TITLE: PRIVATIZATION IN THE CAUCASUS AND CENTRAL ASIA:
New Variables in the Relationship Between the State and the
Citizen in the Caucasus and Central Asia

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The focus of this paper is privatization in the Caucasus and Central Asia. In our research, along with the mechanics of privatization, we are primarily interested in three levels of debate revealing the process of legitimization of the changing relationship between the state and citizen. This debate is being carried on at three interconnected levels by the state, intellectuals, and the people. While the state argues that economic transformation and privatization are essential to overcoming the burdens of the past and the problems of the present, opposition is being voiced by many people and intellectuals to the state's inability to safeguard democratic principles in this rapid transformation. They argue that they are being forced to choose between "bread and freedom." We argue that this conflict will result in legitimization crises in all of the Muslim Turkic states.

If Turkey is a blueprint for the newly independent states of the Caucasus and Central Asia, it is important to remember that in September, 1995 the Tansu Ciller government was forced to resign in the face of growing opposition to privatization, expressed in the streets by 160,000 striking public workers, symbols of a movement that had been accelerating since the beginning of the Summer.

Introduction
The focus of this paper is on privatization in the Caucasus and Central Asia. In our research, we are interested in the mechanics of privatization, but more importantly we are interested in three levels of debate on privatization, which reveal the process of legitimization of the changing relationship between the state and citizen: ONE how the state constructs and presents the privatization programs; TWO how intellectuals debate the issues related to privatization; and THREE how the people understand these debates and how they approach the impact of privatization on their daily lives. We argue that these three levels of debate, carried by the state, by intellectuals and by the people, are interconnected by a "discourse of transformation" encapsulating alternative scenarios for change and the future. This discourse
dates back to the 19th century, as the Ottoman and Russian Empires entered a semi-dependent status in the capitalist world market, and revisited their economic policies and their control and regulation of economic relations. The discourse of transformation continued after the foundation of the Turkish Republic in 1923 and the foundation of the Soviet system, and with the adoption of the New Economic Policy (NEP). Its latest manifestation has emerged since the 1980’s in Turkey, as well as in Russia, the Caucasus and Central Asia. Thus this debate has a historical continuity overarching Russia, the Caucasus, Central Asia and Turkey.

In this preliminary report we concentrate on current debates surrounding the privatization process in the Caucasus and Central Asia. We are currently writing an article which will examine the connections between historical and contemporary debates in Turkey, Russia, the Caucasus and Central Asia.

**Privatization as a "Weapon" Against the Past**

The states of the Caucasus and Central Asia define privatization as an integral aspect of economic transition to a free market. This economic transition includes the reallocation of property and privatization of state enterprises by restructuring finance and control of production and distribution, by decentralizing investment, and a new appropriation of profits. It also requires elimination of public monopolies, and setting up new market mechanisms.

Privatization is a global phenomenon, and was presented as an economic necessity for countries as diverse as the United States, England and Turkey in the 1980’s. For Russia and the states of the Caucasus and Central Asia it is being seen as an economic necessity as well as an ideological requirement for their departure from communism. But in the former Soviet Union, the state is continuing to exert political control over all social classes and institutions while maintaining its strong role in economic development, albeit in the name of spurring a free market and private enterprise. In the Caucasus and Central Asia, continuing strong state control is a constant reminder of "colonial" arrangements in this new "post-colonial" era.

Furthermore, as the Russian historian Kliuchevsky argued "the history of Russia is the history of a country that colonizes itself." This also meant colonizing others. Russia is striving to maintain the states of the Caucasus and Central Asia in a semi-colonial status through economic arrangements. This is reflected in Russian efforts to control the construction of new pipelines originating from Azerbaijan, as well as in the controversy surrounding offshore rights in the Caspian Sea. Thus, economic restructuring, especially privatization, is presented by the Muslim Turkic states as a departure from Communism and as freedom from Russian
domination. But the "strong state," and the exertion of Russian power, is not only a reminder of the past, but also a reality of the present.

Privatization as a "Cure" for the Present

The states of the Caucasus and Central Asia have all embraced privatization programs, promising that new policies will bring economic prosperity and democracy. The President of Uzbekistan, Islam Karimov has argued that "only a strong, democratic, law-governed secular society with a stable free-market economy and open foreign policy will guarantee sustained growth in the living standard of the people of Uzbekistan." But from their inception, the privatization programs and economic restructuring for passage to a market economy have been laden with problems.

First of all, the underdeveloped legal base to accommodate the mechanisms of a market economy creates problems for foreign and domestic investment. Second, the republics have been unsuccessful in drawing substantial foreign investment in areas other than extraction of raw materials, which would help develop an economic infrastructure. Fear of losing foreign investment, as well as pressures from international financial organizations, has also led the republics to shy away from strict regulation of foreign investments. Third, scarce domestic capital is more likely to be invested outside the region or drawn into second circuit capital, specifically real estate investments. Fourth, the dismantling of old state enterprises has the potential to lead to the creation of private monopolies rather than creating free market competition. Furthermore, old state enterprises are not being led by a new group of managers with experience in the private sector. Instead the old managers, who were once party members but now wear European tailored clothing, are in charge as major shareholders. As in Russia, most enterprises remain in the hands of former directors and workers' cooperatives. They acquired control of former state enterprises through a system of share distribution designed to favor the interests of politically powerful "interest groups," such as enterprise directors, who are mostly concerned with protecting their own domains and new profits. On the other hand, workers are troubled by the prospect of losing their jobs as a result of economic transformation, and are struggling to maintain their old standards of living against triple digit inflation.

Unemployment in Kazakhstan is about 25% and increasing. A Kazakh economist pointed out in a hushed voice that this is such a political question that it is not discussed openly, because the government interprets it as opposition. For those who are employed, the minimum wage per month is around 260-300 Tenge, about 5-7 dollars in Kazakhstan. The average
professional earns 25-40 dollars per month. Thus as a result of the rapid economic transition, which is eliminating buffers in terms of subsidized housing, food and clothing, workers' wages are shockingly low. In Azerbaijan the minimum wage is 5000 Manat, about $1.20 per month. In Uzbekistan it is 300 Sum, about $10 per month, which will purchase approximately fifty loaves of bread. Changes in economic policies are not fostering immediate positive results for professionals or workers, who are struggling with inflation, dropping wages and fear of job loss. One example of how people are coping is a university professor in Azerbaijan who tried desperately to get a second job as a janitor in a newly opened branch of a foreign oil company that pays $50 per month.

These problems are not different than those experienced in Eastern Europe, and tend to be interpreted as "growing pains," natural manifestations of a difficult process that will ultimately yield "positive" results. The major problem of the Muslim Turkic states is not only that the "curse of the past" is continuing, but also that the process of transformation in the present is laden with problems, not allowing for "quick and positive results." The state maintains that economic transition and privatization are leading to an efficient state infrastructure and profitable industry, thus providing more job opportunities and better wages for workers, as competition provides more choice and better prices in the market. Overall, the state frames economic change as a prerequisite for a political transition to democracy and popular sovereignty. Yet, it is unable to explain how the state will stop inflation, assure jobs and increase wages, even as it is withdrawing from control of production, investment and exchange.

Intellectual and Popular Responses to Privatization

How are intellectuals interpreting this reality? Some intellectuals support the states' efforts with few reservations. Others express serious reservations in private, but not in public. Opposition to privatization has been largely silenced or at least curtailed. For example, Islam Karimov of Uzbekistan says the totalitarian regime and a single ideology are gradually being eliminated, leaving their place to human rights, democracy and freedom. But at the same time, he emphasizes that "order and stability" in this transition is the most important principle. As a result, the Karimov government has cracked down on three major opposition groups: Erk (Freedom) Party, an officially registered opposition party to the ruling People's Democratic Party; Birlik (Unity), an independent opposition group calling for democratic reforms; and Adalat (Justice), an Islamic movement against official corruption. State oppression is forcing
intellectuals to debate their assessments of the transition to democracy and capitalism in closed circles and with hushed voices.

The debate that does exist centers around what has changed since the independence of the states of the Caucasus and Central Asia and, more importantly, how the situation is expected to change in the near future. While some argue that it is too early to judge its outcome, others argue that for Russia and the Caucasus and Central Asia privatization has served to prolong the stronghold of former Communist Party members and bureaucrats on state enterprises. In addition, broad assessments of the immediate results argue that economic transformation is creating and solidifying a gap between the rich and poor. This is an important juncture at which the assessments of intellectuals and the public appear to overlap. One newly unemployed worker, now making a living as a day laborer in Azerbaijan, said "socialism was good, capitalism is horrible (sosyalism yahsi, kapitalism berbat)." He argued that capitalism was working to the benefit of 5% of the Azerbaijani population, while driving 95% permanently into the lower middle class and poverty.

This sentiment was echoed by a mathematics teacher in Baku, who is making around ten dollars per month. He noted that his purchasing power had reduced dramatically under capitalism, forcing him to ration his food. Furthermore, he proposed that there was a sense of community and solidarity under the Soviet system, perhaps stemming from a collective opposition. He argued that economic restructuring had altered the sense of security of the citizens as well as fragmented communities into interest groups. For him, political freedom is a necessity for economic transformation to bring prosperity to everybody. He said "Glasnost is good, but Perestroika is horrible (Glasnost yahsi, Perestroyka berbat)." For him and many other intellectuals, the state must democratize the political structure, otherwise the mechanics of the free market will only favor the already "rich and powerful."

A Turkish intellectual and statesman has argued that "when you ask Turkish citizens if they want bread, security or freedom, they will answer that they want all three: this is the culture of democracy." But in Central Asia and the Caucasus, people are seeing themselves as forced to make a choice, between bread and freedom. Still, many in Azerbaijan, Kazakhstan, and Uzbekistan are hopeful that things will change for the better. For example, an Azerbaijani official and an administrator for a joint venture both said that they expect the government to accumulate 78 billion dollars in profit from oil and gas deals in the near future, and they expect this money will "trickle down" to all of the 7 million citizens of Azerbaijan. But one foreign oilman that we interviewed argued that this wealth will not "trickle down" to the
people, and by the time "the people realize what is happening to the natural wealth of their countries, it will be too late."

Conclusion

In the Caucasus and Central Asia, the state presents privatization as a key aspect of economic and political transformation. But what kind of system will emerge out of economic transformation centered on privatization? The state's position is aimed at firmly controlling the intellectual debates and how the people perceive the impact of state programs on their everyday life. The states are attempting to control discussion of the impact of privatization on the relationship between the state and citizen, and how it is influencing the rights of communities and individuals in this rapid transformation. Yet, privatization influences changes in the definition of popular participation not only in economic, but also in political terms. The people, and some intellectuals, are challenging the official discourse by focusing on the political manifestations of the process of privatization and its immediate outcome. They confront the official rhetoric that "privatization is a vehicle for democracy." They ask how will privatization produce equality and democracy? As the Muslim Turkic states confront post-colonial arrangements imposed by Russia and the problems of integration into the capitalist world market, this attempt to curtail open debate on privatization, we feel, will lead to their legitimization crisis.

ENDNOTES