



# Diversity in Central Asia: Culture, Transition & Entrepreneurship

Frank Lasch; Leo Paul Dana; Jens Mueller.

Key-words: Transition, Central Asia, entrepreneurship

## Introduction

With the demise of the USSR in 1991, five new countries became independent in Central Asia. This study presents an overview about transition, emergence and nature of entrepreneurship in a world's region that displays amongst the most important energy resources in gas and oil.

## 1. Methodology

### 1.1 Geographical scope and definitions

The geographic focus of this study covers five new countries that became independent in Central Asia. For our study, the word “entrepreneurship” refers to the economic undertaking of entrepreneurs. This is based on the classical definition of the word, which can be traced to the German ‘*Unternehmung*’ (literally: undertaking) and to the French ‘*entreprendre*’ (literally: between taking).

### 1.2 Sources

This study is based on interviews conducted across Central Asia, and statistics unless specified, were provided by government sources.

**Republic of Kazakhstan** is largely based on information obtained from: the Ministry of Agriculture; the Ministry of Economics; the Ministry of Finance; the Ministry of Foreign Affairs; the Ministry of Industry and Trade; and the Ministry of Internal Affairs. The chapter includes material that first appeared in a refereed journal article about Kazakhstan (Dana, 1997).

**Kyrgyz Republic** is largely based on information obtained from: the Ministry of

Agrarian Policy; the Ministry of Agriculture and Foodstuffs; the Ministry of Culture; and the Ministry of Industrial Policy. The chapter includes material that first appeared in a refereed journal article about the Kyrgyz Republic (Dana, 2000).

**Republic of Tajikistan** is based upon unpublished data provided by the Congress of Entrepreneurs, Almaty.

**Republic of Turkmenistan** is largely based on information obtained from: the Central Bank; the Department of State Property and Privatisation; the Ministry of Economy and Finance; the Ministry of Foreign Economic Relations; the Ministry of Industry; the Ministry of Trade; the Small and Medium Enterprise Development Agency; the Turkmenbank; and Turkmenavia Airlines.

**Republic of Uzbekistan** is largely based on information obtained from: the Ministry of Agriculture; the Ministry of Finance and Economy; the Ministry of Foreign Affairs; the Ministry of Foreign Economic Relations; the Ministry of Industry, Fuel, and Power; and the Ministry of State Property and Privatisation.

## **2. Central Asian countries in transition**

### **2.1 Kazakhstan**

#### *2.1.1 Overview*

Kazakhstan declared its independence in December 1991. In terms of natural resources, per capita, Kazakhstan is perhaps the richest in the world. Kazakhstan has the world's third largest oil reserves, after the Persian Gulf and Siberia.

The collectivisation of land began in 1928 and evolved into a trauma as Kazakh herdsmen slaughtered their livestock rather than surrender them to collective farms. In 1936, the Kazakh Soviet Socialist Republic was carved out of Russia. After World War II, Moscow attempted to transform the country into a breadbasket, but the plan failed as the semi-arid steppe could not support long-term farming. The Soviets then decided to use the country as a missile testing range and nuclear test site. The Soviets also imposed cotton growing in Central Asia and diverted the rivers that once flowed into the Aral Sea in order to irrigate land for cotton (Edwards & Ludwig, 1993). But by diverting the rivers which fed the Aral Sea, the sea lost almost 75% of its volume, turned into a salt desert. The ecosystem was altered and fertile farmland contaminated by the residue of a disappearing sea and the formerly massive use of chemical fertilisers.

#### *2.1.2 The Kazakh Model of Transition by Decree*

After independence Kazakhstan became an example of successful transition to a relatively open, capitalist economy. In January 1992, the government opened up foreign trade. A privatisation plan scheduled the sale of most state enterprises with more than 200 employees. In January 1994, an agreement was signed to create a single economic zone with the Kyrgyz Republic and Uzbekistan. In April 1994, the privatisation of 3,500 medium firms took place. Privatisation was comprehensive and liberalisation proved extensive. Small enterprises with fewer than 500 employees, and large firms

with over 2,000 workers were sold for cash. In December 1994, the Law on Foreign Investments introduced incentives for foreigners, and unpublished sources of the Ministry of Economy indicate that by 1995, 2,000 joint ventures had been created. By the time a new customs code liberalised trade in July 1995, the monthly rate of inflation had fallen to 2%. Over 100 banks came to operate in Kazakhstan.

Transportation infrastructure was also rapidly developed, with several airlines replacing the Aeroflot monopoly. Unlike other formerly Soviet republics, Kazakhstan has a good supply of energy, and Kazakh Air managed to fare relatively well. Tourism is becoming developed.

In contrast to the Soviets who attempted to industrialise Kazakhstan in frenzy, the post-independence government has welcomed foreign capital, technology and expertise to co-operate in a co-ordinated development effort. This is not to suggest, however, that Kazakhstan is without problems. The republic emerged as a vanguard of reform and privatisation. Annual inflation, which reached 176% in 1995, was controlled to 7% in 1998, before rising to 13.8% in 2000. Most respondents complain of government corruption, greed and unemployment. But Soviet bureaucracy survived. Regulations exist, but rules are bent. Devaluation of the Kazakh *tenge*, in 1999, increased the competitiveness of exports.

### *2.1.3 Entrepreneurship*

With transition, entrepreneurship was legalised, and in 1995 the tax burden of entrepreneurs was specifically decreased. At the time, there were 32,186 small firms in Kazakhstan, providing 330,000 jobs<sup>1</sup>. Given that small enterprises in Kazakhstan tended to be concentrated in trade and intermediary activity, new laws attempted to promote small-scale industry. Kazakhstan became also a world leader in the production and export of pomegranate juice. Micro-enterprise was also allowed to evolve with minimal interference (unofficial vending and selling).

## **2.2 Kyrgyz Republic**

### *2.2.1 Overview*

The Kyrgyz Republic neighbours China, Kazakhstan, Tajikistan, and Uzbekistan. In 1936 the Kirghiz Soviet Socialist Republic was declared. Collectivisation began in 1928, putting an end to the traditional nomadic lifestyle of the Kirghiz, but resistance to collectivism was exceptionally strong; rather than transfer their flocks to collective farms, many Kirghiz herdsmen slaughtered their sheep – as did the Kazakhs.

### *2.2.2 The Kyrgyz Model of Transition by Decree*

O'Driscoll, Holmes & Kirkpatrick (2001) found the Kyrgyz Republic to have less black market activity than any of its neighbours. The same report described the Kyrgyz

1 These are unpublished data provided by the Congress of Entrepreneurs, 597 ul. Seifullin, Almaty.

Republic as more welcoming to foreign investment, than any other country in Central Asia. While joint ventures have boosted employment in the nation's capital, efforts to expedite transition have diverted attention from indigenous entrepreneurship.

In 1990, a law on ownership was introduced in Soviet Kirghizia, followed by a law on enterprises opening entrepreneurial activity is open to all people in Kyrgyzstan, regardless of nationality (1991). The Communist Party was outlawed and independence of the new Kyrgyz Republic was declared on August 31, 1991. In 1992, prices were liberalised and monthly inflation reached 30 to 50%. By mid-1993, inflation had been reduced to a monthly average of 17%. The *som* established itself as one of the most stable, freely convertible currencies in the Central Asian region. However, during the late 1990s, about half of all families were living below the poverty line, defined by the government as approximately \$32 per month.

Meanwhile, a bold privatisation scheme that had begun in spring 1993 led to the sale by auction of enterprises with less than 100 employees. Larger ones were transformed into joint stock companies. In May 1993, the new Law on Foreign Investments introduced tax incentives. By 1994, there were 370 joint ventures in Kyrgyzstan, with Canadians providing the largest investment. Reform in the Kyrgyz Republic also encouraged the development of an elaborate banking infrastructure. Foreign investors were welcomed and joint ventures created jobs in the national capital, *Bishkek*. In 1998, the government legislated the right to own land and the country became the first of the region to join the World Trade Organisation (WTO).

### *2.2.3 Indigenous entrepreneurship in the Kyrgyz Republic*

The Kyrgyz Republic has been praised for its rapid rate of transition, but social issues have been overlooked. Rural entrepreneurship was neglected. Although agricultural land was promptly privatised, grazing pasture was not. Upon the dissolution of co-operatives, individuals were given title to livestock divided among them. Uncertain about their access to pastures, many farmers opted to slaughter their sheep for immediate gain.

Natural pastures cover over nine million hectares of the Kyrgyz Republic (85% of the nation's land area). Over half of the people in the Kyrgyz Republic live in the countryside. According to unpublished files of the State Commission on Foreign Investments and Economic Assistance, in Bishkek, farming employed two-fifths of the population in 1998, and contributed about 40% of the GNP. However, this primary natural resource, which has traditionally been the source of livelihood for herdsmen and livestock, has been given insufficient priority.

Currently, in the Kyrgyz Republic, there is a problem of low productivity in the livestock sector. This can be traced to disease, lack of thrift, poor husbandry and underfeeding. Water pollution is also a problem, as is the increasing salinity of the soil, a result of faulty irrigation practices.

#### 2.2.4 Urban enterprise

Rapid reform in the Kyrgyz Republic accelerated the creation of new opportunities for formal firms operating in the firm-type sector. This statement merits qualification, however, as the distribution of opportunities is very uneven. International aid and foreign investments have been arriving predominantly in the national capital, *Bishkek*, marked by a rapid urbanisation. It should be emphasised that despite economic growth, only a minority of entrepreneurs prospered as the gap between rich and poor widened. Prices became unrealistic. Where possible, families have a small vegetable garden and sometimes a cow along with a couple of sheep, not always practical when living in the city.

Mass migration to *Bishkek* has also had a negative impact on other areas being depleted of people where many houses are boarded up, and the fields are overgrown with weeds. In Min-Kush, the industrial heartland of the Naryn Oblast, mass unemployment has become the norm. There is a serious mis-match between market demand and skills available in the workforce.

### 2.3 Tajikistan

#### 2.3.1 Overview

Tajikistan is the smallest of the five formerly Soviet Central Asian republics. Of the fifteen formerly Soviet republics, Tajikistan has the lowest per capita GDP. It is also the least stable. Independent since 1991, economic development in Tajikistan was delayed by the 1992-1997 civil war, between the government and the Islamic-led United Tajik Opposition.

In 1929, this Tajik region emerged as the Tajik Soviet Socialist Republic. Central planning forced out traditional mixed farming – which had supported self-sufficiency – and instead imposed specialisation in cotton, to the benefit of the Russian economy. On September 9, 1991, the former Tajik Soviet Socialist Republic gained its independence, becoming the Republic of Tajikistan. Immediately after independence, *The Economist* correctly predicted a potential for trouble in the region and Tajikistan fell right into turmoil, as it experienced several changes of government and civil war ravaged the country. By 1996, increasing tension strained the environment for any form of legitimate entrepreneurial activity.

Industrial production shrank by 31% in 1994, while the population's rate of growth – in spite of emigration – continued to be 3%, the highest in Central Asia. A new constitution was adopted on November 6, 1994, but a variety of factors prevented any significant reform, a prerequisite to the establishment of an entrepreneurial class.

#### 2.3.2 Transition to market economy

The combined effect of civil war, the loss of Soviet subsidies and the breakdown of Soviet distribution channels, resulted in the collapse of the Tajik economy. The nation

has been relying on humanitarian assistance for subsistence. This economic situation in Tajikistan is ironic, given that the republic is particularly endowed with a variety of natural resources and significant potential for hydroelectric power. Increasing pressure is being placed on this nation, as the population exceeds six million people, with a labour force of about 2 million. The nation has failed to become self-sufficient and a low standard of living persists.

The economy in Tajikistan is largely agricultural; during the late 20th century, half of the labour force worked on farms, producing cotton, fruits and vegetables and farming is very labour-extensive. The agricultural sector has severe limitations, as only 6% of the land is arable. Tajikistan is part of the basin of the Aral Sea, and this region is suffering from former Soviet economic development plans (over-utilisation of water, increasing levels of soil salinity, industrial pollution, excessive use of pesticides, contamination of soil). Cotton is officially the number one crop, but only because the former USSR imposed its production. In fact, the land in Tajikistan is not ideal for this labour-intensive crop. Instead, there has been a significant rise in the cultivation of cannabis and opium poppies.

#### *2.3.4 Entrepreneurship*

According to the Economist Intelligence Unit, the black market in Tajikistan exceeds 57% of true GDP. In contrast to other transitional economies where small business thrives in the informal sector, Tajik entrepreneurs perceive the covert sector as a most interesting alternative for economic activity. Numerous constraints in Tajikistan discourage legal forms of entrepreneurial activity. Continued hostilities between ethnic groups contribute to a variety of problems, including strains on the environment, infrastructure inadequacies and the lack of importance given to basic education. Among the relevant issues are: over-utilisation of water, increasing pollution, excessive use of pesticides, inadequately developed and poorly maintained communication networks, chronic fuel shortages, worsening international relations, border conflicts and low attendance at school. Tajikistan has become a major centre for the distribution of illicit drugs to Europe and to Canada, as well as to the United States. Corruption is the norm. Enterprise is hindered by lack of infrastructure. Communications are poorly developed and the system is badly maintained, the transportation system underdeveloped.

The geographic location of Tajikistan could be an important asset in itself. Uzbek buses link towns in Uzbekistan, via Tajikistan. This provides transportation within Tajikistan, and business to Tajik entrepreneurs along the way. However, entrepreneurs engaged in import/export operations are concerned about border closings and international border disputes (with China and the Kyrgyz Republic). As for inter-continental links, in 1994, Tajik Air introduced air service between Europe and Tajikistan, but the national airline finally collapsed.

Education is an important factor for entrepreneurship. Whereas Soviet rule had imposed

universal free education, the situation changed during the late 20<sup>th</sup> century, when a small percentage of Tajik children were attending school. This is a problem for the rural Tajik who has not learned Russian. In sum, the economic environment presents little opportunity for legitimate entrepreneurship.

## **2.4 Turkmenistan**

### *2.4.1 Overview*

Turkmenistan is rich in energy, with three trillion cubic metres of natural gas – the fourth largest reserve in the world, after Russia, the United States and Iran. In addition, Turkmenistan has 700 million tonnes of oil reserves, and the world's third largest sulphur deposits. As well, Turkmenistan is among the ten largest cotton producers in the world. Despite these riches, the people of Turkmenistan have remained poor. Although Turkmenistan is largely covered by desert, agriculture provides a significant proportion of the nation's employment opportunities, accounting for almost half of national GDP. The Turkmen Soviet Socialist Republic was recognised as a constituent republic of the USSR in 1925. During the 1930s, cotton became the backbone of the Turkmen economy. Despite bumper crops, the republic did not prosper, as the cotton was sold to Moscow at prices below world market values. In the absence of processing facilities, Turkmenistan was left out of the value-adding phases. Cotton was exported at low prices, and cloth was imported at prices dictated by central planners.

### *2.4.2 The Turkmen Model of Limited Privatisation*

Under central planning from Moscow, the Turkmen economy was focused on cotton. Since the economy has changed paths, oil has become increasingly important. A new constitution was adopted in 1992. Joint ventures became a popular means to combine capitalist ideas with local enterprise. In 1994, a cautious programme of limited privatisation was launched and the *manat* was devalued. In December 1995, the Programme for Social and Economic Development in Turkmenistan was launched. As recommended by the IMF, key objectives of this reform programme included the implementation of market reforms, making the *manat* internally convertible and restructuring the economy with a focus on controlling the expansion of credit. The banking sector was restructured during the late 20<sup>th</sup> century. In 1998 three major banks were declared state banks with narrowly defined scopes of activities. In 1999, the number of banks operating in Turkmenistan was reduced from sixty-seven to thirteen. State firms in Turkmenistan have been ordered to conduct business only with state banks.

### *2.4.3 Entrepreneurship*

Even after independence, the environment for enterprise in Turkmenistan has not been conducive for the creation of widespread prosperity. O'Driscoll, Holmes & Kirkpatrick found more government intervention in this country, than anywhere else in Central Asia; they noted, "Corruption is a major impediment, and the Economist Intelligence

Unit reports that any thorough reform is unlikely for political reasons (2001, p. 368).” Turkmenistan approached entrepreneurship issues with caution. It allowed the creation of 6,000 small-scale firms in 1992, but delayed auction sales of mid-size and larger businesses.

In 1993, the International Joint Stock Bank for Reconstruction, Development and Promotion of Entrepreneurship was founded. However, individuals interviewed by the author have doubts as to how effectively entrepreneurship was promoted. Interviewees claim, however, that opportunities were curtailed when recent legislation restricted access to foreign exchange, to certain persons. Respondents also told the author that high inflation rendered business plans useless. According to O’Driscoll, Holmes & Kirkpatrick (2001), annual inflation averaged 77.41% between 1991 and 1999.

Since 1995, the Small and Medium Enterprise Development Agency (a joint venture between the European Union and the Government of Turkmenistan) has been providing entrepreneurs with information on business law, taxation and related matters. A first glance might suggest that entrepreneurship is facilitated in Turkmenistan; in actuality, entrepreneurs in Turkmenistan face considerable regulation. Several businessmen complained to the author about the high cost of registration. Article 17 states that the list of output – for sale at state prices – is determined by the Cabinet of Ministers of Turkmenistan, by agreement with an enterprise. One interviewee told the author, “In order to be a successful entrepreneur you must first be a lawyer, or able to buy the law.” Most of the self-employed, in this country, operate micro-enterprises, and these are often informal. Street vending is common.

## **2.5 Uzbekistan**

The Republic of Uzbekistan has the largest open-pit gold mine, and the fourth largest gold reserves, in the world. Cotton accounts for 80% of the nation’s exports. Rather than precipitate transition, this republic has opted for a gradual approach to economic reform. Independence led to an Islamic revival. Tension, in 2001, led to the closure of about 900 mosques. Uzbekistan received \$100 million for its support of the United States in the War Against Terrorism. Defining economic freedom as “the absence of government coercion or constraint (Beach & O’Driscoll, 2001, p. 43-44), O’Driscoll, Holmes & Kirkpatrick (2001), reported that Uzbekistan repressed economic freedom; the same study found the government in Uzbekistan to have greater fiscal burdens than Kazakhstan, the Kyrgyz Republic, Tajikistan, and Turkmenistan.

### *2.5.1 Overview*

The Uzbek Soviet Socialist Republic was created in 1924. After the war, the Russians imposed cotton planting on the Uzbeks, replacing traditional mixed farming. The Soviets set up an irrigation system, but this caused the Aral Sea ecological disaster. Uzbekistan became independent on August 31, 1991.



### 2.5.2 *The Uzbek Model of Gradual Transition*

In contrast to the countries that rushed into market economies, Uzbekistan established policies opposed to the shock policy approach. The Uzbekistan Communist Party metamorphosed into the Popular Democratic Party and with the same people in power, reform was slow. The government sought to maintain a Soviet-style economy with subsidies, price controls, and centrally planned production. This buffered the economy from the sharp falls in output, experienced elsewhere. However, export taxes complicated international trade. In 1991, the Enterprise Tax Law was issued. It was harsh and subsequently amended in 1992 and thereafter.

Until 1993, Uzbekistan had a conservative privatisation programme. The state sold primarily non-transferable shares, to employees only, and at a fixed price. A vast parallel economy arose. In 1994, the *sum* was introduced, but the new currency experienced rapid devaluation.

Until 1995, enterprises were required to pay taxes based on sales. This was problematic, however, as sales were not necessarily proportional to profits. In April 1995, a tax on profits was introduced. Even if the model of gradual transition was continued, by 1996, prices were liberalised and the 1990s in Uzbekistan were characterised by pains of transition – albeit slow. The monthly salary of a university professor was equal to the cost of a single tank of petrol in the parallel economy. In 2002, farmers were still told what to grow, and their harvest continued to be taken by the state.

### 2.5.3 *Entrepreneurship*

In January 1994, measures were issued to facilitate the protection of private ownership and Develop Entrepreneurship.” Yet, entrepreneurship in Uzbekistan is seldom Schumpeterian (1912) in nature. Innovation is limited. Although the Uzbek Soviet Socialist Republic produced excellent engineers, hundreds of these have moved away and resettled in Israel. Conditions in Uzbekistan give rise to entrepreneurs in the Kirznerian (1973) sense. Individuals identify opportunities for arbitrage, and taking risks as described by Cantillon (1755) and Knight (1921). Often, self-employment is not a desired activity, but merely a means to survival. For many, it is a part-time effort, required to supplement a low salary.

As was the case during the zenith of the Silk Road, the bazaar is thriving with social as well as mercantile activities. At the market, prices often rise as the day progresses. This reflects decreasing supply. There is no brand differentiation. The focus is not so much on the product or service, but on personal relationships.

## **3. Entrepreneurship**

### **3.1 Beyond collectivism**

The nature of entrepreneurship today differs widely across these countries as a result of a complex mix of heritage, pluralism, cultural values, and government policy.

Kazakhstan and the Kyrgyz Republic practice a model of transition by decree. Typically for this policy is a scheme that favors privatization after independence, entrepreneurship laws, incentives for foreign investments, enhancement of the transportation infrastructure, emerging tourism, coordinated development with Western companies and deregulation. Indigenous entrepreneurship offers new opportunities for ethnic groups in Central Asia, traditionally familiar with nomadic lifestyle. In Tajikistan, political instability after independence hampered entrepreneurship and reinforced the covert sector. The close link between post-independence political stability and the successful development of entrepreneurship is a common theme that we observe also in other emerging countries, like in East Asia for example. Transition to market economy has been delayed in Tajikistan by civil war and the combined effect of political instability, the loss of Soviet subsidies and the breakdown of Soviet distribution channels, resulted in the collapse of the economy. Legal forms of entrepreneurship are discouraged. After independence, Turkmenistan adopted a model of limited privatisation. This country approaches entrepreneurship with caution, under tight state control. The major obstacles for entrepreneurs are regulations and bureaucracy here. Uzbekistan opted for a gradual approach to economic reform. Currency crisis and shortages of energy are factors that have a negative effect on the development of entrepreneurship.

## **3.2 Toward the future**

### *3.2.1 Kazakhstan*

Kazakhstan became the world's fourth nuclear power when because the Soviets felt the country's million square miles of steppe were ideal for placing nuclear warheads. After decades of imposed communism, horses once again roam freely among Kazakh shepherds tending their flocks and drinking fermented mare's milk. Nearby, at the Baikonur Cosmodrome, satellites are being sent into orbit, \$1.5 million per launch. Local cultural values in Kazakhstan are compatible with capitalism and with the re-emerging entrepreneurial spirit. As other republics may look at religious fundamentalism for leadership, and yet others yearn for a return to power of the Communist Party, Kazakhstan is keen on entrepreneurship, innovation and change.

### *3.2.2 Kyrgyzstan*

The Soviets geared the local industry to service their own military industrial complex, with an emphasis on antimony, mercury and nuclear arms. More recently, rapid reform, for the sake of change, has introduced new problems to the Kyrgyz Republic. New taxes squeeze independent, indigenous entrepreneurs. Meanwhile, Western-style capitalism has been imposed, causing rapid urbanisation and related social problems. Agriculture must no longer be viewed as a stagnant industry. It is affected not only by changing weather patterns and demographic shifts, but also by changing technology, government intervention, competition and market demands.

A minority in this new country, Russians have been feeling threatened and many have emigrated, taking with them their skills. In 1989, one out of four residents was Russian; by 2001, the Russian minority was reduced to less than one out of six. The indigenous Kirghiz have been successful herders for centuries, manifesting their entrepreneurial spirit in the countryside, but emphasis was placed on urban enterprise. In 1995, Parliament introduced a new tax on pastureland and another tax on land used to grow hay.

Also problematic is energy distribution. Although the Kyrgyz Republic exports electricity, the nation relies on imported fuel, which is often scarce, especially in rural regions. Both rural and urban sectors can be encouraged to evolve.

### *3.2.3 Tajikistan*

Tajikistan is pluralistic, with a shared core universe, and different partial universes coexisting with the lack of mutual accommodation. Ethnic violence from within the country is a serious threat, as like as rebel bastions allowing covert entrepreneurship activities.

Due to considerable communist influence in the past, many Tajiks are not familiar with “normal” business practices in a market economy. The Tajik concept of enterprise is not the same as that in the West, and management is not seen the same way. Under the old regime, there were no managers in the Western sense, but rather highly influential industrial bureaucrats. They did not manage; instead, they received orders from superior functionaries and simply executed the instructions. Consequently, people are still waiting for directives. Meanwhile, engaging in covert activities is providing an overwhelming source of hard currency, this to the detriment of engaging in legal entrepreneurial behaviour such as that found in internal, informal and formal categories of economic activity.

Whereas independence from Moscow has enabled entrepreneurs in some newly independent countries to enter better economic times, for Tajikistan, secession has not contributed to legitimate entrepreneurship. Aside from trading in illegal drugs and/or hunting endangered species, Tajiks see little opportunity for entrepreneurial activity in their new country.

### *3.2.4 Turkmenistan*

Turkmenistan is said to have great potential. It is rich in fuel, and its weather allows for a long growing season. Its cotton is considered among the best in the world. Furthermore, its location puts it at the crossroads of Europe and Southeast Asia.

Nevertheless, enterprise is crippled here. Heavy paperwork requirements are a strain to owner-managers with limited resources. The multitude of local, profit, and property taxes further deters legitimate entrepreneurship. Frequently changing regulations and tax laws limit entrepreneurial expansion. As concluded by O’Driscoll, Holmes &

Kirkpatrick, “The legal reforms necessary for development of a market economy have not been put in place (2001, p. 368).”

### *3.2.5 Uzbekistan*

Uzbekistan is a land of paradox. There are over 250 airports, but most have unpaved runways. Soviet bureaucracy survived the demise of the USSR. In contrast to Kazakhstan and the Kyrgyz Republic, Uzbekistan proceeded slowly with transition to a market economy.

#### **Conclusion**

This study has surveyed the evolution transition and entrepreneurship in five former Soviet Republics of Central Asia. The main objective was to provide an overview about the nature of entrepreneurship in these emerging countries of the region between China and Russia.

This overview about emerging countries in Central Asia shows that a variety of models are means to achieve different results. This is where more research is needed. Perhaps transition should not be viewed so much as an end in itself, but rather a means to something beyond. Classic theories cannot simply be taken and injected into transitional economies, in neglect of the environment in which they are to be placed. Historical, socio-cultural and economic contexts appear to be important factors affecting the environment for business; societies cannot all adopt legitimate entrepreneurial systems at an equal pace, nor should they be expected to. Although governments recognize the importance of entrepreneurship, the emphases of their respective promotion efforts differ greatly, reflecting national priorities, demographic factors and cultural values. Likewise, the entrepreneurship sector reflects historical and cultural factors, as well as public policy. In addition to public policy, social norms and education have an influence on entrepreneurship.

## References

- Beach, W., & G. O'Driscoll (2001), "Factors of the Index of Economic Freedom," in Gerald P. O'Driscoll, Kim R. Holmes & Melanie Kirkpatrick, *2001 Index of Economic Freedom*, New York: The Wall Street Journal.
- Cantillon, R. (1755), *Essai sur la Nature du Commerce en Général*, London: R. Gyles.
- Clark, M. (1954), "How the Kazakhs Fled to Freedom," *National Geographic* 106 (5), November, pp. 621-644.
- Dana, L. (1997), "Change, Entrepreneurship and Innovation in the Republic of Kazakhstan," *Entrepreneurship, Innovation, and Change* 6 (2), June, pp. 167-174.
- Dana, L. (2000), "Change & Circumstance in Kyrgyz Markets," *Qualitative Market Research* 3 (2), April, pp. 62-73.
- Edwards, M., & G. Ludwig (1993), "A Broken Empire," *National Geographic* 183 (3), March, pp. 1-53.
- Gray, D. (2001), "Working Elephants Make Last Stand in Myanmar," *The Jerusalem Post*, March 13, p. 7.
- Herbig, P., & C. McCarty (1995), "Lessons to Be Learned from the Soviet and Chinese Socialist Experiments: A Cross-Cultural Comparison of Innovative Capabilities," *Journal of East-West Business* 1 (1), pp. 47-67.
- Jaworski, B., & A. Kohli (1993), "Market Orientation: Antecedents and Consequences," *Journal of Marketing* 57, July, pp. 53-70.
- Kirzner, I. (1973), *Competition and Entrepreneurship*, Chicago: University of Chicago Press.
- Knight, F. (1921), *Risk Uncertainty and Profit*, Boston: Houghton Mifflin.
- Kyrgyz Republic (1991), *Laws on General Principles of Destatization, Privatization and Entrepreneurship in the Kyrgyz Republic*, Bishkek, December 20.
- O'Driscoll, G., K. Holmes, & M. Kirkpatrick (2001), *2001 Index of Economic Freedom*, New York: The Wall Street Journal.
- Schumpeter, J. (1912), *Theorie der wirtschaftlichen Entwicklung*, Munich: Dunker und Humblat.
- Frank Lasch, Leo Dana, Jens Mueller (2009) Diversity in Central Asia: Culture, Transition & Entrepreneurship. *Journal of Asia Entrepreneurship and Sustainability*, (5)1, 44-56