of both socialist and free market economic models. The Uzbek government has mostly relied on government

\textsuperscript{201} Louise Cord et al 2004. 
\textsuperscript{202} Kubanychbek Omuraliev 2007. 
\textsuperscript{203} Louise Cord et al 2004. 
\textsuperscript{204} Louise Cord et al 2004; Nancy Vandycke 2004, p. 244.
control and management in the major sectors of the economic system. Most of the large, state-owned enterprises have remained under central control. In general, the Uzbek government controls most of the economic activities with its annual macroeconomic plans: it dictates what farms have to grow, and it buys directly from the farmers to sell abroad. On the other hand, the Kyrgyz Republic has followed more market oriented policies. In addition to economic policy variation, there are other differences between Uzbekistan and Kyrgyzstan. The former is a mid-size middle income country, and the latter is a small size low income country, according to the World Bank classification.

In comparison with Kyrgyzstan, Uzbekistan with its rich natural resources was relatively better off in the first decade of independence. However, later this advantage could not be used effectively due to bad macro-economic management. Uzbek government has mostly relied on import-substitution model of economic development which uses “a system of implicit and explicit taxes and subsidies and centralized control over the production, pricing, and export of key commodities (cotton, grain, gold, and energy) that are linked through foreign exchange controls.” Because the Uzbek government has implemented an import substitution model to control foreign trade and currency transactions in its domestic economy, several formal and informal regulatory mechanisms were established to prevent Uzbek currency from being withdrawn from banks, along with other import and export restrictions. While the Uzbek government has been exercising strict currency controls in order to combat

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inflation and to control monetary policy, this has caused periodic shortages of cash and rise of informal economy.\textsuperscript{207}

Uzbekistan is a major producer and exporter of cotton: according to the CIA World Fact Book, as of 2010 it occupies the fifth place on the rankings of the world production, and second in the rank as one of the top exporters. Cotton as the dominant crop of Uzbekistan accounted for roughly 12\% of the country's GDP in 2008. However, it has been criticized that the agricultural sector of Uzbekistan has been heavily dependent on the cotton monoculture with several financial, economic, and environmental risks involved since nearly all agriculture involves heavy irrigation. Uzbekistan is also a major exporter of gold, uranium, and some strategic minerals. Production of natural gas has also played an increasing role as a significant source of foreign currency earning for Uzbekistan. It is estimated that natural gas provides at around 40\% of foreign currency in 2009.\textsuperscript{208} Gold is another important source of foreign earnings (about 7\%-10\% of total exports). Uzbekistan is the world's seventh-largest producer of gold, mining about 80 tons per year, and holds the fourth-largest reserves in the world. Uzbekistan also produces significant amounts of silk, wheat, fruit, and vegetables.\textsuperscript{209}

Thus, one might predict at the outset that there could be variation in regards to the remittance induced developmental outcomes in these two contexts because of different political and economic characteristics. On the other hand, despite different macro political and economic policies Kyrgyzstan and Uzbekistan are very similar in

\textsuperscript{207} Richard Pomfret 2004; Martha Brill Olcott 2006.  
\textsuperscript{208} CIA World Fact Book 2010 (November).  
terms of cultural and socioeconomic variables. In both countries rural inhabitants mostly lack many modern conveniences such as refrigerators, washing machines and TVs. Besides, there is a poor or non-working infrastructure in rural areas, such as the lack of sewage systems. People in these two countries tend to follow similar norms and habits in many aspects of social life. The deterioration of formal institutions and the increasing power of informal institutions such as social networks are also common in both of these countries.

2.4.1 Major Determinants of Migration Processes in the Post-Soviet Domain

Data presented in Table 2.1 helps to shed light on migration dynamics in the CIS region. The general characteristics of labor sending and receiving countries can be seen within three major sections: social, demographic, and economic variables. In a very broad term labor sending countries have younger, less educated, lower-skilled populations; and they live as agrarian societies in more rural areas vis-à-vis their post-Soviet labor receiving neighbors. It is clear that most peripheral areas including the Central Asian countries have economically lagged behind, and income discrepancies between them and the Russian Federation are acting as an influential push factor.\textsuperscript{210}

\textsuperscript{210} The World Bank 2007a, p. 55.
### Table 2.1: Basic Demographic, Economic, and Social Indicators

<table>
<thead>
<tr>
<th></th>
<th>Labor Sending Countries</th>
<th>Labor Receiving Countries</th>
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<tbody>
<tr>
<td></td>
<td>Uzbekistan</td>
<td>Kyrgyzstan</td>
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<tr>
<td>Population in 2009 (in million)</td>
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<tr>
<td>Uzbekistan</td>
<td>27.6</td>
<td>5.4</td>
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<td>Kyrgyzstan</td>
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<td>Kazakhstan</td>
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<td>Russia</td>
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<tr>
<td>Median Age in 2009</td>
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<tr>
<td>Uzbekistan</td>
<td>24.7</td>
<td>24.4</td>
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<td>Kyrgyzstan</td>
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<td>Kazakhstan</td>
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<td>Russia</td>
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<tr>
<td>% Population Rate of Growth in 2009</td>
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<tr>
<td>Uzbekistan</td>
<td>0.94</td>
<td>1.40</td>
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<td>Kyrgyzstan</td>
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<td>Russia</td>
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<td>Urban population in 2008</td>
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<td>Uzbekistan</td>
<td>37</td>
<td>36</td>
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<td>Kyrgyzstan</td>
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<td>Russia</td>
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<tr>
<td>World HDI Rank in 2009</td>
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<tr>
<td>119th/182</td>
<td>120th/182</td>
<td>82nd/182</td>
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<tr>
<td>Total Labor Force in 2009 (in million)</td>
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<tr>
<td>Uzbekistan</td>
<td>15.7</td>
<td>2.3</td>
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<td>Kyrgyzstan</td>
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<td>Kazakhstan</td>
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<td>Russia</td>
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<tr>
<td>% Labor Force in agriculture[211]</td>
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<tr>
<td>Uzbekistan</td>
<td>44%</td>
<td>48%</td>
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<td>Kyrgyzstan</td>
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<td>Kazakhstan</td>
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<td>Russia</td>
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<td>Agriculture’s share in GDP in 2009</td>
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<tr>
<td>Uzbekistan</td>
<td>26.8%</td>
<td>30.7%</td>
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<td>Kyrgyzstan</td>
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<td>Russia</td>
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<tr>
<td>Per capita GDP in 2009 (in USD)</td>
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<tr>
<td>Uzbekistan</td>
<td>2,800</td>
<td>2,100</td>
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<td>Kyrgyzstan</td>
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<td>Russia</td>
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<tr>
<td>Population Below Poverty Line[212]</td>
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<tr>
<td>Uzbekistan</td>
<td>26%</td>
<td>40%</td>
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<td>Kyrgyzstan</td>
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<td>Kazakhstan</td>
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<td>Russia</td>
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The current demographic and social structure is a stubborn legacy of Soviet rule in Central Asia. During the Soviet era, European settlers (Russians, Ukrainians, Germans, and Jews) were employed in high-skilled jobs that concentrated mostly in urban centers, and locals predominantly took semi-skilled and unskilled jobs that concentrated mostly in rural areas. This demographic, social, educational, professional, and occupational pattern, which is also associated with social status, is a

[211] Data derived from the CIA World Fact Book, and it shows estimated figures in different years from 1995 to 2009.
[212] Data derived from the CIA World Fact Book, and it shows estimated figures in different years from 2004 to 2009.
decisive factor in understanding migration processes in the CIS area. Disproportionate specialization of indigenous people in the production of raw materials at the expense of manufacturing industries and over-dependent economic relations between Moscow and Central Asian periphery, are just a few reminders to understand Central Asian economies. This dependency between the core and periphery, and all demographic, social, educational, professional, and occupational complementarity between these two spaces remain at the heart of pull-push framework in the post-Soviet domain.

While analyzing Table 2.1, the difference between labor-sending and receiving countries is clear regarding demographic, economic, and social variables. Demographically, labor sending countries of Central Asia have a population with relatively higher proportion of young age cohorts: median age is around 24 for both Kyrgyzstan and Uzbekistan, while this figure is in a range of 30-38 for Russia and Kazakhstan. Additionally, labor sending Central Asian societies have higher population growth rates and a large proportion of their population live in the rural areas, as opposed to their labor receiving neighbors.

In the immediate aftermath of independence, there was a mass exodus of the Slavic population from Central Asia, the overwhelming majority of whom (approximately three quarters) were of working age (defined as males from 17 to 65 years old, and females from 17 to 60).\footnote{Bakhtior Islamov 2000, p. 185.} According to official statistics, between 1990 and 2002, 500,000 people (or more than 10% of the Republic’s population) permanently left Kyrgyzstan. The number of ethnic Russians in Kyrgyzstan dropped from 918,000 to 520,000.\footnote{Uranbek Ergeshbayev 2006, p. 46.} Kyrgyzstan and Uzbekistan lost more than a quarter of
their 1989 ethnic Russian population by 2002.\textsuperscript{215} Considering the fact that a significant portion of the Slavic population had been working in skilled jobs, and that the education system had been deteriorated since independence, labor force imbalances and the shortage of qualified personnel has worsened in these Central Asian countries. Thus, there have been growing socioeconomic and developmental imbalances between rural and urban areas as well as growing urban poverty in Central Asia regarding demographic dynamics and employment opportunities. As of 2008, the annual inflow of employable youth to Kyrgyzstan’s labor market reached 50,000 in a country of almost 5.5 million population.\textsuperscript{216} This number is 300,000 for Uzbekistan which is a country of 28 million population as of 2006.\textsuperscript{217}

Consequently, having similar statistics in regards to their social and economic development indicators, not surprisingly, Uzbekistan and Kyrgyzstan rank very close to each other in terms of UNDP’s human development index (HDI). In 2009 in the league of world HDI rankings Uzbekistan comes 119\textsuperscript{th} and Kyrgyzstan follows suit as 120\textsuperscript{th} in the world. Labor receiving countries of Russia and Kazakhstan also rank close to each other in the middle places as 71\textsuperscript{st} and 82\textsuperscript{nd} respectively.

In terms of economic variables, the national income figures and the percentage of the population below the poverty line could be helpful variables to understand out-migration dynamics. In Kyrgyzstan, almost 45% of the population fell into the poverty category, and about 70% of the poor resided in rural areas as of 2002.\textsuperscript{218} In Kyrgyzstan, per capita income (based on purchasing power parity-PPP) is around

\begin{itemize}
\item \textsuperscript{215} Andrei Korobkov 2007, p. 174.
\item \textsuperscript{216} Online news portal CA-News, available in Russian at \url{http://www.ca-news.org/news/41299}.
\item \textsuperscript{217} Muzaffar Kasimov 2006, p.11.
\item \textsuperscript{218} UN 2003b.
\end{itemize}
2,100 USD, and in Uzbekistan it is around 2,800 USD.\textsuperscript{219} On the other hand, in the labor receiving countries of Kazakhstan and Russia per capita income is at least 4-5 times larger than their poor neighbors.

It is estimated that 80% in Kyrgyzstan and almost 50% in Uzbekistan in the aftermath of the Russian crisis of 1998 fell below the poverty line.\textsuperscript{220} As can be seen in Table 2.1, those poverty figures have been significantly improved in a more recent period. According to the World Bank’s World Development statistics for the year 2009, 27.5% of Uzbeks live at or below the poverty line while this number is higher in Kyrgyzstan with a 43% national average.\textsuperscript{221} “The August 1998 financial crisis in Russia and the ensuing economic downturn significantly reduced the flows of repatriates and labor migrants into the country. Yet, as soon as the economy picked up again in 2000, labor migration resumed throughout the region.”\textsuperscript{222}

Finally, the place of agriculture in the national economies differs significantly between labor sending and receiving countries. While almost half the population is employed in the agricultural sector in Kyrgyzstan and Uzbekistan, this number is considerably lower in Kazakhstan (32%) and Russia (10%). The contribution of agriculture in the national GDP is between 26-31% in these two sending countries, while it is a mere 5-6% for the labor receiving countries of Russia and Kazakhstan.

\textsuperscript{219} Jane Falkingham 2005; CIA World Fact Book (accessed on March 10, 2010.)
\textsuperscript{220} Jane Falkingham 2005.
\textsuperscript{221} Mario Lamberte and Robert Vogel 2006.
\textsuperscript{222} IOM 2002, p. 15.
2.4.2. Some Facts about Labor Emigration and Remittances in Central Asia

Regarding labor movements from Central Asian countries, unfortunately, there is a lack of original studies, especially micro-level analyses and reliable data. A few studies about labor migration and its socio-economic dimensions in the existing literature, particularly about the post-communist domain, are far from complete. In order to be able to reach fruitful generalizations it is necessary to conduct more in-depth and comparative studies in this region.223

In the very recent period, there have been a few macro-level reports, mostly by the World Bank, International Organization for Migration (IOM), and other international organizations. In general, these macro level studies merely focus on groups of countries,” such as “Eastern Europe and Central Asia;” and these reports do not pay enough attention to single countries. Disappointingly, many of these publications give most of their attention to estimates about the number of labor migrants and remittances as well as potential reasons for deviations among a variety of different estimates. Additionally, qualitative research about migrants and their families, and the developmental impacts of remittances in the post-Soviet domain, particularly for Central Asia, is very rare. Furthermore, remittances and their developmental prospects for the communities of origin, especially social and economic improvements with productive investments, are also understudied. For example, developmental issues, particularly business development and job creation, and the impacts of remittances on education and health still need further examination.

223 Erica Marat 2009.
Additionally, migration studies all over the world in general, and some other studies about post-Soviet area in particular, are mostly concerned with the global management of population movements. Not surprisingly, they neglect to offer particular policy recommendations for each country to stop root causes of people’s mass exodus from their communities to earn their livelihoods, or to produce context-specific policies in order to maximize remittance-induced investments. Global institutions and organizations, as they have often been criticized for consistently just repeat generic macro-level recommendations for each country along with their standard one-size-fits-all solutions for each problem and crisis they have been introduced.\textsuperscript{224}

The lack of reliable quantitative and qualitative data is partly related to the hardships of conducting research in these areas; additionally, inefficient bureaucracies and other institutions, such as ineffective and corrupt visa and border regulation systems in the post-Soviet countries, make it harder to produce reliable statistics. In other words, keeping track of labor migration has been limited due to formal and informal procedures in the post-Soviet realm.\textsuperscript{225} The lack of data regarding migration figures is also officially admitted by the head of \emph{Migration Committee of Kyrgyzstan}, who revealed that “no records of number of citizens arriving in and leaving the country are kept.”\textsuperscript{226} While dealing with the organizational issues and logistics of 2010 parliamentary elections, First Deputy Prime Minister of the Kyrgyz government

\textsuperscript{224} Among many critiques one of the most prominent is Joseph Stiglitz 2002 “Globalization and its Discontents.”
\textsuperscript{225} Saodat Olimova 2005.
\textsuperscript{226} Central Asian News (March 11, 2008) available in Russian online at \url{http://www.ca-news.org/news/18555}
Amangeldi Muraliev said that "We still do not have accurate information about the number of internal and external migrants in Kyrgyzstan."\(^{227}\)

Another difficulty in collecting reliable data is related to migration itself. There is a need to be cautious since the number of labor migrants in official statistics may include all types of temporary, permanent, seasonal migrants as well as the multiple entries of the same people. Thus, it is important to be careful while interpreting those entry and exit figures, and also evaluating the different types of migrants and migration outcomes.

Nonetheless, there are some useful pieces of information, statistics, and data in the CIS system. The main and most reliable statistics and information are to be found in the official records of the destination countries, namely the Russian Federation and Kazakhstan. The statistics from these host nations show that the major route of labor migration from Central Asian rural sites is mostly towards Russian urban centers and to a lesser extent towards newly constructed Kazakh cities. According to the World Bank data, Russia is the world’s second-leading host country for labor migrants with its 12 million immigrants, and Kazakhstan sits in ninth place.\(^{228}\)

For some comparative context, in 2008 over 1 million labor migrants from neighboring countries entered into Kazakhstan, which is a country of 15 million people.\(^{229}\) Based on official estimates one scholar conveys that in the Kazakh labor market 500,000 immigrants come from other Central Asian Republics.\(^{230}\) More than


\(^{228}\) World Bank 2007b. In the world ranking, the USA is the leader with its approximately 38 million foreign workers.


\(^{230}\) Marlene Laruelle 2008.
half of Kazakhstan’s Central Asian immigrants (around 250,000) are comprised of Uzbek citizens, and around 200,000 are Kyrgyz citizens. In a policy report it is stated that Kyrgyz emigrants mostly concentrate in Russia (67%) and Kazakhstan (18.8%). According to the Russian Federal Migration Service, as of September 2010, more than 10 million foreigners entered into Russia: 50% of those are Ukrainian citizens; Uzbek citizens are around 1.2 million, and Kyrgyz citizens are 385 thousand. In addition, it is interesting to note that as of 2006, the entire EU hosts about 3 million irregular immigrants, while this figure reaches 3.5 million in Russia alone.

In order to investigate the determinants of labor emigration one might first check unemployment figures in the sending countries. However, due to the poor institutions and statistics in Kyrgyzstan and Uzbekistan, it is hard to get these numbers. As it is the case for most of the Post-Soviet states, the official figures for Kyrgyzstan and Uzbekistan are often misleading. For example, official unemployment numbers show the number of people who are registered at labor offices. According to official data, unemployment in Kyrgyzstan is 3.1%; and in Uzbekistan it is 0.5% as of 2002. It is obvious that people often do not register themselves as unemployed in those countries where state institutions are not seen as effective entities to help the citizens. The actual unemployment figures are most probably multiples of those figures. In 2003, the IMF suggested that actual

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233 World Bank 2007a.
unemployment in Kyrgyzstan could be as high as 20%. Another source confirms this information: at a conference in Bishkek the Deputy Chair of State Committee of the Kyrgyz Republic on Migration and Employment Dosmir Satarovich Uzbekov revealed that actual unemployment might be 17% in the country as of 2007. On the Uzbekistan side, the condition seems to be similar: in a World Bank report, it is stated that “each fifth Uzbek is unemployed.”

There are various estimates about the number of labor emigrants from Central Asian countries, most of who are from Tajikistan, Kyrgyzstan, and Uzbekistan. According to a publication by a humanitarian NGO, the number of Uzbek labor migrants might be as much as 5-6 million, within a country of approximately 28 million population size, based on the information from regime insiders. The number of Kyrgyz labor emigrants is estimated by different sources at as much as 1 million in a country of almost 5.5 million. According to media reports, in 2008, 550,000 Kyrgyzstanis left their country for the purpose of finding a job in Russia, and as of 2009, the total number of Kyrgyzstan’s nationals who have also obtained Russian citizenship in the recent 10 years reached 300,000. These figures show that in Central Asia the ratio of labor migrants to the national labor force and of remittance inflows to GDP are enormous.

235 UN 2003b, p. 12.
236 This information is derived from the observation of this conference which was related to the presentation of the World Bank’s twin reports, “Migration and Remittances: Eastern Europe and the Former Soviet Union,” and “Remittances in the CIS Countries: A Study of Selected Corridors.” They were presented in the Golden Dragon Hotel at September 27, 2007.
237 Ferghana.ru news portal “Migration prompts economic degradation in Uzbekistan,” (January 22, 2008).
238 IWPR 2007.
240 24.kg News Agency (July 14, 2009) available in English online at http://eng.24.kg/community/2009/07/14/8517.html
There are changing estimates regarding the magnitude of remittance inflows into the Central Asian countries, too. According to the Central Bank of Russia, the total amount of remittances sent from Russia to other CIS countries was USD 0.5 billion in 1999, and USD 3.5 billion in 2004. This number increased to USD 11.4 billion in 2006. For both Uzbekistan and Kyrgyzstan, the proportion of remittances to their GDP figures is significant. “According to the Central Bank of Uzbekistan, only over the 2002-2006 period, the annual inflow of official remittances to the country increased fivefold, reaching almost USD 1.4 billion or 8.2% of GDP in 2006.” In 2007, the majority of remittance inflows to Uzbekistan came mainly from Russia (78%) and Kazakhstan (%5), and to a lesser extent from the U.S.A. and South Korea (total of 3.3%). Russian official sources report that remittance outflow from Russian institutions towards Uzbekistan reached USD 1.7 billion, or 8.5% of GDP, in 2007.

When the remittance transfers peaked in the year 2007, Russian official sources estimated USD 1 billion in remittance out-flowing from Russia into Kyrgyzstan. It is reported that Russia accounts for more than 80% of remittance inflows in Kyrgyz Republic. During my field survey a foreign bank’s CEO in Bishkek stated that in the year 2006-2007 annual remittance inflow into Kyrgyzstan from Russia and Kazakhstan was a combined USD 1.2 billion. Taking into consideration informal transfers, the remittance/GDP ratio might be as high as 30%.

242 Umida Hashimova 2009.
243 Umida Hashimova 2009.
244 See NMCA No. 39
245 See NMCA No. 33.
246 World Bank 2009b.
247 Interview with Demir-Kyrgyz Bank General Manager, Ahmet Parmaksiz, November 6, 2007 in Bishkek.
one of the highest proportions in the world. According to World Bank data, in 2008, when the worldwide remittance figures peaked, Kyrgyz Republic became the 4th in the world rank with 28% remittance/GDP ratio.\textsuperscript{248} In the following year, due to global economic crisis remittance inflows to Uzbekistan and the Kyrgyz Republic declined in U.S. dollar terms, partly because of a depreciation of the Russian ruble by over 25% against the U.S. dollar. According to official figures, remittance inflows to Kyrgyz Republic declined 15% in U.S. dollar terms in the first half of 2009 compared to the same period in 2008; however, if measured in ruble terms, remittances to the Kyrgyz Republic actually increased 17% in this period.\textsuperscript{249} As of 2010 media sources report that remittance inflows are rising again in Kyrgyzstan: The National Bank of Kyrgyzstan reports that in the first five months of 2010, remittance inflows rose 32.6 percent over the same period in 2009 ($398.5 million versus $300.4 million); and most of these remittances came mainly from Russia and Kazakhstan.\textsuperscript{250}

While the income prospects are so low in the sending countries it would be informative to show the proportional contribution of remittances to the household budget. According to the estimate of Russian experts as of 2004 an average migrant sends home approximately USD 1,700 annually, or about USD 140 monthly.\textsuperscript{251} In another study based on data provided by the Asian Development Bank it is stated that “… over 16% of households in Kyrgyzstan received remittances in 2006. The average annual remittance income was USD 1,331 per household, while average domestic

\textsuperscript{248} World Bank 2010. \\
\textsuperscript{249} World Bank 2009b. \\
\textsuperscript{250} Eurasianet News Portal, “Migrant Remittances Rise Again,” available online in English at http://www.eurasianet.org/node/61656. \\
\textsuperscript{251} Andrei Korobkov 2007.
earnings are USD 400 annually.\textsuperscript{252} Another source states that one third of the entire Kyrgyz households receives remittances.\textsuperscript{253} According to World Bank data, labor emigrants from Kyrgyzstan, approximately 50\% of migrants surveyed, have remitted almost half of their monthly incomes; and almost 75\% of Kyrgyz immigrants send less than USD 200 average monthly remittance to their homes; approximately 20\% of Kyrgyz immigrants send between USD 201-500; and remaining 5\% send more than USD 500.\textsuperscript{254} It is also important to know the relative distribution of remittances within the labor-sending country. “The majority of remittances are sent to rural areas in the Kyrgyz Republic (70 percent).”\textsuperscript{255}

2.5 Conclusion

The newly independent Central Asian countries have inherited many structural problems from the Soviet era including a surplus of labor, predominantly low quality education and low or semi-skilled skilled labor force, disproportionate specialization in the production of raw materials at the expense of manufacturing industries, over dependent economic relations between Moscow and the Central Asian periphery, arbitrarily drawn national borders, and ecological problems along with water shortages.

The evaluation of the Soviet Union’s developmental policies in Central Asia is rather mixed. On the positive side, the Soviet development projects have left an industrial base, though inefficient, improved agricultural techniques, newly

\textsuperscript{252} Erica Marat 2009, p.15.
\textsuperscript{253} GCIM 2005, p.27.
\textsuperscript{254} World Bank 2007b.
\textsuperscript{255} World Bank 2007b, p. 10.
introduced cash crops, and mining and hydrocarbon industries in Central Asia. On the negative side, the Soviet Union’s legacy on the current political economic institutions can be categorized under a few titles. A striking feature surviving from the Soviet era is the entrenched informal institutions of the shadow economy, the black market, and corruption practices. Another crucial negative legacy of the Soviet era is that Central Asian economies have remained highly dependent on the Russian economic system and its industrial centers. The national leadership and local intelligentsia of the Central Asian countries during the Soviet era had argued that specialization in the production of raw materials and excessive degree of dependence on the industrial centers of the European parts of the Soviet Union was not a fair game.

The risks of this dependency were realized when the European (mostly Slav) settlers emigrated from Central Asia, who had been predominantly employed in high skilled sectors of industry, in the first a few years of the post-Soviet era. Almost two decades after the collapse of the Soviet Union, there are still more than 100,000 ethnic Russians in Kyrgyzstan who have applied for immigration to the Russian Federation. According to official data, in 1991, 21 percent of population of Kyrgyzstan was ethnic Russians; however, this proportion decreased to 8 percent as of 2008.256

Another peril from the ill-advised Soviet era policies was cotton monoculture in Uzbekistan. While Central Asia was supplying 92% of all Soviet cotton production, (approximately 70% from Uzbekistan) and there were available local energy resources, national leaders wondered about the economic sense of shipping raw cotton to European Russia for processing. Additionally, there was a large market for finished cotton textiles in Central Asia. These policies of the central government in Moscow

reinforced the colonial argument.\textsuperscript{257} Repercussions from this ill-advised economic structure of the Soviet Union are felt in today’s national economies of Central Asia. Due to the path dependent nature of the economic structure today Uzbekistan still accounts for a significant proportion of world cotton production and around one fifth of world cotton exports. However, experts maintain that there are so many negative externalities associated with the cotton monoculture in Uzbekistan.

One of the most crucial Soviet legacies concerns the organization of society. In pre-Soviet Central Asia, society was organized under its patriarchal kinship traditions. In the Soviet era communist rule did not want to change this social fabric, and collective farms were organized in parallel with clan groups where the extended family and clan networks have remained as a social safety net. In other words, Soviet policies implicitly supported traditional social structure along with its patron-client relationship network. Empowerment of these clan-based collective farms was one of the most important factors to cause strong regional identification and weak national identity in all Central Asian republics. Experts on Central Asia argue that sub-national identities, such as ethnicity, clan, regional, are still influential in the understanding of political behaviors in the post-Soviet era.\textsuperscript{258}

One scholar portrays the developmental conditions of Soviet Central Asia in the wake of their independence as follows “All the economic, demographic, and ecological ills of the region are wrapped up neatly in a single parcel; it can be undone only by a coordinated social-economic conception of development that is securely

\textsuperscript{257} Alex Stringer 2003.
\textsuperscript{258} There are several scholarly works on this issue. Clan identity (Kathleen Collins; Edward Schatz), regional identity (Pauline Jones-Luong), and local networks (Scott Radnitz) are cited in Ruget and Usmanalieva 2007, p. 451.
based on the real resources of the region.” Consequently, the two countries studied here, have little to offer their citizens in terms of employment and so have been labor suppliers primarily of the Russian economy in the aftermath of the Soviet era. In the following chapters more attention is given to the macro and micro level determinants of remittance usage behaviors.

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CHAPTER 3

LABOR MIGRATION IN POST-SOVIET CENTRAL ASIA: THE SHADOW OF HISTORICAL AND SOCIOLOGICAL INSTITUTIONS

3.1 Overview

According to the premises of bounded rationality, at the micro level, labor migrants’ decision-making patterns must be analyzed within their contextual environment. Four components are important while analyzing the behaviors of goal-oriented actors. They are 1-) the actor’s goals, 2-) the task environment, 3-) the problem space constructed by the decision makers, and 4-) the limits imposed by the cognitive/emotional architecture of decision makers. The behavior of a fully rational decision maker would be completely determined by the task environment. If we know the environment and the goals of the decision maker, then we may deduce the actions that the decision maker will take. On the other hand, since humans are boundedly rational, and they have several constraints around them; we must focus on their contexts carefully in order to find the factors that affect their decisions. “Unlike the rational actor, the bounded actor must adjust both to changes in the external environment and to his or her internal environment.” Thus, the particular contribution of the labor migration via financial remittances to the sending communities should be analyzed through the perspective of interaction between contextual factors, which must include formal and informal institutions that exist in

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261 Bryan Jones 2001, p. 204.
both host countries and sending communities, and decision-making patterns of migrants and their families.

From this perspective, understanding of history, particularly macro-structural continuities, the level of socioeconomic development, and micro-level adjustment efforts in a transition environment, matters in finding the relationship between contextual factors and their effects on individuals’ decisions at the micro level. Thus, the effects of past structures both independently, and with their penetration into the prevailing social institutions (such as occupational regularities, habits and practices) are major factors in the decision-making of individuals.

At the macro level, labor movements in the post-Soviet domain could best be understood with the major structural and cultural concepts of path dependency, especially the legacy of Soviet era political economic policies, and colonialism. That is why most migration flows within the post-Soviet domain has an intra-regional character; and they are largely due to “family and cultural ties among CIS populations, as well as common transportation and communication systems, a common language of communication (Russian), similar educational systems, complementary labor markets, and similar mentalities and behavior patterns.”

Throughout the socialist era structural dependency of the republics to the Soviet Union’s central economic system and common infrastructure had not only created a habit of continuous financial transfers to the poor Central Asian republics but also the dissolution of the Union and “the loss of Soviet Union’s central budget funds on which they depended had grave implications for these countries’ labor markets.”

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263 Francine Pickup 2003, p.5.
According to the official reports, it is estimated that nearly a third of all immigrants in the Russian labor market is from Central Asia (1-1.5 million).^264

The impacts of socialist macroeconomic policies and developmental gaps between spaces in the Soviet era are crucial for determining the nature of contextual dynamics in Central Asia. These dynamics of the context would help us to see the impact of labor migration and remittances on developmental prospects. One scholar categorizes those impacts into four major issue areas: demographic transition, sectoral-economic imbalances, locational (urban-rural) imbalances, and macroeconomic mismanagement.^265 Misguided economic policies of the Soviet state created regularities and practices, and those habits still guide people in the post-independence era in their daily lives and decisions regarding their goals and available means to reach those goals. Social institutions inherited from the Soviet era such as social networks, daily routines and habits, and several other procedures that developed in those years serve as guiding principles for the post-Soviet people. Some occupational or economic practices, which had been learned during the Soviet era, particularly some major activities in the second (unofficial) economy that operated parallel to the state-owned socialist economy, are important predictors of current economic activities, including those related to outmigration. For example, overrepresentation of women shuttle traders in the informal and small-scale trading sector is a legacy of the Soviet era, and they are important characteristics of current migration patterns.^266

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^264 GCIM 2005.  
^266 Hatice Deniz Yukseker 2007.
Thus, in this chapter some major institutions of migration processes are analyzed from a historical perspective. After doing this, it would be easier to understand the question about why do migrants choose to go mainly to Russia and Kazakhstan instead of somewhere else. The interaction between the sociological institutions, on the one hand, and remittance usage decisions, on the other, is allocated to the following chapter.

3.2 Institutionalization of the Migration Processes in the Destination Countries

Having highlighted the importance of structural dependency inherited from the Soviet era it is essential to emphasize that host nations’ policies are decisive, and that migration processes and outcomes are mainly determined by the core (and semi-periphery to a lesser extent) countries. The migration literature frequently uses the neoclassical concepts of a pull-push framework. Pull factors in the Russian Federation and Kazakhstan are working coherently with push factors that exist in the Central Asian sending communities. They are predominantly the legacy of the Soviet Union’s political economic policies. The complementary pull-push framework should be seen with the post-colonialism argument’s lenses and structural dependency that inherited from the Soviet era.

Consequently, it is plausible to say that post-colonialism is a useful conceptual tool to understand developmental issues in the former Soviet republics, and the institutionalization of the migration processes in the host and sending countries should be analyzed with this perspective in mind. In the post-independence period all post-communist countries are constrained by the continuity of the Soviet era institutions.
That might be the reason for the similar outcomes reached by the sending countries even though they have been following different developmental models.

In a policy document it is argued that international migration in the CIS region is likely to increase for five main reasons: differentials in expected quality of life, increasing demand for non-traded services (e.g. household services) from increasingly affluent and large middle class, much lower transportation and communication costs, migration is the best and quickest way to build savings and human capital, and demographic decline in Europe and parts of the CIS (especially Russia).\textsuperscript{267} As far as labor shortages in some regions of Russia are concerned, media reports reveal that construction projects cannot be completed if labor flows stop there. In particular the Aral, Far East, and Siberia regions are so desperately in need of imported labor that local officials put every effort into making those places attractive and easy to live for immigrants.\textsuperscript{268}

As their labor migration experience increased, the Russian and Kazakh authorities gradually designed and implemented selective migration management policies in the post-Soviet era. Especially starting with the early 2000s the new Putin administration developed the institutional foundations of Russian migration policy, “including its legal infrastructure and the executive mechanisms for the practical implementation of new policy.”\textsuperscript{269} Russian and Kazakh governments have established several incentive and deterrence mechanisms; created rules, regulations, and procedures; and improved their organizations (bureaucratic agencies) to better regulate and oversee the migration processes. With newly established quota systems,

\textsuperscript{267} World Bank 2007a.
\textsuperscript{268} See NMCA, particularly No 33, 35.
\textsuperscript{269} Andrei Korobkov 2007, p. 178.
these governments control immigrants’ numbers, quality, and their time of stay. For instance, the quota system aims at encouraging qualified immigrants into the national labor market, and discouraging others.

On the other hand, when we look at labor migrants and their economic behaviors, those are merely adaptation strategies by boundedly rational actors. And those behaviors are also constrained by long-established social institutions. It is obvious that the rules and regulations designed and implemented by host countries are heavily affecting migrants’ lives on many issues including earning potentials of migrants, where could they work, how should they work, their employment in specific sectors and locations, in what ways they might send their remittances, and even their ultimate remittance-usage decisions. For example, the global economic crisis of 2008-2009 has caused Russian authorities to add more incentives encouraging migrants to relocate in labor short areas; accordingly, Central Asian immigrants in Russia have tended to resettle in areas where there is still labor shortage. According to news sources, “Kyrgyz nationals have tended to resettle mainly to labor short regions such as Kaliningrad and Belgorod of Russia.”\(^\text{270}\) The migration management policies of the host countries seem to be the continuation of the Soviet era core-periphery relations, but this time labor migrants are not entitled to have basic rights and privileges as they used to have during the Soviet era as citizens of the Union.

Both Russia and Kazakhstan have established their national institutional frameworks to attract migrants whose professions and skills are in short supply, and who are particularly eager to accept jobs in the labor-deficient regions such as Siberia, the Far East, and major cities of Russia. According to a media source, in 2008 the

\(^{270}\) 24.Kg News Agency available in Russian at http://eng.24.kg/community/2008/11/21/98633.html
most demanded professions in Russia were drivers, accountants, computer operators, seamstresses, sellers, street sweepers, waitresses and cooks. Thus, Russian officials have published a list of qualified positions that do not fall under migration quotas.\(^{271}\)

With the first signals of the global economic recession migration, policies of the host countries have become more assertive, aggressive, regulatory, and selective. The FMS is given the right of administrative prosecution of illegal labor immigrants as well as Russian citizens and businesses. Besides, to provide coordination among bureaucratic agencies, a new interdepartmental body has been established to deal with the newly emerging Russian migration policy.\(^{272}\) The Kazakhstan Ministry of Internal Affairs followed suit, and it set up a single state body in charge of migration issues.\(^{273}\) Additionally, in both Russia and Kazakhstan, procedures on naturalization and migrants’ registration and job placement are simplified and improved gradually. New residence rules were introduced in Moscow for labor migrants starting from February 2009.\(^{274}\) Another example is that in the recent period, the Russian government introduced a new policy in which working permits are given to those who clearly describe their purpose of entry and work.\(^{275}\)

During the most recent global economic crisis (2008-2009), the lower house of the Russian Parliament, the State Duma, suggested introducing visa regime with some CIS countries.\(^{276}\) Russian Prime Minister Vladimir Putin prepared a quota reduction bill in December 2008. The Kazak government followed suit, and it cut the migration

\(^{271}\) See NMCA, particularly No 48, 65.

\(^{272}\) See NMCA, particularly No 65, 66.


\(^{274}\) See NMCA, particularly No 25, 48.

\(^{275}\) From the news source in Russian at http://www.ca-news.org/news/42670; NMCA No 41.

\(^{276}\) From the news source in Russian at http://www.regnum.ru/news/1074310.html; NMCA No 38.
quota in half at the beginning of 2009. Both Russian and Kazakh governments banned foreign citizens to work in the local bazaars as sellers or traders. In some sensitive regions where the tension between local people and immigrants were high, such as some workplaces where foreigners are heavily employed, government enforcement agencies have performed frequent checks. Furthermore, a proposition came from the Russian Defense Ministry that offers army service to labor migrants in exchange for easy naturalization.

It is estimated that more than half of labor migrants in Russia do not know the Russian language; thus, in both chambers of the Russian Parliament, the Federation Council and State Duma, some proposals came to the agenda such as bills in regards to obliging labor migrants to learn Russian, work privileges to be provided for those who know Russian, or law on migrants’ mass training in Russian language. In Russia under its migration quota system labor rules and regulations offer incentives to those whose command of Russian language is at advanced levels.

The new policies also included the introduction of an electronic database for each migrant, the creation of a centrally administered blacklist for immigrants, and the issuance of migrant cards to guarantee legal and safe employment of immigrants who are in short supply in the host country labor market. Besides, Federal Migration Service (FMS) is planning to establish electronic fingerprinting system to control migration inflows. The system will be tested in 2011, which would allow all FMS units to count and register all foreign citizens entering Russia with purpose of

277 NMCA, particularly No 23, 72.
279 See NMCA, particularly No 23, 65, 66.
employment. On the other hand, in order to attract more skilled labor or high demand professions Russian authorities introduced medical insurance for all those highly demanded type of immigrants.

Another example for the institutionalization of migration in host countries is the organization of labor migrants under trade unions, and the creation of Diaspora organizations and associations that are sponsored by host nation governments. Having gained some experience “migrants have begun to organize themselves in order to collectively defend their rights.” Moscow and Astana authorities are aware of the fact that if the foreign migrants are organized in systematic ways it will be easier to oversee them. For example, in Sverdlov region of Russia, the Regional Federation of Trade Unions offered the leaders of labor migrants (Uzbek, Tajik and Kyrgyz) the opportunity to establish a trade union of construction workers.

### 3.3. Demographic Trends and Configuration of the Labor Market in the CIS

While some countries are experiencing shrinking populations some others have still huge population growth rates. In countries with shrinking populations and low fertility rates over an extended period of time it is expected to have serious consequences in their planning of the future labor markets and social security systems. According to the UN data shown in Table 3.1, it is projected that Russian population will decline from 143 million to 116 million by 2050. Taking into consideration current structure in the Russian population and its reproductive trends

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282 NMCA, particularly No 32, 44, 47.
283 Marlene Laruelle 2007, p. 114.
284 NMCA, particularly No 40.
(low fertility and high mortality) a group of local experts maintains that Russian demography has been severely distorted, and this trend will have negative effects on reproduction and economic growth rates in the future. This group of scholars contends that the demographic trends might lead to a nationwide population of 125-135 million by early 2025 and as low as 100 million by 2050.\footnote{Valery Yelizarov et al 2008.}

\textit{Table 3.1: Demographic Projections for the Selected CIS Countries}

<table>
<thead>
<tr>
<th>Countries</th>
<th>2005 population in million</th>
<th>2050 projection in million</th>
<th>2005 labor force (%)</th>
<th>2050 labor force (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>143.2</td>
<td>116.1</td>
<td>60</td>
<td>34</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>15.2</td>
<td>17.8</td>
<td>52</td>
<td>47</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>5.2</td>
<td>6.9</td>
<td>41</td>
<td>50</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>6.5</td>
<td>11.1</td>
<td>23</td>
<td>56</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>26.3</td>
<td>36.4</td>
<td>39</td>
<td>51</td>
</tr>
</tbody>
</table>


As can be seen in Table 3.1 as of 2005, in Russia and Kazakhstan, the proportion of available labor force (people in the age of 15-64) is 60 and 52 per cent respectively, and these figures will drop to 34 and 47 per cent in 2050.\footnote{The dependency ratio is an important concept on this matters: This ratio is the ratio of the population aged 0-14 and 65+ to the population aged 15-64. \cite{David Bloom et al 2003.}} In the future prospects, it seems that Russia will see a growth in its elderly population and a shrinking in its working-age and youth populations. For Russia, which is already experiencing acute labor shortages especially in its particular regions, the situation may become worse in the medium and long term. In 2050 it is projected that available labor force (34\%) will be responsible to feed elderly and children whose proportion will make up almost twice (66\%).\footnote{David Bloom et al 2003.}

It is projected by experts that Russian Federation would need a positive net migration of approximately 25 million foreign laborers between the years 2000 and
2050 in order just to preserve its level of labor force as of 1995. Thus, this necessity may require Russia to attract at least a net migration of approximately 36 million, which is more than ten times larger than what the net migration happened in the 1990s.\textsuperscript{288} On the other hand, Kazakhstan, which is a country of almost 15 million people, will need more than a million additional workers until 2015.\textsuperscript{289} Russia’s Statistical Committee estimates that foreign labor migrants will constitute 10\% of country’s population in 2010.

Russian experts estimate a serious labor shortage soon in 2012-2014, which will worsen over time; additionally, depending on development forecasts, the labor shortage may total as high as 20 percent of demanded labor.\textsuperscript{290} Thus, in light of the future projections of dependency ratio and current statistics Russia may have to increase the retirement age in the near future. Based on information from a Russian source, one analyst states that “almost one-third of Russian firms would face labor shortages without migration, particularly in industrial regions in crisis, like the Urals.”\textsuperscript{291} Regarding population decline and labor shortage, although these issues affect Russian Federation as a whole they are at acute levels in the Far East and North-West; labor shortages are expected to be most pronounced in the Central, Ural, Northwest, and Volga federal districts, and in the industry, construction, transportation, and communications sectors.\textsuperscript{292}

Beneficially, host nations have policy tools to affect micro level decisions taken by migrant actors with their selective migration policies. For example, in a

\textsuperscript{288} World Bank 2007a, p.55.
\textsuperscript{289} Marlene Laruelle 2008.
\textsuperscript{290} Valery Yelizarov et al 2008.
\textsuperscript{291} Marlene Laruelle 2007, p. 109.
\textsuperscript{292} Valery Yelizarov et al 2008.
policy analysis it is reported that “A large proportion of Central Asian migrants are moving from western Russia to the east and north. Northern Siberia and Russia’s Far East have become more popular destinations for migrants who previously preferred to work in large cities in the west.”293 A media report reveals interesting statistics from the Department of Labor and Employment of the Moscow mayor's office. According to published data on work permits in Moscow issued to foreigners in 2010 and planned in 2011, one can find the distribution of migrant workers by industry, country of origin, and occupations. The same report conveys that while the average monthly salary for Russian citizens in Moscow was about 39,000 rubles, for foreigners this figure amounts to 28,321 rubles in 2010; additionally, 69% of foreign workers with permits earn between 10,000 to 20,000 rubles per month. The least paid immigrant group is the Vietnamese with 16 300 rubles, while immigrants from Tajikistan and Kyrgyzstan earns 16,900 rubles, and immigrants from Uzbekistan and China makes almost 18,000 rubles in Moscow. Most immigrants are employed in construction (32% foreigners), trade (24%), and generally in the service sector. In terms of sectoral distribution of wages, lowest wages were in the textile industry (15,400 rubles), hotels and restaurants (17,100 rubles), and construction (18,600 rubles). The data confirmed that most immigrants are from the Central Asian states, Ukraine, and Moldova; and these nationalities in general perform low-skilled jobs for little pay.294

According to my survey data among Kyrgyz labor migrants, the overwhelming majority of them leave their hometowns for more than a one-year period (around 74%). A significant proportion (around 26%) prefers to work in

293 Erica Marat 2009, p.42.
temporary or seasonal jobs (with less than one year duration), most of which are in the border towns. Most of the surveyed Uzbek migrants were working in Turkey, and due to visa regulations they do not have a chance to leave and reenter; thus they stay for at least 2-3 years in Turkey. Among migrants’ families in Kyrgyzstan, 60% have sent only 1 migrant abroad, 23% have sent two migrants, and 17% have sent 3 or more migrants from their households. A comparable data is not available for surveyed Uzbek migrants. According to my data among Kyrgyz labor migrants, around 95 percent have been worked in Russia or Kazakhstan. More specifically, an overwhelming majority has at least once been in Russia (205 out of 241); and a significant proportion of them have been in Kazakhstan (45 out of 241). Remaining fraction is distributed in different locations such as Germany, China (Urumchî), South Korea (Seoul), and Turkey.

A closer looking of the classification of locations where Kyrgyz labor migrants have worked displays that the most popular destinations are metropol cities of Russia. Out of 241 labor migrants from Kyrgyzstan, 108 have at least once worked in the Russian capital of Moscow; and 15 of them have worked in the Saint Petersburg city. Leaving aside the most popular metropol cities of Moscow and Saint Petersburg, it can be seen that labor migrants from Kyrgyzstan are working in the Russian administrative regions of Siberia (48), Ural (24), Volga (12), and the Far East (7). According to the Russian Federal State Statistics Service, the highest concentration of international migrant workers in 2007 were Moscow city, Tumen
oblast, Sverdlovsk oblast, Moscow oblast, St. Petersburg city, Primorsky Krai, and Krasnodar Krai.295

Table 3.2: Kyrgyz Labor Migrants in Russian Regions (from Household Surveys)

<table>
<thead>
<tr>
<th>Location</th>
<th>Number of Migrants who have worked at least once in here</th>
<th>Location</th>
<th>Number of Migrants who have worked at least once in here</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abakan (Hakasia)-SIBER</td>
<td>1</td>
<td>Novosibirsk-SIBER</td>
<td>11</td>
</tr>
<tr>
<td>Ekaterinburg (former Sverdlovsk)-URAL</td>
<td>14</td>
<td>Perm-VOLGA</td>
<td>1</td>
</tr>
<tr>
<td>Irkutsk-SIBER</td>
<td>12</td>
<td>Omsk-SIBER</td>
<td>7</td>
</tr>
<tr>
<td>Khanty-Mantyisk-URAL</td>
<td>1</td>
<td>Sakhalin-FAR EAST</td>
<td>1</td>
</tr>
<tr>
<td>Krasnodar-SOUTHERN</td>
<td>1</td>
<td>Saratov-SOUTH</td>
<td>1</td>
</tr>
<tr>
<td>Krasnoyarsk-SIBER</td>
<td>3</td>
<td>Samara-VOLGA</td>
<td>9</td>
</tr>
<tr>
<td>Rostov na Donu/SW</td>
<td>2</td>
<td>Vladivostok-FAR EAST</td>
<td>5</td>
</tr>
<tr>
<td>Kurgan-URAL</td>
<td>1</td>
<td>Tumen-URAL</td>
<td>7</td>
</tr>
<tr>
<td>Magnitogorsk-URAL</td>
<td>1</td>
<td>Tomsk-SIBER</td>
<td>8</td>
</tr>
<tr>
<td>Novokuznetsk-WEST SIBER</td>
<td>5</td>
<td>Yakutsk-FAR EAST</td>
<td>1</td>
</tr>
<tr>
<td>Nijminovgorod-VOLGA</td>
<td>2</td>
<td>Tuva-SIBER</td>
<td>1</td>
</tr>
<tr>
<td>Moscow</td>
<td>108</td>
<td>S. Petersburg</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: My own data.

Table 3.3: Kyrgyz Labor Migrants in Kazakh Regions (from Household Surveys)

<table>
<thead>
<tr>
<th>Location</th>
<th>Number of Migrants who have worked at least once in here</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almaata</td>
<td>19</td>
</tr>
<tr>
<td>Astana</td>
<td>20</td>
</tr>
<tr>
<td>Chimkent</td>
<td>2</td>
</tr>
<tr>
<td>Lugovoi</td>
<td>1</td>
</tr>
<tr>
<td>Karagan</td>
<td>1</td>
</tr>
<tr>
<td>Petrokavlovsk</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: My own data.

Kazak official statistics show that the majority of immigrants are concentrated in four regions: Almaty, Astana, Atyrau, and southern Kazakhstan. Two of these locations, Almaty and Astana, attract immigrants who are mainly employed in the construction industry. In Atyrau, immigrant workers work in the oil industry.

295 Data available at the official website at http://www.gks.ru
Southern Kazakhstan is available for agriculture, and mostly Uzbek immigrants are employed in cotton fields. In 2005, more than 20,000 immigrants were granted Kazakh citizenship, three quarters of who were from Uzbekistan.  

3.4. Types of Occupations and Locations Migrants Concentrate in the Destination

At the outset it is important to note that two major variables: location and occupation are determined by the necessities of the destination country’s labor market and its migration management policies. In general, migrants with low level education and lack of social networks make cyclical moves in different locations. These seasonal workers tend to work in piecemeal works, and they are only able to earn small amount of money to cover their basic survival needs. In comparison with low skilled migrants, semi-skilled or highly skilled migrants tend to have more access to correct information and proper tools about employment opportunities abroad; thus, they have higher likelihood to earn larger amounts of money, and they are able to send more remittances. During the household surveys, a female respondent (27-years old, university graduate, and single) from Jalalabad oblast of Kyrgyzstan said that

My training as a designer helped me a lot. Eight months ago I went to Moscow, and as soon as I arrived I found a job there. In order to be successful in Russia the most important criterion is to have a good education or training. I am very optimistic about the future since I have a plan. After gaining some experience and saving some money I will establish a sewing workshop in my hometown.  

While the Russian Federation attracts a huge proportion of migrants, including semi-skilled and high-skilled laborers, from the CIS territories, it has serious impacts  

296 Marlene Laruelle 2008.  
297 Survey No. KG72.1.
for the sending communities. For example, Russian Duma is debating on a draft law so as to grant full freedom of movement to highly skilled migrants within Russia. Migrants would not be required to register at all and their families would also be allowed to stay with them during their employment term. On the other hand, according to media reports, many Central Asian teachers and doctors compensate personnel deficit in some regions of Russia while the sending communities experience deficits of them. Similarly, a media report regarding Uzbek immigrants in the USA shows the selective nature of the migration process. According to this report, Uzbek immigrants usually have a university diploma or even two; and in comparison with labor migrants who prefer closer places to migrate, Uzbeks in the USA have a chance to save more in short time periods: “It is clear that a year or even a half year of work in America enables Gastarbeiteis to save a considerable sum by Uzbek standards – USD 10,000 or even more which is way beyond what Uzbek labor immigrants make in Russia or Kazakhstan.

I should mention about one difficulty when classifying the sectors and locations where labor migrants in my survey have been employed. During the surveys it was reported that a significant proportion of migrants have changed their locations and/or sectors in their migration experiences. However, in general, majority of labor migrants in my survey remained stable in their location. Likewise, it was reported that a significant proportion of migrants have changed their jobs while they were abroad; however, almost all of them have made changes within the same

299 David Bloom et al 2003; NMCA No 13, 25.
category of unskilled jobs. A male respondent from Chui oblast (45-years old, dropped out from technical college, and married) said that

In my first departure, I worked in a brick factory in S. Petersburg for 8 months. In the second time, my relatives informed me about available jobs in Moscow, so I decided to go there, and I found a job in the *stroika*. I stayed there for 4 months; and I came back to village. This time, I will go back to Moscow again in early 2008 for at least 1 year term. I can work wherever there is a job: I want my children to get a good education which is very expensive in Kyrgyzstan. I could not find a chance to have a good education, and I do not want my kids to be like me.\(^{301}\)

A male respondent from Jalalabad oblast (34-years old, high school graduate, and married) said that

I have been to three different places. My wife’s relatives in Nijninovgorod called me, and it was my first departure in 2002. This was not a successful trip. In the second time, an employment agency promised me a guaranteed job in S. Petersburg in exchange for a USD 250 fee, so I decided to go there. This was also not a successful trip. I could not even cover my costs. Now, my older sister, who is working in Moscow, calls me. I will go there in the Spring.\(^{302}\)

A male respondent from Chui oblast (24-years old, high school graduate, and single) said that

For the first time I left Kyrgyzstan in 2003 for working in Kazakhstan. When the big earthquake happened in Lugovoi region of Kazakhstan I went there for two months in order to work in the construction works. Second and third times, I worked in the construction works in S. Petersburg city of Russia for 7-8 months each in 2006 and 2007 seasons. I am planning to go back to S. Petersburg in March 2008 again. For poor people like me there is no future plan since my income there is barely suffice to get food and a little more to save for the rainy days. Because of my low education level it is very hard to imagine a better plan than this.\(^{303}\)

During the field work I have observed in Central Asia, Turkey, and the USA that labor migrants were mostly stable to stay wherever they first arrived; however,

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\(^{301}\) Survey No. KG22.1.  
\(^{302}\) Survey No. KG84.1.  
\(^{303}\) Survey No. KG26.1.
job turnover were more frequent due to the fact that most of the labor migrants are employed in seasonal and/or unskilled manual jobs. Based on information gathered from surveys, there have been many factors to force migrants to change their jobs such as the seasonal character of agricultural works and construction industry.

An anecdote is told by an Uzbek female respondent (45-years old, with 3-years nursing college education, and married) who was working in Istanbul, Turkey:

When I first came to Turkey I used to work in a three-story villa in Cayyolu, Ankara. I was taking care of an old man with cancer there. He died and I had to look for another job. Then, I worked in a villa in Bodrum for a year. I did cleaning and took care of twin babies. Due to the difficulties and low pay of the job I had to quit with a very short notice last year. In the first job my passport was taken by the employer; in the second time, they did not ask this. Thus, I was able to quit the job when it became unbearable.

From the surveys, I have seen that migrants had to reluctantly change their jobs due to several reasons as health problems, abuse, and non-payment of wages, losing jobs for a variety of reasons, or relocation due to reunion or marriage. All of these factors have affected migrants’ lives, especially their potential to send remittances.

From among 241 labor migrants within the 162 household surveys that were conducted in Kyrgyzstan there were two broad categories to classify occupations: unskilled and semi-skilled jobs. Regarding the “unskilled” category two further subcategories are made: indoor and outdoor works. Within the “indoor unskilled category,” it was reported that migrants have worked in the restaurant and food sector jobs as waiters (or waitresses), sellers in shops, security guards, clerks, and cashiers in the big markets or malls, workers in factory, and babysitters. In this group there were also a few housewives who used to work in unskilled jobs before their marriage, but
at some point they had to leave their jobs to be able to take care of their husbands and children.

The “outdoor unskilled category,” is the most populous group. 163 migrants from Kyrgyzstan remain in this group. Overwhelming majority of migrants within the “outdoor unskilled category,” has been employed in the construction sector (68) and as traders in local bazaars (40). In my survey with Kyrgyz labor migrants who have been employed in the construction sector make 28.2% of the whole survey. According to the Russian statistics 40% of the entire foreign labor migrants are employed in this sector. One analyst states that “foreigners account for 40 percent of construction workers, 30 percent of shuttle trade workers, 7 percent of agricultural workers, and 4 percent of transport workers.”\(^{304}\) Additionally, Russian statistics reveal that 20% of construction workers come from Uzbekistan.\(^{305}\)

Based on my survey data, other migrants (55) in the “outdoor unskilled category,” have worked in a variety of jobs as porters or street cleaners. Some respondents were embarrassed, and did not want to talk about their jobs abroad, and they just mentioned that their work does not require any education or skill.

In the “semi-skilled” category I counted 35 cases. The most common types of jobs in this category were bakers, butchers, cookers; electricians, car mechanics, bus, tractor, or other sorts of industrial equipment drivers, operators of sewing machines, computer operators, and police officers, and some other works that necessitate at least a few months of basic training or education.

\(^{305}\) Umida Hashimova 2009.
As is mentioned earlier, surveys with Uzbek citizens are partly conducted in Uzbekistan and partly in Turkey. In terms of locations and occupations Uzbek immigrants in Turkey are predominantly concentrated in the large cities, especially in Istanbul. As is the case for all Central Asian immigrants who have been working in Turkey Uzbeks tend to concentrate on domestic works, food, textile, construction, and agriculture. An overwhelming majority of Uzbek females in Turkey are employed in the domestic household services as nannies or care givers to children and elders. As is portrayed in an empirical study, female migrants in Turkey, including Uzbeks, are “performing more than one job, for example, cleaning, cooking, or caring. In other words, they were carrying out the three C’s.” Uzbek males in Turkey are also working in different variety of unskilled jobs. It would be informative to show an anecdote from a male respondent (29-years old, high school graduate, and married) who works in Istanbul, Turkey

My family lives in Kaskhadarya. My father and older brother are bakers there. By baking bread, we could only make USD 150 per month, and we used to share this with my brother. I am making 600 TL (around USD 400) here, and my wife also makes another USD 550 by taking care of a paralyzed old man.

3.5. Institutionalization of the Migration Processes in the Sending Countries

It is obvious that an asymmetric power relationship exists among the post-Soviet countries. On one hand, the core (Moscow), and to a lesser extent the semi-periphery (Astana), are trying to regulate and institutionalize their migration processes, and their policies do have a great impact on the sending countries and labor

306 Selmin Kaska 2006, p. 49.
307 Survey No. KG72.1.
migrants. On the other hand, labor sending Central Asian governments also establish new rules and regulations to manage migration outflows through legislation and organizational efforts.

Regarding the institutionalization of the migration process through legislation and rule making, both Kyrgyz and Uzbek governments have worked on their national laws and regulations. They have been making necessary changes in them, and they have sought international and bilateral negotiations to enhance their nationals’ rights abroad. From an international organization’s perspective, the institutionalization of the labor emigration process in the sending countries are summarized as [governments are] increasingly interested in labor migration, developing policies and programs to regulate such flows, take advantage of remittances, make use of the experience of seasonal workers, protect the rights of labor migrants and establish links with diasporas abroad.  

Since labor emigrants experience a wide variety of problems at different stages and locations, Central Asian sending countries design migration management policies that could be grouped into regulation and oversight of migration processes at home and abroad. It is widely known from media reports that migrants’ rights are often infringed; they do not have essential rights such as protection from threats; they do not have access to health care; sometimes they are not paid partly or entirely; and they face discrimination and hate crimes in the destination countries. According to a media report, “Nearly one-third of foreign laborers in Kazakhstan faces inadequate payments or are not paid at all.”  During the field research, there were quite a few cases in which I have heard cheating incidences. For example, a male respondent (26-

309 Ferghana.ru news portal “Kazakhstan: Tougher Laws Needed to Prevent Labor Abuse, Slavery,” (July 17, 2008)
years old, high school graduate, and married) from Chui oblast of Kyrgyzstan said that

In a few instances I used to work in temporary jobs in Astana, Kazakhstan. My uncle called me several times, and finally I went there in 2006. At first, I worked for a month in the construction, and got USD 350. In the second time, I worked for 3.5 months; however, my boss cheated me, and I could not get my money. Finally, I made my third trip again. I worked for 3 months at this time, and I am still waiting for my boss to send my money. He promised me to send it via my friends. It is annoying to hear unfulfilled promises. I lost my trust towards the Kazakh bosses. I am planning to work as a construction worker in the Issikkul area in my country.310

Another anecdote is told by a female respondent (35-years old, high school graduate, and married) from Chui oblast.

I went to Russia in the spring of 2006, and as soon as I arrive there I found a job in a food processing factory. I just returned back here a month ago. While I was on my way to come back here my money was stolen on the train. I will go back again; this time, my husband will come with me. If my money was not stolen we would fix our house as the first priority.311

Sending governments try to design national policies to protect labor migrants’ rights at host countries in the form of organizing, representing, counseling, and educating them, and through international dialogue. Both Kyrgyz and Uzbek governments have improved their legislation. From the field notes and other sources it seems that the Kyrgyz government enjoys the cooperation with international organizations and domestic non-governmental organizations while drafting laws.312

Regarding the legislative efforts, the Kyrgyz parliament amended the law “On External Migration,” and the law “On External Labor.” A commission on regulation of immigration processes was created, and the Social Fund was established to develop

310 Survey No. KG19.1.  
311 Survey No. KG24.1.  
312 Interview with Bermet Moldobaeva (IOM national program officer in Kyrgyzstan), November 1, 2007 in Bishkek.
a pension saving fund program for labor migrants from Kyrgyzstan. As a bureaucratic agency, the “State Committee for Migration and Employment” has become the central body to deal with migration issues in the Kyrgyz Republic; the Parliament started to debate on the issue of dual citizenship; and the new Kyrgyz constitution allowed Kyrgyz citizens to have dual citizenship.\textsuperscript{313}

Uzbekistan has also made legislative initiatives to organize its outmigration. A resolution "On Organization of Labor Activity of Citizens of the Republic of Uzbekistan Abroad" was passed in 2003. According to this, Uzbek citizens who want to work abroad are required to get permission from a special department of the Labor and Social Protection Ministry's Agency for External Labor Immigration. Although dual citizenship is not allowed according to Uzbek legislation, many Uzbeks, who are working particularly in Russia and Ukraine, held dual citizenship.\textsuperscript{314}

Sending countries’ governments established some new policies to expand the benefits of labor outflow from their countries. For example, in order to protect its nationals’ rights and interests Uzbekistan signed a labor agreement with Russia in 2007 to facilitate the temporary migration of Uzbek workers. In addition, the Uzbek government recently signed the CIS agreement on labor migration.

In order to facilitate and institutionalize labor flows, bilateral initiatives have also increased. For example, South Korea has signed protocols with both the Uzbek and Kyrgyz governments to accept labor migrants from these countries. An information center was also established at Kyrgyzstan’s Migration Committee in order to provide better communication with the South Korean officials. South Korea

\textsuperscript{313} NMCA, particularly No 22, 47.  
recently increased its migration quota for Kyrgyzstan from 2,500 to 5,000; and as of October 2008 about 3000 Kyrgyz citizens are reported to work in this country. According to a media report, it is stated that about 20 thousand Uzbek citizens work for Korean companies.  

Sending governments also make efforts to inform their nationals through several tools so as to make them to be aware of their legal rights abroad. Kyrgyz authorities are more successful than Uzbeks in consolidating their ties with their Diasporas abroad. Kyrgyz official delegations have paid several visits abroad to listen to labor migrants’ problems, to organize them, and to give some support and counseling. At a World Bank initiated 2007 conference in Bishkek, the Deputy Chair of State Committee of the Kyrgyz Republic on Migration and Employment Dosmir Satarovich Uzbekov said that

As a state we need to improve our institutions and we need to organize labor migration processes so as to increase our interests as a country. We want to improve the working conditions of our countrymen. We are happy to know that if you are a Kyrgyz citizen you can easily go and talk to diplomatic offices abroad; however, an Uzbek migrant does not want to go to Uzbek Embassy in Moscow. We have diplomatically accredited offices in Kazakhstan and Russia; our representatives can communicate with local law enforcement officers, and defend the rights of Kyrgyz migrants. We are talking with South Korean officials to increase the number of Kyrgyz migrants there.

It could be seen that there are many efforts by the national governments in their process of institution-building; however, an average citizen (including migrants

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315 NMCA, particularly No 22, 38, and 46.
316 Ferghana.ru news portal “Migration prompts economic degradation in Uzbekistan,” (January 22, 2008).
317 NMCA, particularly No 48.
318 This information is derived from an observation of a conference which was related to the presentation of the World Bank’s twin reports, “Migration and Remittances: Eastern Europe and the Former Soviet Union,” and “Remittances in the CIS Countries: A Study of Selected Corridors.” They were presented in the Golden Dragon Hotel at September 27, 2007.
from the peripheral areas), seems to be left relatively powerless in general.\textsuperscript{319} For example, a respondent from Chui oblast of Kyrgyzstan reflects this situation. She said that

Kazakh custom officials are very corrupt. They forcefully got Som 1,000 (USD 25) from my oldest son when he was on his way back from Russia to Kyrgyzstan. My sons suffer a lot there, but since they are men they don’t tell me about those difficulties. Unemployment is so bad here. If we had jobs for them in here I would never send them away. Injustice is so bad. Russians treat them badly; force them to do the hard work. There is a law that 'blacks' are not allowed to work in the shops. Our sons are only allowed to do street jobs.\textsuperscript{320}

Another example comes from a male respondent (32-years old, with 3-years university education, and married) from Chui oblast of Kyrgyzstan. He said that

My first migration experience was last year (2006) in the Spring. I worked in Astana in two different jobs, each of which was for two months period. In the second time, my boss cheated, and he did not submit my passport and other documents back to me; thus, I had to give some money to get these documents back. From the remaining of my earnings we spent Som 9,000 (USD 225) for my wife’s tuition and for some basic needs. Nothing left for other things. If I gets a reliable job offer I may go abroad again; even my wife may also join me while working there. But in any event the final destination is home, since I am the youngest son to take care of my parents.\textsuperscript{321}

Another example comes from a male respondent (27-years old, with unfinished high school education, and married) from Chui oblast of Kyrgyzstan. He said that

I and 7-8 other friends were convinced by an acquaintance who was also from this village. We all went to Astana, Kazakhstan. I had to sell my cow to be able to pay this trip; however, it was a failure. After working 1.5 month I could not get my money, and I decided to return back. In our group 4-5 friends stayed a little more. They also returned back to village later, and they could only bring Som 1,500 (approximately USD 37) for each one of them. Working conditions were very bad; it was cold, we all

\textsuperscript{319} Informal meeting with Dr. Susan Thieme at the AUCA/SRC (Researcher at the NCCR North-South, September 17, 2007 in Bishkek).

\textsuperscript{320} Survey No. KG25.1, KG25.2, KG25.3.

\textsuperscript{321} Survey No. KG18.1.
together lived in a small room, we starved. It was a big disappointment. Nonetheless, if I get a reliable offer, I am thinking to go back again.\textsuperscript{322}

Despite of national governments’ efforts to help their citizens abroad their political power is much weaker in comparison with host nations. For example, Kyrgyzstan has a dual citizenship framework, but this does not mean anything as long as Russia does enact a similar legislation. Besides, state institutions are not capable enough to satisfy citizens’ needs and expectations from their governments. From the field survey, I have observed that in every part of Central Asia, in rural and urban locations all alike, people maintain that it is hard for anyone to get things done in public offices without connection or money. Officials are reluctant to do routine transactions in most public offices. This condition heightens already existing social distrust, apathy and disengagement from the state.

In sum, since labor emigrants do not have any real political representation their social networks, extended families, and informal rules seem to be their only reliable assets. But, these informal networks too seem powerless when the Russian authorities change their rules and legislations.

\textbf{3.6 Conclusion}

In this chapter I try to show that history matters in order to understand current contextual factors which do have a huge effect on the ultimate decision-making of individual migrants regarding their decisions about migration experiences. These decisions ranging from where to go to the ultimate usage of their remittances all are related to past structures and sociological institutions. From macrostructures to the

\textsuperscript{322} Survey No. KG29.1.
daily practices and habits of people the root of all sorts of contextual factors can be traced back to the Soviet era socialist developmental policies.

Regularities, practices, and habits that have been created in the past still guide people and their decisions regarding their goals and available means to reach those goals. In the following chapter I will emphasize the interaction between those sociological institutions and micro level behaviors, especially remittance usage decisions.
CHAPTER 4

MIGRANT REMITTANCES AND THEIR DEVELOPMENTAL IMPACT IN POST-SOVIET CENTRAL ASIA

4.1. Overview

The potential importance of remittances for development in home communities is obvious. If a significant proportion of them were used for business development, job creation, education, and health care, the benefits for those communities would be great. However, most of the time, these private flows do not bring about development at a desired level.

The basic difference between remittances and other financial aid inflows is that the former is marshaled into the national economy in decentralized form, and this makes migration-development nexus more unpredictable and context specific. In this chapter, I therefore analyze the contextual milieu to better understand migrants’ decision-making environment. In light of rational and sociological theoretical approaches, I elaborate on interactions between contextual dynamics and individuals, particularly the drivers of their decision making. It is important to note that two factors are particularly remarkable in order to better understand the effects of contextual milieu on individual behaviors in Central Asia: macro level-structural shortages in a transition environment and powerful informal institutions in society.

In the previous chapter I laid out the historical and socioeconomic dynamics that affect labor movements and the pull-push framework in the CIS region. Macro level institutions, such as the macroeconomic legacy of the political economic
structure that was mostly inherited from the Soviet era on Central Asian societies, are analyzed. I highlighted that Soviet legacies such as political economic structure, developmental gaps within the CIS region, rural-urban divisions, occupational divisions among ethnic groups, all are influential to understand the drivers of migration issues, the patterns of employment abroad, plans for the future to return back (or not to return), the usage of remittances in the form of consumption, saving and investment, and all sorts of decisions about where to go, finding jobs, and impact of social networks. In this chapter, more attention is paid to social institutions in the form of regularities, values, habits, social networks, norms, and practices that exist in the local communities. These institutions and their impact upon individual’s economic behaviors, including migrants’ decisions about the usage of remittances, are studied.

The transformation from the socialist economy to the neoliberal market economy affected Central Asian people deeply. Once state-sponsored production was replaced with the free market-oriented approach an average household was expected to get organized under the new system which was not quite familiar. Neither shock therapy nor gradual reform strategies have achieved to generate full-grown capitalist culture; conversely, long term habits of socialist economy have mostly prevailed in the lives of people. 323 Social institutions are changing slowly; and newly introduced consumer habits are creating a strange mixture of daily lives. That is why we see interesting views in rural Central Asia where old and new mentalities merge in the minds of people and their economic activities. For example, in most Central Asian rural sites a grocery store is a room of the house overseeing the street, and in order to buy something you sometimes need to knock on the door of the house where shop

323 Boris Rumer 1996.
attendants may be taking a nap during off-peak hours. In sum, Central Asian societies are continuing their lives with prevailing old traditions, norm sets, and old “logic of appropriateness” within the context of new economic realities.

4.2. Migrant Decisions at the Early Stages of Their Sojourn

Migration decisions occur in two phases at the early stages: a) the decision to migrate and b) the decision where to migrate.\(^{324}\) Initial migration decisions, including the choice of destination place to migrate are almost entirely guided by the sociological institutions. According to the household surveys in Kyrgyzstan and Uzbekistan, the overwhelming majority of initial migration decisions are taken by labor migrants themselves; however, it seems that almost all migrants have asked for their parents’ consent and blessing before leaving. Moreover, instead of looking for a place with the highest earning potential, migrants generally prefer and look for places where there are contacts and some basic information about what they are going to face.

While making cost-benefit calculations migrants generally take into consideration sociological factors such as their social capital and social networks. For example, initial migration capital is expected to be provided by close relatives, and grandmothers would help their migrant children with taking caring of their grandchildren. In sum, the original decision to migrate, and later, all variety of other decisions, from job search, changing jobs, or changing the places to work,

\(^{324}\) Susan Thieme and Simone Wyss 2005, p. 71.
remittances, and to saving-consumption-investment decisions, all are taken within a social structure. And, all in all rationality is informed from social dynamics.

The original linkage is generally created by early migrants, and decisions taken by this first wave are based on past structures. These linkages help to establish social networks and these networks are the basis for the decision on where to migrate. Thus, the early migrants and following waves are affected by the long-established institutional context in Central Asia.

Regarding the initial decision to migrate (or stay put) household surveys reveal that economic considerations affect migration motives enormously. However, within the economic reasons category, desperate conditions do not fully account for the desire to migrate; thus, the most frequent drives cited by respondents were not unemployment or poverty, but they were low wages and to search for new opportunities abroad. Surveys show that better opportunities in destination places (Russia, Kazakhstan, or Turkey) were cited by overwhelming majority. Additionally, the migrant profiles from the field study and surveys reveal that almost two thirds of the respondents had had previous job experience, though with very low wages, in the origin communities or somewhere else in the country before migrating.

It seems that the intensive need for laborers in host countries has provided opportunities for Central Asians to work in mostly unskilled jobs. As of 2003, the average monthly salary was USD 43.8 in the Kyrgyz Republic. And, in 2008, the minimum wage was around 16-18 USD, and pensions ranged from 25-40 USD in both Kyrgyzstan and Uzbekistan. While for a high school teacher an average

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325 NSC 2005.
monthly salary was USD 100 in both Kyrgyzstan and Uzbekistan, and while it was not so easy to find a job as a teacher, new high school graduates do not see it rational to stay at home but to join their relatives or friends with the hope that working in construction jobs promises USD 350 in Astana, Kazakhstan, and even higher, USD 1,000 monthly earning in Moscow as of 2007. For example, sharp wage differentials between sending and receiving places are portrayed in a media report:

Each year about 60 thousand young people graduate from universities. As a rule they are dissatisfied with Uzbek salaries and search for better opportunities abroad. An average salary of a web-designer makes up USD 200, whereas Russian companies pay USD 1.5 thousand.\(^\text{327}\)

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**Table 4.1a: Top 2 Motives for Kyrgyz Migrants in their Migration**

*(Survey Question: What was the main driver of your relative(s) decision to leave here?)*

<table>
<thead>
<tr>
<th>Motive</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor economic opportunities (including unemployment and low wages)</td>
<td>104</td>
<td>43.2</td>
</tr>
<tr>
<td>Debt to pay</td>
<td>9</td>
<td>3.7</td>
</tr>
<tr>
<td>To finance study/education of himself/herself or others</td>
<td>8</td>
<td>3.3</td>
</tr>
<tr>
<td>To finance health expenses of himself/herself or others</td>
<td>5</td>
<td>2.1</td>
</tr>
<tr>
<td>Lack of opportunity for personal improvement</td>
<td>97</td>
<td>40.2</td>
</tr>
<tr>
<td>To join a relative/partner (reunion)</td>
<td>5</td>
<td>2.1</td>
</tr>
<tr>
<td>To collect money for marriage or other life cycle events</td>
<td>6</td>
<td>2.5</td>
</tr>
<tr>
<td>To see new places</td>
<td>5</td>
<td>2.1</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>241</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: My own data.*

\(^{327}\) Ferghana.ru news portal “Migration prompts economic degradation in Uzbekistan,” (January 22, 2008).
Table 4.1b: Top 2 Motives for Uzbek Migrants in their Migration
(Survey Question: What was the main driver of your relative(s) decision to leave here?)

<table>
<thead>
<tr>
<th>Motive</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor economic opportunities (including unemployment and low wages)</td>
<td>36</td>
<td>36.7</td>
</tr>
<tr>
<td>Debt to pay</td>
<td>3</td>
<td>3.1</td>
</tr>
<tr>
<td>To finance study/education of himself/herself or others</td>
<td>7</td>
<td>7.1</td>
</tr>
<tr>
<td>To finance health expenses of himself/herself or others</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Lack of opportunity for personal improvement</td>
<td>24</td>
<td>24.5</td>
</tr>
<tr>
<td>To join a relative/partner (reunion)</td>
<td>9</td>
<td>9.2</td>
</tr>
<tr>
<td>To collect money for marriage or other life cycle events</td>
<td>9</td>
<td>9.2</td>
</tr>
<tr>
<td>To see new places</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>7.1</td>
</tr>
<tr>
<td>Total</td>
<td>98</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: My own data.

As can be seen in Table 4.1a and Table 4.1b above, initial migration decisions are taken by labor migrants with the pressures of economic factors. During the surveys, overwhelming majority of Kyrgyz and Uzbek migrants cited “low wages” and “to search for new opportunities abroad” as the most important reasons to push them working abroad. A similar pattern about the initial migration decisions was found in another empirical study conducted in 2003 by local scholars in Kyrgyzstan. According to this study, the top two most important reasons for migration were lack of appropriate work (55.1%) and low salaries and limited opportunities for supplemental income (28.6%). In another comparative study which takes three different countries, including Kyrgyzstan, migration motivation for Kyrgyz people (sample is taken from the Sai village of Batken oblast) is specified as:

… almost half of the interviewees indicate that the lack of employment opportunities in the village or nearby, in combination with the small agricultural shares that hardly allow making a living, is the reason to migrate. The other half state that more money can be earned abroad.

329 Christine Bichsel et al 2005, p. 36.
It is important to note that in this comparative case study, authors find connection between social institutions and migration patterns regarding their goal settings and decision makings: “An important motivation behind these two factors is the pressure to respect tradition and fulfill social obligations like financing life cycle feasts such as weddings, funerals and circumcision.”

In order to explicate the connection between decision-making of migrants and their contextual environment a few anecdotes might be useful. During the field work one of the respondents from Jalalabad oblast (66-years old, high school graduate, and widow) said that “My pension is around Som 1,200, and it only covers a sack of flour.” During this survey, when I asked the price of a few basic food supplies this old woman told us that in the bazaar a sack of flour (50kg, or approximately 110 pounds) is Som 1,100; one kilogram wheat is Som 12; one kilogram tomatoes in the summer is Som 7; and one liter milk is Som 15.

Another respondent from Osh oblast (82-years old, high school graduate, and married) said that

We are old people. We become happy when we hear good news from our sons and daughters. I receive Som 1,050, and my husband gets Som 1,300 monthly pensions. He gets more than me because his service period is longer than me. Our children in Russia send us three to four times a year in an amount of USD 100-150 each time. Thanks to God we have them. Otherwise, in our old ages we would be in destitute if they did not send money.

A mid-age Uzbek respondent (working in Istanbul, Turkey) from the Tashkent city told me that

We are here to save some money for two major purposes: we are here mostly for our children, their education, and building up their future, and to buy a house for our

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330 Ibid, p. 36.
331 Survey No. KG74.1.
332 Survey No. KG86.1.
families. There might be other reasons among Uzbeks ranging from paying debts, medical expenses, expenditures for children’s marriage, supporting our parents, supporting our family and unemployed husbands. Almost all Uzbeks, who work in Turkey, tend not to spend their hardly earned monies at all. They walk long distances in order not to pay fares for public transportation.\(^\text{333}\)

As labor migration connects two locations through social networks, the potential migrant encounters the question of ‘where to go’ at the beginning of the sojourn. While the selection of destination directly affects the amount of money that could be earned, saved, and sent back home, potential migrants tend to go places where they have contacts. As opposed to the predictions of rational choice theories, including the NELM, which would expect optimum results, based on the household surveys migrants mainly prefer places where there are family members or relatives from among options, such as internal or external destinations alike.\(^\text{334}\) In another dissertation study about Central Asian migrants in the USA, it was reported that “Over 73 percent of migrants interviewed reported learning about migration and employment opportunities in the United States through friends, family members and acquaintances.”\(^\text{335}\)

**Table 4.2a: Top 2 Reasons for Kyrgyz Migrants Selecting Where to Migrate**
*(Survey Question: Why did your relative decide to go to Moscow, or elsewhere, specifically instead of another place?)*

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offered work/easy to find a work</td>
<td>8</td>
<td>3.3</td>
</tr>
<tr>
<td>Higher income potential</td>
<td>3</td>
<td>1.2</td>
</tr>
<tr>
<td>There was a contact there</td>
<td>186</td>
<td>77.2</td>
</tr>
<tr>
<td>Geographic ease to go</td>
<td>3</td>
<td>1.2</td>
</tr>
<tr>
<td>No Answer</td>
<td>14</td>
<td>5.8</td>
</tr>
<tr>
<td>Familiarity with the local language and culture</td>
<td>6</td>
<td>2.5</td>
</tr>
<tr>
<td>Joining to a family member</td>
<td>13</td>
<td>5.4</td>
</tr>
<tr>
<td>Other</td>
<td>8</td>
<td>3.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>241</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: My own data.*

\(^{333}\) Survey No. TR14  
\(^{334}\) Susan Thieme and Simone Wyss (2005) finds a similar pattern about a Western Nepal case.  
\(^{335}\) Saltanat Liebert 2007, p. 100.
Table 4.2b: Top 2 Reasons for Uzbek Migrants Selecting Where to Migrate
(Survey Question: Why did your relative decide to go to Moscow, or elsewhere, specifically instead of another place?)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offered work/easy to find a work</td>
<td>15</td>
<td>15.3</td>
</tr>
<tr>
<td>Higher income potential</td>
<td>3</td>
<td>3.1</td>
</tr>
<tr>
<td>There was a contact there</td>
<td>49</td>
<td>50</td>
</tr>
<tr>
<td>Geographic ease to go</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>No answer</td>
<td>4</td>
<td>4.1</td>
</tr>
<tr>
<td>Knowing the local language</td>
<td>6</td>
<td>6.1</td>
</tr>
<tr>
<td>Joining to a family member</td>
<td>13</td>
<td>13.3</td>
</tr>
<tr>
<td>Other</td>
<td>8</td>
<td>8.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>98</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: My own data.

Similarly, in my field research I have observed the same pattern. Household surveys with both Uzbek and Kyrgyz migrants suggest that the existence of a contact in the destination place is the most important influence on the selection of where to migrate. As can be seen in Table 4.2a and Table 4.2b, overwhelming majority of Kyrgyz migrants cited the existence of a contact as the most important reason for the selection of where to go; Uzbeks cited this to a lesser extent, though. Notwithstanding surveys with Uzbek laborers in Turkey show that the role of social networks is influential in every aspect of these migrants’ lives. As argued by a Turkish scholar, “social networks have primary importance for migrants’ survival.”336 Another scholar complements that regarding finding a job in Turkey social networks are the primary factor, and to a lesser extent, “the role of the private employment agencies is also important.” According to her, most migrants from Moldova, as is the case for all post-communist countries, find “their jobs by a reference of their friends and relatives.”337

During the field research in Turkey, I have observed that Uzbeks have developed their own informal ties with other compatriots. They usually come together

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336 Didem Danis 2006, p. 5.
every Sunday in certain places, for example, in the Guven Park of Ankara, or Taksim, in Istanbul. They share information with each other in these meetings. They also talk about their problems, eat their national dish, *pilov*, together, and enjoy spending time together. In these gatherings, social ties and networks are strengthened, and the way of thinking among immigrants and their future plans are also shaped. Due to powerful informal institutions that keep immigrant groups together clustered in certain spaces with their norm structures, employment agencies in host nations adjust themselves accordingly. One female employer in Turkey voiced her observations about the domestic workers:

I used to employ women from Uzbekistan, Armenia, and Turkmenistan. I have found them through a private employment agency in Sihhiye, Ankara. It is possible to see the offices of these private employment agencies in many upper-middle or high income districts of Ankara and Istanbul. In Istanbul, they are mostly located in Kadikoy; in Ankara, they can be found in Sihhiye, Kizilay, and Cankaya. The wage range starts from USD 400 to USD 700 depending on the nature of job for household workers.338

Moreover, a narrative by a female Uzbek respondent (working in Istanbul, Turkey) could be illuminating to portray the way of thinking of a migrant and to display the mental map of individuals:

I came to Turkey 10 months ago. My decision to come here is based on a phone conversation between me and one of my relatives. I was working as a nurse in an hospital in Tashkent. My salary was very low. My husband was sick, and we did not have any other choice other than to migrate. Being aware of my financial hardships she told me that I should immediately come to Turkey; she added that it was highly likely to find a job for me in a short time period. When I came here my relative directed me to an employment agency in Kadikoy, Istanbul. Because I had a university diploma as a nurse this agency found a job in a couple of weeks. I paid half of my first monthly salary, USD 300, to this company. I am doing all sorts of home chores, and taking care of an old man. My employers are very kind people, they pay

338 Interview was held in August 2008 in Ankara.
me USD 600. I will stay here for a year or so and return back with some money to pay our debts, and put aside some more for future spending.339

4.3. Major Determinants of Remittance Usage Behaviors

As mentioned before in this dissertation, a study regarding South American immigrants who work in the USA suggests that consumption, investment, and saving patterns change across cultures and countries depending on social institutions, and that these economic behaviors and patterns are often structured by social norms and informal institutions of that society.340 Similarly, social institutions in the form of social regularities, norms, habits, and networks are decisive in Central Asia. For example, particularly in rural Central Asia support for aging parents is expected from the youngest male in the household; thus, investments through remittances are structured by these social institutions. For example, research in migration studies shows that this kind of intra-familial arrangement “often leads to differential investment by parents, as parents give more support to the child who is expected to later support them.”341 In the Central Asian context, as noted by an area specialist with expertise in anthropology and religion:

It is the Kyrgyz tradition that the youngest son gets his parents' house because he stays with them and takes care of them when they grow old; however, the parents are also supposed to buy a house for other elder sons when they get married. Recently, with the rapid Islamization of society, religious authorities are challenging these traditions, and encouraging families to follow the sharia rules of the distribution of wealth and inheritance. However, these kinds of family practices are resistant to change.342

339 Survey No. TR19.
341 Leah VanWey 2007, p. 128.
342 Interview was held with Baris Isci in Bishkek: She is a PhD candidate at the Anthropology Department of the Washington University in Saint Louis, MO.
There could be several other factors that might be social drivers of economic behaviors in terms of remittance usage in the form of consumption, investment and saving decisions. In the Central Asian context, some major factors could be cited as ethno-regional or ethno-sectoral concentration of people in the economic activities, weak formal institutions and strong informal institutions, the age structure of the population, the distribution of population into urban and rural settings, the level of educational attainment and skills acquired, and population growth rate, among others. In analyzing economic activities and consumptive behaviors in the post-Soviet Central Asia, it is important to take into consideration the young age of the population, late-starting and lower rate of urbanization, diminishing social status of education, and powerful traditional norms in the social life, which is accompanied with the primitivization of society (de-industrialization, re-agrarianization, expansion of informal and traditional sectors, and contraction of modern social services).\textsuperscript{343} For example, some life cycle events for Central Asians have been extremely important, and their celebrations require a large amount of money. As portrayed by a Sovietologist in the 1980s, Central Asians “reserve vast sums of rubles for festivals, or for celebrations of births, marriages, circumcisions and deaths. Priding themselves on their hospitality, they prefer never to be without the means to provide sumptuous feast at a moment’s notice.”\textsuperscript{344} It is evident that in the post-Soviet era these social traditions are still powerfully in place, and they seem to be resistant to change. However, the persistence of these traditions often comes with a social cost. In Central

\textsuperscript{343} Stanislav Zhukov 1996, p. 117.
\textsuperscript{344} Leslie Dienes 1987, p. 198.
Asia, people might tend to slaughter their only cow in order not to disgrace themselves. As pointed out by a group of local scholars in an empirical study:

They are obliged to invite many people to such celebrations. Close relatives are expected to contribute financially to these celebrations. As most interviewees told us, such celebrations make their life unstable. If they did not have to provide assistance so often (at least 5 or 6 times a year) to relatives for such occasions, they would live much better.  

The most prominent life cycle events in Central Asian societies are weddings, funerals, 40th day after the birth of a new baby (beshik toi), and circumcision of male children (sunnet toi). In general, weddings and circumcisions take place in the seasons of summer and autumn when fruits and vegetables are abundant.

In terms of weak institutional structure a few major points might be underlined. While analyzing the drivers of migrants’ behaviors one comparative study finds that in Central Asia, contradictory macro-political policies, weak formal political organizations and institutions, inadequate legal framework and regulations, lack of enforcement and available means, governance failures, insufficient empowerment and decentralization, unequal distribution of power and resources, and corruption as the most frequently cited core problems of development.

Another major factor as an influential driver of remittance usage patterns and decisions is ethnic and regional concentration of people in the economic activities. In explaining variation in economic behavior with regional differences: it is important to note that mountains divide Kyrgyzstan into two major cultural zones. The Chui valley in the north and the Ferghana valley in the south are two fertile regions in this

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mountainous country. Similarly, in Uzbekistan, one could make geographic
categorizations based on ethnic-occupational clustering. According to one of my
informants in Uzbekistan, this country can be divided into three major geographic-
cultural zones: Khorezm, Tashkent, and Ferghana Valley.

In an anthropologic study about ethnic clustering in the local bazaars in
Kyrgyzstan behavioral differences among ethnic groups are emphasized:

In a comparative study between ethnic Russian, Kyrgyz, and Dungan (ethnic Chinese
with Muslim faith) field work in the Dordoi, Karasuu, and Osh bazaars show that
ethnicity plays an influential role in the clustering of merchants. Surveys show that
ethnic Russian traders are the most successful in terms of economic performance.
Kyrgyz traders are the least successful. Among potential explanations the most
powerful ones are family structure and nomadic past of the Kyrgyz people. Because
Kyrgyz people have extended family structure, this constrains their success for several
reasons. Secondly, due to harsh climate conditions and their nomadic past, Kyrgyz
people have a life mentality that could be summarized as “living by one-day only.”
They do not think about future much. They also do not have enough experience in
trade, money, and saving. Long-established traditions and values are based on family
obligations, and survival, but not on trade and profit-making.349

In order to proliferate examples for ethnic-occupational concentration of
people as a Soviet legacy, it could be useful to convey the words of one of my
informants who said that

In Uzbekistan, the most successful entrepreneurs are ethnic Kazan Tatars (they are
different from Crimean Tatars). The number of Kazan Tatars in Uzbekistan is around
350,000; and they predominantly live in the Tashkent area. Among ethnic Uzbeks, the
most successful entrepreneurs are generally from the Ferghana Valley area. They are
very hardworking, ambitious, and they have entrepreneurial skills. Uzbek labor
migrants who are in the USA are mostly from the Ferghana Valley. If we look at the
bazaars in Tashkent, we could see that sellers are clustered according to ethnic
occupational divisions. In the Tashkent bazaars, the most successful group is ethnic
Tajiks who generally sell smaller items with higher profit margins; on the other hand,
ethnic Uzbeks in general sell larger items such as pickles with lower profits.

349 This information is derived from the observation of an AUCA/SRC presentation made by Dr. Emil
In another empirical study about migration patterns in Uzbekistan, it is highlighted that “migrants come mostly from the Ferghana valley. Though fertile and irrigated, the valley is overpopulated and more than half of its population, particularly young people, are unemployed.” It would be interesting to note that in Uzbekistan, as of 2004 while average population density is 57.5 people per square kilometer nationwide, in some regions this figure becomes ten times higher than the national average. For example, it is 551 in Andijan oblast, 275 in Namangan, 420 in Ferghana, 232 in Khorezm, 295 in Tashkent oblast.

As mentioned before, a local scholar advised that in Kyrgyzstan as one goes up to higher altitudes it is more likely to see increasing poverty levels. Additionally, poverty is more widespread among ethnic Kyrgyz than other ethnic groups since in higher altitude locations overwhelmingly ethnic Kyrgyz people live; and other ethnic groups predominantly live in the valleys. Similar to Uzbekistan, two oblasts of the Ferghana valley in Kyrgyzstan, supply the overwhelming majority of labor emigrants too:

In Kyrgyzstan, migrants mostly come from the poorer, southern regions. In May 2006 the head of the Kyrgyz parliamentary Committee on Labor Migration, Kubanychbek Isabekov, admitted that the regional economies of Osh Jalal-Abad, and Batken were doing so poorly that almost 70 percent of the population had to look for a job outside the country…

As have been already highlighted the division of ethnic groups into particular regions or occupations occurs through a path dependent historical process. Soviet policies implicitly supported traditional social structure in Central Asia, and

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affirmative action has just allowed it to flourish within the Soviet economic system: collective farms were organized in parallel with clan groups where the extended family and clan networks have remained as a social safety net.

As it is portrayed in the 2009 *World Development Report* of the World Bank, well documented spatial disparities and the unevenness of economic growth between and within countries are highlighted. The report asks two major questions, one of which is about the persistence of these discrepancies: whether some people, because of their location, will always remain advantaged over others or whether there are inbuilt mechanisms, such as factor mobility, that prevent those spatial differences. On the other hand, it is safe to say that in the post-Soviet Central Asia, internal and external migration movements as well as ethno-regional and occupational divisions have developed according to path-dependency. For example, after the Russian financial crisis in 1998, the massive internal migration from poor southern oblasts of Osh, Jalalabad, and Batken to the more prosperous Northern oblasts of Chui and Issykkul have increased its pace; and already existing major social divisions and polarization between these two sub-cultures have deepened in Kyrgyzstan. The continuation of a Soviet pattern could also be seen in the occupations of labor migrants and their geographic backgrounds. In a media report this pattern is depicted:

Skill level of labor migrants depends on the region they reside in. The Ferghana valley is well-known for builders and cooks. They got higher wages than low-skilled workers from southern regions (Kashkadarya, Surkhandarya, Samarkand, Bukhara, Jizak, Navoi).\(^{354}\)

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\(^{354}\) Ferghan.ru news portal “Migration prompts economic degradation in Uzbekistan,” (January 22, 2008).
Another factor that is influential in explaining the remittance usage patterns and decisions is the age structure of the population. Age structure refers to the way in which the population is distributed across different age groups.\textsuperscript{355} It is obvious that each age group in a population behaves differently in terms of consumption and saving patterns, as well as productive capacity, with distinct economic consequences. For example, people tend to consume more in their early years, and save more in their middle years (ages 35 and 60). In the post-Soviet transitions, the age structure and the level of socioeconomic development are even more important than other places to determine migration and development nexus, since newly introduced consumer goods and services become more attractive to people particularly if the population is composed of relatively young age cohorts. “In Central Asia, two age groups seem to be particularly subjected to migrations: young people in their twenties, who have to pay for a wedding or the building of a house; and older men in their forties and fifties, who need more sporadic financing for family celebrations such as children’s weddings, circumcisions, or the extension of the family property.”\textsuperscript{356} For example, in my surveys, a young male respondent (22-years old, high school graduate) from Jalalabad oblast of Kyrgyzstan said that

Two and half years ago I went to Moscow, and I found a job as a construction worker there. The top priority for me was to save some money for wedding. Thanks to God, I was able to save enough money. I put aside USD 1,800 for the wedding.\textsuperscript{357}

As far as the sending communities of Central Asian countries are concerned, official statistics show that the median age is around 24, and young people (0-14 years) make up approximately 28-30% of the entire population. In Kyrgyzstan and

\textsuperscript{355} David Bloom et al 2003.
\textsuperscript{356} Marlene Laruelle 2007, p. 106.
\textsuperscript{357} Survey No. KG69.1.
Uzbekistan, almost 50% of the total population is younger than 30.\textsuperscript{358} During the field study I find that the age distribution of surveyed migrants ranges from 14 to 50, and average age among Kyrgyz migrants is 29. As an approximate measure 40% of migrants are between 18 and 25 years old, 45% of them are between 26 and 39, and 15% of them are older than 40. In another empirical study it is stated that the average age of Kyrgyz labor emigrants is 32, and 80% of migrants’ age range between 20-40 years.\textsuperscript{359}

According to my survey, gender distribution among Kyrgyz migrants is two thirds male and one third female. In another migration study regarding Uzbekistan it is stated that “Men predominantly participate in foreign labor migration. Their number is about 80 per cent.”\textsuperscript{360} In a study regarding feminization of labor migration in Uzbekistan research findings include that “Individuals wishing to gather starting capital for business often engage in labor migration.”\textsuperscript{361} Citing a 1995 survey this study shows that as a continuation of the past among shuttle traders more than half are women; they travel four to five times a year to destinations such as Turkey, the United Arab Emirates, Iran, and China. Having saved some money from these trips many shuttle traders were able to invest their earnings in other businesses.

In terms of marital status, my surveys reveal that for both Uzbek and Kyrgyz migrants alike, approximately two thirds are married and remaining one third is single. Regarding the educational level, there are close similarities between Uzbek and Kyrgyz migrants: 50-55% of surveyed migrants have some secondary education.

\textsuperscript{358} Erica Marat 2009, p. 33.  
\textsuperscript{359} EPI 2005, p.7.  
\textsuperscript{360} Muzaffar Kasimov 2006, p.11.  
\textsuperscript{361} Lyudmila Maksakova 2006, p. 135.
or high school diplomas (most completed 11th grade); almost 20% of them have incomplete college education; and around 25% have a university degree. In another study the demographic profile of Kyrgyzstani emigrants are given as “more than half of them have secondary or university education. Ethnic Kyrgyz comprise 79% of all labor migrants from Kyrgyzstan, followed by Uzbeks (9%), and Russians (7%).”  

According to an ILO study, “Urban households derive two thirds of their income from wages, while rural households derive only a quarter of their income from it (other income sources include home-produced goods, pensions and private transfers).”  

Although it is the case for advanced countries that with increasing urbanization and education, the labor market places a greater premium on education and skills, so quality education makes a significant difference to students and their future productivity, in the post-Soviet transitions this is not the case.

Another important trend to be highlighted in Central Asia is that the stock of human capital in both Uzbekistan and Kyrgyzstan has been steadily diminishing. As is documented by a policy report:

A strong education system and a highly-educated population were perhaps the most positive features of the Soviet legacy in the Kyrgyz Republic at the time of independence – in fact, levels of literacy and education are still far higher than in other countries with comparable levels of per capita income. However, public expenditures in education have shown a decline and there is evidence of a narrowing of access, as well as a drop in quality.

For example, in the Kyrgyz Republic, “Funding for the education sector from the State budget has declined from 7.6% of GDP in 1991 to 4.5% of GDP in 2002.”

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362 Erica Marat 2009, p.15.
During the household surveys one respondent, who was a teacher, from Andijan (Uzbekistan) said that “Low salaries of teachers make this profession undesirable for the new generation. For example, a math teacher gets only USD 140; school principal gets USD 120-130; and grade school teacher makes only USD 100.”\(^{366}\) In addition to that, elementary and secondary students in the remote provinces have poor access to basic education.

It is evident that after the Soviet Union the quality of education has declined, and that is the reason for “The older generation is statistically more educated and generally has a good command of the Russian language. As a result of this, they find better and more skilled labor.”\(^{367}\) In a survey article regarding Kyrgyz labor migration it is highlighted that Kyrgyzstan’s deteriorating education system also contributes to labor migration. People who were born in the 1980s and later tend to have little formal education, and many are unable to speak or read neither Kyrgyz nor Russian. Urban areas are saturated with private universities teaching social sciences rather than applied subjects.\(^{368}\)

It is obvious that relatively younger generations in the Central Asian labor market are less skilled, have a poor command of Russian, and get low-paying jobs. As one IOM official stated, generally the education level of Central Asian immigrants is very low, and they work in unskilled jobs with lower earning potentials; taking into consideration EU and other advanced countries’ need for educated labor force Central Asian governments may put more emphasis on the improvement of public education.\(^{369}\) At a World Bank initiated 2007 conference in Bishkek, the Deputy Chair

\(^{366}\) Survey No. UZB19.1.
\(^{367}\) Survey No KG124.1.
\(^{368}\) Erica Marat 2009, p.15.
\(^{369}\) Interview with Zlatko Zigic (IOM officer in Kyrgyzstan), November 8, 2007 in Bishkek.
of State Committee of the Kyrgyz Republic on Migration and Employment Dosmir
Satarovich Uzbekov said that

At the early stages of migration Kyrgyz laborers were working for less than USD 200 in a month, now on average they earn USD 400-600. We are aware of the fact that the skill and education levels of Kyrgyz migrants are low in general. That is why they work as garden keepers, street cleaners, and construction workers. During our bilateral talks with Russians and Koreans we highlight the importance of increasing the skill levels of Kyrgyz migrants. We will establish programs to teach Korean language to prospective migrants.370

In Uzbekistan and Kyrgyzstan due to the structure of the labor market and immediate needs of people either in rural or urban settings, and deterioration of public education, the prospect of education and its pay-off is very low. According to a report prepared by the UN in 2003, in Kyrgyzstan:

Teachers are poorly paid – average teacher salaries are only just above the poverty line – and the teaching profession is no longer regarded with respect. Both factors have contributed to creating a shortage of teachers… Teaching materials are generally agreed to be of poor quality and are in short supply… The duration of compulsory education has been reduced from eleven to nine years.371

Most surveyed migrants mentioned the deterioration of education in their home communities, and they feel that it is better to start building their lives by earning some money instead of wasting their time in schools where there is no quality education at all. During the field research I have heard from many respondents and informants that it is very common to find students who are bribing professors not only to pass their exams but to buy diplomas too in both Kyrgyzstan and Uzbekistan. One extreme case is noteworthy at this point: One of the survey respondents in Kyrgyzstan

370 This information is derived from an observation of a conference which was related to the presentation of the World Bank’s twin reports, “Migration and Remittances: Eastern Europe and the Former Soviet Union,” and “Remittances in the CIS Countries: A Study of Selected Corridors.” They were presented in the Golden Dragon Hotel at September 27, 2007.
(a female migrant’s mother) said that she and her husband were unemployed, and they found a solution to alleviate their economic problems by sending their 14 year old daughter to Almaata, Kazakhstan, as a babysitter.\(^\text{372}\) This case shows desperate conditions people encounter in Central Asia. During the Soviet era, primary and secondary education in the Kyrgyz Republic was compulsory, and it lasted a total of 11 years. Most respondents talked about the decrease of compulsory education to 9 years. And they complained that school administrators frequently demanded money to be able to fix the holes in their budgets; they generally ask small amounts of Com 10-50 (around 1 USD) from parents, but this amount is too much for some of them.

Another major factor explaining the remittance usage patterns is the powerful traditions in Central Asia. In terms of household living and the power of traditional norms, in Central Asia seniority (being older) is very important factor in the social interactions. Besides, parents, especially in rural areas, have a strong say in their children’s lives, such as in their marriage decisions. During the field research, there was a case in which one female respondent in Kyrgyzstan shared her views about strong association between family ties and success in the life-long goals:

My children have become successful because of several reasons. First of all, God helped them because they were always honest, hardworking, and smart. My oldest child always led her siblings with good directions and advice. Another reason for my children's financial success was that they have all established their own families in a timely fashion and with right people. My daughters have all been married to Kyrgyz men (all from Osh) who also have been working abroad. I always emphasized that they should marry Kyrgyz people particularly from the southern Kyrgyzstan. Northern Kyrgyz people are not like us: they are lazy, Russified, and do not know agricultural and entrepreneurial skills. Regarding my children’s marriages, the only disappointment for me was my oldest son who used to be married to a Buryat girl.\(^\text{373}\)

\(^{372}\) Marlene Laruelle 2007, p. 106.

\(^{373}\) My team worker Almagul (she is also from the Southern Kyrgyzstan) told me that Buryat people are a Turkic group within Russia; and in general the Southern Kyrgyz see them as Russified, non-Muslim or too modern, and they are seen even worse than the Northern Kyrgyz people.
in Russia; nonetheless, I convinced him that he had to divorce, and finally he listened to me and re-married to a Southern Kyrgyz girl.\textsuperscript{374}

Traditional structure in Central Asian societies is based on the family. Social norms in rural Central Asia require an extended family that consists of an adult married couple, their children, and the male’s parents. Regarding family size, Uzbekistan ranks 13\textsuperscript{th} place in the world, with an average of 5.9 people in the household; and Kyrgyzstan is in 45\textsuperscript{th} place, with 5.2.\textsuperscript{375} However, according to the UNDP data, average family size is on the decline: in Uzbekistan while the average family size in rural settings was 6.1 in 1999 it decreased to 5.7 in 2003; the same figure for the urban settings changed from 4.6 to 4.3 in the same year.\textsuperscript{376} My household surveys in Kyrgyzstan reveal that the household size ranges from 1 to 16, and average household size was 6.2. In more urbanized northern Chui oblast this average was lower, 5.06; and in the southern oblasts of Jalalabad and Osh it was around 6.3. Surveys with Uzbeks in Turkey and Central Asia also confirm the finding that there is an urban and rural divide in Uzbekistan in terms of household size.

4.4. Increasing Share of Consumption in the GDP

The proportion of remittances allocated to pure consumption is determined by several factors. I mostly focus on the contribution of social institutions as both the main driver of goal-setting and the core motivator behind microeconomic behaviors. While looking at the historical traces of consumptive patterns it could be informative to review the Soviet era. As is depicted by a scholar, during the Soviet Union there

\textsuperscript{374} Survey No. KG 101.1.
\textsuperscript{375} Rafis Abazov 2007, p. 226.
\textsuperscript{376} UNDP 2005, p. 80.
were differences in terms of consumption patterns among the nationalities in Central Asia:

An apparent disparity in living standards between the Asians and Europeans so often noted by travelers to Central Asia, it appears, is not due mainly to real differences in earnings between the groups. Rather, it may be explained to a significant degree by different consumption patterns among the nationalities.\(^{377}\)

This variation regarding consumptive preferences and behaviors mostly stemmed from traditional values and practices. While the cultural roots of consumption preferences were underlined in that study it seems that there has been little change since those days. In the words of another scholar: “The stubborn legacy of informal pre-transition norms and behaviors dominates the post-transition economies.”\(^{378}\) During my fieldwork in Bishkek, Kyrgyz capital, while walking in the streets I have observed that it was very common to see luxurious ways of celebrating weddings and other social events, such as city tours with limousines and other excesses.

In Bishkek, I was invited to a *sunnet toi* (circumcision ceremony) on October 13, 2007. An informant, who invited me to the ceremony, told me that Gulzat, divorced mother of two boys, had spent USD 2,000 for this event. My informant also told me that classmates, including herself, helped Gulzat to collect necessary funds in order to be able make these expenditures. There was a kind of saving schemes among these classmates, based on rotation principle. In another empirical study about irregular migrants who are working in the USA it was reported that migrants send

\(^{377}\) Leslie Dienes 1987, p. 197.
remittances to their relatives in Kyrgyzstan in order to finance these sorts of life cycle events.\textsuperscript{379}

In another occasion during my fieldwork in Uzbekistan I was also invited to a wedding ceremony on October 20-22, 2007. Bride and groom were both ethnic Kyrgyz in an Uzbekistan border town. In this wedding, too, I have observed that it is very costly to celebrate life cycle events in Central Asia. The most respected guests were served the best pieces of lamb and most expensive drinks and cookies. Most respected guests drink the most expensive local cognac (Kyrgyzstan), and secondary guests drink vodka. The groom’s mother told me that they sacrificed 4 sheep, and they bought 2,800 pide (local bread) just to mention a few items in the expenditure list. The total cost of the wedding was USD 3,000. There was a special room full of wedding presents.

The general patterns of remittance usages are highlighted in other empirical studies. According to one of these studies which is about the Kyrgyz Republic, the majority of these funds are used to cover basic subsistence needs first; after these needs are fulfilled consumptive investments, the most important of which is house construction, come; and finally, migrants’ households tend to invest in productive activities.\textsuperscript{380} During the household surveys I find that for many households remittance earnings are so limited that they are spent entirely on their basic needs and survival. In some cases migrants return back without money, even worse in some case they owed some amount to be able to pay their trips. My surveys show that migrants, who have lack of access to social networks and information, and generally with low level of

\textsuperscript{379} Saltanat Liebert 2007, p.152.
\textsuperscript{380} Christine Bichsel et al 2005.
education, work in seasonal or temporary jobs with low income prospects. For example, a male respondent from Jalalabad oblast (44-years old, high school graduate, and married) said that

No future plan exists for me since we are just trying to survive. I worked in Astana in the construction works, and my boss cheated on me. I could only bring a very small amount of money. This was barely sufficient to get food, and nothing has remained for other things.\textsuperscript{381}

In addition to that another example might be informative. A respondent from Osh oblast (27-years old, high school graduate, and divorced) said that

My husband left us a few years ago. And I have to take care of my mother and two children. Life is so difficult for us. I have to bring food to our table, and I am doing this by unskilled, seasonal jobs in Almaata, Kazakhstan.\textsuperscript{382}

While evaluating macroeconomic and developmental consequences, particularly the share and content of remittance-induced consumptive expenditures, experts cite both positive and negative factors. Analysts who have expertise on Central Asia maintain that remittances are often squandered on traditional celebrations such as weddings, birthdays, funerals and other commemorations.\textsuperscript{383} For some other migrants with relatively higher remittance monies, consumption patterns are different in a way that they mostly allocate [as social investment] their monies so as to spend on life cycle ceremonies. It has been acknowledged that “The importance of gifts and costly feasts for maintaining social networks has been recognized in different cultures.”\textsuperscript{384} Therefore, some migration scholars defend the idea that even the purchase of cars or lavish weddings may have beneficial ‘multiplier effects.”\textsuperscript{385}

\textsuperscript{381} Survey No. KG77.1.
\textsuperscript{382} Survey No. KG33.1.
\textsuperscript{383} Erica Marat 2009.
\textsuperscript{384} Susan Thieme and Simone Wyss 2005, p. 85.
\textsuperscript{385} Stephen Castles and Mark Miller 2009, p. 61.
According to an expert on Central Asia, spending of huge amounts of money during weddings has many functions and symbolic meanings. They are an indicator of family wealth and status.

By organizing large weddings, the clans or extended families showed their strength and their mutual solidarity. Weddings also created excellent opportunities for social networking through the invitations extended to local community leaders and to eminent community members who had achieved prominence somewhere else – at the district, province, or national level.\(^{386}\)

On the other hand, according to some other scholars, in the post-Soviet Central Asian society the widespread and highly institutionalized practice of gift exchange has been distorted, and turned into a form of marketized social relationship.\(^{387}\) Thus, a proper analysis of developmental outcomes should see this phenomenon and its alternative evaluations accordingly. At first sight gift exchange might be seen as voluntary interaction among the people involved it entails reciprocity expectations. In the traditional societies, like Central Asians, gift giving occurs in a variety of life cycle events in which social customs require members of society to exchange valuable goods and services in the absence of a written contract. In this informal system, valuable goods and services are distributed and circulated within the closed circuit social network throughout time, and it serves as an informal saving scheme. However, informality constrains individual freedom and behavior in their actions and goal-setting.

In a qualitative study experts from Kyrgyzstan argue that informal institutions, such as social networks and norms are sometimes a potential source of help in hard times; and some other times they are seen as burden on the families. A study about


\(^{387}\) Kathleen Kuehnast and Nora Dudwick 2004.
Uzbekistan presents the negative attitudes of Uzbek people about these life-cycle celebrations: “They occur so frequently that almost two-thirds of respondents point these rituals as a reason for the impoverishment of families.” In another study about Kyrgyzstan, authors reveal some people’s negative feelings towards life cycle events as “Some respondents suggested that this problem should be dealt with at the national level through laws and regulations or public campaigns throughout the country to encourage people to spend less on these celebrations.” In 2007, the Tajik government even introduced a new law prohibiting such excess expenditures; the Kyrgyz parliament also discussed a similar measure. Uzbek president Islam Karimov has urged his compatriots to be modest in these celebrations in numerous instances. A group of Kyrgyz scholars presents an anecdote which shows that poor people cannot ignore these celebrations because they cannot afford to lose their social status and networks among relatives and friends:

In one family, when the male head of household died, his widow had to slaughter a cow for the funeral. The cow was the only livestock that they possessed and the only source of income for the family. Since the family then became indebted, they had to sell their house after the funeral and buy a cheaper place to live.

While it is hard to provide consistent data about the effects of remittances on changing consumption patterns an empirical study about the socio-economic impacts of remittances in the CIS region offers a plausible approach:

A glimpse of their magnitude is provided by the differences in the Gini coefficient, based on the incomes concentration versus the one based on the consumer expense concentration. For Armenia, for example, in 2001, the Gini coefficient, based on income distribution was estimated at 0.535, while the coefficient based on the

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391 Eric Sievers 2002, p. 131 (See end note # 109).
consumption expenditures was much lower, 0.344. The differences between the two estimates were largely explained by higher consumption in the lower income deciles, mainly as a result of remittances not being captured by the data on incomes.\(^{393}\)

\textit{Table 4.3: Annual Consumption and Remittances per capita by Income Quintiles in Kyrgyzstan in 2003 (USD)}

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption per capita (all households)</td>
<td>78.31</td>
<td>115.55</td>
<td>148.32</td>
<td>198.93</td>
<td>337.12</td>
</tr>
<tr>
<td>Share of receiving households (%)</td>
<td>0.84%</td>
<td>1.63%</td>
<td>1.38%</td>
<td>3.41%</td>
<td>7.04%</td>
</tr>
<tr>
<td>Remittances per capita (receiving households)</td>
<td>7.73</td>
<td>7.14</td>
<td>10.80</td>
<td>41.76</td>
<td>46.02</td>
</tr>
<tr>
<td>Remittances/Consumption (receiving households; %)</td>
<td>9.87%</td>
<td>6.18%</td>
<td>7.28%</td>
<td>20.99%</td>
<td>13.65%</td>
</tr>
</tbody>
</table>

\textit{Source: World Bank 2007b}

Table 4.3 above displays estimates of average remittances and consumption per quintile for receiving and for all households in Kyrgyzstan. As would be expected, more affluent segments of the Kyrgyz society (upper quintiles) receive higher amount of remittances.\(^{394}\) According to the household surveys conducted by the World Bank, the majority of remittances are sent to rural areas in Kyrgyzstan (70 percent). In another study, based on the World Bank’s \textit{World Development Indicators} as of 2006 (in which the magnitude of remittances are well-documented for Kyrgyzstan and Uzbekistan) it is argued that Kyrgyz Republic and Uzbekistan can be categorized as one of the least unequal countries on the basis of the ratio of income/consumption of the top decile and the bottom decile.\(^{395}\)

As can be seen in Table 4.4a Kyrgyzstan’s import figures have increased gradually in the past few years, and the gap between export and import is also increasing. From 1999 to 2008, within almost a decade the value of all imported

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\(^{393}\) Lev Palei and Andrei Korobkov 2007, p. 9.
\(^{394}\) World Bank 2007b.
goods and services that entered into the Kyrgyz Republic has increased ten times in USD terms. These figures suggest that with increasing purchasing power (the share of remittances is influential), Kyrgyz people are dispensing a significant portion of their budgets to imported commodities.

Table 4.4a: Foreign Trade in Kyrgyzstan (million USD)

<table>
<thead>
<tr>
<th>Foreign Trade Indicators</th>
<th>1995</th>
<th>1997</th>
<th>1999</th>
<th>2001</th>
<th>2003</th>
<th>2006</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export</td>
<td>409</td>
<td>603</td>
<td>454</td>
<td>476</td>
<td>582</td>
<td>1,931</td>
<td>4,072</td>
</tr>
<tr>
<td>Import</td>
<td>522</td>
<td>709</td>
<td>600</td>
<td>467</td>
<td>717</td>
<td>2,822</td>
<td>5,928</td>
</tr>
<tr>
<td>Balance</td>
<td>-113</td>
<td>-106</td>
<td>-146</td>
<td>9</td>
<td>-135</td>
<td>-1,040</td>
<td>-2,216</td>
</tr>
</tbody>
</table>

Source: UN 2003b

Table 4.4b: Foreign Trade in Kyrgyzstan (Percentage of GDP)

<table>
<thead>
<tr>
<th>Foreign Trade Indicators</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>1st half 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export (% of GDP)</td>
<td>42.5</td>
<td>38.5</td>
<td>45.1</td>
<td>53.7</td>
<td>54.2</td>
<td>58.0?</td>
</tr>
<tr>
<td>Import (% of GDP)</td>
<td>50.8</td>
<td>56.8</td>
<td>79.1</td>
<td>85.4</td>
<td>93.8</td>
<td>98.7</td>
</tr>
<tr>
<td>Net Foreign Trade (% of GDP)</td>
<td>-8.3</td>
<td>-18.3</td>
<td>-34.0</td>
<td>-31.7</td>
<td>-39.6</td>
<td>-40.7</td>
</tr>
</tbody>
</table>

Source: National Bank of the Kyrgyz Republic Website available at http://www.nbkr.kg

Table 4.4b shows Kyrgyzstan’s foreign trade figures in terms of percentage of GDP. It is obvious that the relative proportion of imported goods and services to GDP has increased from 50% in 2004 to almost 100% in 2009. During the field research I have observed that there are a lot of shopping centers and malls in the Kyrgyz Capital Bishkek: Caravan, Beta Stores, Vefa Center, and Sum Center all sell imported goods such as electronic devices, TV sets, and digital cameras. Moreover, the National Bank of the Kyrgyz Republic in its 2008 annual balance of payments report underscores that, despite a rise in energy prices in recent years, there is a sharp growth of the volume of imports of such goods as electric linear telephones, cable devices, trucks and special cars.
A similar trend is also seen in Uzbekistan. As can be seen in Figure 4.4c below, the share of consumption is sharply increasing there too. During the field survey in Turkey an Uzbek respondent told me that “Most Uzbek immigrants in here buy luxurious consumption goods, textile apparels, undergarment, cosmetic products etc., in order to resell them at home when they are ready for their final departure.”

**Figure 4.4c Actual Final Consumption of Uzbekistan**

![Graph showing actual final consumption in Uzbekistan from 1998 to 2007.](http://www.statistics.uz/tb/)


### 4.5. Saving Patterns in Central Asia

In this section, three major issues at three levels are underlined taking into consideration individuals’ saving behaviors: 1-) path dependency; 2-) weak formal institutions and poor infrastructure; 3-) powerful informal institutions.

Economists argue that the most critical element in the development process is arguably a competitive and capable financial system, without which national savings cannot be accumulated and allocated into larger investment projects. In the Central Asian context the weakness of the financial system is not the only factor that hinders

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396 Survey No. TR32.
people’s entrepreneurial capacity and their access to livelihoods and economic opportunities.\textsuperscript{397} Additionally, there are other structural and institutional flaws that cause micro economic behaviors (including investment and saving decisions and instruments) and patterns to be different from other places with stable institutions.

Regarding the path dependent spatial disparities and the unevenness of economic growth within Central Asian countries and oblasts it seems that there is an association between labor migration patterns and these spatial disparities. From the field research I have observed that in both Uzbekistan and Kyrgyzstan labor migration is more common in the densely populated rural southern oblasts (Ferghana Valley oblasts), and less common in the northern oblasts. There is also empirical evidence to support this view for Kyrgyzstan: “… a representative of RSK Bank (KG’s largest, domestically owned bank) reported the distribution of remittances throughout the country going 60% to the south, 20% to the north, and 20% to the city of Bishkek.”\textsuperscript{398} In another empirical study conducted by a local institution, a survey of 1,177 respondents has revealed that “the average amount of remittances is about USD 1,419 a year” in Kyrgyzstan; and there are intra-oblast variations. At the oblast level, the average amount of remittances ranges between USD 1,154 and USD 1,486 for Batken, Jalalabad, Issykkul, and Talas. Osh (USD 729) and Naryn’s (USD 485) numbers are somewhat lower. The largest amount of remittances is received by households living in Chui oblast (USD 3,484).\textsuperscript{399} It is evident that migrant laborers who come from urban areas, and who have better education, and who have better

\textsuperscript{397} Nimal Fernando and Thomas Moyes 2006, p. X.
\textsuperscript{398} Igor Rubinov 2010, p. 3.
\textsuperscript{399} EPI 2005, p.4.
information about income prospects in the destination, tend to earn more, and they
could send larger amounts of money from their incomes.

During the Soviet Union traditional life style in rural locations had seriously
affected the saving patterns in Central Asia. In a study about the Soviet Uzbekistan
this pattern is portrayed:

Amounts in savings deposit have risen in Uzbekistan over the past sixty years, to a
level at the end of 1978 of about 182 rubles per person – a level only about one third
of the USSR average. This low amount represented only a fraction of the actual
savings of Uzbekistan’s indigenous population. There were enormous amounts of
additional cash that were saved ‘under mattresses’ within the home. In the Soviet
Union it was estimated that unofficial savings were around 50 to 60 billion rubles; and
between 25 and 33 per cent of these unofficial savings were estimated to be in the
Central Asian republics alone.  

Soviet Union’s effects on Central Asia are not limited to the prevalence of
strong informal institutions. One could also find the traces of Soviet legacy on the
mental map of individual citizens in the post-independence era. As mentioned before,
strong family structure and nomadic past of the Kyrgyz people have caused them to
have a life mentality that could be summarized as “living by one-day only.”  

In line with this perspective, it is safe to say that in the minds of Kyrgyz people a necessity or
vision of saving for the future is weak at best. Moreover, due to their long-established
traditional structure and value systems, which prioritize family obligations and
survival, for both Uzbek and Kyrgyz people one cannot see a conventional saving
conception or habits. Thus, they save in different forms: buying sheep, cow, horse,
commodities; additionally, they keep their money under mattress instead of banks.

400 Leslie Dienes 1987, p. 198.
401 This information is derived from the observation of an AUCA/SRC presentation made by Dr. Emil
In a comparative study, the relationship between social customs and economic behaviors are highlighted:

…may reflect the ease with which these assets can be sold or liquidated and their greater immunity than that of land assets to institutional barriers to trade. In addition, livestock provides an easily accessible store of wealth, which is important during shocks and when financial markets are weak.\textsuperscript{402}

An additional emphasis might be useful regarding the preference of rural Central Asians to make investment in livestock. A male respondent (20-years old, high school graduate, and single) from Jalalabad oblast of Kyrgyzstan illustrates his goal structure:

My relatives in Tomsk called me, and in the last Spring (2006) I decided to go. As soon as I arrived there I found a job as a construction worker. My first priority is to save some money for my wedding, and I am planning to return back here within 3-4 years. My parents are buying sheep and cow for my wedding expenditures. With money the best investment is to buy animal which is very profitable in my country.\textsuperscript{403}

It seems that the driver for migrant families to buy livestock or land for agricultural activities or to build a house on it is mostly related to traditions, social norms, and daily habits. From the words of one respondent from Uzbekistan it is plausible to get an understanding of common mentality shared by Central Asians: his imagination of the world around him is such that

We are ethnic Kyrgyz living in Uzbekistan. Most of my friends in this neighborhood are labor migrants in Russia. I am working in Khanty-Mansiysk region of Russia. I am employed in a Turkish construction firm with 10,000 employees. I just took a paid leave from my company to get married here. My boss gave me 100 USD as a gift for my wedding. I took a train trip from Russia to Uzbekistan; and the trip took 4 nights and days. After staying 2-3 months in the village to have my honeymoon with my wife, I will return back in the spring. We are proud of our culture, and we are very respectful to our mother and fathers. There is only one possibility for us, and it is to

\textsuperscript{402} Louise Cord et al 2004, p. 188.
\textsuperscript{403} Survey No. KG72.1.
build a house next to our parents, and maybe to rent a little more land, and buy sheep and cow. These are the only investment I can think of. 404

In both Kyrgyzstan and Uzbekistan one of the most important factors regarding the saving and investment decisions is poor infrastructure and weak formal institutions. In all rural areas of Central Asia there is electricity, but supply is irregular; besides, poor infrastructure includes bad roads, inadequate water and sanitation, and unreliable communication network. Along with poor infrastructure, in the political domain there is a weak institutional framework: services provided by local and central government are far from the expectations of people. In a country study about Kyrgyzstan it is reported that “the Aïl-Okmotu was the main structure for planning, implementation and management of development process in all the villages but has low capacity in satisfying the emerging community needs.” 405 During the field research I have observed that from the early hours of the day there are long queues in the local government offices; people are waiting for their time to come with lack of hope in their faces. Besides, public officers do not have enough motivation to conduct their services probably due to low salaries or uncertainties about their future. Generally, in public offices, people were asking me strange questions which show their unhappiness with living conditions in their countries. One officer in Kyrgyzstan told me that “Why are you interested in this country. There is nothing exciting here. Life is difficult, and life is burdensome.” In sum, the point to be highlighted is that in a volatile transition environment, in which formal institutions are weak, people in general tend to rely on informal alternatives.

404 Interview was held in December 2007.
405 UNDP 2003, p. VII.
It is obvious that expansion of economic enterprises from smaller to larger ones, accumulation and redistribution of savings by means of an active financial system all require an effective state. As the East Asian model of economic development has proven, investment is strongly associated with the ratio of savings to the national GDP, and private household savings are one of the most powerful ways of financing growth. The channeling of private savings into the financial system, and effective transformation of them into efficient investments requires reliability and legitimacy of the state, and its macroeconomic policy and financial institutions.  

As is the case for most developing countries, banking services in both Kyrgyzstan and Uzbekistan are poor, and the ability of citizens or private companies to obtain credit and other banking services is limited. Furthermore, “capital markets hardly exist at all.” During the field survey, I observed that people do not trust banks for several reasons, including the existence of a weak state, the lack of its protection guarantees, and memories of bank failures that happened in 1998 (in Kyrgyzstan). Similarly, an empirical study confirms this finding “In Uzbekistan, as in other Central Asian countries, the population does not trust the banking system, remittance transfers via unofficial channels could make up half or more of the official transfers.”  

Furthermore, in neither Uzbekistan nor Kyrgyzstan is there a deposit insurance institution like the FDIC in the USA. In Uzbekistan, there are other factors that prevent people from channeling their savings into formal institutions. For example, in Uzbekistan the institution of property ownership is different than Kyrgyzstan; land

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408 Lyudmila Maksakova 2006, p. 143.
cannot be owned but only rented for a certain time period while land-use rights are exploited by citizens.\footnote{Fergana.ru news portal “Uzbekistan: Farmers are against land reforms,” (November 12, 2008).}

In order to have a basic understanding of the financial and banking sectors in these countries it could be convenient to analyze a few major indicators. For example, financial deepening is an important concept for understanding the strength and quality of the banking sector in a country: This is measured through several parameters, including 1-) the ratio of broad money to GDP, which measures the degree of monetization of the economy; and 2-) the ratio of deposits to GDP, which measures the extent of deposit mobilization carried out by the banking system.\footnote{Mario Lamberte and Robert Vogel 2006, pp. 58-59.} In terms of financial deepening the Kyrgyz banking system performs a little better than Uzbekistan: as of 2004, Uzbekistan’s degree of monetization was 14.2%, and deposit mobilization ratio was 8.6%; the same figures for Kyrgyzstan were 21% and 9% respectively.\footnote{Mario Lamberte and Robert Vogel 2006, p. 59.}

It is obvious that in both Kyrgyzstan and Uzbekistan, commercial banks have very weak customer base, shallow deposits, and loans. According to Kyrgyz National Bank figures less than 3% of the population and businesses holds bank accounts.\footnote{World Bank 2007b.} Among 162 households surveyed in Kyrgyzstan, none of them has ever opened a bank account. Similarly, only a few Uzbek respondents reported that they have a bank account, and opening of bank accounts in those cases was merely out of necessity. Additionally, most of the surveyed people did not know much about the banking...
system and its rules. Besides, there were quite a few responses about deep distrust towards banks. For example, one respondent from the Osh oblast said that

We are two brothers with our wives in Vladivostok; our older sister is also staying with us. Our plan is to buy a house for each of us in Kyrgyzstan. We do not trust our banks at all. We just send enough money to our parents to provide their basic needs. In terms of saving it is more secure to put our money into the Russian banks.\footnote{413}

Another respondent from the Chui oblast said that

After working several years in St. Petersburg, Russia, as a construction worker, I have made some money for my future. Currently I am working for the Russian energy company Gazprom in the Bishkek branch. If you are officially working in any place it has become easier to take credit from banks; thus, I am thinking of taking credit and opening a store in this area. Nonetheless, I do not trust banks at all. That is why I keep my salary and other savings at home.\footnote{414}

\begin{table}
\centering
\begin{tabular}{|l|c|}
\hline
GDP & 2,4 billion \\
Per capita GDP (in USD) & 479 \\
Number of banks & 20 \\
Foreign-owned banks & 7 \\
Total assets (% of GDP) & 21.1\% \\
Total loans (% of GDP) & 7.7\% \\
Total deposits (% of GDP) & 14.1\% \\
Total deposits by individuals (% of GDP) & 2.7\% \\
Branches & 170 \\
ATM machines & 8 \\
Clients & 264,900 \\
\hline
\end{tabular}
\caption{Basic Banking Sector Indicators: Kyrgyzstan}
\end{table}

\textit{Source: World Bank 2007b}

It would be a useful comparison to give annual remittance inflows and stock of total deposits and credits in the commercial banks in Kyrgyzstan. As of 2007, while the annual remittance inflow from official channels was almost USD 1 billion, the stock of total deposits in the commercial banks was almost half of the remittances, USD 480 million (23.4 billion Som). On the other hand, it is evident in Table 4.5b that from 2002 to the present day, there is a gradual increase in terms of both total deposits and credits in the Kyrgyz commercial banks.

\footnote{413} Survey No. KG109.4. \footnote{414} Survey No. KG28.1.
Table 4.5b: Basic Banking Indicators of Kyrgyzstan

<table>
<thead>
<tr>
<th>End of year figures Kyrgyz Som (in million)</th>
<th>2002</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2009 June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Deposits in the Commercial Banks</td>
<td>3,642</td>
<td>8,205</td>
<td>13,052</td>
<td>16,806</td>
<td>23,442</td>
<td>33,780</td>
</tr>
<tr>
<td>Total Credits in the Commercial Banks</td>
<td>2,011</td>
<td>5,805</td>
<td>7,712</td>
<td>11,350</td>
<td>20,850</td>
<td>27,003</td>
</tr>
</tbody>
</table>

Source: National Bank of the Kyrgyz Republic Website available at http://www.nbkr.kg

During the field survey, a foreign bank’s CEO in Bishkek said that among the banking circles in Kyrgyzstan there is a belief that the amount of money in circulation that does not enter into official channels might be USD 3.5-4 billion (which is above the national GDP). In Kyrgyzstan, as of 2008, 76.7 percent of the stock of deposits in the commercial banks was put by legal entities, and 23.3 percent was put by individuals. As can be seen in Table 4.5a above while the total deposits as percentage of GDP was 14.1%, the contribution by individuals was 2.7% of GDP. The distribution of deposits between demand and time deposits is also in favor of the former, or 64.6 percent of the deposit base. Regarding the structure of time deposits, the average duration of the deposit base is 5.2 months as of 2008.

Uzbekistan’s banking sector remains dominated by state banks. The National Bank of Uzbekistan alone holds 55% of the assets in the sector. Besides, the government has significant control over banks (including the largest one) out of 33. One study finds out that the major problems of the Uzbek banking system are related to macroeconomic mismanagement, particularly the gradualist reform strategy and its extensions on exchange rates, taxation, and moral hazard problems. The Central Bank

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415 Interview with Demir-Kyrgyz Bank General Manager, Ahmet Parmaksiz, November 6, 2007 in Bishkek.
416 Annual Reports of the National Bank of the Kyrgyz Republic: available at http://www.nbkr.kg
418 Mario Lamberte and Robert Vogel 2006.
of Uzbekistan gives cheap funds to commercial banks; thus, they do not find any reason to be competitive in terms of interest rates paid on deposits. Interest rates offered by commercial banks have been lower than inflation rates. Furthermore, regulatory restrictions on cash withdrawals are seen as the most crucial problems encountered by small and medium-sized enterprises.\textsuperscript{419}

While I was in Tashkent I went to a local bank to exchange my cash in USD with local Sum and I have seen that the service provided by the employees was very slow and low quality. In an empirical study, the common perspectives shared by Uzbek citizens are portrayed: “It is impossible to work with banks in Uzbekistan. It is impossible to take out your own money from your account. They say that there is no money even in the early morning hours.”\textsuperscript{420} These figures show that Central Asian people are using banks only if it is essential, and they do not want to keep their funds in the banks as long as it is not required. The above information suggests that the banking sectors in Kyrgyzstan and Uzbekistan are one of the weakest among the transition economies. It is therefore not surprising to see that almost none of the remittance transfers are channeled into the banking system as time deposits or other forms of financial investments. Moreover, even if these funds were channeled into the system it would not be an adequate solution by itself for the long-term development of the national economy.

\textsuperscript{419} Mario Lamberte and Robert Vogel 2006, pp. 64-65.
\textsuperscript{420} Francine Pickup 2003.
Money transfer operators are widespread in both Kyrgyzstan and Uzbekistan. The overwhelming majority of labor migrants use these regular money transfer services, the most common of which is the Western Union.\textsuperscript{421} Although certain costs are associated with bank transfers, carrying cash while leaving Russia is risky, as customs control officers habitually impose informal payments on migrants, not to mention the chance of theft. Nonetheless, a significant percentage of migrants, especially Kyrgyz migrants who are working in Kazakhstan as sellers in local bazaars, carry their monies by hand or via their relatives.

\textsuperscript{421} As of 2010: the Western Union has established an agent network of approximately 435,000 locations in 200 countries all over the world. According to its website, it channeled USD 65 billion in 2008.
One study reports common views held by Kyrgyz migrants who work in the USA; according to this, Kyrgyz migrants did not use banks to wire remittances to home because of the high cost of a transfer, the length of time it takes for the money to arrive in Kyrgyzstan, and the difficulty of withdrawing funds by recipients.422 As is the case for many relatively poor migrants, it is the same for Kyrgyz and Uzbeks who have to pay higher fees for multiple, small transfers compared to richer migrants who can afford to send larger sums at once. For example, Western Union takes USD 14 commission when a migrant sends USD 100; it takes USD 22 out of USD 200 transfer; and it takes USD 28 out of 300 money transfer from Turkey to Uzbekistan.423 Because almost all of Uzbek immigrants in Turkey are irregular, their transfers are made by their employers due to identification rules.

When we analyze mental map of individual migrants we could see that people do not trust formal institutions or other people in general. During the household surveys, respondents were very hesitant to answer the question about the amount of remittances they have been receiving or about their economic assets in general. They usually do not want to be seen as rich people in their environment.

Despite formal institutional differences between Kyrgyzstan and Uzbekistan, the outcome regarding the saving behaviors is similar: households prioritize their informal rules instead of relying on formal institutions, and pre-independence habits are still influential in the economic behaviors and decision-makings of migrants and their families. In a UNDP study a perspective of a Kyrgyz villager is portrayed:

422 Saltanat Liebert 2007, p. 150.
423 These figures are derived from interviews with Uzbek migrants who were in Turkey in August 2008.
We never thought of savings. There are a lot of needs in our families and we spent all our money on consumption. When we form a group we learned to make savings. Each member of the group save small amount of 5-10 coms. We then began to provide credits to each other with small interest.424

It is reported by scholars that “Migrants sometimes prefer to send the money in a lump sum. They want to be sure that the money is invested in more substantial needs, like the construction of a new house or repayment of loans and accumulated interest.”425 Due to several problems with the formal institutions, including the banking systems, in Kyrgyzstan and Uzbekistan, informal arrangements or alternative saving/investment strategies have gained strength. Because formal institutions are seen as unreliable migrants and other non-migrant families alike are channeling their savings into more secure and liquid assets.426 For both Uzbek and Kyrgyz migrants almost all of the agricultural investment means buying or renting more land and animals. The rationality of investment in animals, cow, sheep, goat, and horses can be well-understood when someone decipher Central Asians’ psyche. This type of investment not only protects their savings from inflation or appropriation but also the potential predatory involvement of officials is discarded.427

Another function of informal institutions is that in an uncertain transition environment social networks and social capital are the most reliable informal assets. In these transition environments of the post-Soviet Central Asia some life cycle events and practice of gift exchange during these gatherings function as an institutionalized forms of marketized social relationship.428 As is mentioned before gift exchanges

425 Susan Thieme and Simone Wyss 2005, p. 80.
426 Mario Lamberte and Robert Vogel 2006.
427 Gul Berna Ozcan 2008, p. 84.
428 Kathleen Kuehnast and Nora Dudwick 2004.
during these costly life cycle events have a financial function of informal saving along with its symbolic meanings. During the household surveys, I have got an understanding that all respondents have seen weddings (toy) and associated expenditures as a primary life goal, which means that these life cycle events are a sort of saving/investment tool in their lives. For example a respondent from Chui oblast (male, 21-years old, part time university student) said that

Since the last year I have been working in Astana, Kazakhstan as a driver. It has been 15 months in total I have worked there. I just got married in the last week. With my savings I have bought my home appliances and paid for my wedding expenditures. During the wedding, we made several expenditures; for example, we slaughtered a horse which cost Som 23,000 (approximately USD 600) and a sheep. I also financially helped my sister who is also a labor migrant in Astana.\(^{429}\)

In addition to that, a male respondent from Chui oblast (45-years old, dropped out from technical college, and married) gave information about his priorities with his savings: “With my remittances my family first paid debts from two funerals; they also paid for ‘ash’ of my mother-in-law (feast meal after death).\(^ {430}\) Empirical evidence has also been gathered in Kyrgyzstan and Uzbekistan about alternative ways of informal saving schemes. For example, it was very common to see that people form a variety of saving schemes while celebrating an event, or performing a collective action. In the southern parts of Kyrgyzstan and Uzbekistan the local community owns tables, chairs, cooking supplies, and other tools that it lends or leases to community members for these life cycle events. The role of collective action in these life cycle events are described in a study as “In modern Uzbekistan, few weddings, emergency medical operations, university matriculations, house repairs, or funerals take place in the life

\(^{429}\) Survey No. KG15.1.
\(^{430}\) Survey No. KG22.1.
of the average *mahalla* resident without some community financial support.”

In Kyrgyzstan too, “Usually close relatives help to plough the land, build houses, lend money, and help each other out with weddings and funerals by sharing the expenses. Relatives can also help out with child-rearing…”

This collective action pattern is also reported in another study regarding informal saving schemes in Central Asia: “Different systems of accumulating money exist among the migrants.” One of the most common types of saving schemes was the rotating saving scheme. I have observed this type of collective saving among high school classmates who were celebrating the engagement of one of their members.

The collective investment and saving patterns could also be seen in the family arrangements: in rural Central Asia most households see their earnings and expenditures as a collective pool. During the household surveys, a description of a male respondent (27-years old, high school graduate, and married) from Osh oblast reflects the common views held by Central Asians:

I have been working in Omsk, Russia as a construction worker since 2004. My brothers are younger than me; one of them is 25, and the youngest is 20. They also joined me in 2005 and 2007. We save our earnings together. This is Kyrgyz tradition. First thing in the list is to buy a house for me, and later we will work together to buy houses for my younger brothers. We show our solidarity in every aspect of our lives, including our weddings too.

An anecdote by a female respondent from Osh oblast of Kyrgyzstan might be helpful to understand the impacts of social environment in the economic behaviors of individuals:

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432 Mehrgiul Ablezova et al 2004, p. 56.
433 Susan Thieme and Simone Wyss 2005, p.80.
434 Survey No. KG110.1.
All of my migrant children are sending USD 200-250 per month just for the purpose of the common family investment. With these monies I have opened this café. Additionally, we bought land (3 hectare), 8 cows, and more than 50 sheep with the remittances. In addition to remittances, I am frequently using micro-credit from the Agha Han foundation to extend my economic activities. Each of my daughters and my oldest son bought two houses from the cities (Bishkek and Osh); and my middle son bought a house in this town. A total of 9 houses have been bought by my children.435

Another study about Kyrgyz migrants who work in the United States reports that a variety of informal transfer arrangements is used among those migrants when they want to send money for their families in the origin.436 Additionally, “Informal finance appears to be particularly widespread in Uzbekistan where bank finance has been significantly repressed.”437

In sum, the existence of weak formal institutions and powerful informal institutions it is hard to expect that national savings would be accumulated and channeled into larger investment projects. As was mentioned before, a significant number of households have been channeling their monies into more liquid and secure assets such as animals: they are buying sheep, cows, goats, etc. as the best way of securing their property ownership gained by their remittances. Due to heavy usage of animals and commodities as saving instruments in Central Asia there is a variety of specialized bazaars that have not lost their importance. Animal bazaars, handicraft bazaars, carpet bazaars, food bazaars, and consumer-goods bazaars are very lively, and they reflect the power of informal economy in both Kyrgyzstan and Uzbekistan.438

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435 Survey No. KG 101.1.
438 Rafis Abazov 2007, p. 244.
4.6. Investment Patterns in Central Asia

Regarding the connection between the usage of remittances as investment and their developmental impacts some analysts maintain that only a minority of migrants is lucky and competent enough to be able to launch a business at home; and these remittance-induced investments do not contribute to development significantly since these resources are just enough to open a small cafe, restaurant, or taxi service.\(^{439}\) Others maintain that developmental outcomes to the sending regions are extensive such as financial and human capital through remittances and newly acquired skills, training, and expertise, and potential for investment opportunities and job creation.\(^{440}\)

In the most recent development literature, remittance-based investments are divided into two broad categories: productive and consumptive investments. The ‘productive investment’ includes three major types: agriculture, land, and business creation, while ‘consumptive investment’ includes house building and improvement, consumer durables, and spending on health and education.\(^{441}\) It should be highlighted that regular consumption of food, clothing, leisure, etc. is different from consumptive investment, which has a long-term effect.\(^{442}\) In this dissertation, I take agriculture and land together; and I have also added the “Status Investment” in Russian or other host nation’s citizenship as a new category. I take this into productive investment category since obtaining dual citizenship provides migrants with higher income potentials, remittances, and ultimately real productive investment in origin.

\(^{439}\) Erica Marat 2009.
\(^{440}\) Jeffrey Cohen 2005.
\(^{441}\) Rachel Murphy 2006.
\(^{442}\) Hein De Haas 2007.
At the outset it is crucial to note that in the remittance receiving developing countries only a small portion of remittances is allocated to ‘productive investment’ while the bulk of them is used for ‘consumptive investments.’ For example, one scholar finds that 92% of remittances are used for daily and household expenses, with only about 8% of them went to business start-up and/or productive investment. According to an IOM study conducted in 2003 regarding Central Asia, the remittances were used by only a quarter of the families to finance everyday life purchases; the remaining three quarters of the families put the money towards ‘productive and consumptive investments’ such as building of a house, buying a car, education, or to establish a private business.

While analyzing remittances’ developmental prospects it is crucial to focus on the translation of individual behaviors properly into the macro level aggregates. As it is rightly pointed out by a scholar “a more appropriate starting point is therefore to examine whether families with incomes enhanced by remittances save more.” Migrants and their families with their extra remittance incomes allocate these funds among buying already existing land or house from their neighbors, paying their debts, and sending their kids to the school. The point is whether the inclusion of these funds into the national economy creates additional investments. At the macroeconomic level, the inflow of remittances on the balance of payments account may not result in additional national investment; “the inflow may instead be consumed either privately

443 Rachel Murphy 2006.
444 Jeffrey Cohen 2005; Rachel Murphy 2006.
445 Marlene Laruelle 2007, p. 117.
or through government spending. How much is invested depends upon the returns that can be obtained by those whose incomes are increased by the remittances.”

4.6.1. Consumptive Investment Patterns and Instruments

4.6.1.1. Remittance Spending on House Construction and Improvement

Increasing investment in real estate is one of the most common examples of consumptive investments. “The migration literature gives overwhelming evidence that labor migrants across the world give a high priority to housing investments.” As has been observed in all migrant sending regions of the world, house construction has boomed in the local communities with remittance monies. For example, research in rural China shows that households allocate approximately 60% of their remittances as “the lion’s share of remittances and urban savings are used for house repairs and house construction.” In Bishkek, there are several shopping malls among which the most crowded are the stores where construction materials are sold. At the Sovietski and Moskovski streets one can see several of them. There is a specialized mall “Komfort” which have several stores selling only construction materials. In Kyrgyzstan I observed that “special building workers” are in short supply.

As an example for migrants’ prioritization of house-building, a few anecdotes might be useful to portray the way of thinking of migrants. A description by a female Uzbek respondent (working in Ankara, Turkey) was as such:

I am from the Novai region of Uzbekistan. I am married with a child. My husband works as a teacher. He has a university degree, and he gets USD 100 monthly salary.

447 Ibid.
448 Hein De Haas 2006, p. 574.
449 Rachel Murphy 2006, p. 28.
Our boy is a student at 11th class. I came to Ankara, Turkey in 2005 by an employment agency. I used to earn USD 350 in the first year, and it increased to USD 450 in 2006. I have worked as babysitter in a few different homes since 2005. Now, I am getting USD 550. With my savings I have bought a house in my hometown, Novai, for USD 6,500. It is not so difficult to open a business in Uzbekistan. However, the first priority is always to buy a house for almost every labor migrants who I know in here.

According to a media report regarding Uzbek immigrants in the USA the words of an Uzbek worker were presented as: “I had never intended to spend more than a year in the USA. I only wanted to make enough money to buy an apartment in Uzbekistan because we had been living at my wife’s parents’.“

In another case in Kyrgyzstan, a male respondent (32-years old, university graduate, and married with three children) from Jalalabad oblast said that Me and my wife left here in 2002. Our relatives in Samara called us to work in the bazaars as trader. Our savings have been allocated to paying our debts from the first departure from Kyrgyzstan, funeral expenses, (my dad died while we were in Russia) and building a house in Jalalabad which cost us Com 300,000 (almost USD 7,000).

It is safe to say that in rural Central Asia, having a house is an indicator of social status; thus, “to build a house is therefore essential for rural people to feel that they are respectable in their communities.” From this perspective it is easy to understand the common perception of migrants regarding their prioritization of constructing their houses as typically the first investment. During my visit to the southern oblasts in Kyrgyzstan I spoke to a young male who was taking a video image of a newly built house. This new house was built next to the old one. 18,000 USD was spent to build it. He was taking a video record for his older brother in Kazakhstan.  

451 Survey No. KG71.1.  
452 Rachel Murphy 2006, p. 28.
who had sent money to build this house. Young brother thought that his older brother would be proud of himself when he sees that his sojourn produced material wealth for the collective good.

According to a migration scholar who studies emigration patterns from Kyrgyzstan, “Most returning migrants state their intent to return to Bishkek, rather than to their rural sending-communities of origin.” In an empirical study conducted in 2003 by Osh State University in Kyrgyzstan local scholars aimed at identifying factors inducing internal migration of the Kyrgyz citizens. Findings of this study suggest that almost 84% of the respondents were planning to migrate within the country, and 76% of them showed their intentions moving to urban centers. In another study a group of local scholars highlights a common trend in Kyrgyzstan: Many families, who moved from rural to urban areas, obtained land in the novostroiki (new suburbs of Bishkek and Osh) which are new home to internal migrants. The trend suggests that remittances might contribute to the jump in prices, as they are invested mostly in real estate in urban areas. Migrants, in general, tend to invest in property in the capital cities, seeing them as the safest, and the most profitable and reliable long-run deal. In Turkey, one of my respondents said that “Last year I bought an apartment (2-story) in Tashkent for USD 9,000. This year, I have heard that its worth is around USD 20,000.”

In Central Asia, new houses, which have been funded by remittances, are generally bigger, luxurious with high walls around it, more spacious, concrete, better

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453 Susan Thieme 2008.
456 Survey No. TR22.
equipped, and built next to the old one. A scholar describes this tendency to build better houses with remittances as “Constructing houses is therefore also an investment in future livelihood improvement and stability.” 457 Ironically, this boom in house construction is not accompanied by infrastructural investment and legal framework by local or central governments. A UN document describes unplanned urbanization as “Self-Made Cities: in search of sustainable solutions for informal settlements;” it means that in another aspect of socioeconomic life in Central Asia, people work with informal rules and norms. In the most recent wave of internal migration, people started to occupy the land in the peripheral areas in the Kyrgyz capital, Bishkek. This UN document informs that the majority of this wave of internal migrants living in novostroiki has arrived from rural parts of the country; and it is underlined that uncertainties about the legal status of landownership has caused people to opt for provisional rather than safe housing. 458 As is pointed out by a study about Kyrgyzstan “…most small businesses tend to be launched in the capital city or its outskirts, which in turn leads to greater internal migration.” 459 At the bottomline, unplanned and uncontrollable urbanization in Central Asia has gained a new momentum with the support of remittance monies and ill-advised policies conducted by the national governments.

A male respondent (29-years old, high school graduate, and married) from Osh oblast of Kyrgyzstan talked about a government policy about the promotion of house-building:

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457 Hein De Haas 2006, p. 575.
458 UN 2009.
After working 17 months in Abakan (Hakasia, Russia) I and my brother saved some money which would enable us to build a house for ourselves. Recently, we have heard that Kyrgyz government is giving land for free if someone wants to build a house on it; thus, we are thinking about this. In the first days of our migration, we had had only one plan in our minds which was to buy a land and house construction on it.\textsuperscript{460}

According to another study, in Central Asia, more than half of the urban population lives in slums (52 per cent in Kyrgyzstan and 51 per cent in Uzbekistan); besides, the data indicates that only a limited share of the housing in this newly built houses has a bath or shower—Uzbekistan (13.3 per cent), Kyrgyzstan (24 per cent).\textsuperscript{461}

Taken as a whole, a significant proportion of remittance money is allocated for house construction and improvement in both Uzbekistan and Kyrgyzstan. It seems that the general pattern regarding house construction in Central Asia is that individuals tend to show acquisitive behaviors (mostly predatory and rent-seeking) in the absence of state institutions and its protection guarantees. All of the micro behaviors work with informal rules instead of a consistent formal framework.

One outcome regarding the migration and remittances’ side effects is rapid, haphazard, and unplanned urbanization particularly in Kyrgyzstan. For example, the ratio of urban-rural population was 35-65 percent correspondingly in Kyrgyzstan, according to the 1999 census; however, one scholar estimates that as of 2005 it might become 45-55 or 50-50 due to rapid internal migration to Bishkek and Osh cities; and as of 2008, Bishkek’s population has gone up to 1.2 million from almost half million in the early 1990s. The same scholar emphasizes that before 2000, Bishkek’s new settlers were predominantly from the Northern oblasts of Chui, Narin, Talas, and Issikkul; but, after 2001 new settlers from Jalalabad and Osh predominate, and 97% \textsuperscript{460} Survey No. KG114.1; KG114.2.  
\textsuperscript{461} IFC 2006.
of *novostroiki* residents are ethnic Kyrgyz.\textsuperscript{462} It seems that the massive internal migration induced by newly acquired remittance earnings from rural southern oblasts towards urban centers, particularly to the Northern oblasts and Bishkek, and to a lesser extent to the Osh city has amplified already existing major social divisions and polarization between these two sub-cultures in Kyrgyzstan.

### 4.6.1.2. Remittance Spending on Consumer Durables

The consumer preferences of Central Asian people during the Soviet era are portrayed by a scholar:

The consumer preferences of the local population, on the one hand, resemble to other nationalities such as the usage of cars and television sets. On the other hand, indigenous people of Central Asia still exhibit traditional consumption patterns. To a great extent, they deliberately avoid expenditures on many modern items, preferring to spend rubles on their own traditional goods and festivals.\textsuperscript{463}

It has been experienced in many countries that the demand for consumer durables is steadily increasing in the remittance receiving countries.\textsuperscript{464} Central Asia, including Kyrgyzstan and Uzbekistan, is not an exception. While the most commonly demanded durables in remittance receiving countries are cited as television sets, refrigerators, living room sets, dining room sets, and private cars, in Central Asia I have observed that many households in rural locations have newly acquired TV sets and other durables. They enjoy watching popular TV serials and soap operas of Russian and Turkish channels. Particularly in the northern regions of both Uzbekistan and Kyrgyzstan demand for consumer durables such as television sets, refrigerators,

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\textsuperscript{462} Irina Novikova 2008.  
\textsuperscript{463} Leslie Dienes 1987, p. 197.  
\textsuperscript{464} Dean Yang 2006.
washing machines, and modern furniture, are very high. It seems that the purchase of consumer durables has also demonstration effect. People feel relative depravity when their neighbors watch those TV serials, or soap operas, through modern larger screen TVs instead of old-fashion black-white TVs. Thus, consumer durables serve two functions in rural Central Asia in the post-Soviet era: they are both apparatuses to meet the basic human needs of well-being, and they are also an indicator of family status and financial strength.465

Remittances are also used to buy some consumer durables as part of the commonly exercised practice of gift exchanges during the life cycle events, especially weddings. As an example for powerful traditional norms, kalym is an important pre-Islamic informal institution in Central Asian societies, according to which, the family of the groom has to pay an amount of money to the parents of the bride. The payment amount and conditions are determined by a negotiation before the wedding, and traditionally kalym is paid in-kind by livestock, clothing, and food supplies.466 In the post-Soviet era, it is common to see that kalym is paid by TV sets and other consumer durables. In line with the sociological institutionalism’s imperatives, rural people stubbornly keep their informal norms, and adopt them according to the necessities of contemporary life; and rural people design their broader life-goals by their logic of appropriateness. Similarly, in another study about remittance patterns in rural China the impact of social context on individuals’ goal specification is portrayed: “Migration interacts with existing gift-giving practices to inform rural people’s ideas about what consumer goods are desirable. For many young men, migration is a way to

465 Rachel Murphy 2006.
466 Rafis Abazov 2007.
accumulate the funds to buy a respectable range of bride price goods." It is noteworthy to highlight that in this anecdote the description of what is good and desirable is set by social norms.

In Kyrgyzstan, one could see many imported cars on the streets of the capital, Bishkek. Similarly, in the Uzbekistan context, according to the UNDP data, private cars per 100 people increased from 3.5 in 1997 to 4.0 in 2003. In another study, a local analyst reports that “In Uzbekistan, car sales doubled between 2005 and 2007: the source of most of which is from the remittances.” It should be emphasized that private cars and consumer durables are bought for both consumption and investment purposes. For example, a male respondent from Northern Chui oblast (age 32, with high school diploma, and married) said that “I worked in Astana for only 4 months. My sole purpose was to upgrade my car that I am using as a taxi cab.” Another respondent (31 years old, with high school diploma, and married) from Northern Chui oblast said that

Having worked 2 years in Astana as a seller in shop I saved some money and I brought used TVs from there in order to sell them in Bishkek. Currently, I am doing this in an amateur way. I have a plan to open a business in Bishkek which would sell TVs. Working in Kazakhstan helped me and my wife to learn how to make good business.

4.6.1.3. Remittance Spending on Health and Education

The implications of remittances on access to the healthcare and education are multidimensional. Access to these services provides people with their well-being. The remittance flows serve people to relieve their income constraints which may prevent

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467 Rachel Murphy 2006, p. 29.
468 UNDP 2005, p. 83.
469 Umida Hashimova 2009.
470 Survey No. KG17.1.
471 Survey No. KG16.2.
them from getting these basic services. Migration and remittances also make information available for migrants while they have lack of knowledge about the quality and content of these services.

The allocation of remittances to health and education was common according to household surveys. The dominant factor to cause a larger proportion of remittances allocated to education and health expenditures in Kyrgyzstan relative to Uzbekistan could be due to the privatization of these services in the former.

As can be seen in Table 4.7 below health expenditures by public institutions is slightly larger in Uzbekistan, while the contribution of private spending is greater in Kyrgyzstan. During the surveys I have heard that in poor areas of Kyrgyzstan it was a common practice for all households to be asked for small amounts of money demanded by local schools as they cannot close the holes in their weak budgets.

<table>
<thead>
<tr>
<th></th>
<th>Public (% of GDP)</th>
<th>Private (% of GDP)</th>
<th>Per capita (PPP USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uzbekistan</td>
<td>2.4</td>
<td>2.7</td>
<td>160</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>2.3</td>
<td>3.3</td>
<td>102</td>
</tr>
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*Source: UNDP Human Development Report 2007-2008*

During the household surveys there were quite a few cases in which migrants cited education and health expenditures as the main drivers of their initial migration decisions and/or as part of their remittance allocation decisions. For example, a male respondent (26-years old, dropped out university education, and single) from Jalalabad oblast of Kyrgyzstan said that:

I left Kyrgyzstan in 2001 in order to join my cousins. Since then I have worked in the construction works. I have made enough money to cover my wedding expenditures. I am also planning to finish my university education with my savings. I don’t want to work in the unskilled jobs any more.472

472 Survey No. KG76.1.
4.6.2. Productive Investment Patterns and Instruments

In this section, productive investment is analyzed under three major titles: investment in legal status, agriculture-land investment, and business creation; and investment patterns are analyzed at three levels: 1-) macro level factors that mostly path dependent; 2-) formal and informal institutions; 3-) microeconomic behavior. While working on the developmental impacts of remittances it is necessary to see complicated interactions between these three levels, global dynamics and macroeconomic factors, the state, informal institutions, and individuals along with their decision-making. In this section, the most crucial point is to analyze interactions between individual actors and sociological institutions in the form of social networks, habits, and other regularities.

4.6.2.1. Investment in Legal Status

It is an obvious fact that legal status of labor migrants is strongly associated with their earning potentials. Working legally in host nations also affects the type of employment and propensity and amount of remittances. Legal immigration status increases remittances by raising earnings as well as by making remittance sending easier. Thus, for Central Asian immigrants, getting a Russian citizenship would pay off in the long run. So, this could also be seen as a new sub-category in the productive investment typology.

From the surveys I have observed that labor migrants in general tend to appreciate benefits associated with citizenship in host nations. However, they have
different views regarding the application for being a citizen in host countries. For example, one of the respondents from Kyrgyzstan stated that

One of the most important factors to be economically successful is getting the Russian citizenship. All of my daughters and the middle son have obtained Russian citizenship. My oldest daughter operates a cafe in Irkutsk in her name, and employs a few workers. I believe that my children’s strong family ties, adherence to traditional values, my eldest daughter’s leadership role, smart decisions taken collectively, being hardworking, and their cooperation among themselves enabled them to be financially very successful.473

In another occasion, a respondent (37 years old, he has 2 years college education, and married) from Jalalabad oblast said that “I have been working in Moscow since 2003 as a driver. It is critical to get the Russian citizenship. After I got this and a Russian driver license my earning increased significantly.”474 Furthermore, there comes an anecdote from a female respondent, who has migrant sons in her household, from Jalalabad oblast of Kyrgyzstan. She gave information about her sons’ application for the Russian citizenship:

In 2005, my older son (36 years old, high school graduate, and married) decided to go to Novosibirsk region of Russia in order to find a job. Since then he has been working in the construction works. In the following year, his younger brother (22 years old, high school graduate and single) joined him. My older son said that in order to secure higher amounts of earnings it is crucial to get Russian citizenship. Thus, he would spend some money to do the requirements of getting it. That is the reason for diminishing remittances by my sons in this year.475

It is important to note that the relative political power of host nations and their institutional framework is decisive in the migration processes. As it is commented by a respondent from the Chui oblast of Kyrgyzstan

Currently in this village there are 80 or so labor migrants who are working in S. Petersburg area. If you have a contact there it is easy to find a job. When current migrants do have information that their boss or somebody else is looking for a

473 Survey No. KG 101.1.
474 Survey No. KG37.1 and KG37.2.
475 Survey No. KG37.1 and KG37.2.
worker, i.e. there is a vacancy, they call someone in the village to come and work there. However, it is important to be legal there. With approximately USD 1,000 you can have your employment documents in S. Petersburg. If you do not have working documents a migrant’s monthly earning would be USD 200 less than normal. Average income for a construction worker, if he is legal, is almost USD 800 in a month; for an illegal worker it is USD 500-600. However, because of the new Russian law (passed in April 2007) it is almost impossible to hire illegal workers; the law requires a fine for employer around USD 12,000 for each illegal worker.476

4.6.2.2. Investment in Agriculture and Land

There are several explanations for relatively small amounts of remittance money allocated for agricultural investment in other parts of the world. For example, income generating possibilities in most rural areas are very limited. In most rural areas of both Kyrgyzstan and Uzbekistan too, the main source of income and livelihood is agriculture which includes both crop and livestock production. In another perspective, rural Central Asia and their economies are heavily dependent on agriculture while tourism and fishing are two other types of economic activities in those areas with little contribution to livelihoods.477

Additionally, the rural areas are constrained by several other structural and institutional factors. In both Kyrgyzstan and Uzbekistan, most people have access to arable land.478 However, the landholdings are too small and too “fragmented to allow for economies of scale in production.”479 As is described by a UNDP study in rural Kyrgyzstan (and it also holds for Uzbekistan too) farmers in general use primitive techniques; and tractors or other machinery are owned by relatively affluent people in

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476 Survey No. KG28.1.
the villages.\textsuperscript{480} According to household surveys, in terms of agricultural investment in only one case—a Kyrgyz household in the Chui oblast—did the respondent mention buying a tractor to improve production.\textsuperscript{481} Almost in every case respondent showed their discontent with the difficulties of farming and high costs of fertilizer and other inputs.

Structurally the organization of agricultural production is different in Kyrgyzstan from Uzbekistan. In the former, fast privatization has transformed agricultural production significantly. In Uzbekistan, three organizational forms of agricultural production exist. These are agricultural cooperatives, or \textit{shirkats}, the agricultural business entities in the form of \textit{fermer} enterprises, and the small farm households, \textit{dehqons}. Production in the \textit{shirkats} is based on a system of annual contractual obligation between the agricultural cooperative and the heads of families: The family is assumed to produce a fixed amount and quality of a certain product and to deliver it on certain time to the agricultural cooperative, who is, on the other hand, obliged to purchase at a price fixed in advance. The \textit{fermer} enterprises are leased to farmers for up to 50 years; and, finally in the \textit{dehqon} form of production, the land is granted to the head of the family for life; the land is allowed only the usage of the family members, and workers from outside is not allowed, and the land may be bequeathed by him to his descendants.\textsuperscript{482} Consequently, in Uzbekistan the institution of property ownership is different than Kyrgyzstan; land cannot be owned but only rented for a certain time period while land-use rights are exploited.

\textsuperscript{480} UNDP 2003.
\textsuperscript{481} Survey No. KG9.1.
\textsuperscript{482} IAMO 2008.
It seems that in both Kyrgyzstan and Uzbekistan most rural inhabitants face a variety of structural and institutional obstacles. Small pieces of private plots and labor intensive family farming do not allow households to enjoy the scale economies and modern machinery and techniques. This explains the low agricultural productivity of the households. Particularly in Kyrgyzstan there is a gradual shift from mechanized farming to labor intensive production due to high cost of hiring machinery. This has consequently reduced agricultural output and productivity in most rural areas.483

As an example for the inefficient usage of land and agricultural activities, one respondent from Northern Kyrgyzstan said that

We are experiencing difficult times. Our animals were stolen, so we have fallen into debt which we have not paid yet. We rented land from the government; thus we owe 1,400 Som to the government. (1HA= Com 350). But, we could not cultivate it because our sons are away, and daughters are studying. It is sad to see that all the young people have left the country.484

Under these conditions, cattle breeding have become main income source for people in rural areas with limited arable land; and “The number of cattle one owns is one of the main criteria of wealth in all villages. According to the survey, poor people mostly have at least one cow or horse and some sheep.”485 Due to poor infrastructure in both Kyrgyzstan and Uzbekistan marketing of cattle, meat, wool, leather, milk and dairy products is very limited, and they can only be sold in the local bazaars. For rural Central Asians lack of agro-processing facilities and poor transportation are main problems to the marketization of rural production. Due to lack of marketization in these countries, “Prices are very low resulting in low-income earnings.”486

484 Survey No. KG25.1.
From the field research I have observed that it was very difficult to obtain credit from the commercial banks in both Uzbekistan and Kyrgyzstan. It is also mentioned in an empirical study that “Access to credit from formal financial institutions is virtually very difficult for many people, as they could not meet the conditions required by such institutions.”

On the other hand, as an important component of government’s poverty alleviation strategy in the Kyrgyz Republic the micro-credit development program has started in 2000. According to the program’s preview, recipients are given an opportunity to increase their income generation prospects. As can be seen in Table 4.8 below, in 2003, over 166,000 people obtained micro-credit loans, that is almost twice more than the figure in the year 2000. The volume of these credits was increased from Som 1,240 million in the year 2000 to almost Som 2.4 million in 2003.

Table 4.8: Micro-Credits in Kyrgyzstan

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recipients of micro-credits (persons)</td>
<td>94,190</td>
<td>98,397</td>
<td>131,522</td>
<td>166,021</td>
</tr>
<tr>
<td>Total micro-credits provided (million Som)</td>
<td>1,240</td>
<td>1,257</td>
<td>1,673</td>
<td>2,360</td>
</tr>
</tbody>
</table>

Source: NSC 2005a

One empirical study conducted by a group of local scholars portrays the perception of individual peasants: most people in rural areas find microcredit interest rates too high and repayment periods too short.

This same study reports that in the early stages of microcredit programs many bankruptcies were seen because some people receiving microcredit used these funds for consumption (e.g. wedding); and some others failed due to little knowledge about how to run an effective enterprise.

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487 UNDP 2003, p, 30.
Besides, “People who live in villages far away from urban centers use microcredit to grow crops and raise livestock, which are not as profitable as trading.”

Additionally, in an empirical study, scholars give evidence to suggest that substantially more respondents in rural areas (17%) were unable to repay loans and became bankrupt after taking microcredit compared to urban respondents (4%).

In terms of interregional variation in the case studies, my observations coincide with statistical information that “Labor migration is less common in the northern oblasts of Kyrgyzstan (Narin, Talas, Issyk-Kul, and Chui) which enjoy a greater abundance of arable land and suitable pastures.” It also holds for Uzbekistan that labor migration is more common in the densely populated Southern Ferghana Valley oblasts. On the other hand, one local notable in Kyrgyzstan told me that in Northern Kyrgyzstan, it is common to see that peasants do not use their land as efficiently as their Southern counterparts due to the Soviet-era spoils system. According to her, Northerners do not know well how to do farm businesses and cultivating the land; thus, they often waste their lands.

Table 4.9: Micro-Credits by Oblast in Kyrgyzstan
(Per 1,000 persons of the resident population of the region)

<table>
<thead>
<tr>
<th>Oblast</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kyrgyz Republic</td>
<td>19.3</td>
<td>20.0</td>
<td>26.5</td>
<td>33.1</td>
</tr>
<tr>
<td>Bishkek city</td>
<td>26.3</td>
<td>2.8</td>
<td>2.2</td>
<td>7.2</td>
</tr>
<tr>
<td>Chui</td>
<td>13.0</td>
<td>40.6</td>
<td>40.8</td>
<td>46.6</td>
</tr>
<tr>
<td>Issyk-Kul</td>
<td>22.6</td>
<td>34.5</td>
<td>58.5</td>
<td>75.3</td>
</tr>
<tr>
<td>Naryn</td>
<td>11.3</td>
<td>5.7</td>
<td>16.8</td>
<td>30.7</td>
</tr>
<tr>
<td>Talas</td>
<td>8.0</td>
<td>9.4</td>
<td>33.5</td>
<td>45.1</td>
</tr>
<tr>
<td>Batken</td>
<td>25.7</td>
<td>5.2</td>
<td>19.1</td>
<td>19.0</td>
</tr>
<tr>
<td>Jalalabad</td>
<td>17.7</td>
<td>15.9</td>
<td>21.8</td>
<td>23.8</td>
</tr>
<tr>
<td>Osh</td>
<td>25.3</td>
<td>31.7</td>
<td>35.8</td>
<td>46.1</td>
</tr>
</tbody>
</table>

Source: NSC 2005a

490 Mehrigjiul Ablezova et al 2004, p, 32.
491 Igor Rubinov 2010.
In the year 2003, while micro-credits were overwhelmingly used by the residents of Osh (47,000) and Chui (35,000) oblasts; the majority of applications for these loans were for developing businesses in the retail trade and service sectors. In the agricultural sector, in the year 2003, most of micro-credits were used in order to process agricultural products and selling bread, butter, milk and other dairy products; in comparison with the year 2000, in 2003 the proportion of micro-credits used for agricultural purposes has decreased by one third.\(^492\) The widespread usage of micro-credits in the Osh and Chui oblasts is highly likely to be related to increasing trade activities in wholesale and retail bazaars of Dordoi (in Chui), Osh (in Bishkek) and Karasuu (in Osh). This pattern also confirms the general finding that individuals in rural Central Asia tend to show protective and acquisitive behaviors (mostly rent-seeking) rather than productive investment. All of these micro behaviors are affected by the larger structural problems that mostly inherited from the Soviet Union and regularities, practices, and habits that have been created in the past. Consequently, an insignificant amount of remittances allocated in agriculture (except livestock breeding) and land in both Uzbekistan and Kyrgyzstan. That is mostly due to the low rate of return that discourages investment in this sector.\(^493\)

### 4.6.2.3. Investment in Business Creation and Development

According to a survey conducted in 2004 by local scholars in Kyrgyzstan, a significant proportion of remittances is allocated to investment. They report that 111 small scale enterprises were opened by former labor migrants who have earned their

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\(^{492}\) NSC 2005, p. 61.

\(^{493}\) Rachel Murphy 2006.
initial capital during their trips to Russia. These former labor migrants created 3,700 jobs in their home country.\textsuperscript{494} In another study, it is reported that “Kyrgyzstan’s more open economy has allowed the emergence of small businesses, such as the highly successful clothing businesses that employ tens of thousands of locals.”\textsuperscript{495}

During my field survey, I observed that there were many positive contributions of remittances such as new ways of making money in some locations. For example, a local notable in a small town of Osh oblast informed me that people are getting richer with migration or trade, and they adopt new production and consumption patterns. She said that “as migrants see new life styles abroad it quickly transforms into a new business here.”\textsuperscript{496} When I visited several rural and urban locations in Central Asia during the field research in the Northern and Southern parts of both Uzbekistan and Kyrgyzstan, I observed that increasing wealth has brought about better living conditions such as larger houses with modern amenities. Once, I went to a hamam in medium size town in the Osh oblast of Kyrgyzstan. My hosts told me that this is just one example for the newly emerging service sector businesses. These cases show that remittances affect social and economic life in the sending communities with demonstration and multiplier effects.

When someone observes these sorts of migration outcomes he or she might have an entirely positive consideration towards migration’s developmental impacts. However, in order to see the larger picture and to evaluate these outcomes objectively one needs to use a proper benchmark. According to a migration scholar who holds a structuralist standpoint regarding the remittance and development nexus,

\textsuperscript{494} Lyudmila Maksakova and Ainura Elebaeva 2003 cited in Elena Sadovskaia 2006.
\textsuperscript{495} Erica Marat 2009, p. 10.
\textsuperscript{496} Interview was held in December 2007 in Osh.
Development is not just ‘growth’ in the sense increased GDP income from remittances or natural resources or even more inputs leading to more outputs. Development involves change through differentiation, diversification, and transformation in the products and in the underlying processes of production – all of which might be hidden in the black box of increased total factor productivity.\textsuperscript{497}

Accordingly, the association between remittance and development should be seen from the perspective of factor productivity along with the evolution of local economy towards a more diverse body which includes proliferated products and advanced processes of production. In Central Asian rural sites, it seems that for many respondents the only known investment is to buy livestock; however, this has little likelihood to turn into productive investments with increasing factor productivity, job creation, differentiation, diversification, and transformation in the products and in the underlying processes of production, or higher levels of multiplier in the local economy. Because, in the sending regions there are often limitations due to poor infrastructure, access to finance, access to production (agro-business) and consumer markets.

In the analysis of investment through remittances, the most crucial element is entrepreneurial activity, which is “a catch-all term for any type of self-employment.”\textsuperscript{498} A migration scholar categorizes remittance-induced businesses that exist in the migrant sending areas.\textsuperscript{499} According to this categorization, investments are made in small grocery shops and other retail activities as the most common type; and investments in transportation, such as taxis, delivery vans and trucks are the second most important investment category; the third most common migrant activity is the

\textsuperscript{497} David Ellerman 2003, p. 45.
\textsuperscript{498} Dean Yang 2006, p. 25.
\textsuperscript{499} Hein De Haas 2006.
establishment of coffee houses, restaurants, and small hotels; finally, there is a miscellaneous category of various small-scale investments, ranging from telephone shops, workshops, (e.g. car and motor repair shops) to tailors and laundries.

In the same way, during the field survey I noted three major types of business creation and entrepreneurship: 1-) small manufacturing or service oriented enterprises; 2-) trade and retail sales activities, and 3-) transportation.

In the first category, among Kyrgyz surveys there were four cases that respondents mentioned: building a manufacturing establishment at home to produce local hats (kalpak), establishing a sewing workshop, opening a bakery shop, and buying a container in the Karasuu Bazaar. This fourth case in the first category aims to have rental revenues.

In the second category, respondents mentioned their future plans that had not come to realization yet. These were running a grocery store, buying a gas station, buying a store and opening a café both were planned for the capital city (Bishkek), opening a store to sell hardware materials for construction in Osh, establishing a small business at the local bazaar, and bringing used television sets from Kazakhstan and selling them in Bishkek.

In the third category, transportation, there were a few cases where respondents talked about their future plan to operate a taxi cab, to upgrade his car so as to be used as a taxi cab, buying a car, or buying a truck as a basis for a variety of transportation jobs.
While conducting surveys with Uzbek migrants in Turkey, I found a few other types of business. For example, one respondent who mentioned building a manufacturing business, stated that

In Uzbekistan, especially in the more recent period, it is easier to build a business. I have heard that Uzbeks in Ankara first work in manufacturing jobs, and then they convince their bosses to relocate their businesses in Uzbekistan. There are a lot of tax incentives in Uzbekistan to attract foreign investment, and there is a lot of potential in a variety of sectors such as carpet cleaning, house appliances, spare parts for automobiles, food processing, and more.500

In another occasion, an interesting venture about a migrant- (or remittance-) induced entrepreneurship, is told by an Uzbek respondent. He said that

My brother used to work in Ankara, Turkey, for a couple of years as a cook. Later he convinced his Turkish bosses, and they decided to make investments in Tashkent Uzbekistan. Turks put financial resources, and my brother contributed with his ideas and connections, and logistical support to facilitate building a fish farm in Tashkent.501

While analyzing all of abovementioned cases in Central Asia regarding the development of small and medium sized businesses, which could act as the engines of growth in these countries, three major obstacles at three levels are noteworthy: national level (e.g. macroeconomic instability), institutional level (e.g. weak financial institutions), and micro level (e.g. imperfect practices and norms).502 As it is argued by migration experts, the weak realization of the developmental potential of remittance inflows is mostly related to “…structural obstacles at the local, national, and international levels. The combined impact of these obstacles has been to confine

500 Interview was held in August 2008 in Ankara.
501 Survey No. UZB12.1.
villagers’ entrepreneurial activities to limited spheres, few of which provide adequate foundations for the emergence of sustainable patterns of economic development.⁵⁰³

In economists’ eyes, individuals or communities at large allocate scarce resources into three major activities to acquire, protect, and produce wealth.⁵⁰⁴ In extraordinary conditions such as the transition economies of the post-Soviet areas, as the system is transformed from central planning to market allocations and collective ownership gives way to private property rights, micro economic behavior is guided by newly adopted but unfamiliar incentive systems, sanctions, and opportunities. For example, in the Central Asian context, a scholar described general attitudes of entrepreneurs in the first years of independence (early 1990s):

A new generation of entrepreneurs prefers short-term investments in trade, investment funds, and financial transactions; while they are eager to engage in any kind of speculative operation, they have no interest in savings or investment.⁵⁰⁵

While analyzing the entire post-Soviet transitions, institutionalism scholars concluded that “the incentive structure is such that protective and predatory behaviors continue to dominate productive behaviors.”⁵⁰⁶ Consequently, within this ambiguous transition environment it was expected to see that in Central Asia individuals would see powerful incentives for predatory and rent-seeking alternatives; thus, they might tend to allocate their scarce resources, including remittances, into protective and acquisitive activities rather than productive ones.

While the weak state structure has caused the emergence and later reinforcement of informal networks and norms in the economic, political, and social

⁵⁰³ Samuel Maimbo and Dilip Ratha 2005, p.5.
⁵⁰⁴ Edgar Feige 1997, pp. 22-33
⁵⁰⁶ Edgar Feige 1997, pp. 22-33
domains in Central Asia; paradoxically, efficient developmental outcomes of migration and remittances necessitate disciplined state institutions and regulation. “As with other drivers of global integration, remittances present a challenge of regulating informal forces in ways that harness their vast benefits while seeking to minimize their unwelcome side effects.”\textsuperscript{507}

A scholar notes that the relative success of Chinese economic development vis-à-vis the Russian case is related to its strong and disciplined state and bureaucratic organizations and institutions. Although this variation in the transitions may be related to different preconditions in those countries, regarding the economic transition of Russia and other post-Soviet countries, including Central Asian nations, the weak state structure and its bureaucracy caused the emergence and later reinforcement of informal networks to substitute for some roles of the state in the economic, political, and social domains.\textsuperscript{508}

Another major trend among new entrepreneurs of Central Asia regards the impact of informal institutions. It seems that Soviet era networks, norms, and habits dominate the post-transition economies and individual level behaviors.\textsuperscript{509} It is apparent that people within an uncertain transition environment turn their attention to informal rules and relationships in the absence of reliable authorities and formal institutions. Accordingly, this dissertation seeks to understand how recipients of remittances make their investment decisions within a “turbulent and often hostile” environment.\textsuperscript{510} At the micro level rural Central Asians are also constrained by lack of

\begin{footnotesize}
\textsuperscript{507} Devesh Kapur and John McHale 2003, p. 51.
\textsuperscript{508} Anders Aslund 2007.
\textsuperscript{509} Edgar Feige 1997, pp. 32-33.
\textsuperscript{510} Gul Berna Ozcan 2008, p.85.
\end{footnotesize}
knowledge regarding entrepreneurial skills as well as availability of starting capital to initiate income-generating economic activities.\textsuperscript{511} Additionally, “The people were not used to working independently in solving their local development concerns, being dependent on the government for many years.”\textsuperscript{512}

A respondent (33 years old, he has 3 years college education, and married) from a Southern town in Kyrgyzstan said that

I and my middle brother (age 31, he has 2 years college education) have been working in Moscow since 2005 as construction workers. The first move came from our youngest brother (age 28, he has 2 years college education) in 2004; we later joined him. In Russia, it is more convenient to work with family members in order to minimize the cost of living. Thanks to God, we made some money during our stay there. We want to establish business altogether, but we don’t know what to do. The state should show us direction and perhaps give some incentives while creating our businesses.\textsuperscript{513}

Furthermore, as people feel that they do not have access to state’s guidance about business development, historical continuities become more influential. As an example for the effects of historical structures on today’s economic activities at the macro level, one scholar emphasizes a historical pattern in Uzbekistan: “Many mahalla specialized in trades such as metalworking, music, or food production, and some of their names reflected these specializations.”\textsuperscript{514} Having understood the power of the disciplined mahalla system in Uzbekistan, “Donors active in economic issues rely on mahalla to administer microcredit programs and Uzbekistan itself has established and funds six dozen ‘factory mahalla’ zones charged with building small businesses.”\textsuperscript{515}

\textsuperscript{511} UNDP 2003, p. 20.
\textsuperscript{512} UNDP 2003, p. 19.
\textsuperscript{513} Survey No. KG99.1, KG99.2, and KG99.3.
\textsuperscript{514} Eric Sievers 2002, p. 108.
\textsuperscript{515} Eric Sievers 2002, p. 132.
Another important path-dependent economic activity as a continuation of the Soviet heritage is bazaar economies: “the bazaar has emerged as an integral part of social, economic, and political life in many regions across the Newly Independent States (NIS) and especially in Central Asia.” In Kyrgyzstan, there are large wholesale and retail bazaars where one may find a variety of consumer goods from China, Iran, Turkey, and Russia. Dordoi (in the north near the capital, Bishkek) and Karasu (in the south, near the city of Osh) are the two largest wholesale bazaars, and Osh (in the Bishkek city) is the largest retail bazaar in Central Asia. While a variety of small and medium size bazaars in Kyrgyzstan serve the needs of local consumers, the two largest wholesale bazaars (Dordoi and Karasu) are distinct in their function to serve and supply retail traders from neighboring countries, Uzbekistan, Kazakhstan, Tajikistan, and Russia, who buy Chinese, Turkish, Korean, and local products. Another function of these large bazaars is as local production, particularly textile and handicraft (wool slipper, hats, shoes, handbags etc.) has flourished in the shadow economy these goods are easily finding their consumers in these large wholesale bazaars. In other words, these bazaars have serious impact to foster local production although it grows up in the shadow economy.

In these large open air markets, sellers use double-stacked shipping containers that are used as a shop and storage. The shipping containers are rented or sold as one of the most profitable economic activity in Kyrgyzstan. People are ready to buy or sell these containers for hundreds and even thousands of dollars depending on their location in the bazaar. It is also possible to have rental revenues from these containers

516 Regine Spector 2006.
517 Regine Spector 2006.
on a monthly basis. “Today, some of the most valued containers in wholesale bazaars sell for at least USD 40-60,000, indicating the huge trade turnover that allows people to make enough profit to pay such amounts for a container.”

A male respondent (33-years old, high school graduate, and married) from Jalalabad oblast of Kyrgyzstan said that

My first departure was this Spring in the year 2007. I have left my village for Moscow, Russia. I worked in the construction works there. And I just came back recently. In this first trip of mine, I could bring only a small amount of money since I had to pay my debts. I don’t have a specific plan; however, if I could save enough money I would buy either a car or a container in the Karasu Bazaar in order to make extra profits.

Another example might be given regarding path dependent business practices, such as the evolution of small trading into more advanced economic enterprises. Turkish government has financed a number of scholarship programs supporting Central Asian countries at their initial years of independence, students from these countries were given full funding at several Turkish universities. In the same years, suitcase traders from Central Asia had already started to discover the Turkish market: suitcase trade was a significant development because many who were involved in this trade eventually came to set up businesses (shops and small factories) in their country of origin or in Turkey with Turkish partners. Among graduates from the Turkish scholarship programs for Central Asians “many are often employed in the information technology sector, and especially in Turkish business world that operate in the ex-Soviet world.”

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519 Survey No. KG78.1.
520 Kemal Kirisci 2008, p. 4.
In the post-Soviet Central Asian domain where regimes are mostly described by arbitrary rules, and corruption is widespread, it is typical to see conflicts between formal institutions and informal norms. Therefore, it is inevitable to observe a variety of economic activities in the shadow economy.\textsuperscript{522} In other words, when one understands the effects of “the institutional structure of the earlier Soviet regime and the legacy of noncompliant ‘secondary economy’ behaviors induced by its perverse incentive systems” on post-Soviet citizens’ perception of what is right and wrong it becomes easier to see why people adopt their goals and formulate their rational behavior as they do to reach those goals.

It is clear that in the Central Asian countries of Uzbekistan and Kyrgyzstan, macro level impediments cause micro economic behaviors to be different from other places where macro level political and economic institutions are stable. Thus, people in Central Asia are designing coping mechanisms, as a reaction to the weak formal institutions.\textsuperscript{523} One study about Uzbekistan’s small enterprises notes that “Anecdotal evidence suggests that profitable businesses choose either to expand unofficially or to change the nature of their operations to remain unnoticed.”\textsuperscript{524} Due to the Uzbek government’s imposition of a more advantageous lump sum tax on microenterprises, it is “the fastest-growing segment among small and medium-sized firms, according to interviews with local business associations and researchers.”\textsuperscript{525}

Furthermore, low income families tend to rely on trade rather than production, and they tend to put their savings into commodities and liquid assets such as roofing

\textsuperscript{522} Edgar Feige 1997, pp. 32-33.
\textsuperscript{523} Sally Cummings and Ole Norgaard 2004; Erica Marat 2006.
\textsuperscript{524} Nancy Vandycke 2004, p. 247.
\textsuperscript{525} Pauline Jones-Luong 2004a, pp. 209-210; Interview with Respondent XX.
materials, trees, and herds. The preference of these assets by Central Asians is related to the interaction between social customs and economic behaviors. A description by an Uzbek respondent (working in Ankara, Turkey) could be interesting:

I came to Turkey 10 years ago. My wife and two boys later joined me. Because of cultural similarity I am feeling comfort here. However, we all miss our country. Due to better educational opportunities we tend to stay here for a few years more. My older son has obtained full scholarship from a private Turkish university (one of the best in Turkey). In any event, we will return back to Uzbekistan. As an investment, I put my savings into aspen trees for my son’s wedding expenditures. It is the most reliable and profitable investment in my hometown, Andijan. In our village, most people do the same thing for their future investments: they buy these trees when they were young, and both their children and trees grow together.526

In both Kyrgyzstan and Uzbekistan, people often suffer from a predatory business environment. Small and medium-sized businesses feel insecure. In the Kyrgyz case, weak state institutions, endemic corruption, and lack of implementation are creating an unfavorable business climate in which “heavy taxes, multiple administrative barriers, and bureaucratic control is particularly damaging to small and medium-sized enterprises, driving them into the shadow economy.”527 In the Uzbek case, excessive state control also constrains small and medium-sized enterprises, and they sometimes prefer to change sectors to get rid of heavy bureaucratic pressure. While focusing on the structural challenges in post-communist Central Asia, one study underscores that

It is possible to be successful in a turbulent and often hostile environment. One such ‘turbulence’ is caused by weak institutions that allow corruption, informal networks and bribery to influence private business development. It is here that networking takes on particular importance as demonstrated in most of the case studies.528

526 Survey No. TR27.
527 Pauline Jones-Luong 2004a, p. 229
528 Ruta Aidis and Friederike Welter 2008, p.5.
In transition societies, one of the most significant trends is the increasing volume of informal economic activities, the roots of which lie in Soviet era macroeconomic policies. The second (or shadow) economy runs with its informal rules and social networks. An empirical study based on 1998 survey regarding the scale of informal activities in the Kyrgyz labor market revealed that 40 per cent of the working-age population in the country is employed in informal economic activities such as petty trading. In another study the magnitude of the shadow economy as of 2002 is estimated around 39% of official Kyrgyz GDP and 33% of Uzbek GDP. For the same year, the World Bank estimates that up to 50 percent of national GDP in Kyrgyzstan, and 35-40 percent of national GDP in Uzbekistan are unrecorded. The potential danger is that “Although the shadow economy may have played a positive role in the early stages of transition, acting as a safety valve or coping mechanism as the official economy collapsed, a shadow economy can become self-propagating and limiting of long-term growth.”

According to the UNDP figures, in Uzbekistan the share of the private sector in the national economy is on the rise. In 2000, the share of the population engaged in the new private sector as percent of total employment was 47.8%, and it increased to 53.6% in 2003. On the other hand, the share of the population engaged in the informal sector as percent of total employment has also increased from 41.6% in 2000 to 48.6% in 2003. Additionally, the share of informal sector in GDP has remained stable.

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530 It is estimated by Djankov and Murrell (2002), cited in Jane Falkingham 2005, p. 358 (End Note 3).
531 Cited in Francine Pickup 2003, p. 49.
around 31-32% in this period.\textsuperscript{533} Among the transitioning post-Soviet countries, the share of informal sector has gradually increased; for example, in Russia it became close to 50\% in 2004.\textsuperscript{534}

During my surveys, when answering open-ended questions, many Kyrgyz (more so) and Uzbek respondents complained about the lack of state involvement in the economic field to help them in many issues. As a legacy of the Soviet era people still expect from the state first to provide security and justice, and then to show them direction in their economic activities, particularly in terms of their investment and business initiatives. It seems that in order to increase the developmental potential of migration and remittances, national governments must be more active, especially in small post-Soviet states such as Kyrgyzstan. Otherwise fragmented investments and savings cannot translate into large investment projects.

During the household survey, it might be noteworthy to reflect the views of two respondents (from the same household, they are married with each other, and both have high school education). They were from the Chui oblast of Kyrgyzstan, and they informed that

\begin{quote}
We have been working abroad for a long time. My husband first went to Novosibirsk. And later I joined him. We have started to build a house for us. It is always the first priority for migrants. And after we complete our house, the next step would be to start our business. We are planning to merge our capital with our relatives, and we will establish a bakery shop. We have already bought land in Poltovka (30 km to Bishkek). The next step is to save a little more to construct the building and to obtain other equipment.\textsuperscript{535}
\end{quote}

One policy expert maintains that there is a need for the emergence of a large labor-intensive private sector, particularly the SME development, as a recipe for

\begin{footnotesize}
\begin{itemize}
\item[\textsuperscript{533}] UNDP 2005, p. 89.
\item[\textsuperscript{534}] UNDP 2006.
\item[\textsuperscript{535}] Survey No. KG42.1 and KG42.3.
\end{itemize}
\end{footnotesize}
successful economic reforms in Central Asia. According to this expert, the main barriers to SME development are “restrictive red tape, overwhelming entry regulations, corruption, rent-seeking in the tax and customs departments, complex tax regulations, restrictive access to credit and lack of business knowledge.” Due to those barriers to SME development “Many SME operate in the informal economy because of problems to start up business, high taxes, and excessive government interference.” In addition to that, in a media report, the executive director of the Kyrgyzstan’s Union of Businessmen translates perhaps one of the most common complaints shared by all small businesses: “If electricity is cut in residential areas usually the power goes off in small businesses too because most of them are located downtown, not in the industrial areas outside of the city,” while “Big industries have big connections and can lobby for a spare power cuts regime or full supply.”

In an empirical study about Kyrgyzstan, scholars underline business owners’ motives to evade paying their taxes “[they] bribe inspectors instead of paying taxes; some respondents further argued that businessmen are compelled to violate the law because taxes are so high that they would ‘eat up their profits’. It is interesting to note that predatory behavior is not the characteristics of only ordinary people but also the state shows predatory tendencies. For example, in a migration study it is reported that “In late 2008, Kyrgyzstan’s President Kurmanbek Bakiyev amended the tax code so as to increase the taxes imposed on small and medium businesses by tenfold.”

536 Francine Pickup 2003, p. 4.
537 Francine Pickup 2003, p. 12.
539 Vanessa Ruget and Burul Usmanalieva 2007, p. 448.
540 Erica Marat 2009, p. 11.
It would be noteworthy to cite a couple of financially most successful migration cases among household surveys. One respondent in the Osh oblast of Kyrgyzstan revealed her views about the ways of becoming economically successful:

In our family, the first initiative to migrate came in 1997 from my oldest child, who later influenced her two younger sisters and 3 brothers to migrate. My oldest child is 31 years old now. She graduated from a 5-year history-pedagogy department with the highest honor red-diploma. She worked as a teacher for some time in 1997; however, she soon decided that the low level of income from the school was unbearable. Her husband was thinking about moving abroad for higher income potential. In Irkutsk city of Russia, her brother-in-law invited them to come and work with him in the local bazaar. Finally, she was convinced to leave. In 1997 she and her husband left. They started to work in the bazaar with the brother-in-law. In the past, it was possible to make as much as USD 20,000 in the Russian bazaars. But, now each passing day it becomes harder and harder to make money. Nonetheless, my children have been able to save enough money to secure their future.541

In another financially successful migration case a respondent from the Osh oblast of Kyrgyzstan (male, age 31, ethnic Uzbek, 3 year university education, married) said that

Due to bad economic conditions I left my hometown in 1994. I first went to Samara, Russia. And I worked as a butcher there for a couple of years. Later, I have worked in different jobs. As a family tradition I had experience in many different enterprises including tradeship in the local bazaars; for example, my mother is currently running a café in Osh. Recently, I and my older two brothers decided to go to South Korea. We want to establish connections to do auto tradeship.542

In the Kyrgyzstan’s context, these cases are one of the most financially successful ones. These successful migration stories tell us a few lessons about Central Asian context. Successful entrepreneurs are people who hold all or some of the characteristics: relatively well-off and better educated people; people who are innovative; people who are relatively more advantageous to be able to have access to well-established and powerful networks at public and private domains; people who

541 Survey No. KG 101.1.
542 Survey No. KG 93.1.
have ability to mobilize intangible assets, and have business experience in the past (through family business and/or individual efforts); people who have enough and correct information; people who have entrepreneurship skills so as to turn these resources into financially promising investments; and people who have business connections in the urban centers.

4.7. Conclusion

In light of the impact of sociological institutions on migrant decisions in the entire process of their migration experiences including their investment plans this section analyzes sociological drivers of those individual decisions. Within their contextual environment micro level behaviors such as allocation of remittance monies into different consumptive and investment categories are heavily influenced by sociological institutions and their dynamics. In Central Asia micro level behaviors seem to be just a reaction to the structural shortages instead of productive initiatives for the society at large. One study displays empirical evidence of different coping strategies with the help of social networks: in the transition economies entrepreneurs have to deal with poor governance (and property rights), demand-side and supply-side distortions.

One of the major outcomes of the early political-economic reforms in Central Asian republics is that many small enterprises have preferred to operate in the shadow economy due to weak state capacity (ambiguous legislation, imperfect regulation, weak enforcement, and rampant corruption). From the perspective of individual actors, the key to success might be in networking and the usage of informal rules of
the shadow economy; however, social networks cannot solve the larger structural problems. As is pointed out in an empirical study, “Recent studies in transition economies show that these networks are good at helping the initial start up and survival; but at some later point they hinder further development and innovative capacity.” In sum, migrants’ investment decisions in the spheres of agriculture, land, and business all hold protective and acquisitive character rather than fully productive ones. Thus, in line with sociological institutionalism premises, national states while forming new formal institutions and their incentive structures must take into consideration societal dynamics such as regularities, norms, daily habits, and even people’s common expectations at the micro level. As said by a scholar developmental reform projects must focus on playing with social institutions and national policies must recognize the societal dynamics and realities. After finding the drivers of microeconomic behaviors it could be possible to aggregate them into macro level projections, and to evaluate developmental outcomes for the sending communities.

543 Gul Berna Ozcan 2008, p.X.
CHAPTER 5

CONCLUSION

This dissertation answers two sets of questions that remain unsettled in the migration literature: 1- How do sociological institutions and individuals’ rationality interact with each other, and they affect potential migrants’ decisions about (a) whether to leave, (b) where to go if they do leave, (c) propensity to remit; and they also affect actions, goal-setting, and ultimate decisions about a variety of migration related issues that each has potential to foster development in the home country such as (d) the usage of remittance monies in a variety of social and life cycle events, (e) interfamilial relations and reproduction of society, (f) the propensity and major patterns to allocate remittances into saving, investment, and consumption? 2- In what way are social context and sociological institutions impacting other migration related issues, especially whether remittances are used successfully to foster development in the home country?

I find the core determinants of labor migrants’ decision-making patterns and developmental prospects in the labor sending regions of rural Central Asia. I analyze international labor migrants’ behavior, such as their usage of remittances, and try to find out the impacts of individual behavior on the developmental outcomes in the sending regions. I find very little variation on the developmental performance between labor migrants of Kyrgyzstan and Uzbekistan. According to my findings, I contend that path dependent social environment plays a greater role in potential
migrants’ decision-making and potential developmental outcomes than dominant theories suggest.

Addressing the research question of this dissertation enables policy-makers further consideration of “Why does labor migration provide more positive outcomes such as productive investment (with migrants’ remittances) in some countries (or communities) and not in others?” While trying to find answers for this question the dissertation contributes to migration development literature in a way that it presents specific cases from the post-Soviet domain, and

1- It analyzes the patterns and scope of labor migration from the Central Asian countries of Kyrgyzstan and Uzbekistan in the post-Soviet era.
2- It analyzes labor migrants’ economic behaviors along with their interaction with the social context, and it checks whether there is a variation in migrants’ behaviors in these two contexts.
3- It investigates the role of historical and institutional dimensions of the social context within which migrants’ goals and available tools to reach those goals are specified.
4- It contributes to the endeavors to formulate proper strategies and national policies by sending countries’ governments to enhance their developmental prospects.

Having made a cross-country and cross-regional analysis, this dissertation finds a significant variation in terms of some personal characteristics of migrants. For example, well-educated and well-connected people with powerful social networks, who have business connections in the urban centers, are more successful regarding the
labor migration’s economic pay-off. In addition to that Soviet Union’s legacy has explanatory power in the migration outcomes. For example, many structural and institutional impediments have been related to the Soviet developmental policies. The combined effects of Soviet development policies and unfinished reforms, relatively higher birth rates, sectoral and geographic concentration of indigenous population into the least modernized occupations and rural areas, ever growing informal economic activities, in the Soviet era are significant factors to understand the current sociological context and institutional framework in Central Asian societies where private economic decisions are made in the absence of robust state institutions.

The developmental impacts of labor migration and especially remittances might potentially be increased by appropriate public policies with a better understanding of social institutions especially networks and influential norms which are shaped within historical processes. For a better understanding of the post-communist transitioning countries and their hardships to be able to design efficient public policies it would be useful to shed more light on the complex interaction between individuals and their social context on the one hand, and states and global economic trends on the other. For instance, it might be useful to analyze new entrepreneurs of the post-Soviet era with their unique informal practices, their decision-making patterns, and the way they refashion themselves so as to be capable of meeting the challenges of the new conditions. And this trend of increasing substitution of informal institutions and practices seems to be a real threat to the state and its sovereignty in these politically fragile settings.
While focusing on the decision making at micro level it is important to analyze the impacts of sociological dynamics from the first decision to migrate to every aspect of the migration process. The conventional theories see potential migrants as fully rational actors; the reality is different, which helps explain, for example, why Central Asian migrants usually go to Russia, rather than another country such as Japan. Thus, this dissertation study makes micro-analysis of labor migrants regarding their decisions starting from the initial migration decision to the usage of remittance monies so as to assess the validity of the hypothesis that labor migration from Central Asia is a boundedly rational and socially informed household coping strategy in these transition environments; and additionally, labor migrants and their families are only partly rational constrained by historical macro structures, built-in, and social limitations. Empirical evidence is given to support the hypothesis that in the contextual environment where the state institutions are weak and labor migration is not only a household coping strategy to serve income diversification, but is also a means to overcome local developmental constraints on investment. Therefore, on the question of economic development, I find that the role of the state is central in explaining outcomes especially in the post-Soviet transitioning societies.

States’ relative weakness in the face of global economic trends makes the migration-development conundrum more complicated. The role of state in turning migration’s potential impacts into part of an effective national development policy is crucial. Scholarship on development studies agrees certain macro variables are prerequisites for achieving successful economic development, including effective
state mechanisms, peace and order, and macroeconomic stabilization.” All of these highlights hold true for the Central Asian context. Thus, the crucial point for Central Asian labor exporting countries is that successful economic development cannot be achieved if there is no effective state providing stability, peace, infrastructure, and all other public services. “The claimed positive link between remittances and economic growth only applies if appropriate policies are put in place to improve governance and economic policies in countries of origin. Sound financial systems, stable currencies, a favorable investment climate and an honest administration are vital. In other words, development initiatives are needed to mobilize productive remittances – not the other way round.”

A migration scholar cautions against placing too much a responsibility and hope upon agency (individual migrant) at the expense of the institutional change. He maintains that developmental change would be possible if migration can be managed so as to promote development. Without publicly provided macro level support such as infrastructural investment or stability it would be hard to expect productive investments out of remittances. In the absence of macro level support or stability, the aggregate of remittance induced transactions, as each one of them is a decentralized decision, cause ‘too small and too many’ micro businesses. In other words, despite of the huge amount of remittance inflows into those Central Asian countries, these resources cannot transform into the engines of economic development.

547 Ronald Skeldon 2008.
549 Ruta Aidis and Friederike Welter 2008.
without macro planning and/or institutional complement: and these nations “cannot take advantage of real economies of scale, cannot improve productivity by substantial investment in fixed capital, and cannot successfully compete in a globalizing world market.”

I argue that due to both macro level shortages and micro level perceptions in the Central Asian context there is a need for a strong state, and central governments need to adopt more interventionist developmental policies. The state is the only institution that can remove the existing political, social and administrative barriers that hinder people’s entrepreneurial capacity and their access to livelihoods and economic opportunities. State development policies must specifically be designed taking into consideration the structural – institutional context at both micro and macro levels. As suggested by migration scholars, “the migratory process needs to be understood in its totality as a complex system of social interactions within a wide range of institutional structures and informal networks in sending, transit, and receiving countries, and at the international level.”

And against the advice of major international organizations, a successful transition requires a powerful state and top-down change so as to establish well-functioning institutions and guide people in their struggles to adjust to the hardships of transition in every aspect of political, economic, and social life. In Central Asian societies, citizens not only remain dependent on the state for their basic welfare needs, but most importantly they continue to believe that the state’s primary role is to

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551 Babken Babajanian 2009b, p. 73.
552 Stephen Castles and Mark Miller 2009, p. 300.
provide for them. In an empirical study regarding local development in Kyrgyzstan it is argued that decentralization of power is not a solution for the transition societies. According to this study, the approach of international institutions regarding bottom-up interventions has proven to be futile since “bottom-up, community-driven interventions can hardly serve as a policy tool for achieving social and political change.”

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553 Kelly McMann 2004.
554 Babken Babajanian 2009a, p. 78.
APPENDIX A1
CENTRAL ASIA CONTEXT SURVEY
Part I: Establishing the Context

Basic Indicators & Major Trends in the Case Study Area: Team Leader (Kursad Aslan) will be getting answers/views for this part from the local authorities and general views she/he gets from the households

Name of the Village:

Number of Inhabitants:

Distance to Rayon Center:

Distance to Oblast Center:

Altitude:

1-

a-) Thinking about Case Study Area at the beginning of 1990s, just before the independence, tell me what it was like here?

- Who lived here? (demographic: ethnic, social, religious, economic, occupational structure).
- Also get information about tribal structure. Which ethnicities (mention also about “urug”s) were/are there in the community?

- What sorts of work did people do here at the end of 1989? What was the local economy based on?

- How was life different in general then?

- Were people’s basic needs met?

b-) When did people begin leaving CSA for the urban centers or for other countries?

c-) Where have people gone? Within country or abroad?

d-) Why have people left the CSA?
e-) Who has left and who stayed? Why?

2-)

a-) Thinking about Case Study Area at the 2000s and afterwards?

- What sorts of work do people do here recently? What is the local economy based on?
- How has the labor migration affected the local economy? Who migrated? Who left?
- Do you have any statistics or estimates about the number of migrants in this community and in the neighboring communities? What is the general pattern of labor migration in this community? Permanent, temporary, circular (periodical returns and go backs), seasonal? Major destinations? Major types of jobs acquired abroad?
- Do you believe that there have been emerging income/wealth differences between migrant-sending families and non-migrants? And are there similar differences between this village and neighboring villages taking into consideration their numbers of migrants abroad?
- Could you mention about changes in certain indicators such as “unemployment, poverty, local land/house prices, investment, and production; as well as changes in the major processes of agriculture, cattle breeding, or other productive opportunities;”
- Do you know any existing or planned “community projects” which are funded directly or indirectly with remittances;
- What do you think about actual or potential role of “ayil-okmoti” and other local institutions in regards to connecting the remittance incomes with productive investments or other community projects which could help common public needs?

b-) What is the average cost of going to Astana, Moscow, and other major destinations from here by different transportation vehicles?

c-) Is there any recruitment agency or broker in this community so as to help migrants in their way to go abroad? If there is not one in this community, do you have any information about migrants’ usage of these kinds of agencies in urban centers?

d-) Imagine that foreign countries or some major International Organizations such as the World Bank or IOM is interested in making some new investments in this community (both in Uzbekistan or Kyrgyzstan), in partnership with the local government and inhabitants, whose relatives are living abroad for work, so as to help stimulate local economic development. In your opinion, what are the most important economic development needs in this community and how could those international institutions and/or local government and migrants abroad help most?

e-) If someone needs urgent money transfer from his/her migrant relative, how much time would it take to get money after it is sent by relative? If it takes longer than 2-3 days, please explain why it takes so long.
f-) How could you define the local context in terms of the usage of financial and banking institutions such as micro-credits in the investment and other economic activities?

Less than 24 hours

Following day

2-3 days

4-7 days

More than 1 week

NA

Explain (if it takes longer time):

End of Survey.
HOUSEHOLD SURVEY
EFFECTS OF LABOR MIGRATION & REMITTANCES ON RURAL DEVELOPMENT IN CENTRAL ASIAN COUNTRIES, FALL 2007

Survey No:

Survey Place:

Date:

Interview-Team:

Introduction: Hi, My name is ..........; and my friend’s ............; we are conducting research on labor migration from Central Asia; we are affiliated with Kent State University, Ohio, USA; American University of Central Asia (in Bishkek/KG); and Institut Francais d’Etudes sur l’Asie Centrale (in UZB). This survey will be kept in absolute confidentiality; and we will only write down initials of your name and others’ in this household. Moreover, this survey is done on the basis of voluntary participation; that is, there is no monetary incentive to participate; and if you do not have an answer for any question, or if you wish not to answer any question we understand this. At any point, you may end the process.

Interviewer: Ask the respondent whether the interview can be conducted in a confidential place where the process will not be disturbed.

Part I: Migrant and Household Profile

Q-1 Has someone in your household left here to live/work in urban centers or abroad? Alternatively, is there anyone in this house who does (or who did in the past 10 years) temporarily leave here for seasonal work, or for trade, or any reason to earn money?

☐ Yes
☐ No

Interviewer: if the answer is NO for the 1st question; please ask Respondent to answer only following questions: Q-9; Q-16; Q-20

And ask him/her to briefly explain why not to migrate; such as the family has not enough income/information etc.; or they do not have enough money to pay migration expenses; or they do not have information/contact to find a job abroad etc.

Please use the other empty side of the page for this “open-ended question” for the reasons of not to migrate taking into consideration a huge number of migration from this country;
Q-2 If the answer is “Yes” for the 1st Question above, who have/has left? When did they first leave? Where did they go? (if there are multiple “stop-over”s mention about them).

A- In case that the migration is on permanent basis (that is more than 1 year of stay abroad)

<table>
<thead>
<tr>
<th>Migrant’s relation to R.</th>
<th>Gender</th>
<th>Birth MM/YY</th>
<th>Initial departure date (MM/YY)</th>
<th>Place of current residence (City/Country)</th>
<th>Type of work</th>
<th>Stop-Over(s) during migration journey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mg-1</td>
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<td>Mg-2</td>
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<td>Mg-3</td>
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<td>Mg-4</td>
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<td>Mg-5</td>
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</tbody>
</table>

B- In case that the migration is on temporary/seasonal/recurring basis (that is migrant(s) stay abroad less than 1 year or she/he frequently comes and goes back and forth)

<table>
<thead>
<tr>
<th>Migrant’s relation</th>
<th>Gender</th>
<th>Birth MM/YY</th>
<th>Initial departure</th>
<th>Place(s) of work abroad</th>
<th>Type of</th>
<th>Frequency and</th>
</tr>
</thead>
<tbody>
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</tr>
<tr>
<td>No.</td>
<td>to R.</td>
<td>M/F</td>
<td>Y</td>
<td>e date (MM/YY)</td>
<td>(City/Country)</td>
<td>work (trade, farm etc.)</td>
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<td>Mg-1</td>
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<td>Mg-3</td>
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<td>Mg-4</td>
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<td>Mg-5</td>
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</table>

Q-3 If the answer is Yes to Q-1; Could you tell us how did the migration decision was taken? Who decided? Migrant himself/herself? Or, elder(s) in the house? Or, Aksaqals in the community? Other?

<table>
<thead>
<tr>
<th>No.</th>
<th>Migrant’s decision entirely</th>
<th>Decision taken collectively in the household</th>
<th>Decision taken collectively in the community level</th>
<th>Other/Explain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mg-1</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Mg-2</td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>
Q-4 Did your relative(s) work in here before their leave?

<table>
<thead>
<tr>
<th>If yes, specify the type of employment</th>
<th>No, Explain.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mg-1</td>
<td></td>
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<tr>
<td>Mg-2</td>
<td></td>
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<tr>
<td>Mg-3</td>
<td></td>
</tr>
<tr>
<td>Mg-4</td>
<td></td>
</tr>
<tr>
<td>Mg-5</td>
<td></td>
</tr>
</tbody>
</table>

Q-5 What is the highest level of formal education that your relative(s) has/have completed?

<table>
<thead>
<tr>
<th>None</th>
<th>Primary (1-9th grades)</th>
<th>Secondary (10-11th grades)</th>
<th>Technical school (post-secondary)</th>
<th>University</th>
<th>Post-Grad</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mg-1</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td>Mg-2</td>
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</tr>
</tbody>
</table>
Q-6 Your migrant relative(s) marital status and children?

A- Marital status

<table>
<thead>
<tr>
<th></th>
<th>Single</th>
<th>Married/Partner</th>
<th>Divorced</th>
<th>Widow</th>
<th>Engaged</th>
<th>Other/Explain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mg-3</td>
<td></td>
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<td></td>
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<td></td>
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<tr>
<td>Mg-4</td>
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<tr>
<td>Mg-5</td>
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<td></td>
</tr>
</tbody>
</table>
### B- Migrant relative(s)’ spouse and children

<table>
<thead>
<tr>
<th></th>
<th>Nationality of spouse</th>
<th>Residence of spouse</th>
<th>Number of children</th>
<th>Children’ age</th>
<th>Children’ residence</th>
<th>Who takes care of children</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mg-1</td>
<td></td>
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<td>Mg-2</td>
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<td>Mg-3</td>
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<td>Mg-4</td>
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<td>Mg-5</td>
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</tbody>
</table>

### Q-7 Drivers of Migration & Return:

**A- What was the main driver of your relative(s) decision to leave here?**

_Interviewer(!): Read the options below; mark top-3 options whichever fits best in rank; and if there is an “Other” option, please specify what it is._

Unemployment; Debt to pay; To search for new opportunity/life; To finance study/education of himself/herself or for someone else’s; To finance health expenses of himself/herself or for someone else’s; To join a relative/partner; To collect money for marriage or other life cycle event; Other

<table>
<thead>
<tr>
<th></th>
<th>1st Driver</th>
<th>2nd Driver</th>
<th>3rd Driver</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mg-1</td>
<td></td>
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</tbody>
</table>
Interviewer: This part is “open-ended question;” take notes from the Respondent’s explanations!

B- Was there a time-frame to stay and work abroad when your relative(s) left here? And do/does she/he plan to return here at some point in future? Please explain your relative(s) original intention and current attitude towards returning here. If she/he will return back here, where does she/he put her/his investments/savings, local-urban?

Q-8 Why did your relative(s) decide to go to Moscow (or anywhere else) specifically instead of another place?

Interviewer(!): Read the options below; mark top-3 options whichever fits best in rank; and if there is an “Other” option, please specify what it is.
Offered work/ easy to find a work; Higher Income Potential; There was a contact there; Geographic/or logistic ease to go; Easy immigration policies; Knowing the Local Language (Russian/Kazakh); Other

<table>
<thead>
<tr>
<th>1st Priority</th>
<th>2nd Priority</th>
<th>3rd Priority</th>
</tr>
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<tbody>
<tr>
<td>Mg-1</td>
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<td>Mg-2</td>
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<td>Mg-3</td>
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<tr>
<td>Mg-4</td>
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<tr>
<td>Mg-5</td>
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</tbody>
</table>

Q-9 Can you tell me a few things about yourself and other people who live in this household? Who is the head of this household?

Interviewer(!): Starting from the person who is being interviewed fill in the boxes below; and please mark who is the household-head.

People in the Household

<table>
<thead>
<tr>
<th>#1 First Name</th>
<th>Gender (M/F)</th>
<th>Date of Birth MM/YY</th>
<th>Education</th>
<th>Working? (Y/N)</th>
<th>Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>#2 First Name</td>
<td>Gender (M/F)</td>
<td>Date of Birth MM/YY</td>
<td>Education</td>
<td>Working? (Y/N)</td>
<td>Occupation</td>
</tr>
</tbody>
</table>
# Part III: Remittances

**Q-10** Do you, or anybody in this household, receive money/remittance, from your migrant-relative(s)?

Yes:  
No:  
NA:  

**Q-11** When you consider past 1 year from now, how much money has your household received money/remittance from your migrant-relative(s); and how often so?
<table>
<thead>
<tr>
<th>Total Amount received (specify currency)</th>
<th>Frequency of remittances taken in the past 12 months?</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mg-1</td>
<td></td>
<td></td>
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<tr>
<td>Mg-2</td>
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<tr>
<td>Mg-3</td>
<td></td>
<td></td>
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<tr>
<td>Mg-4</td>
<td></td>
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<tr>
<td>Mg-5</td>
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<td></td>
</tr>
</tbody>
</table>

**Q-12** For how long has your household been receiving money/remittance from your migrant-relative(s)?

<table>
<thead>
<tr>
<th></th>
<th>Mg-1</th>
<th>Mg-2</th>
<th>Mg-3</th>
<th>Mg-4</th>
<th>Mg-5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only last year</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2-3 years</td>
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</tbody>
</table>
Q-13 Over time has the quantity or frequency of the money/remittance you receive changed?

Yes,  
No,  
NA

If yes, please tell us what sort of change happened?

Receive more amount/more often:  
Receive less amount/less often:  
Other (specify)  

What was the reason for this change?
Change in employment/income/financial needs/ of migrant relative

Change in the needs/financial situation of remittance/money receiver

Other (specify)

NA

**Q-14** How do you usually receive your money/remittance? (Mark 1st and 2nd priority.)

1- Remittance company (Western Union, Unistream, Anelik, etc.)

2- Bank transfer

3- Hand-carried (by migrant or relative)

4- Mail-Post

5- Travel Agency

6- Bus Driver

7- Other (specify)

8- NA

Have you always received money/remittance through this method(s)?

Yes:

No (Explain why no):

NA

**Q-15** Taking into consideration the current method(s) that your relative(s) use(s) to transfer money to you, can you tell me why they use this method/company?

**Interviewer(!)** Please read the options below; and mark the top-3 priority in rank. If there is a variation in terms of different migrant-members of this household, specify this.

Lowest cost

Reliability/Trust
Convenient location

Fastest

It’s the only available choice

Delivers money to the house

Most secure/safe

Government/tax evasion

Other (specify)

NA

**Q-16** When you add together all of your total income, including remittance transfers, and any other type of in-kind revenue (from your migrant relative(s) and from the local sources) what is your total annual household income?

**Interviewer(!):** Make rule-of-thumb calculations for all in-kind revenues; and calculate “Gross Total” after making necessary currency adjustments/conversions.

<table>
<thead>
<tr>
<th>Household Annual Income (Cash)</th>
<th>Household In-kind revenue from the local resources</th>
<th>Total remittances received</th>
<th>Migrant(s) in-kind transfers (Interviewer: Specify items and their money values)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total:</td>
<td>Total:</td>
<td>Total:</td>
<td>Total:</td>
</tr>
</tbody>
</table>

Q-17 In terms of remittances/money transfers your household has received from your relative(s), how did you use those monies in general?

**Interviewer(!)** Read all the items in below list and take notes about details; try to estimate the percentage usage in top-5 major items (such as, food→%40; housing construction→%40; education→%5; saving→%5; utility→%5 etc).

**Consumption/Social Expenditure**

Food

Household appliance & furniture

Utility (water/electricity/gas/phone/ etc)

To help/loan to others

Gas/transportation

Clothing

Leisure

Pay debt/consumptive loan

Medicine/Health care

House-construction

Rent

Other (specify)

**Economic activities/Investment/Asset Creation**

Buy land

Build/Buy/Improve House/Apt
Buy/Grow/Start a business (specify)
Save (specify)
Education
Pay off business or home loan
Buy animals/livestock
Expand agricultural production
Other (specify)

**Q-18** Who makes the decisions about how your remittances/money transfers are spent?

- Respondent
- Sending-Migrant 1, 2, 3, … (specify who)
- Both migrant and respondent
- Other
- NA

**Q-19** Thinking about the future, do you hope or plan to use your remittances for any of the following activities? Please tell us more about your future plans in regards to economic/investment activities with/without remittances? Alternatively, if you do not have any such future plan, please tell us why?

**Interviewer:** Please take detailed notes for the explanations.

- Buy land
- Build/Buy/Improve House/Apt
- Buy/Grow/Start a business (specify)
- Save (specify)
- Education
- Pay off business or home loan
- Buy animals/livestock
Expand agricultural production

Other (specify)

Q-20 Do you have a bank account?

Yes

No

NA

If yes, what do you use your bank account for?

Interviewer(?) Read below options and mark whichever applies.

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Send/Receive transfers/remittances from abroad</td>
<td></td>
</tr>
<tr>
<td>Manage cash flows</td>
<td></td>
</tr>
<tr>
<td>Take pensions or salaries</td>
<td></td>
</tr>
<tr>
<td>Take/Pay loans/debt (specify)</td>
<td></td>
</tr>
<tr>
<td>Save</td>
<td></td>
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<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

If you do not have a bank account, why not?

Interviewer(?) Read below options and mark all whichever applies.

No bank close to home or work

Do not trust banks

Process is confusing, or discouraging

Do not have money

Other

NA

Thanks. This is the end of the survey.
APPENDIX B
IRB APPROVAL
KENT STATE UNIVERSITY INSTITUTIONAL REVIEW BOARD
APPLICATION FOR APPROVAL TO USE HUMAN RESEARCH PARTICIPANTS
Send completed forms to one of the reviewers designated for your Department or Katherine Light, Research and Graduate Studies, 137 Cartwright Hall
Please type all information. HANDWRITTEN FORMS WILL NOT BE ACCEPTED. Move through the document using TAB or Mouse. Do not use the enter Key. To mark a box, click with the mouse.

<table>
<thead>
<tr>
<th>Name: Kursad Aslan</th>
<th>Address: 1212 Kent Road, Kent OH 44240</th>
<th><a href="mailto:kasad@kent.edu">kasad@kent.edu</a></th>
</tr>
</thead>
<tbody>
<tr>
<td>Department: Political Science</td>
<td>Ph.D. Student</td>
<td>Instructor: Dr. Andrew Barnes 330-672-2060, <a href="mailto:abarnes3@kent.edu">abarnes3@kent.edu</a></td>
</tr>
<tr>
<td>Project Title: Effects of Labor Migration &amp; Remittances on Rural Development in Central Asian Countries</td>
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</tr>
</tbody>
</table>

Type of Project: Faculty Research External Funded (Agency: ) Include copy of proposal Student Directed Research (Advisor: Dr. Barnes) Thesis + Dissertation Course Requirement (Course #: ) Other (Specify: )

Duration of Project: Starting Date: 12/10/07 (But not before approval is obtained) Ending Date: 12/31/07

I certify that the research procedures for this project and the method of obtaining consent (if any), as approved by the Kent State University Institutional Review Board, will be followed during the period covered by this research project. Any future changes will be submitted for Board review and approval prior to implementation.

If this project involves approval/permission from other institutions, the principal investigator (and the faculty advisor if the PI is a student) must sign below to certify the following statement: "I/we will not begin research at other institutions before having obtained their permission to do so."

Kursad Aslan Andrew Barnes
Principal Investigator Date Faculty Advisor (If PI is a student) Date

Action Taken: By REVIEWER: Level I, Category Level II, Category Level III, To Full Board

Project Involves: Deception

By KSU INSTITUTIONAL REVIEW BOARD: Approved, Level I Approved, Level II IRB Comments: Identifiable Medical Information

Primary Reviewer: Judith Jagger Date 12/5/07

Co-Reviewer (Level II) Date

IRB Level III Action: Approved Disapproved Contingent Approval (Comments or Contingencies):

RECEIVED DEC 0 4 2007 KSU IRB
BIBLIOGRAPHY


