



CHAPTER 12

GROWTH, GOVERNANCE AND HUMAN DEVELOPMENT: Post-Soviet Transition in North and Central Asia

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Introduction

Dramatic changes in the world's economic, political and social systems have brought unprecedented improvements in human living conditions in both developed and developing countries; profound breakthroughs in communications, transport, agriculture, medicine, genetic engineering, computerization, environmentally friendly energy systems, political structures, peace settlements, etc. But these changes also bring new uncertainties and challenges to both human development and security.

The transformation from command to market-oriented economies and the emergence of democratic political regimes in the former Soviet Union, against the background of the global processes of change, created a unique and challenging situation in North and Central Asia (NCA). Since the early 1990s, eight countries in the region (Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan) have suffered through a difficult period of transition and socio-economic reforms. Slow economic recovery and social policy shortcomings create numerous challenges for democracy and good governance in the rubble of the Soviet Empire.

Growth, Governance, and Human Development: A Framework for Discussion

During the 1990s, the Human Development concept has been accepted by an increasing number of researchers, policy advisors, politicians and social practitioners, most evidently in the publication of the global Human Development Reports (HDR). The first of these was published in 1990 and defined human development as “the process of enlarging people's choices. The most critical of these wide-ranging choices are to live a long and healthy life, to be educated and to have access to resources needed for a decent standard of living.”¹ The Human Development Index reflects the essential choices of people by combining life expectancy, school enrollment, adult literacy and average income.

¹ *Global Human Development Report*, UNDP, 1990, 1.

The conceptual framework for the human development concept was developed by Nobel laureate Amartya Sen, who makes the distinction between the functioning of people—reflecting the various things a person may value doing or being—and their capabilities. In other word, a functioning is an achievement, while a capability is the ability to achieve. From a human development perspective, the quality of economic growth is just as important as its quantity. Aspects of “quality,” such as good governance, equality in health and education, and environment protection are central to what the poor—and everybody else—value most in economic progress.²

The human development concept links growth and governance within the framework of a theoretical debate, and helps to better understand the nature of socio-economic and political change underway in Russia and her post-Soviet Asian neighbors.

Post-Soviet Transition in the NCA: Slow Recovery and Contradictory Trends

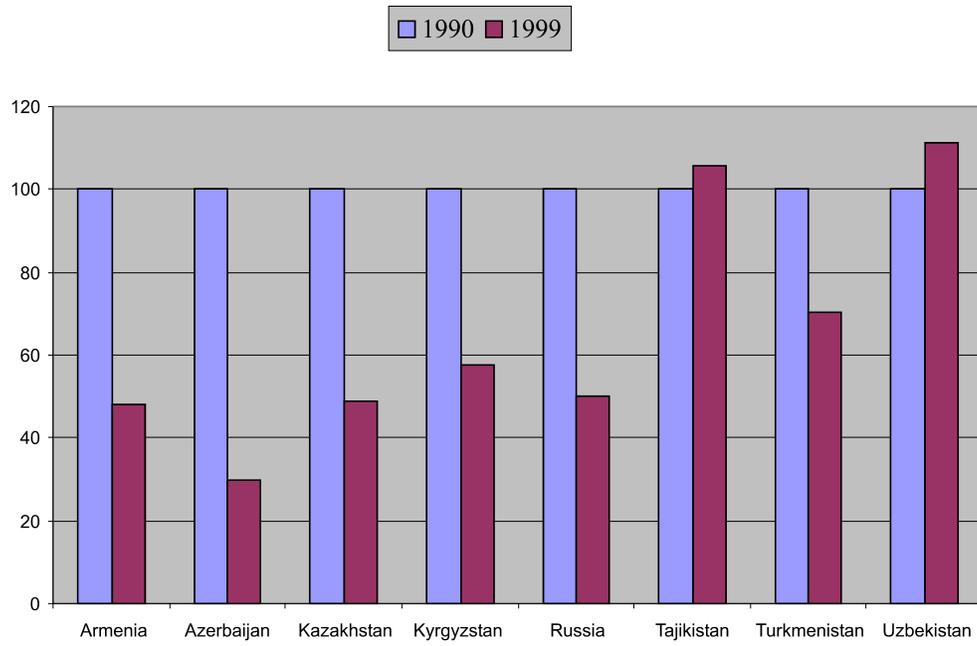
The collapse of the Soviet Union resulted in a dramatic slowdown of economic development and a total disruption of the USSR’s well-developed social safety net. Sharp declines in living standards, ethnic conflicts and social unrest provoked large-scale migration and frustrated the millions of Soviets of different nationalities. As the less-developed members of the USSR, the Soviet republics of the Caucasus and Central Asia suffered especially heavy losses in economic development and human potential.³

While the industrial production index shows the steady decline in economic growth in North and Central Asia in the 1990s (Figure 12.1), the region, however, enjoyed a comparative advantage in terms of the development of human capabilities such as health and education (areas of priority development in the Soviet system). This distinguishes North and Central Asian countries poor and developing countries in other regions.

² *Doi Moi and Human Development in Vietnam. National Human Development Report 2001*, Hanoi, 2001, 14.

³ *Statistical Indicators for Asia and the Pacific*, Volume XXXI, # 3, September 2001, United Nations, New York, 2001, 13.

Figure 12.1
Economic Growth in North and Central Asia



For example, on the GDP-per-capita measure, 116 countries do better than Armenia. However, if social sector performance is also taken into account by using the Human Development Index (HDI) ranking, Armenia leap-frogs 44 countries which are richer in income terms (including Morocco, Bolivia, South Africa, Turkey and Peru) to arrive at 72nd place. This comparative edge in social terms is more significant among the economically less-developed countries of the region.

The international standings of Russia and Kazakhstan, however, fail to improve when the HDI data is taken into account. Due largely to the decaying public medical services, both countries have experienced large increases in adult male mortality during the post-Soviet transition, which reduces life expectancy, an element of the HDI.⁴

The life expectancy trend in Russia is particularly worrying, with 1999 seeing a sharp decrease. Life expectancy in Russia fell in 1999 by about one and a half years for men to 59.9 years (just above the level of India), and by half a year for women.⁵ The crude death rate (total deaths per thousand population) in 2000 rose for the second year running, to 15.3—the highest rate since 1994.⁶

If the steep decline in living standards of the whole country is to be reversed, policies must be improved to reduce poverty and inequity. This must entail measures to reduce the inequalities that have been a feature of the establishment of a “wild” market-oriented economic system.

But the leading role of Russia among the former Soviet Republics still remains. Even a decade after the Soviet collapse, Russia remains among the largest trading partners for all the CIS economies, especially those of Central Asia, and for many of them is the largest source of foreign direct investment as well. Large Russian minorities remain in the Caucasus and Central Asia. Russian culture and language remain a constant force across the post-Soviet space, and Russian foreign policy toward the “near abroad” plays a major role in defining these countries’ geopolitical position.

But is the recovery in Russia (and the rest of North and Central Asia) sustainable? To the surprise of most observers, Russia reported 20 percent cumulative GDP growth in 1998–2001. While living standards for millions of Russians remain well below levels of ten years ago, the Russian economy is at last beginning to look like a reasonably well-functioning market system. In contrast to the situation prior to the August 1998 financial crisis, Russia has been off IMF life support for three years, and posted large budget surpluses during 2000–2001. Strong growth in spending by Russian households and businesses is now driving the economic recovery.

On the other hand, two key forces that have powered the economic recovery—the ruble’s sharp depreciation after August 1998 and the high oil prices of 2000–2001—seem to be coming to an end. Prospects for continued strong GDP growth depend

⁴ *A Decade of Transition*, The MONEE Project CEE/CIS/Baltics, Regional Monitoring Report # 8-2001, UNICEF, Florence, Italy, 2002, 7.

⁵ Research shows that health, measured mainly by life expectancy and infant or adult mortality, is a reliable predictor of future economic growth. For a large sample of countries, it has been found that an increase in life expectancy in 1965 by 1% accounted for acceleration in GDP per capita growth of over 3% each year for the subsequent quarter century. *A Decade of Transition*, 48.

⁶ *A Decade of Transition*, 49.

increasingly on the outlook for structural reforms, the implementation of which has proven exceedingly difficult in Russia and her post-Soviet neighbors.⁷

The National Human Development Reports (NHDR) for the Russian Federation,⁸ published annually since 1995, show that standards of living have deteriorated dramatically during the post-Soviet transition. The reports concentrate on economic trends in Russia during the transition and the substantial challenges faced by the government in addressing the people's expectations and alleviating social hardship while ensuring the minimum necessary economic growth and equity.

The various dimensions of poverty and income inequality are thus being explored, as well as their impact on the more vulnerable sectors of the population, such as the poor, pensioners, unemployed, migrants and refugees. The corresponding impact on demographic indicators is also described, which includes a fall in population, a rise in mortality and suicide, a rise in divorce, and a rise in one parent families, etc.

Russia's Human Development Index has deteriorated considerably. In the mid-1990s the HDI estimate for the Russian Federation gave a value of 0.760. Because of its use of later data, this estimate was lower than that contained in the UNDP's global Human Development Report, which estimated a value of 0.804 for 1993, putting the country 57th out of 174 countries for which data were available. This suggests that Russia has been moving from the last place among countries classified as "high human development" to one of those described as "medium human development."

NCA Political Systems and Governance in Transition: Ways to Go

Governance can no longer be considered a closed system. Its task is to find a balance between taking advantage of globalization and providing a secure and stable social and economic domestic environment.

"Governance has three legs: economic, political and administrative. Economic governance includes decision-making processes that affect a country's economic activities and its relationships with other economies...Political governance is the process of decision-making to formulate policy. Administrative governance is the system of policy implementation. Encompassing all three, good governance defines the processes and structures that guide political and socio-economic relationships."⁹

Governance encompasses the state, but it transcends the state by including the private sector and the civil society. The parameters of good governance in its three key domains (state, civil society and the private sector) ought to have such characteristics as participation; rule of law; transparency; responsiveness; consensus orientation; equity; effectiveness and efficiency; accountability; and strategic vision. Being interrelated, these characteristics are mutually reinforcing and cannot stand alone. They represent the ideal, and no society has them all.

⁷ UNDP Roundtable: *Development Trends in Russia*, New York, February 15, 2002.

⁸ NHDRs are being prepared for the UN Development Program by a team of independent national researchers and initiated jointly by the Russian Government and the UNDP Country Office. This document contributes to the national dialogue among stakeholders, especially the Government, and enhances their awareness of the problematic nature of sustainable human development.

⁹ *Governance for Sustainable Human Development. A UNDP Policy Document*, United Nations Development Program, January 1997, 2-3.

The World Bank has developed a combination of indicators allowing the transitional economies (including those of the NCA) to be classified into four types based on the extent of political contestability and a widely accepted annual rating of political and civil liberties provided by the Freedom House. Political contestability has been defined as the extent to which key decisions of the political process—such as choosing political leaders, adopting laws, and making binding policy decisions are subject to challenge by freely organized groups within and outside government. Political contestability can thus be determined by such dimensions as:

- Political rights and civil liberties
- Veto points¹⁰
- Government turnover
- War and political violence.¹¹

The four types of the political systems in transition are:

Competitive democracies—None of the North and Central Asian countries fit the criteria. Only Central and East European transitional economies are in this group.

Concentrated political regimes (Russia and Kyrgyzstan)—These combine multiparty elections with limited political competition through constraints on civil liberties, which results in a concentration of political power in the executive branch.

Noncompetitive political regimes (Kazakhstan, Turkmenistan, Uzbekistan)—These regimes constrain entry of potential opposition parties into the electoral process and restrict political participation, resulting in a few institutionalized limitations to check the executive.

War-torn political regimes (Armenia, Azerbaijan and Tajikistan)—Such regimes are severely strained by external conflicts or extreme internal contestability rooted in ethnic or territorial divisions, resulting in a prolonged loss of political order and control and serious weaknesses in the provision of basic public goods.

Armed conflicts have been an important variable in the political dynamics of North and Central Asia and warrant special mention:

- *Armenia and Azerbaijan, 1994–1998*. Clashes between Armenian and Azerbaijani troops led to war over the territory of Nagorno-Karabakh, a part of the Soviet Union when the unrest first became significant. About one million people were uprooted from their home.

¹⁰ Number of institutional actors who can veto political decisions.

¹¹ *Transition. The First Ten Years. Analysis and Lessons for Eastern Europe and the Former Soviet Union*, The World Bank, Washington, D.C., 2002, 97.

- *Central Asia: The Fergana Valley, 1989–1991*. Tensions escalated in 1989 in the Fergana Valley, which straddles the borders of Kyrgyzstan, Tajikistan and Uzbekistan, and a series of violent clashes resulted in hundreds of deaths and extensive damage to property. Tensions have simmered there since the late 1990s.
- *Tajikistan, 1992–1993*. A civil war beginning in 1992 left an estimated 50,000 dead and up to 700,000 people displaced. By the time of the peace agreement in 1997, preceded by the Russian peacekeeping operation in Tajikistan, most of the displaced had returned to their homes, many of which had been destroyed.
- *Russia: Northern Caucasus, 1992–2002*. An intense outburst of violence between North Ossetia and Ingushetia occurred in October 1992. In 1994 federal troops entered Chechnya, which had declared independence. Following two major periods of fighting (the second started in 1999 following the attempt by Chechen guerrillas to invade Dagestan), there are now an estimated 160,000 internally displaced people in neighboring Ingushetia. Those remaining in Chechnya face harsh living conditions and continuing violence.¹²

Reform efforts in each of the political systems present in North and Central Asia have been halting at best. In two of the region's concentrated political regimes, Russia and Kyrgyzstan, the collapse of communism was more a result of competition between elites (*nomenklatura*) than a broad social movement. Though comprehensive reforms were proposed in the early stages of transition, the regimes lacked the credibility to build and sustain broad popular support for these reforms. Partial liberalization and privatization, the inflationary budgets and remaining barriers to entry generated tremendous opportunities for rent seeking and theft.

President Vladimir Putin has boldly attempted to speed up economic reform and reorient Russian federalism, foreign policy, and civilian-military relations. But rates of poverty and inequality remain high, and little progress has been made in addressing the devastating Soviet environmental legacy. Despite a turnaround in Russian capital markets in 2001, capital flight continues to dwarf inflows of foreign investment. The independent media and many NGOs have come under increasing pressure from Putin's security apparatus. The Russian Army's pursuit of a military solution in Chechnya continues to generate appalling collateral damage.¹³

In noncompetitive political systems, economic reform has been limited, driven not by the potential winners or losers of reform, but by Soviet-era authoritarian political leaders merely trying to maintain political control and ensure economic stability. Political reform has been equally constrained as incumbent leaders have sought to restrict political opposition.

During periods of peace and relative stability, war-torn political regimes have tried to adopt comprehensive reform programs. However, the credibility of their

¹² *A Decade of Transition*, 5.

¹³ UNDP Roundtable: *Development Trends in Russia*, New York, February 15, 2002.

governance—and their reforms—is undermined by the collateral damage of war, such as sharply reduced output, living standards and state resources; depleted physical and human capital; and increased poverty.

So what does the World Bank prescribe for the transitional political systems in the North and Central Asia? In general, for the concentrated political regimes they are: to mobilize the electorate and potential reform winners; to guarantee a free media; and to allow political and economic competition to reinforce one another. Noncompetitive political systems are to take advantage of the greater state capacity to implement reforms. War-torn regimes must first restore stability and reduce uncertainty to the extent possible. Direct assistance and participation by bilateral and multilateral donors and technical assistance agencies will be critical in this fundamental effort.¹⁴

Sustainable human development aims to eliminate poverty, promote human dignity and rights, and provide equitable opportunities for all through good governance, thereby promoting the realization of all human rights—economic, social, cultural, civil and political. The promotion of human rights is of particular relevance in the context of its potential to prevent the exclusion and marginalization of weak groups and those with limited resources.¹⁵

The fight against corruption has been an essential element of the overall efforts to ensure good governance in North and Central Asia. For example, the government of Kazakhstan has undertaken a systematic anti-corruption effort, including the establishment of the Civil Service Agency.¹⁶ However, “attempts to toughen control over officials and introduce appropriate legislative amendments do not directly affect the causes of corruption and, consequently, have not achieved the desired results. The Civil Service Agency has therefore initiated a pioneering program featuring the introduction of a computerized human resources information system, recruitment and testing procedures with numeric codes, a telephone hot line for citizens and the media, and expanded international experience exchanges.”¹⁷

¹⁴ *Transition. The First Ten Years. Analysis and Lessons for Eastern Europe and the Former Soviet Union*, 108-115.

¹⁵ *Integrating Human Rights with Sustainable Human Development. A UNDP Policy Document*, United Nations Development Program, January 1998, 2.

¹⁶ Two levels of corruption have been identified within Kazakhstan’s civil service. The first one includes the bribes that low- and mid-level officials take as a result of extremely low salaries, vague administrative procedures, and acquiescence of support of their supervisor. The second level occurs at the top and medium echelons of power, where illegal commissions are paid for concluding contracts, issuing permit for banking operations with budgetary funds, or for providing credits, preferential export quotas, licenses, certification, and appointment to high-paid positions.

¹⁷ *Fighting Corruption in Post-Communist States – Lessons from Practice*, UNDP/RBEC Policy Brief, 2002, 10.

“Responsible Globalization”: Towards Pro-Poor Strategies?

To conclude, all debates on growth and governance in Asia—North and Central Asia in particular—are pointless unless written into the context of globalization. It aggravated the post-Soviet transition but, at the same time, provided for powerful tools and solutions necessary for the former Asian Soviet republics to get through the painful transitional period.

Generally, globalization is a process of change. It is being defined as the process of an increasing number of interactions between people in different countries at an increasing intensity, made possible by the continuous decline in international transaction costs.¹⁸ There are two powerful engines that drive globalization nowadays: rapid technological change and the latest wave of liberalization.

Analysts and policy makers recognize that “globalization has profound implications for governance, the final impact of which we cannot yet determine.” However, the most profound of these include:

- the increasing marginalization of certain population groups as a result of the technological/information revolution;
- the erosion of state sovereignty as transnational bodies increasingly mediate national concerns and press for universal laws;
- the increased globalization of social and economic problems such as crime, narcotics, infectious diseases and the migration of labor;
- the decreasing accountability of international capital and trade to sovereign states.¹⁹

One positive aspect of the current round of globalization is the global community’s heightened determination to eradicate poverty worldwide. This commitment is clearly reflected in the Millennium Declaration of the U.N. Summit of September 2001, as well as in the strategies of numerous international development and technical assistance organizations, such as the IMF and the World Bank.

President Putin, notably, mentioned the need for “Socially Responsible Globalization,” saying the post-Soviet transition cannot be successfully completed if the benefits of globalization are not properly used to the advantage of Russia and other post-Soviet transitional economies.

Should economic reform strategies have a poverty focus? Experts argue that “in considering social welfare, most people in general, and most democratically elected governments in particular, would give more weight to the well-being of the poor than of that of the rich...A policy that increases the income of the poor by one rupee can be worthwhile at the margin even if it costs the rest of society more than a rupee.”²⁰

¹⁸ *Doi Moi and Human Development in Vietnam. National Human Development Report 2001*, 20.

¹⁹ *Governance for Sustainable Human Development. A UNDP Policy Document*, 10.

²⁰ Dani Rodrik, *The Global Governance of Trade As If Development Really Mattered*. United Nations Development Program, 2001, 13.

However, developing a strategy that deals comprehensively with macroeconomic policy, structural and sectoral reforms, governance issues, social inclusion, and the medium-term public expenditure program is complex. IMF and World Bank analysts admit that much is still unknown about what policies work best for some key aspects of poverty reduction.”²¹ Poverty reduction is still a big challenge for all key players on the international donors’ scene, to say nothing of its potential beneficiaries in North and Central Asia and other regions of the globe, who act as both objects and subjects of the globalization process.

International and bilateral donors and technical assistance agencies are learning from the mistakes of the past. Accused of wasting aid targeted for the economic recovery and democratization of the post-Soviet realm in the 1990s, they have adjusted their capabilities to match the actual needs of supporting growth and good governance in North and Central Asia and other regions.

In a recent interview, USAID Administrator Andrew Natsios noted that at present only a small portion of official development assistance (ODA) to poor countries goes directly to governments anymore and that little is wasted. One-third of USAID money is spent through international, U.S.-based NGOs, one-third through universities, associations and local NGOs, and one-third through the private sector.²²

However, observers note that the United States currently ranks dead last among industrial countries in the amount, relative to the size of the economy, that it allocates to foreign assistance—barely one-seventh of one percent of GDP and less than a penny of every dollar in the President’s 2003 budget.²³

President Bush’s budget proposal for 2003 increased “international assistance” programs by just under \$750 million. This, however, includes almost \$500 million for foreign military financing and \$52 million for a Center for Antiterrorism and Security Training. While these expenditures are no doubt useful to enhance security and battle international terrorism, it is hard to disagree with the *New York Times*, which argues:

Our efforts should include supporting nascent institutions of civil society; promoting pluralism of information and opinions; promoting economic development to reduce the appeal of radical alternatives; and creating modern educational systems that give young people...the tools they need to flourish in a world where global connections become ever more important.²⁴

This is particularly true for North and Central Asia, a key player in global security, stability and sustainable development.

²¹ Review of the PRSP Experience. An Issues Paper for the January 2002 IMF and World Bank Conference, January 7, 2002, 8 (<http://www.worldbank.org/poverty/strategies/review/index.htm>).

²² USAID Administrator Natsios Interview on Development Assistance, *the Washington File*, February 5, 2002.

²³ *New York Times*, February 12, 2002.

²⁴ *Ibid.*



CHAPTER 13

POLITICAL ISLAM, PAKISTAN, AND THE GEO-POLITICS OF RELIGIOUS IDENTITY

ROBERT G. WIRSING

Introduction

The Muslim share of the world's population is generally estimated to be in the neighborhood of 1.3 billion or about 22 percent of the total. Of this figure, Asia's share is substantial. Well over half of the world's Muslims, in fact, dwell—some of them as majorities, some as minorities—in the broad belt of Asian countries reaching from the eastern shore of the Mediterranean to the easternmost tip of the Indonesian archipelago. Of the 10 countries in the world housing the largest national Muslim populations, seven (Indonesia, Pakistan, Bangladesh, India, Turkey, Iran, and China, in that order) are located in this belt; and the first four of them (Indonesia, Pakistan, Bangladesh, and India) hold as much as 40 percent of the Muslim world total. There is great variation, of course, in the Muslim share of Asian national populations, from virtually 100 percent in the Maldives to four percent or less in Thailand and less than three percent in China. The variation is just as great, moreover, in the socio-cultural *content* of these Muslim populations, whose histories and geographies display a dazzling variety. By any yardstick, however, the Muslim community or *ummah* as a whole is a formidable component of the Asian religious-cultural landscape. It cannot avoid affecting—and in turn being affected by—the governing capacities of Asian states, in particular their capacity to manage successfully their characteristic cultural heterogeneity.

Complicating this task is the persistent controversy that swirls around the contemporary development of Asian Muslim communities. Among the most controversial issues are those pertaining to contemporary political militancy or jihadism—to the way, for example, in which one characterizes radical, extremist, or “fundamentalist” trends and tendencies amongst Asian Muslim communities. Nowhere are these characterizations more contentious—or laced with greater policy

The views expressed in this chapter are those of the author and do not reflect the official policy or position of the Asia-Pacific Center for Security Studies, Department of Defense, or the U.S. Government.