

Global Perspectives on European and Central Asian Trajectories of Change from State Socialism ヨーロッパおよび中央アジアにおける脱国家社会主義変化過程の世界的展望

David Lane

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On Christmas Day 1991, the Red Flag was hauled down from the Kremlin Tower. The Union of Soviet Socialist Republics ceased to exist. Gorbachev's attempted reform of state socialism, his policy of perestroika, had failed. There followed a transformation of all the former European socialist countries and those of the USSR. The major systemic changes subsequently advocated by the reformers were the removal of the dominant Communist Party and its replacement by democratic forms and a move to markets in place of centralised planning.



The Kremlin, Red Square

The advisers guiding the transformation process were informed by a world view which led them to believe that when totalitarian controls were lifted, the previous regime would be subject to a spontaneous and complete collapse and its institutions and the psychological orientations of the population could be relatively easily replaced.¹ An assumption often made by economic and political reformers was that the major social institutions in the old system were fundamentally flawed and that reform was impossible.² A system transfer would secure the new institutions of capitalism and democracy. This position also assumed that the state

socialist societies were states of a single generic type;³ if the coercive powers of the totalitarian state were removed, a political and economic tabula rasa would be revealed on which Western institutions might freely be constructed.

Other writers however take a neo-institutionalist approach and contend that the previous social institutions of socialism are constraints which limit and channel the course of reform.⁴ This path-dependent approach places considerable weight on the ways that people and institutions are socially embedded in society. Economic change has to take account of the level of productive forces - a country's level of economic growth and its endowment in physical and social assets. An assumption here is that values, beliefs and institutional patterns which have persisted for some time are likely to continue. Political networks, derived from the communist party or in some cases from clans and families may even take a new and unintended form. The fall of the old regime, therefore, involves only changes in a limited number of institutional sectors of society, but concurrently the continuation of other elements in more or less unchanged or adapted forms.

The nature of collapse is also viewed somewhat differently from the cataclysmic version discussed above. The internal social system was certainly characterised by antagonisms, deficiencies and decay. Each state socialist society had different societal characteristics. They were mixtures of traditional, oligarchic societies with 'socialistic' elements. Some had relatively highly developed industrial economies and already had important economic, political and social links with Western European countries; others were largely agricultural or based on extractive industries and bordered on Asian societies. Some had achieved high levels of human development, comparable with the West, while others still had rudimentary welfare states and

had similarities with Third World countries.

This is the position which will be adopted here in an attempt to explain the different trajectories of change in the former state socialist societies in which the central Asian countries' course of socialist transformation may be fitted. We consider, first the footprint of state socialism and outline some of the characteristics of the central Asian socialist societies (Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, Tajikistan, see map). Second, we examine the effects of transformation and the forms of capitalism that have arisen. Third, I consider whether the post socialist central Asian societies form a specific type of political economy.



The Footprint of State Socialism

Before the fall of state socialism, the socialist states varied considerably in their economic, political and social development. One of the objectives of the reform and consequent transformation of state socialism was to increase levels of well-being. The Human Development Index provides a composite ranking of countries based on four components: life expectancy at birth, adult literacy, primary and tertiary education enrolment, as well as gross domestic product per capita.⁵ This we may take as a bench mark to measure the comparative levels of development of the

central Asian socialist states in the world order, and to measure the effects of changes which have transpired in the transformation process.

In this index, the highest country is given a rank of 1. European and former British White Commonwealth countries occupy the top positions (though Japan is among the top ten countries). In the late 1980s, Czechoslovakia, ranked 27, followed by Hungary 30, and the USSR 31, had the highest level of human development of the socialist countries. At this time all the European socialist countries (except Romania) were in the 'high human development category' - comprising 53 countries (Romania was 58). Non-European socialist countries were in the medium development echelon: Cuba (62), North Korea (74) and China (82); only Vietnam was in the 'low human development' category (99).

Unfortunately for the student of the current central Asian republics, the data for the USSR aggregate its constituent republics which subsequently became independent states in 1992. We therefore consider data published in the USSR which differentiate between the European and Asian republics. There were major differences between the republics in terms of average life expectancy, GDP and educational levels.

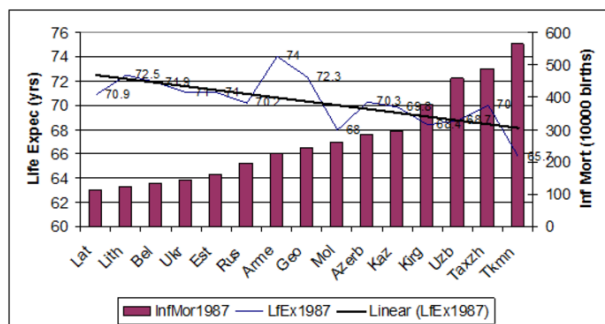


Figure 1. Life Expectancy and Infant Mortality Rate in Union Republics of the USSR 1987.

Naselenie SSSR 1988, Moscow:

Goskomstat SSSR, 1989. Life expectancy, p.492; Inf mortality pp.680-684

Figure 1 shows the levels of life expectancy and infant mortality rates for the fifteen Soviet republics. There is a distinctly higher rate of infant mortality rate and lower life expectancy in the Asian republics of the USSR, with a five year gap in longevity between Latvia (70.9 years) and Turkmenistan (65.7 years).

Differences in GDP between republics were considerable. Such data are not published in the annual statistical reports of the USSR. However, one measure which reflects economic standards is the earnings of manual and non-manual workers. Figure 2 shows the ratio of average earnings between the republics and the USSR average.⁶ Turkmenistan and Kazakhstan were just below the top four European republics, whereas Kyrgyzia, Uzbekistan and Tadjikistan were among the poorest republics.

The former two republics contained many ethnic European skilled workers in high paying industries. Industrial development was associated with the spread of the European nationalities, particularly Russians, which impacted on the social structures of the host republics. 81.5 per cent of the Russian Federation in the 1989 census was populated by Russians; in Uzbekistan 71.4 per cent of the population was Uzbek, but in Kazakhstan only 39.1 per cent were Kazakhs, 52.4 per cent of the Kyrgyz population was Kyrgyz, and 62.3 per cent of the population of Tadjikistan, was Tadjik. (A similar situation occurred in the Baltic republics, the density of the titular nationalities being: Lithuania 79.6 per cent, Latvia 52, and Estonia 61.5 per cent).⁷

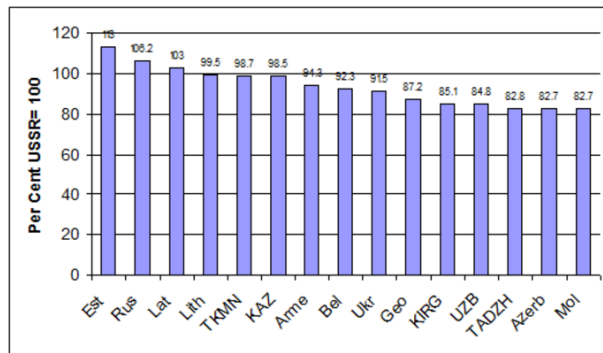


Figure 2. Average Earnings of Manual and Non-manual workers in Republics of USSR 1986 (USSR = 100).

Sources: Source: Trud v SSSR, Goskomstat SSSR, Moscow 1988 pp. 154-5

As indicated in Figure 3, the central Asian republics predominated in agriculture and forestry (data also include private activity). 19 per cent of the employed population in the USSR was in agriculture and forestry: in Tadzhikistan the figure was 42 per cent, and in Turkmenia, Uzbekistan and Kyrgyzia it was 41 per cent, 38 per cent and 34 per cent respectively. The only exception here is Kazakhstan which had 31 per cent in industry and building and only 23 per cent in agriculture. Kazakhstan, however, is a special case; it was largely populated by European settlers who dominated its industry and the urban areas of the country. The agricultural population had poorer social and health standards. The correlation between infant mortality and percentage employed in agriculture in 1986 was 0.881 (correlation based on data cited earlier). Kyrgyzia, Uzbekistan, Tashkent and Turkmenistan topped the league of infant mortality.

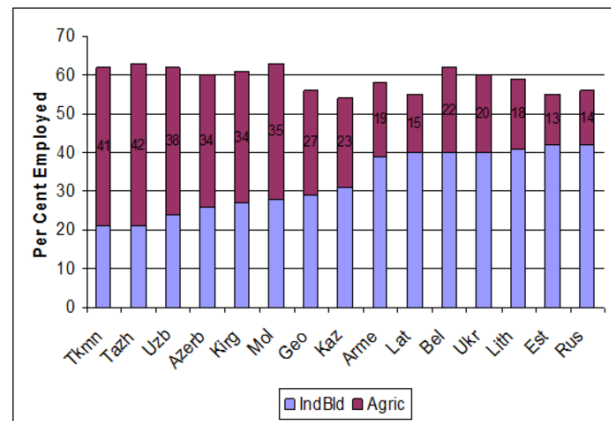


Figure 3. Employment in Industry/Building and Agriculture (Per cent of Work Force).

Occupational distribution in 1987 Trud v SSSR M. 1988, pp. 16-17. Per cent of occupied work force.

These data reflect the uneven spread of industrial development with the European republics being more heavily industrialised and primary production (extractive industries) being located in many of the central Asian societies.

The central Asian republics also had a much higher proportion of the work force in private agricultural production. In the USSR in 1990, 3.5 per cent of collective farm members worked on private agriculture; in the Russian Federation, the figure came to 1.6 per cent, whereas in Uzbekistan, Tadzhikistan and Kyrgyzia and Turkmenistan the figures were 14.9, 19, 10.7 and 14.8 per cent respectively.

At the other end of the scale, the density of scientific workers was much lower in the central Asian republics. In 1988, for the USSR, there were 53 per 10,000 inhabitants, in the Russian Federation, there were 70 per 10,000; the respective numbers in Uzbekistan, Kazakhstan, Kirgizia, Tadzhikistan and Turkestan were: 20, 25, 24, 18, 16.⁸ These figures include employees with higher

specialist education working in pure and applied research and higher level teaching. The ‘socialist intelligentsia’ therefore was much smaller in the central Asian republics.

The uneven distribution of wealth led to a dependence of the less industrialised republics on the redistributive government of the USSR. Only five republics received subsidies (dotatsia) from the budget of the USSR: all were in central Asia – Uzbekistan (1,961 million rubles in 1989), Kazakhstan (2,698.3 million), Kyrgyzstan (510.9), Tadjikistan (321.4), and Turkmenistan (403.3).⁹

Clearly, this analysis shows that the central Asian republics were quite different economically and socially from the European republics of the USSR. They had a much larger and relatively uneducated agricultural work force, were economically poorer and were dependent on the federal budget for subsidies.

Figure 4 aggregates four measures to form a composite picture of the republics of the USSR, before the reforms of Gorbachev of the mid-1980s began to bite. The Figure shows ranking of the republics by infant mortality, level of education, average wages, and retail trade turnover (left hand index). The right index, indicated by the line in the graph, is the sum of ranks. The lower the rank in each case the higher the standard. The sum shows the gross differences between ranks of each republic.

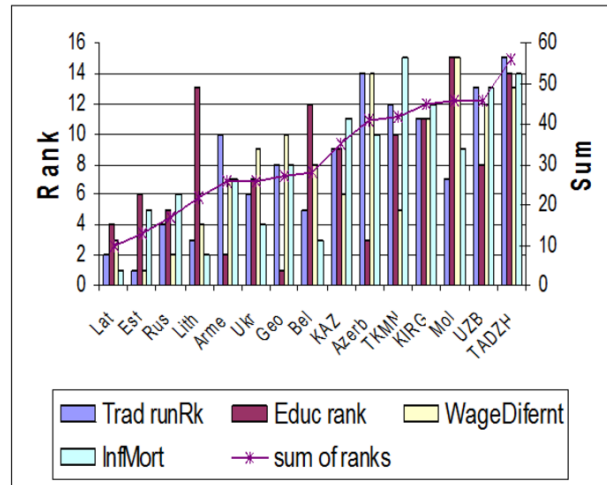


Figure 4. The place of Central Asian Republics in Developmental Rankings of USSR (before Reforms).

Figure 4 clearly brings out the clustering of republics. The Baltic republics and Russia form a group at the upper end of development and the four central Asian republics (plus Moldavia) constituting the bottom five. Kazakhstan is somewhat apart from the other republics being ninth in the ranking.

This analysis enables one to allocate the central Asian republics to the world ranking of states in terms of human development. As shown on Fig 5, the Asian republics of the USSR are now distributed by their socio-economic level among the nations of the world.¹⁰

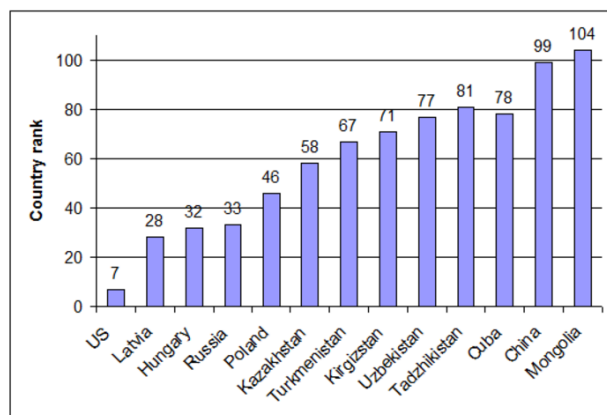


Figure 5: Central Asian Republics of the USSR in World Ranking of Human Development 1985-1990.

Source: Human Development Report 1991, UNDP, New York 1991. pp.119-121. As amended above.

At the time of the fall of the USSR, all the central Asian countries were at the middle development stage; similar to Cuba, Jamaica, Brazil, and Turkey (though, in comparison to the last three, with much greater social equality). They were, however, well below the European republics of the USSR, which in turn had lower levels of development than the industrialised West European states, though they were comparable to European countries such as Greece, Malta and Spain.

These social differences were reflected in politics which cannot be considered in detail in this article. The European republics (particularly the Baltic republics, and the capital cities, Moscow and Kiev) - with bigger middle class populations - were more in support of reform. Whereas the central Asian ones had clan-like tendencies, which leaders such as Gorbachev had attempted (with considerable difficulty) to change. In the terminal period of the USSR, the incumbent elites of central Asian republics initially supported openly or tacitly the attempt in August 1991, made by the State Committee for the State of Emergency, to remove Gorbachev from power.¹¹

Transformation Policies

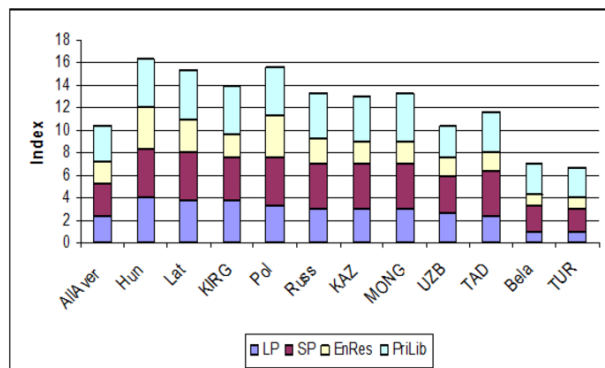
Following the collapse of communist political hegemony, a comprehensive reform process was instituted by the ruling domestic elites, aided by Western advisers. The objectives were comprehensive: economically to shift the country into a market economy based on private property, politically to institute democratic (polyarchic) competitive electoral democracy, and internationally to become an

equal member of the world community.

Economically, policy involved privatisation concurrently with destatisation, the creation of market competition and price liberalisation; the exposure of home industries to foreign competition and full open currency exchange.¹² Major reforms occurred between 1991 and 1994 involving the introduction of market relations, significant privatisation of property, entry to the world market, replacement of the communist parties and the rise of a competitive party electoral system.

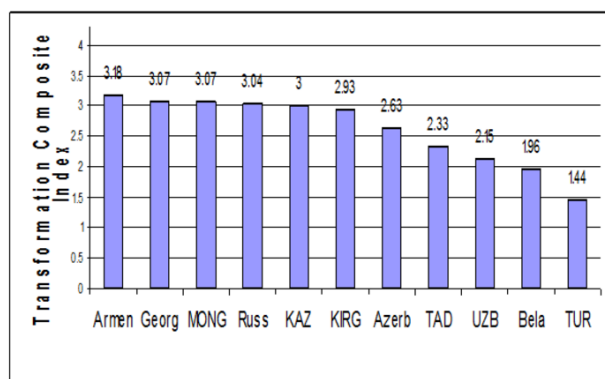
The introduction of these measures, however, varied greatly across the post-socialist states. Figure 6A illustrates the differences between selected European post socialist countries and the central Asian ones for 2006 for four key components¹³ of economic change: large scale privatisation (LSP), small scale privatisation (SSP), enterprise restructuring (EnRe) and price liberalisation (Pli). The measurement scale for the indicators ranges from 1 to 4+ for each of the dimensions: where 1 represents little or no change from a centrally planned economy and 4+ represents, for each component, the standards of an industrialized market economy.¹⁴ The first vertical block represents the average of all post-communist societies, the central Asian countries are shown in capital letters, and Hungary, Latvia, Poland, Russia and Belarus are cited form comparison. Figure 6B shows a composite score for the CIS states and Mongolia for 2007. The higher the score, the greater the neo-liberal form of transformation.

Figure 6A: Economic Transformation Scores 2006: Central Asian Countries with European Comparisons



LP= large scale privatization, SP= small scale, EnRes= enterprise restructuring, PrLib= price liberalization. Averages calculated by author, other data from: EBRD Transition Indicators 2006. WWW/ebrd/com/country/econo/stats

Figure 6B. CIS states 2007: Average results of transformation on neo-liberal criteria.



Source: EBRD, Transition Report 2008: Growth in transition. Russian edition accessed here. Accessed 1 I 09.

The aggregate score includes levels of economic growth, starting position and potential for growth, financial position, budget balances, functioning of the market mechanism, role of the state, share of private sector in GDP, enterprise restructuring.¹⁵

The two sets of data give a good overview of the reforms in the central Asian republics of the former USSR in comparison with other states. Fig 6A shows that the new members of the European Union, illustrated here by Hungary, have fairly robust market type economies. The central Asian economies do not have a common pattern. Kirgiz, Kazakhstan and Mongolia have total scores of over twelve - well above the average of all the post-socialist countries (10.1) and Uzbekistan, Tadjikistan, are around the average; Turkmenistan is clearly the least transformed - being similar in character to Belarus, though both of these countries have introduced considerable price liberalisation and privatisation of small business. The data for 2007 (Table 6B) show a similar pattern. All have stock exchanges trading in listed domestic companies.

Kazakhstan in 2006 listed 83 companies, a rise from 23 in 2000; Kyrgyz 8 a significant fall from 80; Mongolia had 392 a decline from 410 in 2000; Uzbekistan 114 an increase from 5 in 2000; (Tajikistan and Turkmenistan were not listed, one may presume that the stock exchange is relatively dormant). For comparison, Russia listed 309 companies in 2006 and 249 in 2000 and Lithuania 44 and 54 in the two years respectively.¹⁶

Position in the global economy

The intentions of the economic reforms of the early 1990s were to bring the post-socialist societies into the world economy, optimistically to enhance their economic performance. However, their different geographical locations, factor endowments and level of competitiveness have led to differential effects. We consider here the presence of foreign affiliates of companies and the levels of imports and exports as measures of global interdependence.

Foreign affiliates play a significant role in the economies of the post communist countries but again there are significant differences between

European countries and between Asian ones. The level of foreign company penetration reflects the level of investment in a host country. Foreign direct investment has gone mainly to Kazakhstan (a total of 1,568 US\$ per capita for the period 1989 to 2005), followed by Turkmenistan (353 US\$). Comparable figures for Czech Republic are 5,061 US\$, and Hungary 4,229 US\$. Uzbekistan received only 51 US\$ for the period, the lowest for all the post-socialist states.¹⁷

The penetration of foreign firms in the post-communist countries in the European Union, as measured by affiliates to foreign based firms, is exceedingly high (see Table 1). There were over 26 thousand in Hungary alone. As one would expect given the much lower level of foreign direct investment, in the CIS countries foreign ownership is much less: of the 10,782 firms operating in the CIS, Russia in 2004 had 1,176, Belarus - 52 affiliates, and Ukraine, only a few hundred. China seems a special case, hosting approximately a third (280,000) of all foreign affiliates on a world scale. In the central Asian economies, Kyrgyzstan (data only available for 1998) and Kazakhstan had thousands of foreign companies though Uzbekistan had only 50. (We have no data for the other post Soviet economies). The new EU member states (NMS) had a very large number of small affiliates, whereas in contrast the CIS states (except for Kyrgyzstan) had a relatively small number of very large affiliates. Investments in the energy sector is one reason for this; the NMS attracted cross boundary investments in subsidiaries which benefited from low labour costs and tax benefits.

Table 1. Number of foreign affiliates in selected post-communist countries with comparisons to other countries (2006 or latest available year).

| <u>New EU members (selected)</u> | Foreign Affiliates! |
|----------------------------------|---------------------|
| Poland | 14,469 |
| Latvia | 603 |
| Hungary (2005) | 26,019 |
| <u>CIS Total</u> | 10,782 |
| <u>Of which</u> | |
| Armenia 2004 | 347 |
| Azerbaijan | 53 |
| Belarus | 52 |
| Ukraine | 367 |
| Russia | 1,176 |
| Kazakhstan | 1,837 |
| Kyrgyzstan (1998) | 4,004 |
| Moldova (2002) | 2,670 |
| Uzbekistan | 50 |
| <u>Others</u> | |
| Mongolia | 1,400 |
| USA (2002) | 24,607 |
| Turkey | 14,955 |
| UK | 13,667 |
| Brazil | 3,549 |
| China (excluding Hong Kong) | 280,000 |
| <u>World Total</u> | 777,647 |

Number of companies which are foreign affiliates in the economy shown.

Source: World Investment Report 2007. UNCTAD, United Nations, New York, Geneva 2007. pp. 217-218. Data based on national sources. Definition: 'A foreign affiliate is an ... enterprise in which an investor, who is a resident in another economy, owns a stake that permits a lasting interest in the management of that enterprise'. The threshold is 10 per cent of equity stake or equivalent. Definition cited from the 2005 Report, pp.297-8.

We may conclude that the central Asian economies have adopted forms of market exchange but they do not stand out as a unitary bloc of countries. Kazakhstan (and Mongolia) have the more developed capitalist economies and Kyrgyzstan has adopted a model most positively influenced by neo-liberal economic philosophy.

What the countries of central Asia share in common is a dependence on the export of primary commodities. As shown in Figure 7, Turkmenistan and Kazakhstan have over 80 per cent of their export trade in this category (data

for Tajikistan and Uzbekistan not included in source). The Figure shows the proportion of exports by value for primary and manufactured goods. In addition, the proportions of manufactured good which include high technology are added to the top of the Figure.

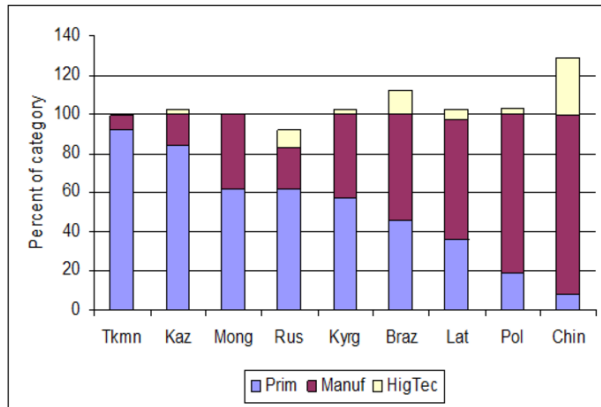


Figure 7. Export profile of central Asian countries with comparisons 2004. Source UNDP, Human Development Report, NY Palgrave 2006 pp.339-41. Turkmenistan data for 2002

More than half (54.2 per cent) of Kazakhstan’s export earnings came from crude petroleum, followed by iron and steel (5.8 per cent and copper 5.7 per cent); Kyrgyzstan’s earnings were derived from gold (40.6 per cent), followed by raw cotton (8.5%) and petroleum products (8%); Turkmenistan’s exports were largely (69.6%) composed of natural and manufactured gas, followed by refined petroleum (11.9%); for Uzbekistan, the export of cotton accounted for 31% of exports, followed by textile yarn and gold (both 7.6 per cent); Tajikistan’s exports are dominated by aluminium (53.7%) and cotton (18.6%); and Mongolia by base metals (20%), gold (19.7%) and wool (8.1%).¹⁸ Comparative data in the table for Brazil, Latvia, Poland and China, show that the central Asian countries are much more dependent on primary production exports.

The countries of former Soviet central Asia

have low levels of high technology manufactured exports. Whereas China has 31 per cent of its manufactured exports in the high tech category, Kazakhstan has only 2 per cent, Turkmenistan 5 per cent, Kyrgyz 2 per cent, Mongolia 0, (for other countries no data are available). Russia by comparison has 8 per cent, Belarus 3 per cent and Poland 4 per cent.¹⁹

Table 2 shows the dependence on exports and imports for the central Asian republics as well as the Russian Federation, Hungary, Belarus and UK for comparison. In 2006-07, Turkmenistan and Kazakhstan are highly dependent on fuel exports. Tajikistan and Kyrgyzstan have a very high dependency on imports leading to a deficit in balance of payments. Indeed, with the exception of Uzbekistan, all the central Asian countries produce relatively little for their own consumption, probably a consequence of opening up their economies to the world market, which has led to a flood of imported goods. One may note the decline in dependence of Turkmenistan between 2000 and 2007 and the complete dependence on international trade of Hungary. Remittances from workers abroad are a feature of Kyrgyz and Tajikistan and relatively less so for Kazakhstan.

Table 2. Exports and Imports (%GDP) Central Asian Economies, 2007

| | Exports % GDP | Imports %GDP | Remittances/For Earnings (\$mills) |
|-------------------|---------------|--------------|------------------------------------|
| Turkmenistan 2000 | 96 | 81 | N/A |
| Turkmenistan 2007 | 63 | 48 | N/A |
| Uzbekistan 2007 | 33 | 22 | N/A |
| Kyrgyz 2006 | 39 | 76 | 714 |
| Tajikistan 2007 | 19 | 64 | 1250 |
| Russ Fed 2007 | 30 | 22 | 4100 |
| Kazakhstan 2007 | 48 | 38 | 223 |
| Belarus 2007 | 57 | 66 | 363 |
| Hungary 1985 | 42 | 40 | N/A |
| Hungary 2007 | 80 | 78 | N/A |
| UK 2006 | 29 | 33 | N/A |

Source: World Bank, Key Development

Data and Statistics. Accessed 3 Jan 2009.

Political Transformation

In order to plot the extent of the political changes as they affect the former state socialist societies, I have utilised the political indexes which rank countries by political rights and civil liberties as measured by Freedom House.²⁰ It must be kept in mind that these indexes measure the values and norms of Western societies, especially those favoured by the Anglo-American type of political institutions which provide a shell for a neo-liberal economy. I do not wish to prioritise this model, but use it as a base against which change in the central Asian countries may be measured. Also, the measures may not be strictly comparable given the problems of data collection in various countries. Nevertheless, they are useful and bring out differences between various countries and groups of countries which is our concern here.

| | |
|--|--|
| COMPETITIVE ELECTORAL DEMOCRACIES | MONGOLIA Hungary Czech Rep Estonia Latvia Lithuania Slovenia Poland Romania Slovakia |
| Partial political reform | KYRGYZ Bosnia Georgia Armenia Moldova |
| Little or no political reform STATIST SOCIETIES | China North Korea Belarus Cuba Russia TURKMENISTAN TAJIK UZBEKISTAN KAZAKHSTAN Azerbaijan |

Figure 8. Political Transformations: Three Groupings of Post-Socialist States

Source: **political reform (2009)**, data for 2008. Accessed 8 January 2009.

According to the Freedom House estimates for 2007, the trajectory of transformation - as measured in terms of individual political freedoms and relevant political structures - may be grouped into three. First, electoral pluralist: those with political rights and civil liberties sharing most of the features with advanced Western societies; this top group includes principally states which have joined the European Union (see countries in Figure 8) though it includes Mongolia. Second, an intermediary group of countries made up of those which have made some progress towards political liberalisation but still retain significant elements of statism: these include Kyrgyzstan, Bosnia, Georgia and Armenia. The third group is formed by countries with statist polities - having a hegemonic (usually one-party) political regime and a largely state owned economy. These include North Korea, Belarus, Cuba, Russia, Turkmenistan, Tajikistan, and

Uzbekistan.

If we combine the political and economic (Fig. 6A above) dimensions of coordination we may distinguish between different types of political economy. These groupings are shown on Figure 9. First we distinguish a group of post-socialist EU countries with Western type political and economic competitive markets (scores of over 14 in Fig. 7A). Second, a group of hybrids with elements of markets (scores of 12 to 14) and political freedoms (Mongolia, Kyrgyzstan). Third, there remains a group which contains the central Asian countries. This includes Russia and Kazakhstan with a statist political system and mixed economic coordination. Finally, come more fully state-coordinated societies (Belarus, Turkmenistan, Uzbekistan and Tajikistan).

Figure 9. Economic and Political Coordination: Central Asian Post-Soviet Societies with Comparisons

| | | | |
|---------------------------------|--|-----------------------------------|---|
| <i>POLITICAL COORDINATION</i> | | | |
| <i>ELECTORAL DEMOCRACY</i> | | MONGOLIA | <i>MARKET</i> EU POST-SOCIALIST STATES |
| <i>MIXED ELECTORAL/ STATIST</i> | | <i>HYBRID</i> KYRGYZ | |
| <i>STATIST</i> | <i>STATIST</i> BELARUS TURKMEN UZBEK TAJIK | <i>HYBRID</i> RUSSIA KAZAKH | <i>HYBRID</i> CHINA |
| | <i>STATIST</i> | <i>MIXED</i> | <i>MARKET</i> |

ECONOMIC COORDINATION

These conclusions seriously compromise the idea that a rapid move could be made (even if it would be welcomed) from the state socialist system to stable democratic market regimes. Rather than a transition to ‘capitalist economic democracy’, a consolidation of a ‘hybrid’ type of regime seems to be characteristic of a large number of post-socialist states: societies with some aspects of competitive political and economic markets coexisting with many of the values, processes and institutions from the

Soviet period. The central Asian republics remain overwhelmingly statist: Kazakhstan and Kyrgyzstan have carried out the greatest reforms, while Turkmenistan, Uzbekistan and Tajikistan (like Belarus) have retained many of their former political features. They have carried out market reforms and are no longer centrally ‘planned’ economies, but have retained considerable state controls and experienced relatively little enterprise reforms.

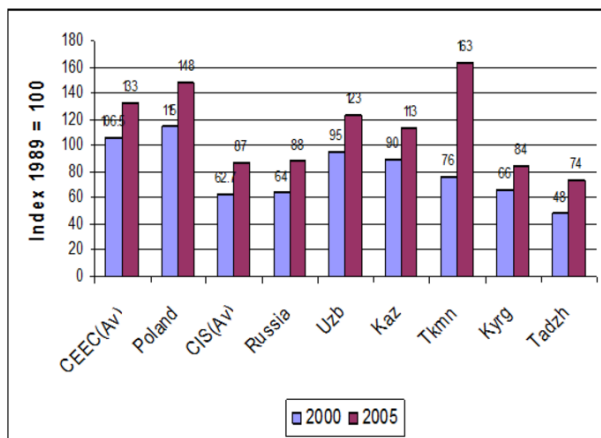
Economic Outcomes and Social Well Being

How then did the transformation process affect the all round economic and social development? Whereas, as noted above, considerable market and political reforms took place in the early period of transformation, the anticipated economic improvements did not occur. The first five years of transformation was characterised in all the post-communist countries by a considerable fall in GDP and concurrently by increasing levels of inequality and poverty. The period is often characterised as a transformation recession - particularly the initial period of 1990 to 1993. From 1993, however, some recovery was made in all the CIS states, including the central Asian ones, though by 2000 and 2005, GDP remained below the 1990 level.

The downward trajectory for the Central Asian countries of the former USSR is shown on Figure 10 with comparisons of the averages of the Central and East European post communist states (CEES) and those of the Commonwealth of Independent States (CIS). The figures show the recovery (or lack of recovery) with a base of 100 in 1989. The central and eastern European states (including the Baltics from the former USSR) did relatively well, with Poland (116 in 2000) even improving its score. The CIS states all suffered considerable declines: Russia’s GDP, as shown in the chart, fell by a third. The CEECs, on average, had surpassed their pre-transformation level by 2000, whereas the CIS ones, even by 2005, had not. The central Asian

countries did not follow a common path: Uzbekistan, Kazakhstan and Turkmenistan have outperformed the Russian Federation, and are comparable to the CEEC average. Kyrgyzstan and Tajikistan are among the worst performers being below the CIS average. While 'statist' societies like Turkmenistan and Uzbekistan have done well, Tajikistan has not. Tajikistan's progress was also negatively affected by a destructive civil war between 1992 and 97, which led to the flight of its European population, as well as falls in production.

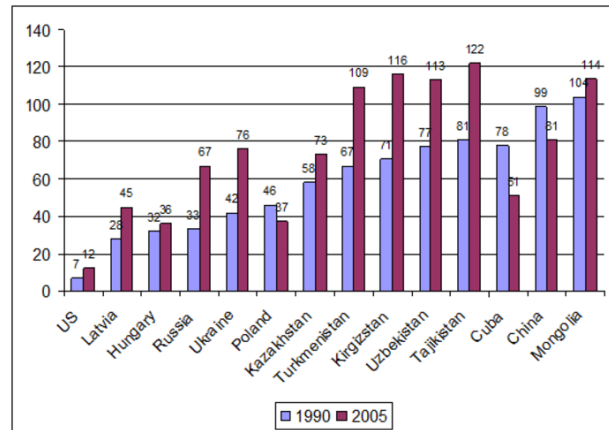
Figure 10. GDP Recovery 2000 and 2005: Central Asia, CEEC and CIS



Source: Transition: The First Ten Years. World Bank Washington DC 2002.p.5 for 2005, Transition Report 2006, London: EBRD p.32. CEEC (Av) includes central and eastern and Baltic states, CIS average includes Mongolia. Comparisons with a base of 100 in 1990.

The countries listed for 1985-1990 given in the HDR Report for 1992 (mentioned earlier in this paper) have been amended to take into account the increase in the number of states which were consequent on the transformation. We may now compare the rankings in the late Soviet period with the outcomes of transformation. (See Figure 11).

Figure 11. Human Development: Central Asia with Comparisons, 1990 2005.



Sources: 1990, as above. 2005. Human Dev Report 2007/08. Accessed 31xii08, pp.228-230. Data for 1990 have been adjusted by the author to take into account the higher number of states.

By 2005, there were three major groups. First are the central European societies which maintained or even bettered their relative positions. Between 1990 and 2005, Hungary fell just three places from 32 to 36, Czech Republic from 27 to 32 and Poland rose from 46 to 37. For comparison, Cuba has risen from 78 to 51 and China has improved its position from 99 to 81.

Second come the European countries of the former USSR: these have suffered a considerable relative decline in levels of human development. Russia fell from 33 to 67, Belarus had the lowest decline from 54 to 64 and Ukraine dropped from 42 to 76. Membership of the EU did not save a fall for Latvia, from 28 to 45.

Third, are the central Asian countries which all started from a lower base and have declined even more in terms of human well-being. These are illustrated in Figure 11, which also has some comparisons with countries mentioned above. Kazakhstan and Mongolia had the

lowest decline – the former from 58 to 73 and the latter from 104 to 114; while Kyrgyzstan dropped from 71 to 116 and Tajikistan fell from 81 to 122. Clearly the countries of the former USSR had greater difficulty in coping with the market system than the countries of central Europe. Even those which maintained significant elements of statism (such as Uzbekistan and Turkmenistan) suffered declines in human development.

Central Asian post-socialist states as a distinct mode of transformation?

Nearly a quarter of a century after the introduction of perestroika by Gorbachev, we witness not the intended renewal of state socialism, but its succession by different forms of capitalist market societies: by politically pluralistic countries that have joined the European Union and by statist hybrid market/administered economies in the countries constituting the Commonwealth of European States.

Despite differences between them, we may distinguish three sets of countries sharing similar transformation trajectories. First: those that have joined the European Union which have relatively successfully extricated themselves from state socialism. These countries have founded pluralistic political regimes, have restructured their economies in the direction of private ownership and marketisation, have entered the world division of labour and, in doing so, have achieved modest positive rates of growth. Second: a group of countries which share some, but not all, of the features of Western type societies – market mechanisms, equilibrium market pricing, most have established private limited liability companies and participate in international trade; they still retain, however, considerable state ownership and control. Moreover, they have experienced severe economic depression and social deterioration. Politically, they have weak civil society

associations and ineffective pluralistic electoral processes. Third are those countries that have instituted market reforms of the planning mechanism, have some small scale privatisation and participate in international trade, but have reconstituted, in one form or another, the previous political and economic institutions and processes of state socialism.

The central Asian countries of the former USSR fall into these last two categories. From an economic point of view, Kyrgyzstan and Kazakhstan have joined countries like Russia and Ukraine with relatively more marketisation, whereas the other central Asian countries have introduced less. Politically, the Asian countries have not established well grounded pluralistic and polyarchic political structures (comparable to those in central Europe) but have remained more autocratic, often having kin based political elites. They are all hybrid regimes: they lack the political coordination provided by polyarchy (electoral democracy); all have elements of private property and economic market relations, but the class structure is insufficiently developed to allow for the rise of significant private economic interests and parliamentary legitimation and coordination derived from civil society type associations. The state's control of economic power ensures economic coordination.

Even in the socialist period, the Soviet central Asian states differed from the European ones in many respects. They were less economically developed, their populations were more rural, they were primary sector producers and their educational and living standards were lower than in the European republics. They were dependent on the industrial European countries and received significant budgetary support from the USSR. In terms of their socio-economic development they ranked significantly lower on a world scale than the European countries, particularly Russia and the Baltic states. But they did not form a

homogeneous group of ‘central Asian societies’. Kazakhstan had a large European population and, like Turkmenistan, was a major energy exporter. The central Asian countries, like other members of the former USSR, have had a disrupted and comparatively more difficult process of transformation.

As newly formed independent economies and political units, all the republics have had serious problems of adjustment. The all-Union economic ministries, when divided between republics, lost their institutional coherence, whereas the central and east European countries (excepting Yugoslavia) were economically autarchic and politically unitary states. The central Asian Soviet republics had to be formed into sovereign states. Economic and political transformation was concurrent with state building. The European communist states also had closer links with the Western capitalist states and, as the USSR internationally was led from Moscow, the international political and economic linkages were effectively controlled by the institutions of the USSR, not the Union Republics. Perhaps most important of all, excepting Kazakhstan, the central Asian states started from a much lower economic, political and international base.

Following the collapse of the USSR, the central Asian economies initially adopted similar neo-liberal economic policies as the European CIS states. Price liberalisation and privatisation moved all the economies towards a market type economy. Political change was much less substantial however. Elite-led politics continued in many ways as in the Soviet political system. This was probably a consequence of the rural nature of the republics and the absence of a substantial middle class which provided a social base for political reform in the European areas of the USSR as well as in the central European societies.

The economic consequences of transformation were significantly more destructive than in the European post socialist societies. The social and economic rankings of the central Asian societies fell considerably – and from a lower base. The loss of financial and human transfers from the European industrialised republics (as well as emigration of the European population) led to the Central Asian countries becoming more like other non-socialist states with similar economic and social infrastructures. They have become absorbed to a greater degree into the world economy and in doing so have lost much of their previous local industry, the previous output of which has been replaced by imports.

The central Asian societies may be characterised as politically autocratic polities dominated by primary sector exports. The state remains the collective entrepreneur and economic regulator; it prioritises investment and oversees the transfer of resources to the public sector. However they cannot be said to form a homogeneous economic bloc or single ‘variety of capitalism’. Kazakhstan and Turkmenistan stand out as energy exporting countries which ensure (or at least will do so as long as the price of oil is in excess of \$15 per barrel) considerable foreign earnings. Such earnings, however, may have negative effects in terms of inhibiting other forms of domestic industrial production, akin to the process suffered by other energy exporting countries. Uzbekistan has resisted more strongly the move to a free market society and has preserved to a considerable extent statist forms of politics which have successfully mediated the destabilising effects of transformation. Turkmenistan also has maintained greater levels of state control. However, neither country has prevented deterioration in relative standards of human development.

Conclusion: Explaining the Differences

How then may one explain the differences between the European and Asian societies?

Three observations might be made about the character of those states which have successfully consolidated capitalist revolutions. The first concerns their inherited level of economic wealth and the second, their proximity to Western Europe. The third dwells on the footprint of state socialism itself.

The richest countries in Soviet times are the ones which have made the greatest strides to capitalism and political pluralism. These countries also have borders contiguous with the European Union. Geographical proximity to the West has enabled institutions to diffuse more rapidly to the central European countries. With the exception of Poland, they are also small countries and are able to exploit their economic comparative advantage by becoming closely integrated into the economies of the West. But one must guard against a 'geographical determinism' which equates location with economic advance or decay. It is the cultural and political social capital which creates possibilities for investment and transfer of knowledge which make these countries more open and more likely to prosper under a capitalist regime. Their prosperity provides the political space required to make effective a competitive parliamentary type democracy. This impacts on the acceptability of these countries to the global market: it gives confidence to Western investors, which in turn incorporates the host countries into the capitalist world market. The political culture and popular orientations in the central European states were more fitting to a move to capitalism and polyarchy. They also have had a longer period of exchange with the capitalist countries.

In analysing these changes one has to bear in mind that economic and political transformations have taken place under conditions of increasing globalisation and internationalisation. The movement to the market in many countries preceded the economic restructuring associated with the

political changes following 1989. Under conditions of the transition from socialism to capitalism, international financial organisations, such as the IMF and World Bank, have been able to exert enormous influence over developing and transitional economies. The ideological sphere has also been dominated by neo-liberalism - a belief in the relatively unrestricted role of the market under conditions of private property, profit maximisation, stable currencies and free trade. External factors were more favourable for systemic change in the central European countries. The promise of membership of the European Union required the fulfilment of economic, political and social conditions to bring them into line with those of the European Union. The advantages offered by the EU in terms of economic help, and the promise of future 'levelling up' to Western European standards legitimated, and made more attractive, the transition to private property, markets and electoral democracy.

The central Asian countries of the former USSR were influenced by international developments, but not to the same degree as the European republics. They started their transformation later; in the Gorbachev period, they were sheltered from international pressures by their place in the USSR, from which they were net beneficiaries. They bordered to the south on Asian countries many of which were economically undeveloped and unstable. They had relatively small markets which subsequently did not encourage Western investment for domestic production. American policy also prioritised transformation in the central and eastern European states, rather than in the former Asian ones. To the east China provided a model of a politically unreformed but successful market economy. The initial transformation experience of Russia and Ukraine presented a type of society not to be emulated.

The footprint of state socialism was embedded

in countries with different histories and traditions. The hegemonic Communist Party was rooted to varying degrees in the political structures and political support system, and the aspirations of populations for transformation and reform differed. The central European states had a history of opposition to Soviet hegemony and a longer period of economic and political reform. In the Gorbachev period, a political elite structure emerged in support of capitalism and polyarchy and the population was more ideologically opposed to communism. It is not surprising that they have carried out a capitalist transformation, whereas the central Asian post-socialist countries, Russia and Ukraine have only partially done so.

One might generalise that a 'system transfer' to capitalism and polyarchy is likely to be effective when the collapse is more spontaneous, when there is widespread rejection of the socialist regime, and when there is a fairly homogeneous political elite with international support in favour of change. Transformation takes on a more path dependent character when radical reforms are imposed, when the rejection of the socialist regime is partial and when political elites are divided and lack consistent support from external sources.

Domestically, the populations of the central Asian countries had been beneficiaries of Soviet power and were predisposed to state redistribution. Two further political factors impeded more radical reforms. First, while there are internal managerial 'counter elites' which, in the oil producing states, have an interest in privatisation and moving the economy in the direction of private property, they are not backed by a significant intelligentsia and middle class predisposed to the West. Second, the political elites operate on regional and kin-based personal networks. The political elites had not experienced a major ideological shift towards the legitimization of a market society. Here they share features with

North Korea . The major attraction to the Western powers is the presence of raw materials; though the land locked nature of their location makes bulk export difficult.

The driving motors of internal reform of the socialist systems (the rise of counter political elites and a population predisposed to a market system) were not present (or not to the same degree) in the Asian republics of the former USSR. The initial move to markets and electoral democracy did not have widespread popular appeal. Statist developments in Russia under Putin and the state led transformation of China, rather than the market driven central European states, are more appropriate models for central Asia. It seems likely that they will consolidate into 'hybrid regimes' with elements of market economic relations concurrent with state rather than electoral political coordination.

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Notes

¹ Zbigniew Brzezinski, for example, described it as a 'state of general crisis, both ideologically and systematically. Zbigniew Brzezinski, *The Grand Failure*. New York and London: Macmillan. 1989. p. 232. He pointed out that 5 countries were in 'grave crisis' and another 6 in 'crisis'; 4 (including China and East Germany) were not in crisis. p. 234.

² As J. Kornai opines: '... [T]here is no alternative to the "capitalist system".'. From *Socialism to Capitalism*. London: The Social Market Foundation, 1998. pp. 2, 40). See also, B. Kaminski, *The Collapse of State Socialism*. Princeton University Press, 1991.

³ Klaus von Beyme, for example, emphasises that the state socialist societies were 'a uniform socialist political system which was unique in European constitutional history' Klaus von Beyme, *Transition to Democracy in Eastern Europe*, New York: Macmillan 1996, p. 20.

⁴ See writers such as David Stark and L. Bruszt, *Post Socialist Pathways*. New York: Cambridge University Press, 1998; and D. C. North, *Institutions, Institutional Change and Economic Performance*. New York: Cambridge University Press, 1999.

⁵ [Human Development Report 2005](#). (Reference for 2005). In the following tables, the issues for 2001 (referring to the year 2000) and 2005 (referring to 2003) have been utilised. There is also a hard back publication. UNDP, *Human Development Report 1991*. Published by Oxford University Press, New York and London. 1991.

⁶ Collective farmers (peasants) are excluded from these figures. This is because they derived income from collective farms and individual plots. With the possible exception of Georgia, earnings in agriculture were very much less than in industry and services; and social and economic conditions were also very much inferior.

⁷ Census data from Soyuznye respubliki, Moscow: Goskomstat 1991, p.48. It is possible that the numbers of the native population in the republics may have been inflated in the census returns as this was a period of heightened national identification on a republican basis.

⁸ *Nauchnye kadry SSSR*, Moscow: Mysl' 1991, p.110.

⁹ Goskomstat SSSR, *Soyuznye respubliki: osnovnye pokazateli*. Moscow: goskomstata SSSR, 1991, pp.16-17.

¹⁰ I have standardised the number of countries to coincide with those included in the *Human Development Report for 2003 (HDR 2005)*. I have added to the list eighteen new states (and excluded the USSR); the total number of states in the Report was 260 in 1990 and 277 in 2003.

¹¹ In Turkmenistan, there was tacit support, the leadership reproduced whatever came from

Moscow. In Uzbekistan, Karimov made a statement ignoring the removal of Gorbachev and called for the avoidance of 'provocative actions'. Tajikistan again gave tacit support. Kyrgyzstan was the nearest to support for Gorbachev when President Akaev condemned the 'unconstitutional coup' but the local CP leadership supported it. I am indebted to Stephen White for drawing my attention to these facts derived from *The Current Digest of the Soviet Press*, 33/1991 pp. 25-26.

¹² See: David Lipton and Jeffrey Sachs, 'Creating a Market Economy in Eastern Europe: the Case of Poland', *Brookings Papers on Economic Activity*, vol 1, 1990. Extract in David Kennett and Marc Lieberman, *The Road to Capitalism* (Dryden Press, New York and London, 1992), pp. 350-4.

¹³ EBRD Transition Indicators 2006. [Link](#).

¹⁴ The reform scores reflect the assessments of EBRD country economists For methodology, see: www.ebrd.com/country/econo/stats.

¹⁵ This index considers government consumption as a proportion of total consumption the ratio of transfers and subsidies to GDP, the number, composition and share of output by state-operated enterprises, government investment as a share of total investment, the use of price controls, the rates of top marginal tax thresholds, duration and use of military conscription, growth rate of money supply, level of inflation, access to foreign currency bank accounts, exchange rate controls, risk of property confiscation, risk of government cancelling contracts, revenue derived from taxes on international trade, variation on tariff rates, share of trade sector covered by non-tariff restrictions, size of the trade sector, percentage of bank deposits held in privately owned banks, share of total domestic credit allocated to the private sector, determination of interest rates by market forces, access to country's capital markets by

foreign capital. Summarized from Appendix 2, Explanatory Notes and Data Sources. EBRD, *Transition Report 1999* (EBRD: London 1999). p.24. In interpreting these data, one should note that in some countries, privately owned companies may still have considerable state ownership, especially in large-scale industry. For other indexes see also: Philip G. Roeder, 'The Revolution of 1989: Post communism and the Social Sciences', *Slavic Review*, 58, 4 (1999) 743-755.

¹⁶ 2007 World Development Indicators, World Bank, Washington DC 2007. , pp.277-278.

¹⁷ EBRD, *Transition Report 2006*. London: EBRD 2006. p.38.

¹⁸ Unctad, *Handbook of Statistics*, United Nations. Geneva, 2005. 162-179. This kind of data not given in 2008 handbook.

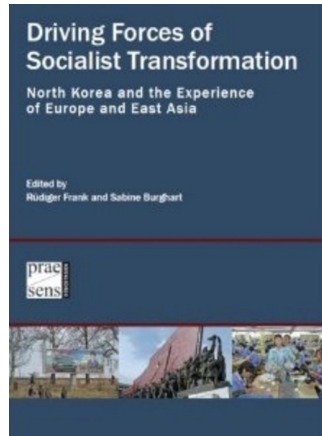
¹⁹ 2007 World Development Indicators, pp.309-310. Turkmenistan data for 2000, World Bank, *Development Data and Statistics*. Accessed 3 Jan 2009.

²⁰ Political rights include the right of adults to vote and compete for public office and for 'elected representatives to have a decisive vote on public policies'. Civil liberties include the rights to 'develop views, institutions and personal autonomy' independently of the state. *Freedom in the World 2007*, [Website](#). Rankings (on a 1-7 point scale) are shown on the Figure. Their definition of 'Unfree' I have classified as little or no political reform, these are essentially statist regimes, 'partly free' (which includes some pluralistic democratic rights and freedoms) is shown as partial political reform, and 'free' (defined as similar in character to Western liberal democratic regimes) is listed under great political reform.

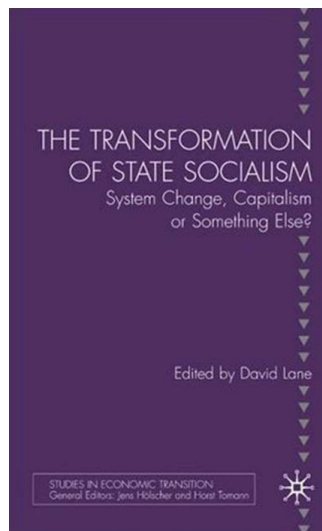
²¹ Soyoung Kwon, for example, points out that the country preserves many of its previous features: a formal hegemonic singly Party, an official dominant ideology, a dominant state

sector and public ownership. She notes that, unlike the European state socialist countries, the ruling elites have been closed for a long period and succession has followed a kin-based

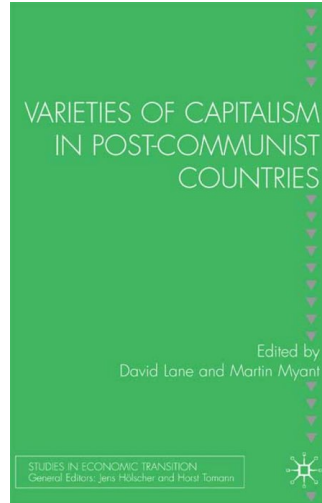
trajectory. See S. Kwon, Change and Continuity in North Korea, in David Lane, The Transformation of State Socialism. London and New York, 2007, chapter 14.



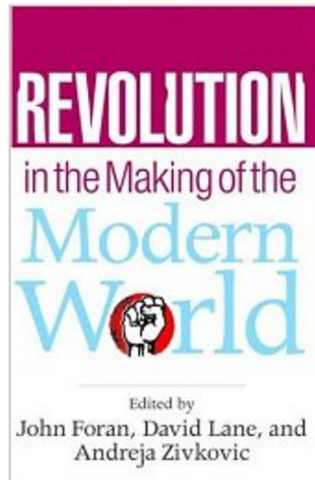
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