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Entrepôt for Chinese Consumer Goods in Central Asia: The Puzzle of Re-exports through Kyrgyz Bazaars

Bartłomiej Kaminski and Gaël Raballand¹

Abstract: Relying on mirror foreign trade statistics and their reconciliation with official data on balance of payments, two economists demonstrate the important role of bazaars as major conduits of trade in Central Asia, and particularly of Kyrgyz bazaars for the entry of Chinese consumer goods into the region. The authors estimate that in recent years up to three quarters of the goods imported by Kyrgyzstan have been unofficially re-exported to other Central Asian countries, generating substantial income for the Kyrgyz economy. A concluding section explores the implications of the re-export trade for Kyrgyzstan (e.g., positive spillovers for domestic light industry) as well as the potential emergence of new competitors (e.g., Kazakhstan). *Journal of Economic Literature*, Classification Numbers: F100, F170, F470. 5 tables, 17 references. Key words: China, Central Asia, Kyrgyzstan, Kazakhstan, foreign trade, mirror statistics, re-exports, bazaars, spillover effects.

INTRODUCTION

Statistical disparities in remote areas of the underdeveloped world often go relatively unnoticed. Sometimes, however, they can provide clues to important processes that otherwise might escape scholarly investigation. Kyrgyzstan's recent macroeconomic performance has presented researchers with such a paradox on at least three counts.² First, GDP growth appears to have been largely decoupled from external economic performance. While the annual trend in the country's GDP has exhibited a "roller coaster" trajectory, external indicators point to robust growth. More specifically, Kyrgyzstan's GDP was essentially stagnant in 2002; it subsequently increased by ca. 7 percent in 2003 and 2004, contracted by 0.2 percent in 2005, increased by 3 percent in 2006, before accelerating to 8 percent in 2007–2008. Conversely, over this same period imports grew steadily at an annual rate of 25 percent during 2003–2005 before skyrocketing to 62 percent in 2006, and falling to 43 percent growth in 2007.

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²For more details on the macroeconomic fluctuations, see Kaminski (2008).

Table 1. Confusing External Performance Indicators, 2003–2008

Indicator	2003	2004	2005	2006	2007	2008 ^a
	In mill. \$US					
Current account	-42	28	-38	-287	-228	-631
Trade balance (goods and services) ^b	-134	-184	-451	-969	-1,196	-2,004
Trade balance (goods and services) ^c	-1,093	-1,750	-2,606	-4,688	-6,369	-12,801
Net private transfers	137	291	477	717	990	1,431
Errors and omissions	67	-24	67	187	276	721
International reserves	389	565	612	817	1,177	1,225
Memorandum: FDI share in current account deficit (percent)	107	463	111	63	91	37
	In percent of GDP					
Trade balance (goods and services) ^b	-7	-8	-18	-34	-31	-40
Trade balance (goods and services) ^c	-52	-60	-90	-164	-167	-253
Net private transfers	7	13	19	25	26	28
Errors and omissions	3	-1	3	7	7	14
International reserves	20	25	25	29	31	24

^aTrade data for 2008 are preliminary and will require several revisions before they can be considered sufficiently accurate for detailed analysis.

^bOfficial.

^cMirror imports.

Sources: Authors' calculations on the basis of official balance of payments statistics provided by the Central Bank of Kyrgyzstan and UN Comtrade, 2009

Second, strong improvement in the country's external position (including external debt ratios) coincided with an increase in the official trade deficit from around 7 percent of GDP in 2003–2004 to 18 in 2005 and 31 percent in 2007 (Table 1).³ While FDI inflows exceeded the current account deficit in 2003–2005, they fell to 63 percent of that deficit in 2006 before increasing to 91 percent in 2007. International reserves increased consistently throughout the entire period, with net private transfers and unidentified foreign exchange inflows (i.e., factors equated with errors and omissions in the balance of payments statistics) contributing to the improved external position.

And third, there is an immense difference between Kyrgyz imports as reported in the country's foreign trade statistics and those reported in the International Monetary Fund's Direction of Trade Statistics database, which reconciles national data with the exports reported by the country's trading partner—i.e., the so-called “mirror” imports. The value of these imports in 2006 amounted to around \$3.6 billion FOB (166 percent of the GDP), leading to a trade deficit of 164 percent of the GDP, as opposed to the officially reported imports (also FOB) of \$1.8 billion. By 2007, the official foreign trade deficit, including unreported imports, rose to 253 percent of GDP (Table 1).

³Preliminary trade figures suggest a deficit of 40 percent for 2008 (Table 1). However, these preliminary figures ordinarily require several revisions before they can be considered sufficiently accurate for detailed analysis. Therefore, although the 2008 trade data are reported for general reference in Tables 1 and 2, they are not yet sufficiently accurate for meaningful trend analysis and are therefore not cited in the text.

How could Kyrgyzstan have paid for these imports without running down international reserves or borrowing heavily abroad? The short answer is that it clearly could not have. Yet there is no reason not to trust the mirror imports statistics. Although they may not be completely accurate,⁴ when the value of mirror imports is more than twice as high as the value of official imports, it becomes clear that the official statistics grossly under-report actual imports. But these extra unreported imports could not have been consumed domestically, as there would be no funds available to finance the enormous trade deficits reported in Table 1.

Another piece of evidence arguing against domestic consumption of the unreported imports is that no balance of payments crisis is evident. On the contrary, Kyrgyzstan's international reserves, as noted above, have continued to grow irrespective of the soaring gap between the mirror and official imports. In fact Kyrgyzstan's international reserves doubled between 2005 and 2008, and the category of "errors and omissions" increased more than ten-fold during the same period, to \$721 million in 2008.

Thus, the unreported imports were not a financial burden to the Kyrgyz economy but rather a very important source of foreign currency earnings. Indeed, the international reserves, errors and omissions, and private net transfers shown in Table 1 have "behaved" as though the unreported imports were almost entirely re-exported. Otherwise, it would have been very difficult to explain their movements in the same direction in 2003–2007 (growing in tandem for each year in the period). This suggests that: (a) some portion of these additional imports was financed from remittances recorded in the errors and omissions entry of the balance of payments statistics and/or net transfers; and (b) some of these imports into Kyrgyzstan have generated additional hard currency earnings, which led to the increase in international reserves and probably were also reflected in the errors and omissions item of the balance of payments statistics.

The interesting question, therefore, is how Kyrgyzstan was able to finance trade deficits in goods and services well above its GDP in 2006–2007 while simultaneously improving its external position as shown in the growth of international reserves and the fall of sovereign debt. Remittances, that is, money sent home by Kyrgyz migrants working abroad, might have been one of the major sources of financing,⁵ albeit not the most important; net private transfers not related to remittances and unidentified inflows (errors and omissions) have probably been even more important. Estimated by the Kyrgyz Central Bank at around \$500 million in 2006, remittances accounted for 70 percent of net private transfers. Together with elsewhere unaccounted-for inflows of foreign currency (errors and omissions in the balance of payments statistics), these inflows amounted to around \$600 million in 2006 and increased to ca. \$1 billion in 2007.⁶ Put differently, the equivalent of around 20 percent of Kyrgyzstan's GDP in 2006 and 31 percent in 2007 resulted from transactions that cannot be immediately identified.

Putting the pieces together yields the following hypothesis: transactions that are not immediately identifiable may be related to exports of the imported products, i.e., re-exports. Mirror import statistics provide clues as to the size of the re-exports and their contribution to "unidentified" foreign currency revenues. Thus, some portion of the unreported imports only

⁴However, mirror statistics do provide a fairly accurate picture under most circumstances. For an extensive discussion of the issues involved, see Rozanski and Yeats (1994) and Zarubin and Kaminski (1995).

⁵For background see O'Hara et al. (2009)

⁶In 2008, remittances, estimated at around \$1.2 billion for Kyrgyzstan, accounted for 86 percent of net private transfers.

touch down in Kyrgyzstan on their way to other countries. The questions to which we shall now turn are the following. What items are being re-exported? What is their value? And how are they internally “processed?”

BAZAARS AS ENTREPÔTS: RE-EXPORTED PRODUCTS AND THEIR VALUE

Re-exports from Kyrgyzstan are internally “processed” mainly through the intermediary of bazaars, which account for the bulk of the country’s retail trade.⁷ While in the developed countries the bulk of foreign trade activity takes place among large industrial as well as wholesale and retail firms, this “formal” mode of trade accounts for a relatively small share in many developing countries, and particularly in Kyrgyzstan. In Central Asia, bazaars appear to play a very important role in trade, especially for consumer goods. Available evidence from a World Bank study on cross-border trade in Central Asia points to bazaars as a major conduit of such trade (World Bank, 2009). Another study demonstrates empirically that: (a) this trade is not confined to border regions; and (b) that Kyrgyz bazaars play a pivotal role in redistributing imported products, mainly from China, across Central Asia and the southern regions of Russia (Kaminski, 2008).

Products that are both bazaar goods and likely candidates for re-export simultaneously meet the following two conditions. First, the volume of their imports into Kyrgyzstan is anomalously high, suggesting an unusual proclivity of the Kyrgyz population to consume them (as compared to residents of other Central Asian economies) that cannot be explained by domestic production activities or unique local tastes. Second, these products are characterized by positive trade gaps—i.e., the values of mirror imports exceed those of officially reported imports. The unusually high imports and their underreporting thus suggest that these products move through other than standard or formal channels of foreign trade.

A country’s unusual penchant for unreported imports can be captured by a modified Balassa (1965) index of revealed comparative advantage (RCA). For this study, we alter the RCA index in two respects: first, it is applied to imports rather than exports; and, second, as it seeks to capture regional rather than world specialization—i.e., it is applied to Central Asia’s (rather than the world’s) imports.⁸ In this paper, we define the import specialization index (ISI) as the ratio of the share of a given product in Kyrgyzstan’s total imports to the share of that same product in the Central Asia’s total imports. If the value of ISI for a product

⁷Obviously, re-exports through bazaars take a variety forms. But, in general, Kyrgyz traders travel to China (and secondarily to Turkey and other countries), purchase goods (in cash) in Xinjiang (usually in cities such as Urumqi or Kashgar), and organize transport of the goods to the Dordoi bazaar. Located on the northeastern outskirts of Bishkek, Dordoi is one of the largest public wholesale markets in Eurasia. At Dordoi, goods are purchased by traders from elsewhere in the Central Asian region and the former USSR (Uzbek, Kazakh, Tajik, or even Russian) or Afghanistan (again in cash in most cases), loaded in buses, and transported to smaller bazaars such as those in Kazakhstan, Russia’s Urals and West Siberia regions, and southern Kyrgyzstan (e.g., Karasuu, Osh, or Batken). In smaller bazaars, goods are bought by the final user or by small traders (e.g., traders in southern Kyrgyzstan, and especially Karasuu [Kyrgyzstan’s second major re-export center in Osh Province], may organize smuggling to Uzbekistan). Each stall owner at Dordoi pays a monthly fee to the management of the bazaar (depending on the area of the stall and its location in the bazaar), which in turn is supposed to pay to the requisite taxes and fees (e.g., for utilities) to local and central authorities.

⁸Central Asia as defined for this study includes the newly independent former Soviet republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

exceeds 1.0, then a country has a revealed “import” comparative advantage, specializing in imports of that particular product.⁹

Our interest in this paper is in products with ISI values that not only exceed unity, but also are consumption goods (i.e., not raw materials or components used for further processing) and are unreported in the official country trade statistics. A classification of products by “end use,” most frequently used in standard trade analyses, provides a good basis for the identification of consumer goods.¹⁰ The following two-digit SITC product groups, hereafter referred to as “bazaar goods,” consist of consumption goods with ISI values exceeding 1.0 that simultaneously exhibit positive mirror trade gaps: SITC 65—textile yarn, fabrics, made-up art, and related products; SITC 83—travel goods, handbags and similar containers; SITC 84—articles of apparel, and clothing accessories; SITC 85—footwear; and SITC 89—miscellaneous manufactured articles, not elsewhere specified. These indeed comprise the standard, ubiquitous products to be found in bazaars, ranging from apparel to miscellaneous manufactured items.

Imports of bazaar products into Kyrgyzstan (in terms of their share in Central Asia’s imports) over the period 2002–2007 experienced two surges, namely in 2004 and 2006. In both years, the respective shares of Kyrgyz imports in total Central Asian imports of these products almost doubled for all five product groups except for “miscellaneous products” and “textile yarn and fabrics,” reaching rather astonishing values of 74 percent for textile yarns and 55 percent for both travel goods and articles of clothing in 2006 (Table 2). Another noteworthy observation from an examination of data in Table 2 is the abrupt increase in 2006 in Kyrgyzstan’s ISI values for travel goods, apparel, and footwear. It is not clear whether the subsequent contraction in ISI values in 2007 is genuine or reflects changes in the SITC classification after 2006.¹¹

Interestingly, the dramatic increase in the size of unreported imports in 2006 followed the entry into force of bazaar trade-friendly customs regulations in 2005, significantly easing conditions of access to Kyrgyz markets for such goods. More specifically, consumer goods entering Kyrgyzstan are subject to low flat tariff duties at the border depending on the *volume* of goods and not their value (equivalent to a strong undervaluation of imports). Thus, as a result of this policy, the share of tariff duties relative to the actual value of imported consumer goods is low, making imports of Chinese products into Kyrgyzstan¹² more attractive than into other Central Asian countries. As a result of this policy, the value of unreported imports in 2006 revealed by mirror trade statistics was almost five times higher than the value in 2004 (Table 3).

⁹The logic behind applying an export specialization version of RCA to imports can be summarized as follows. High levels of imports as reflected in the ISI indicate either the use of a product for (a) further processing (to the extent these are production inputs), reflecting a country’s production specialization in the broader regional division of labor (Kaminski and Ng, 2001), or for (b) re-export, if the imports are finished goods ready to be consumed (final consumption products).

¹⁰In the Standard Industrial Trade Classification (SITC), such goods are referred to as “other consumer goods.” The “other consumer goods” category as defined in the standard end-use taxonomy used in trade analyses includes SITC: 5+6+8+9-68. In this study, we have amended this classification by excluding all chemical products (SITC 5) and industrial chemicals, and adding electronic products such as television receivers, sound recorders, radio receivers, and DVD equipment. This adjustment reduces the population of potential products to be investigated to 12 two-digit SITC product groups.

¹¹The trade data in SITC Rev. 2, which were used to generate estimates for 2002–2006, were not available in the UN COMTRADE database as of September 2009.

¹²On the ground, this regime is only applied with China.

Table 2. Kyrgyzstan's Share in World Exports to Central Asia of Products for Which It Has a Revealed Import Specialization, 2004–2008

SITC group	Item	2004	2005	2006	2007	2008 ^a
Share in Central Asia's mirror exports (percent)						
65	Textile yarn, fabrics, made-up art, related products	71	53	74	48	51
83	Travel goods, handbags, and similar containers	23	23	55	50	59
84	Articles of apparel and clothing accessories	22	24	55	38	56
85	Footwear	12	13	48	43	63
89	Miscellaneous manufactured articles, n.e.s.	9	14	17	22	21
	Total mirror imports	7	8	12	12	20
"Import" specialization index (ISI)						
65	Textile yarn, fabrics, made-up art, related products	10.0	6.7	6.4	3.9	2.6
83	Travel goods, handbags, and similar containers	3.2	2.9	4.7	4.1	3.0
84	Articles of apparel and clothing accessories	3.0	3.0	4.8	3.1	2.9
85	Footwear	1.7	1.7	4.2	3.5	3.2
89	Miscellaneous manufactured articles, n.e.s.	1.3	1.8	1.5	1.8	1.1
	Total mirror imports	1.0	1.0	1.0	1.0	1.0

^aTrade data for 2008 are preliminary and will require several revisions before they can be considered sufficiently accurate for detailed analysis.

Source: Authors' calculations from world export data reported in UN Comtrade, 2009.

Table 3. Positive Mirror Trade Gaps for Bazaar Goods with Values of ISI Exceeding 1.0, 2004–2007 (mill. U.S. dollars)

SITC	Item	2004	2005	2006	2007
84	Articles of apparel and clothing accessories	208	264	851	1,570
85	Footwear	38	95	290	530
65	Textile yarn, fabrics, made-up parts, related products	49	94	218	697
89	Miscellaneous manufactured articles, n.e.s.	15	65	97	280
83	Travel goods, handbags, and similar containers	5	12	31	84
Total		316	530	1,487	3,162
In percent					
Share in total gap		70	63	77	100
Share in total mirror imports		38	40	49	57

Source: Authors' calculations from world export data reported in UN Comtrade, 2009. No detailed import data (disaggregated by commodity) were available for Kyrgyzstan.

Returning to the question about the extent to which these anomalously high bazaar goods imports are consumed domestically, it should be noted that consumption patterns and tastes are rather similar across the Central Asian region and, except for Kazakhstan, these countries are at a similar level of economic development. Thus, there are no reasons to

Table 4. Estimates of Re-exports of Bazaar Goods in 2004–2007

Indicator	2004	2005	2006	2007
	In mill. U.S. dollars			
GDP	2,218	2,461	2,855	3,823
Value of re-exports	571	903	2,090	3,714
Domestic consumption of bazaar imports	87	123	179	319
Revenue from re-exports	116	223	439	780
Net private transfers and errors and omissions	290	558	1,097	1,431
	In percent of GDP			
Domestic consumption of bazaar imports	3.9	5.0	6.3	8.3
Revenue from re-exports	5.2	9.1	15.4	20.5

expect large variations in the consumption of these products. Although Uzbekistan's dependence on external sources to meet the demand for some of the products may be lower due to its domestic production, one may safely assume that mirror imports of bazaar goods in per capita terms and as a percentage of GDP should not diverge significantly. Indeed, both metrics provide similar estimates of the enormous magnitude of mirror import "surpluses" available for re-export from Kyrgyzstan.¹³

But the value of bazaar goods re-exported must exceed that of bazaar goods imported, for several reasons. First the value of goods entering Kyrgyzstan is larger than recorded in the export statistics of its trading partners because the latter statistics do not include the cost of freight and insurance (CIF) borne by traders (ca. 3 percent ad valorem).¹⁴ More importantly, the value of products leaving the customs territory of Kyrgyzstan includes costs incurred in storing, selling, and moving the products from one customs border to another through the intermediation of a bazaar, together with the profit margins on relevant logistical and marketing activities.

An estimate of the value of re-exports thus has to take into account two empirical facts derived from balance of payments statistics. First, re-exports generate foreign currency earnings sufficient to fully compensate for the mirror trade gap. And second, revenues from re-exports not only cover the costs of the imports but also bring foreign currency into Kyrgyzstan in an amount equal to 40 percent of the aggregate value of errors and omissions and net private transfers recorded in balance of payments statistics.¹⁵ The results, together with estimates for 2007 using parameters derived from 2006 data, are presented in Table 4.

As is readily apparent, both the value of re-exports and revenues derived from re-export activities were immense and increased over time. The value of re-exports was almost equal to GDP (97 percent) and revenues derived from re-exporting amounted to 20 percent of GDP in 2007, which clearly indicates that official statistics have failed to capture the large amounts of value-added associated with re-export activities.

¹³Roughly 90–91 percent in 2006 and 2007, according to authors' calculations based on UN COMTRADE (2009).

¹⁴This is a low estimate based on our interviews with traders at the Dordoi bazaar.

¹⁵For an explanation of methodology used to derive the relevant estimates, see Kaminski (2008).

Table 5. Kyrgyzstan's Mirror Imports of Bazaar Goods from China and Rest of the World, 2002–2007 (in mill. \$US)

Item	2002	2003	2004	2005	2006	2007
Imports of bazaar goods from China	99	149	386	636	1,640	3,027
Imports of bazaar goods from rest of world (ROW)	85	118	156	167	191	224
Total imports of bazaar goods (China + ROW)	184	267	542	803	1,830	3,250
In percent						
Percent of bazaar goods imports from China	54	56	71	79	90	93

Source: Authors' calculations based on China's and other countries' reported foreign trade data reported in UN Comtrade, 2009.

These estimates admittedly are “back-of-the-envelope” calculations, not sufficiently precise to be measured in fractions of a percentage point. However, it appears that they are not off the mark by more than 10 percent, as the results of another study indicate: surveys of traders at the Dordoi bazaar produced an estimate that 75–80 percent of products sold at the bazaar were actually re-exported to Uzbekistan, Russia, and Kazakhstan.¹⁶

Total revenues from re-export activities might be even higher than our estimate suggests. Mirror statistics of Kyrgyzstan's trading partners do not capture all trade flows intermediated by shuttle traders; many go unreported in both country of origin and destination. Purchases by shuttle traders abroad often are too small to attract the attention of customs officers and to prompt sellers to report them to local government agencies as exporters. It would thus seem that our estimates of both the scope of re-exports and revenues derived from them tend to be rather conservative.

CHINA AS THE MAJOR SUPPLIER OF BAZAAR GOODS TO KYRGYZSTAN

One final piece in the re-export trade puzzle is the source of the unreported imports entering Kyrgyzstan. The anecdotal evidence presented thus far indicates that the main source is China, and indeed the spectacular economic growth of the Xinjiang Uyghur Autonomous Region, bordering Kazakhstan and Kyrgyzstan, in the 1990s and 2000s has given China strong competitive edge in Central Asian markets (e.g., see Loughlin and Pannell, 2001; Raballand and Kaminski, 2007). China's exports (of all commodities) to Central Asia skyrocketed, growing in terms of value from around \$500 million in 2002 to 22.6 billion in 2008 (UN Comtrade, 2009). In the latter year Kazakhstan (ca. 44 percent) and Kyrgyzstan (ca. 41 percent) together served as the destination for more than four-fifths of these exports.

Kyrgyzstan has become the major re-export platform for Chinese products sold through bazaars. Bazaar products accounted for almost three-fourths of total Chinese exports into Kyrgyzstan, and was the destination of roughly half of all Chinese total bazaar exports to

¹⁶This estimate was derived from interviews of traders undertaken in the summer of 2008 for the World Bank's CAREC project (World Bank, 2009) and on the estimation of trade flows based on the number of buses leaving Dordoi compared to the number of trucks/travelers arriving at the bazaar. It accords with the finding by Megoran et al. (2005) for bazaars in the Fergana Valley.

Central Asia (UN Comtrade, 2009). As shown in Table 5, China crowded out all other suppliers of these goods to Kyrgyzstan's markets during the 2002–2007 period; China's share of total Kyrgyz imports of bazaar goods increased from around 50 percent in the early 2000s to 93 percent in 2007. The very rapid growth of China's share of bazaar goods exports to Kyrgyzstan has been accompanied by the incredibly swift expansion in the overall value of these exports—more than doubling in 2004, almost tripling in 2006, and almost doubling again in 2007 (Table 5).

CONCLUDING COMMENTS

Soon after Kyrgyzstan's independence, its President Askar Akayev often compared his country with Switzerland, insisting that, unlike such neighboring states as Kazakhstan, his country could not follow a natural resource–based development path, and therefore would need to develop services and light industry to move up the economic development ladder. More than a decade after Kyrgyzstan's accession to WTO membership (1998) and beneficial exposure to the rapid economic growth of neighboring China, Kyrgyzstan has achieved something unthinkable in 1992. It has become, in less than a decade, the re-export platform for consumer goods bound for Central Asia, with around \$2 billion of re-exported goods in 2006 and an estimated \$3.7 billion in 2007 (Table 4).

Much of Kyrgyzstan's rise to become a major platform for re-exports (of mainly Chinese products) can be attributed to a favorable geographic location for trade intermediation between China and the Central Asian states to its west. Yet, leaving aside smuggling and other illegal activities that have contributed to the mirror import gaps,¹⁷ the crux of the matter is that Kyrgyz customs regulations have been friendly to shuttle-trading. Put differently, the explanation for Kyrgyz "success" does not lie in the business regulatory environment more broadly, but rather to the special regime applied to trade in the bazaars. The challenge facing policymakers is thus to gradually ensure that the liberal arrangements governing the "bazaar-related" activities are extended in a way that enhances the potential for positive spillover effects from such activities to the entire economy.

Traces of such spillover effects already may be in evidence. For example, Myant and Drahkoupil (2008, p. 611) determined that Kyrgyzstan's light industry exports have been increasing significantly since 2001. Anecdotal evidence from the country's textile industry appears to confirm this trend,¹⁸ although the light industrial sector must become much larger before it can contribute substantially to the growth in employment. In the meantime, the possibility of increasing re-exports of Chinese products from neighboring Kazakhstan warrant careful monitoring in the future, as that country could soon emerge as a serious rival in the re-export trade within Central Asia. However, as long as the customs regime and bazaar conditions remain favorable in Kyrgyzstan, re-exports from Dordoi (and secondarily Karasuu) are likely to remain one the main conduits of China's trade in Central Asia.

¹⁷There is a growing body of empirical literature examining links between tariff rates, taxes, and positive trade gaps. See for instance Bhagwati (1964), Clotfelter (1983), Fisman and Wei (2004). More recently, Berger and Nitsch (2008) demonstrated that there is a strong correlation between the extent of trade statistics discrepancies, measured by mirror statistics, and corruption levels.

¹⁸Detailed surveys at the Dordoi bazaar confirmed that, in no small measure, the recent growth of the Kyrgyz textile industry is based on the use of imported fabrics from China.

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