

# **Research Project**

## **Liberalization of Trade in Services in Kazakhstan and Uzbekistan: Analysis of Formal and Informal Barriers**

**Authors:**

**Roman Vakulchuk,**

**Farrukh Irnazarov,**

**Alexander Libman**

## **Abstract**

Since independence the countries of Central Asia embarked upon liberal reforms in their economic policies, including trade. However, persistence of formal and informal barriers to trade in general, and to services in particular, impedes further liberalization and development of the service industries in both countries. Moreover, existence of these barriers prevents large trade volumes between the neighbouring states. Therefore, it is very important to identify and analyze those barriers within each county.

In the research formal and informal barriers to trade in services in Kazakhstan and Uzbekistan are first revealed and then assessed. Having identified the barriers it would be possible to provide policy recommendations for various international organizations and governments of the region with regard to further promotion of trade in services in Central Asia.

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## 1. Time and agenda schedule of the research project

<b>Months 1-4</b>	<b>Months 5-9</b>	<b>Months 10-12</b>
<ul style="list-style-type: none"><li>- State of the art report and preparations</li><li>- Critical review of existing literature</li><li>- Identification of formal barriers to trade in services</li></ul>	<ul style="list-style-type: none"><li>- Country case-study</li><li>- A thorough analysis of country-specific trade settings</li><li>- Surveys with companies in the services sectors in Kazakhstan and Uzbekistan</li></ul>	<ul style="list-style-type: none"><li>- Synthesis and evaluation of research output of second project phase</li><li>- Quantitative and qualitative analysis of collected data</li><li>- Presentation of results</li><li>- Publication of results</li></ul>

## 2. Research question

Today Central Asian states (Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Tajikistan) are becoming more important because of their economic potential, strategic geopolitical location and their role as large suppliers of energy resources. Since 1991 four countries – Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan, with the exception of Turkmenistan, started implementing liberal reforms. Although with different success, these reforms are being realized.

Currently one can argue that reform and transition processes in Central Asia are far from being completed. In addition, the region faces many challenges which in the long-run may threaten its stability and economic prosperity. This all is also exacerbated by the fact that Central Asian countries embarked upon different political, economic and institutional reform strategies. All five Central Asian states gravitate towards different reform models. Thus the potential for effective regional cooperation and trade relations is very low.

In general Central Asian economies, with the exception of Turkmenistan, can be characterised as corresponding to the principles of market economy. Nevertheless, reform models vary from country to country. Even though Soviet institutional setting prior to independence of 1991 was similar across all the countries, still Central Asian authorities embarked on different reform paths. Still these reform paths have also some common features. For instance, countries of the region pursue liberal reform principles which would make their economies more attractive for foreign capital; bring new incentives for development of small and medium businesses; increase the trade turnover between the countries of the region; lead in the long-run to the membership in the WTO.

Until recently only research on the economic impact of trade liberalization in general in Central Asia has been done. However, so far only limited effort has been devoted to analyzing the combination of formal and informal trade barriers in Central Asia<sup>1</sup> and their impact on economic

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<sup>1</sup> **Formal (technical) barriers** as regulations and standards governing the sale of products into national markets that have as their primary objective the correction of market inefficiencies stemming from externalities associated with the production, distribution, and consumption of these products.

performance of companies from the services sector. This research project aims at examining what are these barriers and how each of the barriers impacts economic performance of private companies involved in trade in services in the region.

Today existence of formal and informal barriers to trade, weak institutional organisation, weak law enforcement impede on further liberalization of the states in the region. Overall transition thus stagnates. In this regard, crafting adequate market institutions will be of utmost importance in the years ahead in the region (Zeitler, 2005). This also relates to the sector of services. For instance, although today Kazakhstan and Uzbekistan have quite a significant share of services in the structure of their economy (Index Mundi, 2010),<sup>2</sup> still trade in services in proportion to overall annual trade volume amounted only to 14,5% in 2007 and only 11,5% in 2008 in Kazakhstan (Index Mundi, 2010).<sup>3</sup>

The present research project will be devoted to Kazakhstan and Uzbekistan, as the main regional economic 'locomotives'. It will be aimed at providing new empirical observations with regard to the study of liberalization of barriers to trade in services in a systemic transition context within which both countries operate. Both Kazakhstan and Uzbekistan offer a unique opportunity as their economies are market-oriented, yet they are still emerging with long-term perspectives hardly to predict.

There are two main research questions in the project. First, it is necessary to identify what are the formal and informal barriers to trade in services in both countries. Existence of these barriers impedes on large trade volumes between the neighbouring states as well as promotion of liberal reforms. Second, having identified those barriers it will be important to look at their hierarchical structure, meaning which barriers matter most and which less.

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**Informal barriers** are those which depend on decisions of certain individuals, reflect the social rules which govern public relations and are not legally adopted. Informal trade barriers will be analyzed in terms of the attitudes of suppliers and governments to service providers and their interrelations.

<sup>2</sup> In 2009 the share of services to GDP in Kazakhstan amounted to 55,5%, whereas in Uzbekistan only 33,7% (Source: Index Mundi 2010, available at: [www.indexmundi.com/kazakhstan/gdp\\_composition\\_by\\_sector.html](http://www.indexmundi.com/kazakhstan/gdp_composition_by_sector.html), accessed on August 11, 2010)

<sup>3</sup> No data available for Uzbekistan.

Thus, in the project formal and informal barriers to trade in services in Kazakhstan and Uzbekistan will be first classified and then assessed. Moreover, by analyzing implementation mechanisms the governments of both countries realize in reducing the barriers it will be possible to provide policy recommendations for various international institutions, organizations and governments of the region.

Selection of Kazakhstan and Uzbekistan is based upon their dominant economic and political position in the region. A comparative analysis of their economies shows notable differences: since independence rapid reforms in Kazakhstan had led to a very pronounced transition related recession, whereas Uzbekistan has followed a more gradual reform approach that limited the economic decline compared to Kazakhstan. Today the situation is somewhat different because over time both countries have been adopting various economic policies.

Kazakhstan comparing to Uzbekistan has a little bit more open and transparent economy. Still both countries continue to reduce their trade barriers as both seek the WTO membership. Accession to the WTO by countries would impose requirements on their trade policies, especially in regard to making trade policies transparent and principally dependent upon tariffs enforced on a non-discriminatory, most-favored nation (MFN) basis (Roningen, V. O., DeRosa, D. A, 2004).

The idea to explore informal barriers stems from the research on market economy development in Central Asia.<sup>4</sup> According to the interviewed respondents the main issue is that existing *informal barriers account for almost 50% decrease in firm productivity levels in the services sector, both in Kazakhstan and Uzbekistan.* It becomes evident that so far studies done on the role of informal barriers to trade in services have been scarce and there is demand from many players to know more about such barriers in a systematic way.

So, this research project is of current relevance as it may significantly contribute to the investigation of informal barriers to trade in services in Kazakhstan and Uzbekistan, and, what is more

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<sup>4</sup> Interviews with the private sector representatives in Kazakhstan and in Uzbekistan were conducted in 2009-2010 within the framework of the project “Emerging Market Economies in Central Asia: The Role of Institutional Complementarities in Reform Process”, based at Private University of Applied Sciences Goettingen, Germany, and funded by the Volkswagen Foundation.

important, it will help measure their impact on economic performance of companies from the service sectors in both countries.

The research agenda of the project is driven by the following goals:

- \* to extend the research on assessing the impact of liberalization of barriers to trade in Central Asian economies;
- \* to contribute in a comparative manner to a better understanding of formal and informal barriers to trade in services in Central Asia;
- \* to obtain micro-level data measuring cross-border trade activities in Central Asia (until today there was only macro-level data, which are often inaccurate in measuring the trade between countries, particularly in the service sector and particularly in Central Asia).
- \* to develop relevant policy recommendations with regard to optimization of the economic impact of liberalization of barriers to trade in the service industry in the region.

### **3. Contributions of the research project**

Expected contributions of the research project are the following:

- 1) The main value added will be the analysis of economic impact of informal barriers which are usually disregarded as an important factor impeding further liberalization of trade in services in the region. Moreover, by conducting interviews it will be possible to measure economic impact, and thus, importance of both formal and informal barriers and get better understanding of what are the sources of informal barriers and which recommendations to elaborate in order to eliminate them. Furthermore, it will be possible to measure openness of studied service sectors in the economy of both countries;



- 2) Collection of micro-level data measuring cross-border activity is another advantage of the project. Until today there was no research which would present micro-level data in Central Asia at all – there are only country (macro)-level data, which are often inaccurate in measuring the trade between countries, particularly in the service sector and particularly in Central Asia;
- 3) Explicit account of the obstacles and ways of overcoming informal trade barriers – no research has been done to quantify or measure these factors (there are only some data on formal barriers like trade tariffs etc. – see literature review below);
- 4) Another advantage of the research is that the service sectors will be analyzed, which have not been studied before by analysing the influence of existing informal barriers on service sectors (see literature overview);
- 5) Estimation of potential revenue impact of switching from informal to formal trade in services in Kazakhstan and Uzbekistan.

## **4. Literature review**

### **4.1. Studies on barriers to trade in Central Asia**

Until today little research has been done on analysis of liberalization of barriers to trade in services in Central Asia, let alone identification of informal trade barriers. Only technical barriers to trade in Central Asia have been quite thoroughly analysed mainly by international organisations, such as the WB, ADB, EBRD and IMF. For example, the ADB claims that while many barriers that obstruct exports and imports in the Central Asian republics do exist, they are a legacy of the former Soviet Union trade settings (ADB, 2007; World Bank, 2006, UNDP, 2004).

The academic research regarding barriers to trade so far has been very often speculative. *Therefore, the current research project intends to measure the informal barriers to trade applying the rigorous collection of micro-level data. This type of data has been missing so far in the studies on Central Asia.*

Nevertheless, a few academic studies on barriers have to be mentioned. For instance, many trade-related problems occurred after the collapse of the Soviet Union, such as barriers to cross-border movements of goods, people and transport equipment among the Central Asian countries (Pomfret, 2006). And there are some geographical barriers like the landlocked location of the region and difficult topography, which remain no matter what regime is in place (Pomfret, 1999; Luong & Weinthal, 2002). Besides taxes and quantitative restrictions on imports and exports, Central Asian states impose some additional barriers, such as access to foreign exchange or the absence of currency conversion as in Uzbekistan (Perlman & Gleason, 2007; Khalmurzaev, 2000). Another problem which is peculiar to both Kazakhstan and Uzbekistan is that all the above-mentioned barriers invoke illegal trade by means of smuggling and under-invoicing. There is a large body of literature illustrating that trade taxes and restrictions lead to under-invoicing, smuggling and rent-seeking activities. For more details, one may refer to M. Lovely & D. Nelson (1995), Bhagwati (1982) and Krueger (1974). It spills over into emergence of the vicious circle, and endemic corruption only exacerbates the situation throughout the region. In the other study the role of transportation costs in causing the countries of Central Asia to generate far less trade with the European Union (EU) than their relative location would be analyzed (Raballand, G. et al., 2005). In the case of Central Asia, border-crossing problems, low traded volumes and trade imbalance are the major explanations of the unexpected low trade level between Central Asia and the EU (Raballand, G. et al., 2005).

In this regard, the necessity of such a project is based on the fact that trade issues in the service industry have been largely overlooked, especially in terms of informal barriers. Certainly, it can largely be explained by the lack of data on the region in general and accessibility of such sensitive data in particular. However, this research 'vacuum' on informal barriers should be filled in to make it possible to contribute to country-specific recommendations in this part of the world.

#### **4.2. Studies on barriers to trade in other regions**

Analysis of studies which were conducted on existing informal barriers to trade in other regions helped identify the following most common barriers to trade:

- corruption;
- absent infrastructure;
- wealth gap barriers;
- political competition;
- social and cultural barriers.

A study conducted by Sustainable Development Policy Institute for World Bank on quantifying informal trade between Pakistan and India gives an illustration of what types of informal barriers exist (Rafi Khan et al., 2005). They argue that the existence of high transaction costs forces much of the trade in Pakistan and India to flow through informal channels. Moreover, if formal sector transaction costs in importing exceed those in the informal sector, and this difference is greater than the tariff rate, then “a switch from informal to formal trade is not likely to occur” (Rafi Khan et al., 2005: p. 3.) The study also provides a comprehensive overview of informal barriers to transport services:

“Broadly, transaction costs have three aspects: i) procedural costs; ii) transport related costs; and iii) rent seeking. Examples of transaction costs include port clearance time for cargo, extent of cargo movement in the port, sanitary standards, bribes, documentary requirements for trade transactions and the amount of time spent, on average, in fulfilling those requirements, other procedural delays such as absence of staff, excessive department clearances (signatures), limited vehicle access, inefficient rail links, and transport through third ports. The cost of trading is increased significantly by the existence of transaction costs, not only financially but also in terms of added time spent in completing trade transactions.” (Rafi Khan et al., 2005: p. 3)

In the other research formal and informal barriers to trade between the US and Canada are analyzed (Menzie, E. & B. Prentice, B., 1987). In the similar study the link between the membership to a EU monetary union and informal barriers to trade is studied. The main question which is asked is whether the participation in the Euro Area reduces the impact of informal barriers on new members’ agricultural trade (Chepeta, A., 2007). The conclusion of the study is that very often political barriers play a role of significant informal barriers, which impede upon trade development.

Another study analyzes how the US tries to penetrate the Japanese market (Kenneth C. Gehrt et al., 2005). It is stressed in the research that usually the US companies focused on overcoming formal trade barriers including tariffs, quotas, and product standards. However, they argue that although this intervention enjoyed before relative success, limited effort has been devoted to analyzing informal trade barriers. Thus, the research examines informal trade barriers in terms of the attitudes of Japanese distributors toward US products. Why is it important for the US to look at informal barriers to trade with Japan? Authors argue that other countries eroded the trade positions of the US in Japan. Thus US exporters would be able to better develop appropriate strategies if they account for informal barriers to trade in Japan.

These studies contribute to the current research by providing different perspectives on existing informal barriers to trade in other regions of the world. However, studies which would quantify economic impact of informal barriers to trade are scarce. And our project is aimed at providing a rigorous quantitative research of informal barriers to trade in services in Kazakhstan and Uzbekistan.

## **5. Methodology**

### **5.1. Data collection design**

#### **a) Desk research**

The main research methods for data collection are: critical review of secondary sources, company-surveys and round-tables.

The first phase is prior research of secondary information which will provide answers to what are the formal barriers to trade in services which exist in both countries. It is possible to identify formal barriers by analyzing the existing literature and legal documents which prescribe regulation mechanisms of trade in services. With informal barriers the situation is different as they are not part of the legal system of the countries.

The importance of the desk research is that it will make possible to compare between the official position and subsequent analysis of company surveys regarding what are the formal and informal barriers and obstacles to further liberalization of trade in services in Kazakhstan and Uzbekistan. In turn, this will help make objective conclusions and policy recommendations.

#### **b) Company-surveys**

The second method for data collection was company-surveys. 40 companies in Uzbekistan and 33 in Kazakhstan were surveyed. Questions asked were elaborated so that it became possible to identify the existing informal barriers to trade in services.

An interview guide included a quantitative part in which answers related to objective observations and subjective assessments are given according to a pre-defined scale. It is important to point out that questionnaires in Kazakhstan were equally structured with the interviews which were concurrently conducted in Uzbekistan.<sup>5</sup> This allowed making answers and assessments comparable.

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<sup>5</sup> The average duration of the interviews will be from 60 to 90 minutes.

A challenge in conducting surveys was to maintain the necessary balance between comparability of the surveys and the adjustment of the questions to specific interviewees. To solve it the strategy to always use the same set of questions within each category was followed.

To achieve high representation of different economic actors, companies from the largest segments of the service sectors in Kazakhstan and Uzbekistan were approached. Overall, 73 surveys were conducted in two countries - Kazakhstan (33) and Uzbekistan (40) in three areas of services:

- Financial services (11 Kazakhstan; 12 Uzbekistan)
- Communications (7 Kazakhstan; 13 Uzbekistan)
- Consulting services (15 Kazakhstan; 15 Uzbekistan)

Mainly, companies from the private sector were approached both domestic and foreign ones. However, few state-owned companies were interviewed as well. The choice of the above-mentioned sectors is first explained by the sector size in relation to the share of overall services. These three sectors are among the most significant ones in economies of both countries. Second it is explained by the following considerations:

- An efficient and well-regulated *financial sector* leads to an efficient transformation of savings to investment, ensuring that resources are deployed where they have the highest returns; benefits also arise from increased financial product variety and better risk-sharing in the economy.
- In the case of *telecommunications*, improved efficiency generates economy-wide benefits as telecommunications are a vital intermediate input and are also crucial to the dissemination and diffusion of knowledge. Countries with fully open telecommunications and financial services sectors grow up to 1.5 percentage points faster than other countries (Mattoo, A. et al., 2001).
- *Business development services (BDS)* are also important in reducing transaction costs (for classification of BDS please see Appendix 1). In particular, in that research consulting services became the targeted industry within BDS.

There was a problem of underrepresentation while conducting surveys. A problem with respondents' underrepresentation in some categories can be explained by the fact that, for instance, the financial sector both in Kazakhstan and Uzbekistan belongs mainly to the state. Therefore, in some instances companies from domestic banks were less willing to share information because they found it for many reasons sensitive.

For such a category as foreign companies there were target countries from which the companies should come from, namely Russia, Korea, Japan, China, India, Turkey, Germany, France, UK, Italy and the US. These countries have a considerable trade turnover with both states and are also largely present in the service industry.<sup>6</sup>

One important issue here was that not only companies which effectively operate in both countries were approached; but also companies, which for different reasons had to quit their business or tried to work in one of the countries, but due to the existence of both formal and informal barriers which precluded them from doing business. Such companies may provide objective information on existing informal barriers to trade in services. As regards companies which are already active it may well be that these companies elaborated their 'accommodation strategies' which enjoy existing barriers to trade in services. Thus, utilization of some informal barriers may be profitable for those companies and elimination of those barriers may negatively impact their operations. In attempt to find companies which failed to establish their presence in both countries the press and media review method in the period from 2000 to 2010 was utilized.

As for the interview location, the main cities where most interviews were conducted were Almaty (Kazakhstan) and Tashkent (Uzbekistan). The reason is that both cities are economic and financial capitals in both countries. Thus, the exchange of services takes place mainly in these two cities. Besides, a smaller part of the interviews were also conducted in Astana, current capital of Kazakhstan, and some interviews were conducted in the regions of both countries to make picture more complete.

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<sup>6</sup> The statistical data on trade turnover between Kazakhstan, Uzbekistan and these foreign countries will be presented in the final research.

### **c) Round Tables**

In addition to 73 company-surveys, two round-tables with experts in the area of consulting had been conducted. In November 2010 two round-tables (one in Astana, one in Almaty) were organized. First, both round-tables were aimed at collecting primary information regarding existing barriers in trade of consulting services, being part of business development services. Second, it allowed to better elaborate interview guides for doing surveys in other sectors. Both round-tables were conducted under the auspices of the European Bank for Reconstruction and Development (EBRD) in Kazakhstan and its executive branch BAS, which assists locally-owned, private small and medium enterprises (SME) in Kazakhstan, the Kyrgyz Republic and Uzbekistan to achieve their development and growth objectives. The programme achieves this by helping SMEs hire business consultants for advisory projects that enable the enterprises to enter new markets, improve internal operations and products, reduce operating costs, gain access to financing and plan future business operations.<sup>7</sup>

Thus, it served a good platform to approach experts from various segments of the service industries. With the help of EBRD, experts in the field of services in Kazakhstan were invited for the round-tables. Representation was achieved by having 10 representatives of the services sector from Astana (in the second case Almaty), 3 experts from representatives of regions and two from foreign companies, operating in Kazakhstan. Each round-table was about 50 minutes. The preliminary set of questions was elaborated in advance, which helped start the discussion of existing barriers to trade in services in the country:

- 1) How do you define informal barriers in your every day activities? Do you think such barriers are significant in terms of impeding upon development of trade in services in the country?
- 2) Why most of Kazakh service companies do not trade internationally? What are the major difficulties in that regard?

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<sup>7</sup> Small management teams in Almaty, Bishkek Tashkent and Dushanbe develop and initiate between 5 and 10 new projects per month, and regional offices in 4 cities in Kazakhstan, 3 cities in Uzbekistan and 1 city in the Kyrgyz Republic allow the Programme to work directly with the enterprises that need its support the most.



- 3) Does the demand for services in the consulting sector (as an example of services) shape the supply side or vice versa?

The analysis of the round-tables allowed to revise the surveys and to get the first understanding of the background of which barriers impede upon effective trade in services in the region.

## 5.2. Methodological problems

Some of the methodological problems have to be mentioned separately. One of the major limitations of the project could be the present financial crisis which severely hit Kazakhstan and less so Uzbekistan. In fact the sector of services severely suffered from the world economic crisis (see table 1 below). This could lead, when conducting interviews, to lower objectivity and emotional evaluations of respondents, namely of entrepreneurs who suffered from the crisis. Their perception may be largely influenced by the negative impacts of the crisis on their businesses. In an attempt to overcome it special questions to test interrelation between the economic crisis and respondent's answers were elaborated. However, to check it, the results are to be analysed yet.

**Table 1. Impact of financial crisis on the economy of Kazakhstan<sup>8</sup>**

Sector of economy	Debt burden, (%) (debt-to-sales)
Others	46
Agriculture	50
Transport and Communication	56
Industry	72
Trade	128
Construction	208
Total for all sectors of economy	84

Another limitation could be that the project cannot cover all the segments of the service sector in the economy of both countries. Only the largest service industries are analyzed within the project.

<sup>8</sup> Kairlenov, M.: The Model of Transition of Financial Crisis to Economic Crisis. Zertteu DC Group. Almaty, 2009.

Nevertheless, it could serve a good starting point for further research of the service industries in the region.

### **5.3. Data analysis: quantitative assessment**

#### *Pairwise correlations*

We start our analysis by looking at the pairwise correlations between individual variables. This approach is less demanding in terms of two important limitations of our study: relatively small sample size (due to the feasibility restrictions of a survey) and difficulty to establish causal links between variables measured by responses to different questions (thus, our analysis is restricted to correlations rather than causal links anyway). The disadvantage is our limited ability to find out the *ceteris paribus* effects; this is, however, an issue we address in the next section. For the purpose of the quantitative analysis, we have re-scaled all variables in a way that larger value corresponds either to higher importance of the problem or to a higher activity or expectations in a certain field (e.g. sale abroad, size, use of certain instruments to overcome obstacles etc.). Since many variables are ordinal and the relation can be non-linear, we use Spearman rank correlation coefficients. We always use the highest number of observations possible for which both variables are available; it allows us to utilize the information we have to the full extent, but reduces comparability between individual coefficients.

Our investigation includes two steps. In the first step we look at the variables characterizing the *actual* and the *potential* business activity of the companies from our sample abroad (in other Central Asian countries) and correlate it to the basic company-specific variables, as well as to the perception of obstacles to the further international expansion. The variables describing the business activity abroad include: (a) duration of the business activity; (b) share of revenues from foreign customers in other Central Asian countries and (c) the

interest in expanding the business activity in Central Asia. In terms of the firm-specific characteristics, we look at the size of the firm (as compared to other companies of its industry), origin, degree of competitive pressure and pressure from regulatory institutions and insecurity about property rights. Furthermore, we add a set of variables measuring possible obstacles for business expansion in Central Asia. We estimate all correlation coefficients for the full sample of the firms, as well as for Kazakhstan and Uzbekistan separately, to check for possible differences between countries.

The main results are reported in *Table 1* and suggest a number of interesting patterns worth exploring. Probably, the most robust finding is that the companies owned by foreign investors are both more active in other Central Asian countries and more interested in expanding their presence. We find this effect for the whole sample, as well as for Kazakhstan; and for some variables in Uzbekistan. State-owned companies, on the other hand, at least in Uzbekistan seem to be even less interested in the expansion in Central Asia than their peers (it should be noted that the lion's share of state-owned companies in our sample comes from Uzbekistan, so Kazakhstan and the overall sample are not so interesting in this respect). It suggests two important implications. First, foreign investors are probably likely to treat Central Asia as a "unity" and therefore enter the regional market either simultaneously in all countries or sequentially using some countries as "springboards". Domestic owners, on the other hand, are more skeptical in terms of the need to enter the markets of the neighbors. Since we observe this effect for both actual presence on foreign markets and the potential interest in expansion, it is unlikely to be linked just to the differences in resources for international expansion; more probable seems to be a difference in strategies. For example, one could hypothesize that foreign investors under-estimate the heterogeneity of Central Asian countries (which domestic investors are very much aware of), and therefore design their

strategy as “regional” and not “country-specific” (although this is not entirely consistent with some further findings reported below).

In terms of the industrial focus, we find that consulting companies lead the way for internationalization in Central Asia. This effect seems to be driven particularly by Kazakhstan, where we find even some evidence of the “saturation” of the market: consulting firms are also less interested in expanding their presence in Central Asia. The reasons for the dominance of this industry are straightforward. Unlike telecoms, consulting does not require excessive capital investments (which make the entry to the foreign market much more expensive), and unlike financial services, consulting is usually less regulated. In the same way, we find that telecoms are among the underperformers in terms of foreign sales, although in Uzbekistan they are also the most interested in international expansion. The results for financial services industry are ambiguous. Furthermore, for the whole sample we find, as one could expect, that large firms also have the highest share of revenue from other Central Asian countries. For the origin of the company, our results are inconclusive, as they are for domestic competition, regulation and property rights protection. From the point of view of these institutional characteristics there is only an effect associated with the interest for international expansion of the Kazakhstani companies. We find that lower insecurity of property rights and higher domestic regulatory pressure increase the interest for expansion in the neighboring countries – what seems to be plausible.

The main obstacles mentioned by companies seem to be primarily associated with knowledge of foreign markets, which clearly restrict both current foreign operations and plans regarding foreign operations in both countries studied. This is not driven by foreign ownership: in fact, bivariate Spearman correlation coefficient between foreign ownership and lack of market information is negative and highly significant (however, it may be the case that foreign investors merely under-estimate the lack of knowledge and therefore are overly

optimistic in this respect). Furthermore, companies to a greater extent or interested in international operations report higher importance of knowledge of legal environment as a possible obstacle; the result is driven particularly by Kazakhstan. We do not find any correlation between informal payments, demand constraints, legal barriers, costs of bureaucracy and bureaucratic procedures or currency regulations and the international business activity – current and planned. It does not imply that these factors do not matter: in fact, many companies mention them as quite severe obstacles, but rather indicates that there is no variation in terms of these indicators and business activity abroad, so that all companies perceive them in the same way regardless of whether they do business abroad or not. Weaknesses of interaction between companies, disconnected markets and lack of monitoring system have opposite effects for Kazakhstan and Uzbekistan: in the former they reduce the interest to engage in operations abroad, and in the latter increase it. This may indicate differences in business practices between countries: one could hypothesize that the Kazakhstani business relies on the bottom-up inter-firm communication to a greater extent than the Uzbekistani companies, which, on the contrary, see disconnected markets as a possible field to obtain rents as intermediaries or through arbitrage.<sup>9</sup> Limitations on foreign specialists are significantly and positively correlated with operations abroad: it is possible that only companies with large sales abroad seriously encounter the problem and then perceive it as an issue deserving their attention.

In the next step we attempt to understand insofar the international activity of the business and the perception of obstacles are associated with the use of particular instruments resolving the problems. For this purpose we calculate the correlation coefficients between the main obstacles to the international economic activity and the evaluation of importance of particular tools of organizing access to foreign markets in Central Asia. Once again, we

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<sup>9</sup> In fact, it may be related to the delays of economic transition in Uzbekistan; Hellman (World Politics, 1998) argues that intermediaries are among the key groups profiting from incomplete transition

calculate the coefficients for the whole sample, for Kazakhstan and Uzbekistan. It looks like in case of Kazakhstan we most of the correlation coefficients are insignificant; the results we observe in the full sample are driven by Uzbekistan. It may indicate that Kazakhstani companies are more homogenous in terms of tools of international expansion they use, regardless of their particular evaluation of specific problems they encounter; since the market economy in Kazakhstan is more mature, this argument seems to be reasonable. In Uzbekistan, on the contrary, different companies experiment with very different solutions. The main results are reported in *Table 2*.

We find that companies, which encounter the problem of limited knowledge of foreign markets more often, are also less likely to work with friends and relatives abroad. It is reasonable and seems to indicate the main channel of solving the (very important) knowledge problem existing today in Central Asia: personal contacts. Thus, information is transmitted through informal networks. Companies which rely on governmental support less often encounter problems associated with government-driven barriers: legal barriers, knowledge of foreign regulation, informal payments, bureaucratic procedures, inefficient procurement and currency regulations; therefore the best way to solve the problems created by formal institutions is to ally oneself with the government. They also are less likely to face weak communication between companies (what is in line with the crucial role of the state in the economic coordination in Uzbekistan, which drives our results). Personal ties give a mixed impression: companies which claim that personal ties are very important for them are less likely to encounter problems with limitations on foreign specialists (probably because they are less reliant on using domestic personnel aboard), but more likely to face problems of knowledge (both of foreign regulation and markets), informal payments, bureaucratic procedures, weak communication and currency regulations. It is possible that these companies address personal ties *because* they hope to avoid these multiple problems. For courts we find

that the companies, which have greater confidence in the judicial system, encounter problems of legal barriers, bureaucratic procedures, insecure property rights and of costs of service less often (as one could expect); on the other hand, they have greater problems with the knowledge of foreign regulations (probably because for them the value of foreign regulations is higher than for other companies that generally speaking have less confidence in the legal mechanism as a tool resolving their problems).

For Kazakhstan, as mentioned, we find almost no effects, with the exception of governmental support (which reduces the importance of legal barriers and of informal payments). For Uzbekistan governmental support seems to be associated with lower perception of almost all problems, once again demonstrating the crucial role of the government in this country. We also find that the companies relying on foreign personal contacts and personal ties have reported much higher perception of importance of obstacles than other businesses and conjecture that this result is, once again, due to the attempt to use these personal contacts as a remedy for the problems the companies have. *Table 2* also reports the correlation coefficients between the use of the particular tools of international activity and the spread on international markets. For the whole sample we can clearly confirm that the companies, which use friends and relatives more often, have larger foreign sales, longer experience of work on foreign markets and are also more interested in international expansion. The effect is to some extent present for both Kazakhstan and Uzbekistan.

Our main conclusions are therefore the following. First, international business in Central Asia is dominated by foreign investors (and not by local companies), second, implemented primarily in industries, which require less fixed capital investments and are less regulated (like consulting), and third, primarily restricted by the information constraints on foreign markets. In terms of the barriers induced by the government, Kazakhstani and (especially) Uzbekistani companies rely primarily on contacts with the government itself: so,

it looks like the Leviathan creating problems is also the best tool to solve them. Other 'soft' channels like inter-personal relations do not seem to be an adequate solution. On the other hand, the key 'factor of success' for the international expansion in Central Asia, as expected, seem to be the personal contacts: friends and family are crucial for expanding the commercial activity abroad for both Kazakhstani and (once again, to somewhat greater extent) Uzbekistani companies. Indirectly, it could imply that the government-induced barriers are not the most important ones from the point of view of the companies, what is partly confirmed by our previous result indicating the crucial importance of knowledge barriers.

### *Regression analysis*

In the next step we check the *ceteris paribus* effects and for this purpose perform the regression analysis. We start by estimating the determinants of the measures of current internationalization (duration of foreign engagement and share of foreign revenues) and of interest to the internationalization. In all three cases we use ordered logit given the nature of our dependent variable. All three regressions suffer from certain restrictions. First, the size of the sample for multiple regressions is relatively small, since many companies refused to reply to at least some of the questions in the questionnaire. Therefore, we are forced to include only some control variables in the sample, but never all of them. Second, in the regressions for the current internationalization ordered logit with large number of controls suffers from the problem of perfect prediction, because the variation in the sample is not very large; it makes the standard errors questionable and, once again, calls for the exclusion of at least some controls from the specification (for the expectations of internationalization, where dependent variable exhibits higher variation, this problem is absent). Third, we cannot exclude the reverse causality, therefore the results should be interpreted as correlations rather than causal claims. These three restrictions call for caution in interpretation of the regression results.



*Tables 3 and 4* report the determinants of the current level of internationalization. For the share of foreign sales we find, as one could expect, that companies with larger size are also more internationalized controlling for various obstacles. Furthermore, controlling for size and other obstacles, we once again confirm the negative effect of the deficit of knowledge of foreign markets. Costs of services, on the other hand, are positively correlated with internationalization; thus, the pure cost dimension is less important as an obstacle. For the duration of foreign engagement, once again, deficit of knowledge of foreign markets has a persistent negative effect. We also find a persistent negative effect of bureaucratic costs; thus, unlike pairwise correlations, if one *controls for other obstacles*, bureaucratic costs turn into a problem. Demand restrictions and weak communication have, if any, a positive impact on the duration of foreign trade. Thus, once again, the key problem is the information deficit.

The results of *Table 5* for the interest in internationalization provide a more differentiated view. First, we find that companies established in the Soviet period are less interested in internationalization; this is rather a feature of new post-Soviet businesses. This is interesting, since one often claims that the business expansion in the former Soviet Union is primarily driven by Soviet economic ties. At least in Central Asia it is clearly not the case. Second, size has a positive impact not only on the share of foreign sales, but also on the interest in internationalization. As we have reported previously, foreign owner is associated with higher interest for internationalization; financial service companies have smaller interest in internationalization, and domestic competitive and regulatory pressure does not matter. We also find, interestingly, that Uzbekistani companies are more interested in internationalization. We were unable to control for Uzbekistani companies in the regressions for duration and extent of current internationalization (since we encountered massive perfect prediction problem), but we checked for simple mean comparison in this case. In spite of the very small sample, Uzbekistani companies are significantly less internationalized in terms of share of

foreign sales than the Kazakhstani companies, and there is no difference in terms of duration of foreign engagement. Thus, we could claim to have identified yet another gap in the regional development: the extent of internationalization of Uzbekistani companies lags behind their interest in internationalization. As for the obstacles, we find that *ceteris paribus* insecure property rights and, again, lack of information on foreign markets reduce the interest in internationalization.

We proceed further by looking at the determinants of various obstacles reported by the companies. We investigate both company-specific characteristics and various tools of overcoming the obstacles. The results are reported in *Table 6*. Similarly to the previous findings, we find that governmental support is instrumental in overcoming difficulties associated with informal payments, restrictions on foreign specialists and currency regulations. Importance of personal ties is mostly positively correlated with obstacles companies encounter. We do not find any significant effects of friends and relatives. Thus, once again, government is the main tool of overcoming obstacles in Central Asia. As for the company and country-specific characteristics, companies with Soviet origin are less likely to encounter restrictions on foreign specialists (probably because if these companies do internationalize they can rely on well-established infrastructure, or because their scope of internationalization is too small to face this challenge). Post-Soviet greenfield companies are more likely to face the problem of informal payments. Companies with stronger domestic competition are more likely to report high costs of services as an obstacle; probably, because under strong competitive factor higher costs become a more important factor to be taken into account. Uzbekistani companies are less sensitive to insecure property rights and restrictions on foreign specialists (probably, because they are more used to this environment at home). For telecoms knowledge of foreign law is a very serious problem (interestingly, it is not the case for the heavily regulated banking sector).

Overall, one can conclude that the regression analysis mostly confirms our findings based on pairwise correlations. In terms of policy conclusions, there are three main results to be pointed out. First, as mentioned, lack of information on foreign markets is the most serious problem in Central Asia at the current stage of development. The remaining “unity” from the Soviet period is obviously insufficient to establish effective communication between Central Asian companies. Thus, overcoming information asymmetries becomes a central issue in terms of enhancing international trade in services in the region. Second, Uzbekistani companies lag behind the Kazakhstani business in terms of their internationalization, but are influenced in closing the gap. One could question whether the existing political, legal and regulatory environment in Uzbekistan will make it possible, but the potential is clearly there. Third, government still serves as the main tool to solve problems of Central Asian companies in their activities abroad – at least in terms of problems created by bureaucrats and governments themselves. From this point of view, supporting intergovernmental cooperation in the region can prove useful in enhancing trade in services in Central Asia.

Table 1: Pairwise Spearman correlation coefficients, interest and scope of business activity abroad in Central Asia

		Overall			Kazakhstan			Uzbekistan		
		Revenue from foreign markets in Central Asia	Duration of work on foreign markets in Central Asia	Interest in expansion on foreign markets in Central Asia	Revenue from foreign markets in Central Asia	Duration of work on foreign markets in Central Asia	Interest in expansion on foreign markets in Central Asia	Revenue from foreign markets in Central Asia	Duration of work on foreign markets in Central Asia	Interest in expansion on foreign markets in Central Asia
<b>Origin of the company</b>										
Soviet	rho	-0.1372	-0.1430	-0.2008	-0.1303	-0.1024	NA	-0.0754	-0.1726	<b>-0.3731**</b>
	no. obs.	53	70	68	28	32		25	38	<b>40</b>
	sig.	0.3274	0.2378	0.1006	0.5088	0.5769		0.7203	0.3001	<b>0.0177</b>
Post-Soviet greenfield	rho	<b>-0.3363**</b>	-0.0088	0.1232	-0.2695	-0.1933	<b>-0.3766**</b>	0.0754	0.1726	<b>0.3731**</b>
	no. obs.	<b>53</b>	70	68	28	32	<b>28</b>	25	38	<b>40</b>
	sig.	<b>0.0138</b>	0.9422	0.3169	0.1655	0.2892	<b>0.0482</b>	0.7203	0.3001	<b>0.0177</b>
Merger	rho	<b>0.2663*</b>	0.1631	0.0603	0.2316	0.2689	0.1571	NA	NA	NA
	no. obs.	<b>53</b>	70	68	28	32	28			
	sig.	<b>0.0539</b>	0.1773	0.6254	0.2357	0.1367	0.4246			
Split	rho	0.2233	-0.1244	-0.0761	0.0550	-0.1976	0.1768	NA	NA	NA
	no. obs.	53	70	68	28	32	28			
	sig.	0.1079	0.3047	0.5372	0.7810	0.2783	0.3682			
Size	rho	<b>0.3308**</b>	0.0807	0.1470	0.2654	0.0174	<b>0.5789***</b>	0.2408	0.1936	0.0521
	no. obs.	<b>53</b>	70	68	28	32	<b>28</b>	25	38	40
	sig.	<b>0.0155</b>	0.5069	0.2317	0.1722	0.9248	<b>0.0012</b>	0.2462	0.2442	0.7493
Domestic competition	rho	-0.0659	-0.0269	-0.1827	0.0141	0.0826	-0.2952	-0.0499	-0.1363	-0.1599
	no. obs.	52	68	66	27	30	26	25	38	40
	sig.	0.6424	0.8279	0.1421	0.9444	0.6643	0.1432	0.8127	0.4144	0.3244
Domestic regulatory	rho	0.1262	0.1522	0.1125	0.0797	0.0772	<b>0.5938***</b>	-0.1765	0.2149	-0.1278

pressure	no. obs. sig.	52 0.3728	68 0.2154	66 0.3686	27 0.6928	30 0.6852	<b>26</b> <b>0.0014</b>	25 0.3988	38 0.1952	40 0.4318
<b>Ownership</b>										
Foreign	rho no. obs. sig.	<b>0.3903***</b> <b>53</b> <b>0.0039</b>	<b>0.4876***</b> <b>70</b> <b>0.0000</b>	<b>0.2568***</b> <b>68</b> <b>0.0346</b>	<b>0.3232*</b> <b>28</b> <b>0.0935</b>	<b>0.3661**</b> <b>32</b> <b>0.0393</b>	<b>0.4948***</b> <b>28</b> <b>0.0074</b>	-0.0417 25 0.8432	<b>0.6141***</b> <b>38</b> <b>0.0000</b>	0.1569 40 0.3338
State-owned	rho no. obs. sig.	-0.1549 53 0.2680	-0.1611 70 0.1829	-0.1639 68 0.1817	-0.1303 28 0.5088	-0.1024 32 0.5769	NA	-0.0891 25 0.6719	-0.2022 38 0.2234	<b>-0.3313**</b> <b>40</b> <b>0.0368</b>
<b>Industry</b>										
Financial	rho no. obs. sig.	0.0000 53 1.0000	0.0235 70 0.8466	-0.2042 68 0.0948	-0.0345 28 0.8616	0.1876 32 0.3038	0.2901 28 0.1343	-0.1147 25 0.5851	-0.1001 38 0.5498	<b>-0.6067***</b> <b>40</b> <b>0.0000</b>
Consulting	rho no. obs. sig.	<b>0.2547*</b> <b>53</b> <b>0.0656</b>	-0.0075 70 0.9507	-0.0777 68 0.5290	<b>0.3232*</b> <b>28</b> <b>0.0935</b>	0.0357 32 0.8461	<b>-0.4228**</b> <b>28</b> <b>0.0250</b>	0.2303 25 0.2681	-0.0294 38 0.8608	0.2560 40 0.1108
Telecom	rho no. obs. sig.	<b>-0.2876**</b> <b>53</b> <b>0.0368</b>	-0.0166 70 0.8916	<b>0.2902**</b> <b>68</b> <b>0.0164</b>	<b>-0.3535*</b> <b>28</b> <b>0.0650</b>	-0.2740 32 0.1292	0.2077 28 0.2888	-0.1400 25 0.5044	0.1275 38 0.4454	<b>0.3290**</b> <b>40</b> <b>0.0382</b>
<b>Obstacles</b>										
Legal barriers	rho no. obs. sig.	0.0525 53 0.7087	-0.0025 70 0.9839	-0.1330 68 0.2797	0.1298 28 0.5102	0.0143 32 0.9380	-0.1174 28 0.5519	-0.2332 25 0.2619	-0.0096 38 0.9546	-0.0852 40 0.6010
Knowledge of foreign regulations	rho no. obs. sig.	-0.1988 44 0.1958	0.0323 55 0.8151	<b>0.4820***</b> <b>55</b> <b>0.0002</b>	0.0808 24 0.7074	-0.0727 28 0.7130	<b>0.3382*</b> <b>26</b> <b>0.0911</b>	-0.1675 20 0.4802	0.0394 27 0.8451	0.2971 29 0.1176
Informal payments	rho no. obs. sig.	-0.2376 49 0.1002	-0.0109 64 0.9319	0.0457 62 0.7242	-0.0961 24 0.6551	-0.1438 26 0.4835	-0.1424 22 0.5273	0.1815 25 0.3852	0.0781 38 0.6413	0.0632 40 0.6984
Costs of service	rho no. obs. sig.	0.1423 51 0.3192	0.0869 67 0.4845	-0.1620 65 0.1974	0.0159 26 0.9384	-0.0674 29 0.7284	<b>-0.5508***</b> <b>25</b> <b>0.0043</b>	0.0594 25 0.7777	0.2635 38 0.1099	<b>0.3155**</b> <b>40</b> <b>0.0474</b>
Demand constraints	rho no. obs. sig.	-0.0017 52 0.9904	0.1312 69 0.2826	0.1754 67 0.1557	-0.1720 27 0.3909	0.0168 31 0.9287	0.0980 27 0.6268	0.2914 25 0.1576	0.2255 38 0.1734	0.2029 40 0.2091
Knowledge of foreign markets	rho no. obs. sig.	<b>-0.2760**</b> <b>51</b> <b>0.0500</b>	<b>-0.4194***</b> <b>66</b> <b>0.0005</b>	-0.1877 64 0.1374	-0.0604 26 0.7696	-0.3014 28 0.1191	<b>-0.4583**</b> <b>24</b> <b>0.0243</b>	-0.2888 25 0.1615	<b>-0.5038***</b> <b>38</b> <b>0.0013</b>	0.0125 40 0.9388

Limitations on foreign specialists	rho	<b>0.3927***</b>	0.0860	-0.1345	0.2393	-0.2283	-0.1077	-0.0602	<b>0.3242**</b>	-0.0315
	no. obs.	<b>47</b>	63	62	22	25	22	25	<b>38</b>	40
	sig.	<b>0.0063</b>	0.5029	0.2972	0.2835	0.2724	0.6332	0.7750	<b>0.0471</b>	0.8469
Currency restrictions	rho	-0.1612	0.0971	0.1668	0.0764	-0.0998	-0.1122	0.0720	0.2119	0.1152
	no. obs.	53	70	68	28	32	28	25	38	40
	sig.	0.2488	0.4240	0.1739	0.6993	0.5867	0.5698	0.7323	0.2015	0.4791
Insecure property rights	rho	-0.0192	-0.1186	<b>-0.3093**</b>	-0.0945	-0.1870	<b>-0.4825**</b>	-0.2226	-0.0583	-0.1289
	no. obs.	51	68	<b>67</b>	26	30	<b>27</b>	25	38	40
	sig.	0.8934	0.3356	<b>0.0109</b>	0.6460	0.3224	<b>0.0108</b>	0.2848	0.7281	0.4281
Bureaucratic costs	rho	-0.0911	0.1633	-0.0205	-0.2981	0.0329	-0.0748	0.2729	0.2403	0.1088
	no. obs.	52	69	67	27	31	27	25	38	40
	sig.	0.5206	0.1799	0.8692	0.1309	0.8605	0.7108	0.1868	0.1462	0.5041
Bureaucratic procedures	rho	-0.0548	0.1179	0.0725	-0.2144	0.0598	0.0318	0.3082	0.1274	0.0489
	no. obs.	52	69	67	27	31	27	25	38	40
	sig.	0.6995	0.3345	0.5600	0.2828	0.7493	0.8747	0.1339	0.4460	0.7646
Weak communication	rho	-0.1644	0.0472	0.0839	-0.0484	-0.1726	<b>-0.4513**</b>	-0.0289	0.2082	<b>0.342*</b>
	no. obs.	51	68	68	26	30	<b>28</b>	25	38	<b>40</b>
	sig.	0.2489	0.7024	0.4962	0.8144	0.3618	<b>0.0159</b>	0.891	0.2098	<b>0.0308</b>
Inefficient public procurement	rho	0.1036	0.1265	-0.0469	0.054	-0.15	-0.2668	0.2355	<b>0.3448**</b>	0.0876
	no. obs.	51	68	65	27	31	26	24	<b>37</b>	39
	sig.	0.4694	0.3041	0.7105	0.7891	0.4205	0.1877	0.2679	<b>0.0366</b>	0.596
Disconnected market	rho	0.0286	-0.0068	0.0275	-0.0067	-0.1363	<b>-0.3896**</b>	0.3043	0.1123	<b>0.3945**</b>
	no. obs.	52	69	66	27	31	<b>26</b>	25	38	<b>40</b>
	sig.	0.8403	0.9559	0.8262	0.9734	0.4649	<b>0.0491</b>	0.1391	0.5021	<b>0.0118</b>
Lack of unified monitoring system	rho	-0.0761	-0.05	0.0507	-0.0451	-0.2905	<b>-0.4121**</b>	0.0872	0.1500	<b>0.3284**</b>
	no. obs.	51	68	65	26	30	<b>25</b>	25	38	<b>40</b>
	sig.	0.5958	0.6857	0.6884	0.8269	0.1194	<b>0.0407</b>	0.6784	0.3686	<b>0.0385</b>

Note: \*\*\* 1% significance level, \*\* 5% significance level, \* 10% significance level. Significant results marked bold



Table 2: Pairwise Spearman correlations, obstacles and solutions for cross-border trade in services in Central Asia

	Overall					Kazakhstan					Uzbekistan				
	Government	Courts	Personal ties	Contacts in markets abroad	Friends and relatives	Government	Courts	Personal ties	Contacts in markets abroad	Friends and relatives	Government	Courts	Personal ties	Contacts in markets abroad	Friends and relatives
<b>Foreign activity and plans</b>															
Foreign sales	-0.0344 50 0.8124	-0.0003 47 0.9983	-0.2390 48 0.1018	-0.1592 43 0.3079	<b>0.6098***</b> <b>51</b> <b>0.0000</b>	-0.0525 25 0.8031	0.3347 22 0.1278	0.0186 25 0.9298	0.1329 18 0.5991	<b>0.6718***</b> <b>26</b> <b>0.0002</b>	-0.1163 25 0.5797	0.1779 25 0.3950	-0.2115 23 0.3327	-0.0593 25 0.7781	<b>0.6922***</b> <b>25</b> <b>0.0001</b>
Duration of work on foreign markets	<b>-0.2311*</b> <b>65</b> <b>0.0640</b>	-0.0167 62 0.8976	0.1108 64 0.3832	0.2076 58 0.1178	<b>0.4543***</b> <b>68</b> <b>0.0001</b>	0.0367 27 0.8556	0.0317 25 0.8804	-0.0373 28 0.8504	0.4918 20 0.0276	0.1287 30 0.4978	<b>-0.3994**</b> <b>38</b> <b>0.0130</b>	-0.0602 37 0.7235	-0.0006 36 0.9971	0.0551 38 0.7426	<b>0.6075***</b> <b>38</b> <b>0.0001</b>
Interests in expansion	-0.0266 64 0.8346	0.1681 62 0.1916	0.1644 63 0.1979	0.0057 58 0.9659	<b>0.4540***</b> <b>66</b> <b>0.0001</b>	0.2310 24 0.2775	0.1726 23 0.4309	-0.2698 25 0.1922	0.2842 18 0.2531	0.2532 26 0.2120	-0.0472 40 0.7726	-0.0752 39 0.6490	0.0131 38 0.9378	-0.1310 40 0.4204	<b>0.5542***</b> <b>40</b> <b>0.0002</b>
<b>Obstacles</b>															
Legal barriers	<b>-0.3054***</b> <b>68</b> <b>0.0113</b>	<b>-0.3928***</b> <b>65</b> <b>0.0012</b>	0.0632 67 0.6112	<b>0.2537**</b> <b>61</b> <b>0.0485</b>	-0.1071 71 0.3739	-0.4188 28 0.0265	-0.2494 26 0.2193	-0.0816 29 0.6738	0.0465 21 0.8412	-0.0376 31 0.8407	<b>-0.3007*</b> <b>40</b> <b>0.0594</b>	<b>-0.3763**</b> <b>39</b> <b>0.0182</b>	<b>0.4723***</b> <b>38</b> <b>0.0028</b>	<b>0.4741***</b> <b>40</b> <b>0.0020</b>	-0.1107 40 0.4966
Knowledge of foreign regulations	<b>-0.2510**</b> <b>54</b> <b>0.0671</b>	<b>0.3196**</b> <b>52</b> <b>0.0209</b>	<b>0.4298***</b> <b>53</b> <b>0.0013</b>	<b>0.3361**</b> <b>48</b> <b>0.0195</b>	0.0728 56 0.5939	0.1083 25 0.6064	-0.1455 23 0.5076	-0.1089 25 0.6042	0.1142 19 0.6415	-0.2090 27 0.2955	-0.2048 29 0.2865	-0.1995 29 0.2996	0.1666 28 0.3967	-0.0361 29 0.8524	-0.1325 29 0.4932
Informal payments	<b>-0.3747***</b> <b>64</b> <b>0.0023</b>	0.1011 60 0.4423	<b>0.2680**</b> <b>63</b> <b>0.0337</b>	<b>0.6182***</b> <b>59</b> <b>0.0000</b>	0.0659 66 0.5989	<b>-0.3836*</b> <b>24</b> <b>0.0642</b>	0.1616 21 0.4839	-0.1985 25 0.3415	0.3459 19 0.1469	0.1062 26 0.6055	<b>-0.3267**</b> <b>40</b> <b>0.0396</b>	-0.1396 39 0.3966	<b>0.3828**</b> <b>38</b> <b>0.0177</b>	<b>0.6563***</b> <b>40</b> <b>0.0000</b>	0.0411 40 0.8012
Costs of service	-0.1923 66 0.1220	<b>-0.3022**</b> <b>62</b> <b>0.0170</b>	0.0154 66 0.9021	0.0785 59 0.5544	0.0229 68 0.8530	-0.2447 26 0.2282	-0.1477 23 0.5014	0.2383 28 0.2221	-0.0564 19 0.8187	0.1306 28 0.5077	<b>-0.3101*</b> <b>40</b> <b>0.0515</b>	-0.2851 39 0.0785	<b>0.3108*</b> <b>38</b> <b>0.0575</b>	<b>0.2756*</b> <b>40</b> <b>0.0852</b>	0.0162 40 0.9210
Demand restrictions	-0.0160 67 0.8977	0.1267 65 0.3144	0.0246 66 0.8444	-0.0778 61 0.5513	0.0957 70 0.4305	0.1261 27 0.5309	0.1110 26 0.5892	-0.2310 28 0.2370	-0.1867 21 0.4178	-0.0138 30 0.9425	-0.0819 40 0.6154	0.1641 39 0.3182	0.0701 38 0.6760	0.0092 40 0.9549	0.1568 40 0.3340

Lack of information on foreign markets	0.0457 65 0.7179	0.0066 62 0.9595	<b>0.3247***</b> <b>64</b> <b>0.0088</b>	-0.0146 60 0.9116	<b>-0.2957**</b> <b>67</b> <b>0.0151</b>	0.2796 25 0.1759	-0.1897 23 0.3860	0.2379 26 0.2420	<b>-0.4810**</b> <b>20</b> <b>0.0318</b>	-0.1166 27 0.5625	0.0927 40 0.5694	-0.0424 39 0.7978	0.1474 38 0.3773	0.0599 40 0.7133	<b>-0.4168***</b> <b>40</b> <b>0.0075</b>
Limitations on foreign specialists	-0.0694 61 0.5950	-0.0799 59 0.5475	<b>-0.3411***</b> <b>60</b> <b>0.0076</b>	0.0367 57 0.7865	0.1109 64 0.3828	-0.2443 21 0.2859	0.3448 20 0.1365	-0.0191 22 0.9328	-0.2147 17 0.4080	0.2416 24 0.2553	<b>-0.2711*</b> <b>40</b> <b>0.0907</b>	0.0975 39 0.5551	0.2524 38 0.1264	<b>0.3973**</b> <b>40</b> <b>0.0111</b>	0.1205 40 0.4591
Currency restrictions	<b>-0.3865***</b> <b>68</b> <b>0.0011</b>	0.1100 65 0.3832	<b>0.4321***</b> <b>67</b> <b>0.0003</b>	<b>0.3716***</b> <b>61</b> <b>0.0032</b>	0.1701 71 0.1561	-0.0817 28 0.6794	-0.0929 26 0.6516	-0.0520 29 0.7889	0.0578 21 0.8033	0.1539 31 0.4084	<b>-0.4022**</b> <b>40</b> <b>0.0101</b>	<b>-0.3765**</b> <b>39</b> <b>0.0182</b>	0.2652 38 0.1075	<b>0.3315**</b> <b>40</b> <b>0.0367</b>	0.0946 40 0.5613
Bureaucratic procedures	<b>-0.2604**</b> <b>67</b> <b>0.0333</b>	-0.0504 64 0.6926	<b>0.2463**</b> <b>66</b> <b>0.0462</b>	<b>0.3432***</b> <b>61</b> <b>0.0068</b>	-0.0040 70 0.9740	-0.1962 27 0.3268	-0.3200 25 0.1189	0.0578 28 0.7702	<b>0.3709*</b> <b>21</b> <b>0.0979</b>	-0.3626 30 0.0489	-0.2606 40 0.1043	-0.1108 39 0.5019	0.2594 38 0.1157	<b>0.3621**</b> <b>40</b> <b>0.0217</b>	0.0825 40 0.6127
Bureaucratic costs	-0.1900 67 0.1236	<b>-0.2251*</b> <b>64</b> <b>0.0738</b>	0.1710 66 0.1697	0.2627 61 0.0408	-0.0446 70 0.7142	-0.0703 27 0.7277	-0.3147 25 0.1255	0.1599 28 0.4163	0.0370 21 0.8735	-0.2634 30 0.1596	<b>-0.3415**</b> <b>40</b> <b>0.0310</b>	-0.1878 39 0.2522	<b>0.3493**</b> <b>38</b> <b>0.0316</b>	<b>0.4778***</b> <b>40</b> <b>0.0018</b>	0.0911 40 0.5761
Insecure property rights	-0.1405 67 0.2566	<b>-0.3092**</b> <b>63</b> <b>0.0137</b>	0.0112 65 0.9292	0.0589 59 0.6577	<b>-0.2381**</b> <b>69</b> <b>0.0488</b>	-0.1003 27 0.6187	-0.1296 24 0.5460	0.0544 27 0.7874	-0.1892 19 0.4379	-0.0255 29 0.8957	<b>-0.2874*</b> <b>40</b> <b>0.0722</b>	-0.2279 39 0.1629	<b>0.3976**</b> <b>38</b> <b>0.0134</b>	<b>0.3054*</b> <b>40</b> <b>0.0553</b>	<b>-0.2749*</b> <b>40</b> <b>0.0860</b>
Weak communication	<b>-0.2231*</b> <b>67</b> <b>0.0696</b>	0.0137 63 0.9149	<b>0.3801***</b> <b>65</b> <b>0.0018</b>	0.1615 59 0.2217	0.1684 69 0.1667	-0.1747 27 0.3833	-0.303 24 0.1500	0.0685 27 0.7343	0.0122 19 0.9605	0.1686 29 0.3820	-0.1439 40 0.3755	-0.1408 39 0.3926	<b>0.3145*</b> <b>38</b> <b>0.0545</b>	0.1302 40 0.4234	0.1251 40 0.4420
Inefficient procurement	<b>-0.3757***</b> <b>65</b> <b>0.0020</b>	-0.0684 62 0.5973	0.1806 64 0.1532	<b>0.4658***</b> <b>59</b> <b>0.0002</b>	0.0877 68 0.4772	-0.2069 26 0.3106	-0.1985 24 0.3523	<b>0.339*</b> <b>27</b> <b>0.0837</b>	0.3439 20 0.1376	-0.0212 29 0.9131	<b>-0.5949***</b> <b>39</b> <b>0.0001</b>	-0.0607 38 0.7172	<b>0.3589**</b> <b>37</b> <b>0.0291</b>	<b>0.5614***</b> <b>39</b> <b>0.0002</b>	0.1564 39 0.3418

Note: see Table 1



Table 3: Foreign sale and obstacles of internationalization, ordered logit, dep. var. share of foreign sales index

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
<b>Size</b>	<b>1.051**</b> <b>(0.479)</b>	0.869 (0.537)	0.579 (0.566)	<b>0.878*</b> <b>(0.513)</b>	<b>0.859*</b> <b>(0.518)</b>	1.264 (0.794)	<b>1.647*</b> <b>(0.884)</b>	<b>2.519**</b> <b>(1.148)</b>	<b>2.830**</b> <b>(1.381)</b>	<b>3.291***</b> <b>(1.021)</b>	<b>2.484***</b> <b>(0.676)</b>	<b>172.500***</b> <b>(0.071)</b>	<b>83.257***</b> <b>(0.074)</b>
<b>Knowledge of foreign law</b>		-0.135 (0.231)	-0.256 (0.368)	-0.152 (0.264)	-0.176 (0.276)	<b>0.700*</b> <b>(0.407)</b>	1.150 (0.740)	1.428 (1.812)	0.998 (0.868)	<b>1.181**</b> <b>(0.465)</b>	<b>0.996*</b> <b>(0.566)</b>	<b>111.889***</b> <b>(0.030)</b>	<b>78.938***</b> <b>(0.022)</b>
<b>Informal payments</b>			0.005 (0.334)	-0.125 (0.254)	-0.099 (0.259)	-0.458 (0.369)	-0.980 (0.694)	-1.112 (1.496)	-0.630 (1.036)	-0.457 (0.672)	-0.923 (0.947)	<b>-56.882***</b> <b>(0.036)</b>	<b>-17.006***</b> <b>(0.028)</b>
<b>Costs of services</b>				<b>0.499**</b> <b>(0.211)</b>	<b>0.457**</b> <b>(0.220)</b>	<b>1.004**</b> <b>(0.501)</b>	<b>1.058*</b> <b>(0.578)</b>	1.015 (0.906)	0.973 (0.696)	<b>1.202*</b> <b>(0.630)</b>	0.402 (0.478)	<b>43.719***</b> <b>(0.038)</b>	<b>18.889***</b> <b>(0.027)</b>
<b>Demand restrictions</b>					-0.077 (0.248)	-0.452 (0.280)	-0.118 (0.347)	-0.177 (0.238)	-0.392 (0.393)	0.208 (0.501)	-0.547 (1.001)	<b>26.907***</b> <b>(0.026)</b>	<b>-3.382***</b> <b>(0.026)</b>
<b>Knowledge of foreign markets</b>						<b>-1.262**</b> <b>(0.578)</b>	<b>-2.011**</b> <b>(0.863)</b>	-2.486 (2.310)	<b>-2.141*</b> <b>(1.141)</b>	<b>-1.651***</b> <b>(0.554)</b>	-2.952 (1.867)	<b>-128.278***</b> <b>(0.044)</b>	<b>-98.233***</b> <b>(0.033)</b>
<b>Weak communication</b>							0.804 (0.573)	0.729 (0.963)	0.404 (0.888)	0.138 (0.596)	1.104 (1.028)	<b>-9.756***</b> <b>(0.034)</b>	<b>9.842***</b> <b>(0.025)</b>
<b>Disconnected markets</b>								0.740 (0.515)	1.872 (1.831)	2.180 (1.608)	2.245 (1.410)	<b>49.420***</b> <b>(0.034)</b>	<b>37.809***</b> <b>(0.019)</b>
<b>Lack of monitoring</b>									-0.818 (1.292)	-1.29 (1.316)	-1.001 (0.783)	<b>16.809***</b> <b>(0.035)</b>	<b>17.201***</b> <b>(0.022)</b>
<b>Bureaucratic procedures</b>										-0.390 (0.441)	0.270 (0.536)	<b>-15.742***</b> <b>(0.027)</b>	<b>5.252***</b> <b>(0.025)</b>
<b>Restrictions on foreign specialists</b>											1.830 (1.494)	<b>-5.907***</b> <b>(0.081)</b>	<b>-15.885***</b> <b>(0.073)</b>
<b>Currency restrictions</b>												<b>58.623***</b> <b>(0.045)</b>	<b>-44.079***</b> <b>(0.048)</b>
<b>Insecure property rights</b>													<b>44.689***</b> <b>(0.044)</b>
<b>Observations</b>	53	44	41	40	40	40	39	39	38	37	34	33	33

Note: see Table 1. standard errors in parentheses. The last three specifications suffer from perfect prediction, hence standard errors could be invalid and should be treated with caution.

Table 4: Duration of foreign trade and obstacles of internationalization, ordered logit, dep. var.: duration of foreign trade

	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)
<b>Size</b>	0.226 (0.323)	0.234 (0.383)	0.374 (0.425)	0.418 (0.501)	0.443 (0.509)	0.284 (0.566)	0.478 (0.651)	0.542 (0.637)	0.306 (0.709)	0.195 (1.323)	-0.135 (1.780)	0.072 (1.933)	-3.848 (4.581)	<b>-7.290*</b> (4.250)	-7.021 (4.540)
<b>Knowledge of foreign law</b>		0.053 (0.179)	0.172 (0.251)	0.280 (0.261)	0.303 (0.260)	<b>0.645*</b> (0.348)	0.536 (0.481)	0.512 (0.488)	0.372 (0.452)	0.641 (0.514)	0.497 (0.603)	0.611 (0.728)	-1.209 (1.684)	-1.002 (1.197)	-0.838 (1.399)
<b>Informal payments</b>			-0.144 (0.263)	-0.127 (0.267)	-0.175 (0.266)	-0.231 (0.375)	-0.366 (0.446)	-0.345 (0.436)	-0.173 (0.465)	0.252 (0.449)	0.408 (0.645)	0.391 (0.620)	3.433 (2.649)	<b>6.673**</b> (2.826)	<b>6.651**</b> (3.192)
<b>Costs of services</b>				0.214 (0.245)	0.266 (0.282)	0.366 (0.296)	0.115 (0.338)	0.077 (0.346)	-0.004 (0.357)	-0.198 (0.503)	-0.253 (0.551)	-0.119 (0.642)	-0.229 (0.800)	0.452 (0.549)	0.252 (0.681)
<b>Demand restrictions</b>					0.183 (0.253)	-0.186 (0.310)	0.074 (0.344)	0.089 (0.334)	0.108 (0.326)	<b>1.208*</b> (0.651)	<b>1.141*</b> (0.615)	<b>1.066*</b> (0.590)	<b>1.495***</b> (0.529)	1.709 (1.193)	1.480 (1.034)
<b>Knowledge of foreign markets</b>						<b>-1.048***</b> (0.269)	<b>-1.309***</b> (0.314)	<b>-1.303***</b> (0.309)	<b>-1.366***</b> (0.342)	<b>-1.967***</b> (0.714)	<b>-2.031**</b> (0.868)	<b>-1.967**</b> (0.776)	-4.071 (2.865)	<b>-6.753***</b> (2.383)	<b>-6.937***</b> (2.562)
<b>Weak communication</b>							<b>0.659**</b> (0.333)	<b>0.640*</b> (0.352)	<b>0.656**</b> (0.311)	<b>1.002**</b> (0.509)	<b>1.039*</b> (0.539)	<b>0.940*</b> (0.554)	1.015 (0.964)	-0.543 (0.848)	-0.193 (0.935)
<b>Disconnected markets</b>							0.139 (0.236)	0.445 (0.475)	0.775 (0.865)	0.855 (0.807)	0.917 (0.891)	1.382 (1.196)	1.436 (1.140)	1.500 (1.321)	
<b>Lack of monitoring</b>								-0.286 (0.468)	-0.914 (0.912)	-1.013 (0.885)	-0.949 (0.890)	-1.457 (1.393)	0.125 (1.481)	0.122 (1.632)	
<b>Bureaucratic procedures</b>										<b>-1.128**</b> (0.439)	<b>-0.939*</b> (0.526)	<b>-0.841*</b> (0.501)	<b>-0.859***</b> (0.330)	<b>-0.804*</b> (0.445)	<b>-0.901**</b> (0.420)
<b>Bucreaucratic costs</b>											-0.320 (0.588)	-0.265 (0.596)	-2.297 (1.991)	<b>-3.801**</b> (1.622)	<b>-3.647**</b> (1.768)
<b>Inefficient procurement</b>												-0.251 (0.440)	0.228 (0.421)	-0.915 (0.641)	-0.462 (0.892)
<b>Restrictions on foreign specialists</b>													<b>-3.216*</b> (1.938)	<b>-6.071***</b> (1.774)	<b>-6.410***</b> (1.954)
<b>Insecure property rights</b>														<b>1.664*</b> (0.976)	<b>1.778*</b> (1.057)
<b>Currency restrictions</b>															-0.734 (0.885)
<b>Observations</b>	70	55	50	49	49	48	47	47	46	45	45	44	40	39	39

Note: see Table 3. The last three specifications suffer from perfect prediction, hence standard errors could be invalid and should be treated with caution.



Table 5: Interests in and obstacles to internationalization, ordered logit, dep. var.: interest in internationalization

	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)
<b>Soviet</b>	<b>-4.436***</b> (1.200)	<b>-4.611***</b> (1.329)	<b>-5.533***</b> (2.046)	<b>-4.783**</b> (2.109)	<b>-4.811***</b> (1.334)	<b>-4.595***</b> (1.347)	<b>-4.710***</b> (1.597)	<b>-4.638***</b> (1.276)	<b>-4.529***</b> (1.390)	<b>-4.635***</b> (1.531)
<b>Post-Soviet greenfield</b>	-1.276 (0.954)	-1.488 (1.038)	-0.972 (1.577)	-1.847 (1.794)	-1.451 (1.092)	-1.574 (1.015)	-0.955 (1.356)	-1.305 (1.024)	-1.239 (1.008)	-0.967 (1.202)
<b>Size</b>	<b>1.667***</b> (0.449)	<b>1.480***</b> (0.521)	<b>2.260**</b> (1.002)	<b>1.417***</b> (0.535)	<b>1.410***</b> (0.474)	<b>1.441***</b> (0.521)	<b>1.468***</b> (0.522)	<b>1.456***</b> (0.487)	<b>1.478***</b> (0.513)	<b>1.457***</b> (0.494)
<b>Uzbekistan</b>	<b>4.164***</b> (1.130)	<b>4.087***</b> (1.151)	<b>3.693*</b> (1.939)	<b>4.274***</b> (1.307)	<b>3.836***</b> (1.167)	<b>4.014***</b> (1.174)	<b>3.977***</b> (1.447)	<b>4.320***</b> (1.123)	<b>4.139***</b> (1.162)	<b>4.069***</b> (1.261)
<b>Foreign owner</b>	<b>1.684***</b> (0.584)	<b>1.628***</b> (0.626)	<b>2.977***</b> (0.816)	<b>1.884***</b> (0.726)	<b>1.684***</b> (0.640)	<b>1.581**</b> (0.634)	<b>1.138</b> (0.693)	<b>1.851**</b> (0.728)	<b>1.527**</b> (0.617)	<b>1.704***</b> (0.631)
<b>Telecom</b>	0.950 (0.601)	0.860 (0.580)	-0.047 (0.734)	0.937 (0.632)	0.695 (0.662)	0.915 (0.605)	0.567 (0.631)	0.804 (0.590)	0.713 (0.571)	0.589 (0.659)
<b>Financial sector</b>	<b>-2.137***</b> (0.656)	<b>-2.249***</b> (0.688)	-1.436 (1.072)	<b>-2.415***</b> (0.702)	<b>-2.620***</b> (0.698)	<b>-2.234***</b> (0.690)	<b>-2.934***</b> (0.872)	<b>-2.599***</b> (0.735)	<b>-2.436***</b> (0.707)	<b>-2.718***</b> (0.844)
<b>Domestic competition</b>		-0.117 (0.477)	0.163 (0.478)	-0.187 (0.467)	0.003 (0.506)	-0.045 (0.494)	-0.173 (0.491)	-0.236 (0.526)	-0.153 (0.483)	-0.173 (0.484)
<b>Regulatory pressure</b>		0.301 (0.548)	0.27 (0.626)	0.005 (0.571)	0.344 (0.522)	0.270 (0.556)	0.459 (0.557)	0.234 (0.543)	0.251 (0.535)	0.127 (0.528)
<b>Lack of monitoring</b>										-0.245 (0.174)
<b>Disconnected market</b>									-0.088 (0.140)	
<b>Weak communication</b>								-0.206 (0.178)		
<b>Lack of information</b>								<b>-0.435**</b> (0.184)		
<b>Demand restrictions</b>						0.176 (0.151)				
<b>Costs of service</b>					-0.258 (0.215)					
<b>Informal payments</b>				-0.074 (0.383)						
<b>Knowledge</b>			<b>0.854**</b> (0.358)							
<b>Observations</b>	68	66	54	62	64	66	63	66	64	63

(Table 5: cont'd)

	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)	(47)
<b>Soviet</b>	<b>-4.567***</b> <b>(1.328)</b>	<b>-4.652***</b> <b>(1.418)</b>	<b>-4.126***</b> <b>(1.340)</b>	<b>-4.224**</b> <b>(2.034)</b>	<b>-4.181***</b> <b>(1.391)</b>	<b>-4.383***</b> <b>(1.420)</b>	<b>-4.585***</b> <b>(1.519)</b>	<b>-4.424***</b> <b>(1.484)</b>	<b>-5.514***</b> <b>(2.011)</b>
<b>Post-Soviet greenfield</b>	-1.361 (1.046)	-1.414 (1.043)	-1.015 (1.114)	-1.316 (1.937)	-1.197 (1.181)	-1.316 (1.078)	-1.475 (1.074)	-1.515 (0.942)	-0.498 (1.133)
<b>Size</b>	<b>1.527***</b> <b>(0.593)</b>	<b>1.587**</b> <b>(0.651)</b>	<b>1.464***</b> <b>(0.530)</b>	<b>1.289**</b> <b>(0.501)</b>	<b>1.521***</b> <b>(0.470)</b>	<b>1.415***</b> <b>(0.542)</b>	<b>1.467**</b> <b>(0.637)</b>	<b>1.466*</b> <b>(0.749)</b>	<b>1.585**</b> <b>(0.778)</b>
<b>Uzbekistan</b>	<b>4.171***</b> <b>(1.276)</b>	<b>4.295***</b> <b>(1.375)</b>	<b>3.697***</b> <b>(1.295)</b>	<b>3.650*</b> <b>(1.983)</b>	<b>3.655***</b> <b>(1.194)</b>	<b>4.180***</b> <b>(1.088)</b>	<b>4.058***</b> <b>(1.397)</b>	<b>4.447***</b> <b>(1.230)</b>	<b>4.962***</b> <b>(1.642)</b>
<b>Foreign owner</b>	<b>1.528**</b> <b>(0.614)</b>	<b>1.513**</b> <b>(0.610)</b>	<b>1.952**</b> <b>(0.779)</b>	<b>1.678**</b> <b>(0.693)</b>	<b>2.059***</b> <b>(0.779)</b>	<b>1.705**</b> <b>(0.663)</b>	<b>1.630***</b> <b>(0.629)</b>	0.478 (0.834)	<b>2.348*</b> <b>(1.239)</b>
<b>Telecom</b>	0.971 (0.624)	0.983 (0.607)	0.593 (0.583)	0.527 (0.756)	0.695 (0.591)	<b>1.020*</b> <b>(0.589)</b>	0.867 (0.573)	0.773 (0.539)	0.776 (0.731)
<b>Financial sector</b>	<b>-2.139***</b> <b>(0.657)</b>	<b>-2.126***</b> <b>(0.655)</b>	<b>-2.706***</b> <b>(0.938)</b>	<b>-2.143***</b> <b>(0.709)</b>	<b>-3.086***</b> <b>(0.842)</b>	<b>-2.268***</b> <b>(0.696)</b>	<b>-2.244***</b> <b>(0.694)</b>	<b>-2.390***</b> <b>(0.803)</b>	-1.249 (0.970)
<b>Domestic competition</b>	-0.087 (0.506)	-0.081 (0.513)	-0.137 (0.454)	-0.008 (0.451)	-0.112 (0.491)	-0.108 (0.464)	-0.120 (0.490)	-0.377 (0.646)	-0.401 (0.575)
<b>Regulatory pressure</b>	0.322 (0.546)	0.277 (0.537)	0.025 (0.612)	0.062 (0.710)	0.333 (0.606)	0.373 (0.566)	0.299 (0.552)	0.582 (0.596)	0.765 (0.561)
<b>Legal barriers</b>							-0.010 (0.178)		
<b>Currency restrictions</b>						-0.133 (0.197)			
<b>Insecure property rights</b>					<b>-0.520**</b> <b>(0.230)</b>				
<b>Restrictions on foreign specialists</b>				-0.038 (0.207)					
<b>Inefficient procurement</b>			-0.186 (0.203)						
<b>Bureaucratic costs</b>		0.077 (0.192)							
<b>Bureaucratic procedure</b>	0.017 (0.183)								
<b>Foreign revenue</b>									1.450 (0.909)
<b>Duration of foreign presence</b>								<b>0.646*</b> <b>(0.372)</b>	
<b>Observations</b>	65	65	63	60	65	66	66	63	47

Note: see Table 3

Table 6: Factors of reported obstacles to trade, ordered logit

Dep. var.:	Knowledge of foreign law		Legal barriers		Informal payments		Costs of services		Demand restrictions		Bureaucratic costs		Insecure property rights		Restrictions on foreign specialists		Currency regulations	
<b>Post-Soviet greenfield</b>	0.751 (1.023)	0.996 (3.074)	0.357 (0.709)	-0.757 (2.719)	<b>1.946*</b> <b>(1.103)</b>	<b>4.556***</b> <b>(1.359)</b>	-0.177 (0.865)	-0.025 (1.358)	0.765 (0.726)	1.688 (1.199)	0.102 (0.645)	-0.738 (2.923)	0.758 (0.561)	0.502 (0.813)	0.637 (1.091)	<b>-5.512***</b> <b>(1.968)</b>	0.579 (0.784)	-0.111 (1.911)
<b>Soviet origin</b>	<b>-1.695*</b> <b>(0.872)</b>	-2.89 (2.742)	-1.610 (2.665)	-1.244 (2.790)	0.549 (1.485)	3.515 (2.219)	-2.247 (1.524)	0.517 (1.693)	0.212 (0.830)	1.178 (1.490)	-1.418 (2.139)	0.155 (2.697)	0.988 (1.416)	<b>2.356***</b> <b>(0.801)</b>	<b>-32.299***</b> <b>(1.276)</b>	<b>-40.566***</b> <b>(2.811)</b>	-0.074 (1.699)	<b>3.421*</b> <b>(1.943)</b>
<b>Size</b>	-0.464 (0.401)	0.296 (1.225)	-0.537 (0.466)	-0.189 (0.701)	-0.145 (0.443)	0.438 (0.753)	-0.270 (0.522)	0.543 (0.512)	0.009 (0.255)	0.517 (0.459)	-0.652 (0.515)	-0.348 (0.754)	-0.432 (0.388)	0.384 (0.531)	0.005 (0.327)	<b>-2.128**</b> <b>(0.909)</b>	0.078 (0.469)	0.156 (0.589)
<b>Domestic competition</b>	-0.095 (0.378)	0.045 (0.732)	0.053 (0.454)	0.713 (0.652)	-0.086 (0.413)	<b>1.165*</b> <b>(0.662)</b>	<b>0.981**</b> <b>(0.495)</b>	<b>1.959***</b> <b>(0.662)</b>	-0.631 (0.388)	-0.578 (0.443)	0.140 (0.425)	0.055 (0.418)	-0.037 (0.406)	0.532 (0.663)	-0.202 (0.474)	1.417 (1.281)	0.312 (0.449)	0.469 (0.584)
<b>Regulatory pressure</b>	0.559 (0.449)	0.487 (0.927)	0.235 (0.491)	0.804 (0.793)	0.072 (0.457)	0.402 (0.834)	0.072 (0.411)	-0.475 (0.624)	0.276 (0.361)	0.508 (0.569)	<b>0.868**</b> <b>(0.426)</b>	<b>1.142*</b> <b>(0.657)</b>	0.536 (0.411)	1.145 (0.842)	-0.115 (0.514)	0.076 (0.832)	0.544 (0.507)	0.140 (0.636)
<b>Uzbekistan</b>	<b>3.378***</b> <b>(0.900)</b>	2.494 (4.361)	<b>-1.276**</b> <b>(0.615)</b>	-2.497 (3.934)	0.306 (0.918)	<b>-3.919***</b> <b>(1.435)</b>	<b>-1.601***</b> <b>(0.582)</b>	<b>-2.984**</b> <b>(1.488)</b>	-0.267 (0.689)	-0.478 (1.000)	-0.663 (0.704)	-1.113 (4.098)	<b>-1.648***</b> <b>(0.584)</b>	<b>-2.807**</b> <b>(1.150)</b>	<b>-2.582**</b> <b>(1.263)</b>	<b>-5.342**</b> <b>(2.377)</b>	<b>2.470***</b> <b>(0.737)</b>	2.275 (1.586)
<b>Telecom</b>	<b>1.659***</b> <b>(0.561)</b>	<b>1.456**</b> <b>(0.711)</b>	0.508 (0.624)	<b>1.143*</b> <b>(0.660)</b>	0.501 (0.648)	0.377 (0.821)	-0.993 (0.629)	-1.092 (0.948)	-0.453 (0.615)	-1.048 (0.959)	-0.242 (0.509)	-0.453 (0.798)	0.161 (0.601)	0.721 (0.687)	<b>-1.068*</b> <b>(0.591)</b>	-3.433 (2.088)	<b>1.227*</b> <b>(0.653)</b>	<b>2.299***</b> <b>(0.715)</b>
<b>Financial services</b>	0.921 (0.799)	-0.243 (2.291)	-0.247 (0.619)	1.030 (1.137)	-0.308 (0.585)	-0.439 (1.280)	<b>-1.517**</b> <b>(0.733)</b>	0.715 (0.907)	-0.013 (0.649)	-1.975 (1.238)	-0.620 (0.750)	0.061 (1.207)	<b>-1.004*</b> <b>(0.534)</b>	-0.941 (1.061)	-0.655 (0.501)	0.406 (1.237)	-0.915 (0.641)	<b>1.909*</b> <b>(1.056)</b>
<b>Governmental support</b>		-0.050 (0.372)		-0.221 (0.222)		<b>-0.595*</b> <b>(0.352)</b>		-0.489 (0.304)		-0.008 (0.252)		-0.155 (0.259)		-0.111 (0.246)		<b>-0.931**</b> <b>(0.396)</b>		<b>-0.542**</b> <b>(0.264)</b>
<b>Courts</b>		-0.102 (0.382)		-0.374 (0.257)		0.468 (0.362)		<b>-0.670**</b> <b>(0.292)</b>		0.539 (0.357)		-0.269 (0.262)		0.298 (0.404)		0.346 (0.455)		-0.377 (0.320)
<b>Personal ties</b>		0.003 (0.564)		<b>0.638**</b> <b>(0.302)</b>		0.347 (0.387)		<b>1.125***</b> <b>(0.294)</b>		-0.263 (0.344)		0.602 (0.390)		<b>0.671**</b> <b>(0.299)</b>		0.465 (0.386)		<b>0.842***</b> <b>(0.286)</b>
<b>Foreign contacts</b>		0.566 (0.775)		0.777 (0.578)		<b>1.828***</b> <b>(0.532)</b>		-0.370 (0.289)		0.201 (0.223)		0.217 (0.284)		0.189 (0.304)		1.624 (1.094)		-0.088 (0.312)
<b>Friends and relatives</b>		-0.811 *0.956)		-0.249 (0.891)		-0.359 (0.821)		-0.347 (0.929)		-1.045 (0.957)		0.245 (0.798)		-2.016 (1.145)		2.582 (1.762)		0.854 (0.607)
<b>Observations</b>	57	40	71	50	67	49	69	49	71	50	70	50	69	49	64	46	71	50

Note: see Table 3

Revenue of Kazakhstani companies abroad is significantly higher than of Uzbekistani, no sign. Difference in duration, for interest situation is reverse. In some regressions (e.g. restrictions on foreign specialists) standard errors questionable due to the perfect prediction

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## Appendix 1. Classification of Business Development Services

1. Market access	<ul style="list-style-type: none"> <li>➤ Market research</li> <li>➤ Market information</li> <li>➤ Trade fairs</li> <li>➤ Product prohibitions</li> </ul>	<ul style="list-style-type: none"> <li>➤ Advertising</li> <li>➤ Packaging</li> <li>➤ Subcontracting and outsourcing</li> </ul>
2. Infrastructure	<ul style="list-style-type: none"> <li>➤ Transport and delivery</li> <li>➤ Business incubators</li> <li>➤ Telecommunications</li> </ul>	<ul style="list-style-type: none"> <li>➤ Internet access</li> <li>➤ Computer access</li> </ul>
3. Policy and advocacy	<ul style="list-style-type: none"> <li>➤ Training in policy advocacy</li> <li>➤ Analysis of policy constraints and opportunities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Direct advocacy of MSMEs</li> <li>➤ Policy studies</li> </ul>
4. Input supply	<ul style="list-style-type: none"> <li>➤ Linking of MSMEs to input suppliers</li> </ul>	<ul style="list-style-type: none"> <li>➤ Facilitating establishment of bulk buying groups</li> </ul>
5. Training and technical assistance	<ul style="list-style-type: none"> <li>➤ Mentoring</li> <li>➤ Feasibility studies</li> </ul>	<ul style="list-style-type: none"> <li>➤ Business plans</li> <li>➤ Franchising</li> </ul>
6. Technology and product development	<ul style="list-style-type: none"> <li>➤ Technology transfer / commercialization</li> </ul>	<ul style="list-style-type: none"> <li>➤ Design services</li> <li>➤ Linking MSMEs and technology suppliers</li> </ul>
7. Alternative financing mechanisms	<ul style="list-style-type: none"> <li>➤ Factoring companies providing capital for confirmed orders</li> <li>➤ Equity financing</li> </ul>	<ul style="list-style-type: none"> <li>➤ Facilitating supplier credit</li> <li>➤ Equipment leasing and rental</li> </ul>

Source: Business Development Services: How to Guide, Bratislava Regional Centre United Nations Development Programme, July 2004, p. 7, available at <http://europeandcis.undp.org/poverty/show/FA14BD48-F203-1EE9-BFE68960B3314C1D>, accessed on August 14.