

COMPARATIVE PERSPECTIVES ON THIRD GENERATION REFORM:

REALIGNMENT AND MISALIGNMENT IN CENTRAL ASIAN REFORM PROGRAMS

Bruce J. Perlman and Gregory Gleason

ABSTRACT

More than decade after initiating some of the most ambitious administrative reform programs ever attempted, the post-communist governments of the former Soviet Union have established widely different records of success in their efforts. While restructuring has taken place in all the post-communist countries, the original objectives and expectations have varied considerably. Several of the post-communist countries are now entering the third generation of structural realignment. Others, however, have produced conditions in which movement from the second to the third phase of reform has become highly problematic. This article analyzes comparatively the experience of reform in two post communist states, Kazakhstan and Uzbekistan, in terms of the sequencing, mechanisms, experience and results of reform efforts. The analysis focuses on government performance in structural reform. Based on the analysis, the authors propose strategic objectives for the international community's efforts to facilitate structural correctives oriented toward third generation reform.

INTRODUCTION

The collapse of the Soviet Union in the early 1990s has direct and significant implications for administrative theory. The rapidly changing shape of the public sector and the changes in the relationship between the private and public sector have left a legacy with clear lessons. The recipe for post-communist systemic change was straightforward: End state price controls and limit subsidies, put in place a convertible currency and independent central bank, secure private property rights, open borders to trade and cut taxes, and redesign the institutions of public management. Delaying any of these reforms risked strengthening the interest groups opposed to freer competition and public participation. But implementing the reforms released new social and political forces in ways that produced unanticipated consequences. This article analyzes comparatively the experience of reform in two post communist states, Kazakhstan and Uzbekistan, in terms of the sequencing, mechanisms, experience and results of reform efforts.

A FRAMEWORK FOR THE ANALYSIS OF REFORM

The experience of administrative reform efforts during the past two decades has resulted in a consensus regarding the conventional phases of reform. While there is a great deal of situational variation, most reforms can be characterized in Michael Barzelay's

analytic typology of first, second, and third generation reforms. (Barzelay, 2003b). The first phase of comprehensive reform witnesses the articulation of a new policy and management goals. This is typically but not necessarily undertaken by a newly established government. The adoption of a new legal, regulatory, and fiscal basis for the reforms typically follows. Then, new policies and management approaches are implemented. The start of the implementation process often marks only the end of the first generation of reform. The second generation consists of following through -- steering of continued implementation by the government that articulated and sponsored the reforms. The constituencies that are affected by reform, that is, the winners and losers in the reform process, often exert a dominant influence in this period. The third generation of reform begins when the original sponsors of reform leave office, often but not always at the point of transition to another government. At this point it is up to a new government to decide, enact, and then begin to implement modifications to the original reforms. This is the critical decision point of most reforms. This is the point at which program continuity and other problems arise, where tough choices are necessary on policy priorities, spending, enforcement, responsibility sharing, etc. When national governments change, critical questions must be addressed regarding which policies should continue, which should be modified and how, and which should be terminated.

One interesting problem pointed out by the Central Asian case is the degree to which Barzelay's model can be applied to administrative reform that is not the result of political change. It can be argued that administrative reform in the new Central Asian republics is the result not of internal political succession, but rather of external pressures -- donor financing and international diplomacy -- and thus may have no genuine internal constituency. When Central Asian administrative reform results from internal forces these are often the manifestation of internal struggles within the ruling faction -- clan, family, party -- rather than adoption of a new political vision and may be transitory or momentary in nature as the internal struggle is quashed or deferred.

This situation limits the effectiveness both of external development assistance and of any attendant attempts at conditionality from foreign donors. Like all elites in developing economies, the clan based rulers of Kazakhstan and Uzbekistan may adopt administrative reforms as a way to channel resources to themselves. In other words, the reforms are not genuine, but rather are done to satisfy external pressures and involve a considerable amount of corruption as external and internal resources are directed to the ruling elite. However, there are two strategies for carrying out this satisfaction of external demand, one of which is illustrated in the Kazakh case and the other one presented in the Uzbek case. The first strategy, the Uzbek one, might be deemed "piratical" wherein macro economic and administrative reforms are purely subterfuge and reform aims to direct both internal and external resources to the ruling elite no matter what the effect on the economy or government efficiency. In the second strategy, which obtains in the Kazakh case, the ruling elites realize that the best way to maximize the resources subject to corruption is to be in control of a growing economy and to create surplus through government efficiency; in a play upon the old saw that "the best politics is good government" this strategy might be termed the "good economy" strategy as the elites come to understand that "the best corruption is good economy."

In some respects, what is described here is both an etiology of corruption and a political economy of policy change in the Central Asian case. Corruption is an endemic fact in

the Central Asian case as the World Bank (2000) makes clear. Corruption has both cultural and political roots resting on the clan rule and the Soviet organization in the region. However, the degree to which corruption impedes economic development and administrative reform varies according to the cosmopolitan nature of the ruling elite and their ability to see the advantages that globalization brings to their control.

THE REFORM AGENDA

Soviet-era doctrinal analysis of the “scientific administration of society” described the Soviet administrative system as one of sleek, elegant, top-down efficiency. In reality, the situation was very different however. The rationale for Mikhail Gorbachev’s program of “perestroika” (restructuring) was to address what the central leadership saw as prevalent and institutionalized poor administration. The seriousness of the situation was reflected in Gorbachev's observation that “for years individuals and even whole territories in Central Asia were outside government control.” (Gorbachev 1988: 1) As Gorbachev’s reforms gathered steam in the late 1980s, he repeatedly despaired in public of what he referred to as “impotent centralism.” (Gorbachev 1988: 1). This is what Donna Bahry (1980) termed the Soviet “control paradox.” Bahry argued that the hypercentralized Soviet planning system did not produce smoothly efficient, top down managerial organization but, rather, resulted in bureaucratic compartmentalization, ossification, and an inability to function. Eventually it led to the end of the USSR.

The Union of Soviet Socialist Republics—the USSR—legally came to an end on December 21, 1991. In the ensuing months, 15 independent states emerged from the USSR. The Baltic States (Lithuania, Latvia, and Estonia) quickly adopted European style development programs. But among the post-Soviet states Russia, because of its size and economic dominance, became the leading government in adopting a reform path. Russia's post-communist reform was based on a number of assumptions: price liberalization, a rapid transition from state to private ownership, and new administrative functions carried out by democratically elected, publicly accountable representatives. (Bermeo; Bova; Terry) The reasoning was based on the recognition that the Soviet Union's system of state ownership had produced extremely distorted incentives and had hopelessly bureaucratized the country's economy.

In the circumstance of this great systemic transition, reforms that moved directly toward securing private property rights would most quickly lead to the emergence of real markets for goods and services. Many reformers held the view that considerations of social justice and economic fairness could best be handled in a true market environment. A market environment could be best established through institutional reform emphasizing structural changes in the relationship between the public and private sector, establishment of private property conventions, purposive decentralization, and reestablishing mechanisms for increasing social capital. (Bates; Bromley; Coase, 1960; Huntington; Przeworski; O’Donnell, Schmitter, and Whitehead; Putnam)

Departing from the core ideas of neo-classical market theory and democratic political theory, the reformers argued that the “Soviet experiment” to redefine private goods and public goods to the extent of entirely eliminating private property inevitable free-riding and opportunism. (Alchian and Demsetz; DeAlessi; Demsetz; Olson; Moore) As efforts

began to reduce the scale of the public sector, the leading paradigm of neo-institutionalism offered a road map for reform. (Ostrom V. 1976; Slater)

Institutional theory suggests that the reorganize the post-communist public sector to capture the efficiencies of markets and at the same time maintain that degree and scale of hierarchy necessary for the provision of public goods. (Bromley; Coase 1937; North 1987, 1990; Ostrom E. 1986, 1990) Institutional approaches begin with the general observation that hierarchies exist quite naturally in nature. Neo-classical economists have long acknowledged that some forms of hierarchy have economic benefit. Ronald Coase, for instance, in his celebrated essay "The Theory of the Firm" argued that administrative structures develop because under some circumstances it is efficient to suspend market relations in favor of hierarchical contractual relations. (Coase, 1937) The Coase theorem asserts that transaction costs are lowered through agency and contractual relationships.

Public hierarchies--which include the institutional structures necessary for the provision of all public services such as utilities, public health systems, public transportation, public safety and justice, education, public housing, information, communication, foreign affairs, management of commerce, and justice to name a few of the more obvious ones--come into being because of the collective action problem. In the context of the post-communist reorganization, it was the government itself which had to lead the systemic redesign of the government. There was of course the danger that the "road back from serfdom" was made more likely by the enlistment of the government itself in the process of dismantling government (Hayek).

Theorists of property conventions argue a well known proposition first articulated by Aristotle, that "property that belongs to everyone belongs to no one." (Alchian and Demsetz; Demsetz) Property rights have their origins in the labor theory of value. Long before the Marxist labor theory of value was developed, property rights in England were justified on the ground that they object of property was a product of a person's labor. The right to ownership was viewed as following from the fact that value of labor was stored and transferred in return for some other person's labor in the form of a right to enjoy a continuing benefit from some physical thing, namely property. Property conventions have also had an important role in the development of the theory of liberal democracy because private property separates the land from the sovereign and limits the power of the sovereign in the process. The English liberal political theorist, John Locke, for instance, argued "the great and chief end...of men's uniting into commonwealths, and putting themselves under government, is the preservation of their property (Locke)." Property conventions require a particular set of political institutions. Government's role in protecting the right to private property is key. A well established principle of civil law is that "Private property is the right, not the object over which the right extends (Ely)." The government's role in protecting the right is essential. (Fallenbuehl and Fallenbuehl; Heald; Onis; Pryor)

Decentralization may be defined as steps to adopt new institutional boundaries in such a way that fiscal accountability and equivalence is enhanced, equitable apportionment is achieved, there is greater local control, and more gains from cooperation.

Decentralization refers to the dispersion of administrative functions from a higher to lower degree of concentration. According to Oates, the principle of decentralization is that "each public service should be provided by the jurisdiction having control over the

minimum geographic area that would internalize benefits and costs from such provision (Oates, p. 55)." Decentralization is not merely a structural feature which may be measured in terms of a descriptive analysis of organizational elegance as judged from the point of view of the institutional analyst. While decentralization is normally associated with the multiplication of entities, decentralization should surely not be measured by pointing to a proliferation of uncoordinated organizational units. Similarly, while decentralization is normally associated with the autonomization of entities, it should surely not be measured by pointing to the formation of a gridlock pattern of countervailing organizational units. Decentralization, rather, should be seen as a purposive change in the locus of authority which seeks some optimal relationship between knowledge and decision making responsibility. In other words, decentralization is not merely structural, it is purposive. (Brennan and Hamlin; Slater, 1994)

VARIATIONS IN REFORM IN CENTRAL ASIA

The fifteen states that emerged from the breakup of the USSR shared many cultural, structural and institutional similarities.¹ The states had similar and in some cases common cultural traditions and shared a common *lingua franca*, the Russian language. All of the states had specialists trained in similar intellectual traditions and bureaucracies accustomed to working in similar ways. All of the states had economies structured with similar conceptions of the relationship between the public and private sectors. All of the states underwent a wrenching withdrawal from the Soviet system of trade and commerce.

With the exception of these factors, however, the post-communist states were quite different in terms of their national resource endowments, connections to foreign markets, and government reform strategies. For instance, agriculture makes up a large proportion of employment in many of the post-communist states but made a strikingly different contribution to the overall gross domestic product in the states. In Kazakhstan, for instance, agriculture was responsible for less than ten percent of the country's GDP. In Uzbekistan agriculture makes up 31 percent of the country's GDP and farm employment plays a major role in the economy.

Another important factor differentiating the countries was their export dependencies. Due to the structural regional specialization of the economy during the Soviet period, many of the countries had a substantial dependence on a particular commodity or group of commodities; metals in Kazakhstan, cotton in Uzbekistan. Commodity-dependent export economies are quite common in the developing world. There are many examples of oil-exporting and monocrop economies that reflect the dominance of a particular sector or cluster of sectors. Yet in Central Asia there are cases in which the country's dependence is upon a small cluster of producers.

Given the highly personalistic context of Central Asian politics, individual leaders' preferences played a significant role in the selection and implementation of policies. While the Central Asian leaders were all schooled in much the same communist party doctrines of management and economics, in fact their world views were quite different. These differences were reflected in the adoption of differing development strategies.

Finally, the states of Central Asia exist in a security environment as well as in a development environment. Security considerations often took precedence in decisions regarding development strategies.² Kazakhstan, as heir to a substantial portion of the USSR nuclear weapons capability at the time of independence, had certain advantages in its diplomatic interactions with European and North American countries. Uzbekistan, however, inherited the legacies of lawlessness and underdevelopment that resulted from a decade long civil war in Afghanistan. As the Central Asian states began to respond to the conditions and constraints of transition, reflecting their leadership priorities and cultural priorities, exploiting their comparative economic advantages, and conscious of guarding their newfound independence in an insecure regional context, they adopted significantly different development strategies.

In assessing how the contrasting strategies of the states differentially affected their progress toward liberalization and democratization it must be acknowledged that in absolute terms, progress toward democracy in the Central Asian states has been limited. The Central Asian region was previously governed by leaders of the Communist Party of the Soviet Union and each of the Central Asian republics were administratively managed by a local communist party first secretary. By the end of the first decade of independence, all the governments of Central Asia had “presidents.”³ But in all cases these were leaders who came from the former Soviet *apparatus* or high rungs of the Soviet establishment. All the countries had established “presidential” systems, giving the presidents the power to rule by decree with the force of “constitutional law.”

While all of the countries had conducted elections, none of the governments can be said to have fully conformed to international standards for free and fair elections. None of the governments had what could be described as an independent judiciary. None of the governments established a functioning legislature with true powers of the purse. Judging by the benchmark criteria for measuring democratic progress used by Freedom House (a international philanthropic research organization established in 1937), the Central Asian societies had not realized their full potential for democratic change during the first decade of independence.⁴

However, if we conclude that the Central Asian states have made limited absolute progress toward establishing sustainable systems of democratic governance, we must also acknowledge that important relative differences do exist among the Central Asian states. The status of democratic reform is quite different in the states. These differences are represented in a range of substantive policy categories including human and civil rights, treatment of dissidents and opposition, rule of law and adjudication of dispute, tolerance for religious, ethnic, and territorial differences, the character of the business environment, and the treatment of non-nationals.

In surveying the status of the various elements that make up the structural and procedural framework of a post-communist democratic system, two important features of the post-communist transition stand out: 1) the creation of a policy environment conducive to democratic functioning and 2) the way in which the government relates to interacts with citizens and groups of citizens. A systematic measurement of these two criteria should be the basis for any general theoretical propositions regarding the progress toward democratic reform in the Central Asian countries

EXPLAINING VARIATION: THE CASE OF KAZAKHSTAN

Significant progress toward establishing a policy environment conducive to globalization and integration in world markets was made by Kazakhstan in the early years of independence. Kazakhstan was host to the December 1991 conference of former communist party officials that produced the “Alma-Ata Declaration,” the legal instrument that brought about the end of the USSR. The Alma-Ata Declaration also established the loose coordinating community called the “Commonwealth of Independent States” (CIS). Kazakhstan was thus symbolically the resting place of communism and the birthplace of the post-communist order. Kazakhstan’s president, Nursultan Nazarbaev, had previously been a promoter of democratic change within the former USSR and, when the transition came, identified the new Kazakhstan government with the pro-market, democratic reform at an early point. At the Coordinating Conference on Assistance to the New Independent States that took place in Washington in January 1992, U.S. President George Bush noted that “in Central Asia, President Nazarbaev...[is]... leading the fight for reform.”⁵ Soon after independence Kazakhstan’s capital, Almaty, became the home for the largest international diplomatic community in Eurasia east of Moscow and west of Beijing.

The Kazakhstan government made coordinated efforts to link security and economic development. Kazakhstan signed the Helsinki Accord, the Strategic Arms Reduction Treaty (START-II) and the Lisbon Protocol in May 1992. Kazakhstan signed the Conventional Armed Forces in Europe Treaty (CFE) in June 1992. Both the START and the CFE treaties were ratified by the Kazakhstan parliament in July 1992. In December 1993, Kazakhstan ratified the nuclear Non-Proliferation Treaty (NPT). The “Democratic Partnership Charter” signed in Washington in February 1994 and the NATO “Partnership for Peace” agreement of December 1994 formalized international assurances of regional security cooperation. In December 1994 Great Britain, the USA and Russia offered Kazakhstan joint comprehensive guarantees of security. The government of China later joined this agreement.

Kazakhstan took steps to integrate into the international community of nations, joining the United Nations in March 1992. Kazakhstan joined the World Bank, the International Monetary Fund (IMF), the Asian Development Bank (ADB) and the European Bank for Reconstruction and Development (EBRD). Kazakhstan started the process of accession to the World Trade Organization (WTO). Kazakhstan initiated a series of bilateral discussions that led to bilateral and regional trade agreements. Kazakhstan was the initiator of the “CIS Customs Union,” an organization that attempted to implement the goals of the CIS founding documents by maintaining a “common economic space” throughout the former USSR. Kazakhstan was the initiator of the discussions that led to the Cholpon-Ata Regional Cooperation Agreement of April 1994 that pledged Kazakhstan, Kyrgyzstan, and Uzbekistan to observing the principle of maintaining transparent, open borders to facilitate trade and cooperation.

Kazakhstan adopted a tradable currency in November 1993, liberalized prices, and started privatization of major sectors of the economy including industry, telecommunications and energy. Kazakhstan lifted virtually all subsidies on consumer goods in September 1994 and phased out many industrial subsidies before the end of the year. Kazakhstan commenced the process of balancing the public and private sectors

with a series of major reductions in force of public employees and privatization of state-owned public service facilities.

During the early years of independence Kazakhstan moved quickly to establish a reasonably stable legal and regulatory structure for commerce and civil rights. Kazakhstan adopted a progressive Civil Code, establishing the framework for commercial transactions and property rights. Kazakhstan adopted a modern banking system, a securities exchange system, bankruptcy legislation, and a system of public utilities management. Kazakhstan established the framework for a new system of government fiscal management, with a modern system for managing public external debt, a new tax code and a new system of tax administration.

In 1994 Kazakhstan experienced very high inflation rates, although this stabilized in 1995. During 1995-1996 the “expansion program” under premier Akezhan Kazhegeldin was producing good results, but the Asian crisis shook commodity prices, forcing the price of oil down by nearly 40 percent and non-ferrous metal prices down by margins as high as forty percent. Inflation rose again in 1998 in association with the Russian financial collapse. Kazakhstan’s high degree of reliance on Russian Federation buyers for oil, gas, metals, meant that the 1998 financial crisis in Russia had immediate impact on Kazakhstan’s foreign sales. Given that oil and metals constitute roughly 60 percent of Kazakhstan’s exports, the country’s terms of trade deteriorated substantially and quickly. In response, Kazakhstan authorities initially tightened fiscal policies in mid-1998, restraining government spending and borrowing but relaxing these policies again as presidential elections approached in January 1999. In the wake of the Russian financial crisis, the Kazakhstan National Bank increased interest rates to avert hyperinflation. In April 1999 the government shifted from the existing monetary policy that allowed the government to peg the currency to the U.S. dollar to restrain wide fluctuations to a floating exchange rate. This presumably would allow the currency markets to equilibrate more quickly.

Despite these economic setbacks, Nazarbaev and his government continued to maintain support for post-communist reform. At the critical juncture following the collapse of financial markets in Russia, when some Central Asian politicians were arguing for the adoption of a neo-mercantilist “Asian path”, Nazarbaev held firm to the reform programs, pledging “to continue the promising advances toward an independent, open and free market economy.”⁶

Nursultan Nazarbaev has been criticized for attempting to monopolize political power.⁷ In particular, the Kazakhstan government has been criticized for failing to curb rent-seeking behavior of minor officials and for failing to create a policy environment that faithfully implements the strong legal and regulatory framework that is on the books. Kazakhstan ranked 84 on the Transparency International Corruption Perception Index, a ranking better than that of neighboring Uzbekistan but not far removed from countries with notorious level of corruption such as Uganda and Pakistan.⁸ Nazarbaev himself has been accused of giving in to clanism and family relations that could lead to consequences similar to those experienced by the Suharto regime in Indonesia.

In sum, Kazakhstan is a reform-oriented country facing significant governance challenges and problems of social inequality. Kazakhstan’s foreign policies have not created the level of prosperity sufficient to enable a broad distribution of the economic

benefits of the transition. Instead, the country still relies upon redistribution and foreign donor assistance to finance the social consequences of the more difficult aspects of structural reform such as support to pension reform and public education. Nor can the further development of Kazakhstan's oil and mineral sectors be expected to lead to a wide redistribution of income. But the openness of Kazakhstan's markets to foreign competition is paralleled by the openness of the political system. In no other Central Asian country is there such open debate and contestation over policy alternatives.

EXPLAINING VARIATION: THE CASE OF UZBEKISTAN

At the time of independence, the Uzbek economy was more diversified than the economies of the other four Central Asian states. It included agriculture, light industry, heavy industry and important branches in primary commodities. Following the disintegration of the Soviet Union, Uzbekistan's economy was insulated from much of the economic decline that afflicted other former Soviet states due to its labor-intensive economy based on agriculture and mineral extraction. Rapid growth in 1992-1995 in oil and gas production allowed Uzbekistan to eliminate oil imports and increase gas exports. Additionally, Uzbekistan shifted some of its crop acreage from cotton to grains to boost food self-sufficiency. While these were positive outcomes, they resulted in delaying the structural reforms that Uzbekistan's neighbors, particularly Kazakhstan and Kyrgyzstan implemented.⁹

The Uzbekistan government, under the leadership of President Islam Karimov, quickly embraced the idea of market based commercial relations, announcing that the country would be "pro-business."¹⁰ Many elements of the Soviet system were quickly rejected. But at the same time many elements of the Soviet-era administrative system merely were replaced by an indigenous, state-controlled administrative system that was itself top-heavy and stultifying. In the years to follow, the Uzbekistan government pursued foreign economic policies that stressed a gradual, step-by-step approach to the adoption of macroeconomic reform and market-oriented structural reforms. This conservative transition strategy emphasized establishing self-sufficiency in energy and food grains, exporting primary commodities, particularly cotton and gold, and creating an internally-oriented services market.

In September 1996, in connection with a shortfall in foreign reserves, the Uzbekistan Ministry of Finance imposed a system of import contract registration. The goal of the system was to ensure that scarce foreign currency was used primarily to import capital rather than buy consumer goods, particularly luxury goods and items. However, in practice the system severely limited the availability of foreign exchange for all sectors of the economy and retarded economic activity. In subsequent years the Ministry of Finance periodically acted to make the system yet more rigorous as foreign currency reserves continued to dwindle. Foreign companies in Uzbekistan reported that the currency restrictions constituted the most serious obstacle to doing business in the country.

An overvalued currency tends to channel trade into narrow and more easily managed sectors. It thus may appear to offer a solution to capital flight. However, there are great efficiency losses associated with currency overvaluation. It requires strict regulation of financial transactions, imposing a heavy burden of monitor and sanctions. Well-connected parties with access to cheap, government-financed foreign exchange and import licenses benefit greatly from this situation. These parties can be expected to

lobby to maintain the situation despite great efficiency losses and the corresponding damage to the public interest.

The bureaucratic burden of maintaining strict currency controls can be expensive and it unavoidably creates an unfavorable climate for trade. A policy of overvaluation creates a rationale for extending police sanctions even to the extent of replacing the goal of public safety with that of regulating private behavior. It can give rise to an incentive structure in which private parties have an interest in avoiding or evading the legal framework through various forms of side-payments and inducements. An overvalued currency also can be expected to lead to the depletion of foreign reserves, which, in turn, can bring about pressures for severe import restrictions and, eventually, the collapse of the free trade policy.¹¹ Uzbekistan should be encouraging foreign trade for these reasons. Yet in recent years trade between Uzbekistan and its neighbors has contracted sharply. Trade with Kazakhstan shrank from \$393 million in 1997 to only \$233 million in 1999. Similarly, trade with Kyrgyzstan dropped from \$103 million in 1996 to only \$43 million in 1999.¹²

In Uzbekistan the political leadership played the key role in the determination of policy. When independence took place the existing power structures reconstituted themselves as an independent government. A political opposition did emerge upon independence, but the leading faction of beneficiaries of the old Soviet system used their established influence to quickly brush the opposition aside. The new constitution adopted in December 1992 merely institutionalized the existing political system. The government publicly emphasized the symbolism of Central Asian traditions of strong but benign leadership.

In sum, Uzbekistan's approach to foreign economic policies created conditions that constrained its ability to democratize internally. The evidence is fairly straightforward. A decade after independence, politics is far from pluralistic or competitive in Uzbekistan. The political process is carefully monitored and controlled. Restrictions on the electoral registration process make it possible for the government to exercise a determining influence on the pre-selection of candidates. In theory, the judiciary is independent. In practice, however, the capacity of the judiciary to function as an independent branch of government is limited. While the Constitution describes the legislature as the highest organ of power, in fact the country has a unitary, "presidential form of government." In reality, the branches are not coequal or balanced; the executive branch is dominant in virtually all matters. The Uzbekistan government's record on human rights is considered to be negative by most international human rights organizations.¹³ Rights to speech, assembly, and religion are circumscribed by the government. There are documented cases in which the security forces have arbitrarily arrested or detained human rights activists, religious activists, and ethnic group activists on false charges.

THE REFORM DIALOGUE

The key problem is that those who are presently ensconced and who benefit from the prevailing inequitable distribution of power and resources are apt to more resourcefully struggle to protect their current prerogatives and benefits than are those disparate and

disenfranchised parties who would seek reform. The “logic of reform” is that those who enjoy a present benefit can always be expected fight harder and more resourcefully to retain it than those on the outside who are struggling to bring about change. It is precisely this aspect of the logic of reform that so often stymies political development to such an extent that situations of revolutionary inequity and instability develop. The foregoing survey of the domestic and regional features of contemporary Central Asia suggests that political and economic upheaval may not be far way unless steps are taken to avert conflict.

It is often the case that the most the outside actors can usefully and legitimately do under such circumstances is to promote incentives for the further development of political and economic constituencies that benefit from stability, economic growth, and greater distributional equity. The international community should act so as to shape incentives that will lead toward a comprehensive strategy to promote political stability, sustainable economic growth, social progress, and political development in Central Asia. The foregoing analysis of regional and national aspects of change would suggest that a comprehensive strategy should have five key elements.

First, a comprehensive strategy must initially be oriented toward retaining and strengthening those aspects of past success at preventing inter-state and inter-group conflict in the region.

Second, it should seek to restrain the exploitive tendencies of other states, especially neighboring states which are in a position to exploit for their own benefit Central Asia’s pivotal position as the transportation hub of Eurasia by seeking to develop infrastructure in such a way as to promote political dependence.

Third, it should be oriented toward greater regional cooperation with respect to trans-border issues, particularly the equitable sharing of common pool natural resources and monetized but equitable trade in energy resources.

Fourth, a comprehensive strategy should seek to promote trade cooperation through encouraging “low borders”, maintaining standards of best practice in trade and monetary affairs and, in general, discouraging conflictual trade policies such as autarkic currency arrangements.

Fifth, a comprehensive strategy should be oriented toward establishing a clear understanding of the relationship between improvements in governance and economic benefit by assuring that official development assistance is systematically linked to improvement in market conditions and political liberalization.

Central Asia is a region of talented, well-educated peoples and abundant natural resources. If the various actors of the international community are successful in making a relatively modest investment now to provide incentives for equitable, sustainable development in the region, there is a very good possibility that the countries of the region can avoid vicious conflicts which would entail much greater costs in the long run.

CONCLUSIONS

As a final observation it is interesting to consider how Barzelay's framework breaks down in application to the Central Asian cases of new independent republics that have made the transition from republics that were members of a larger union. Though it is likely that Kazakhstan and Uzbekistan are in reality cases of second generation reform, they might be considered cases of third generation reform as well. This depends on who one considers to be "the original rulers". If Nazerbaev and Karimov, respectively, are the originators of the "reforms" in these countries then they will be stuck in a second generation reform until these rulers change by definition. Indeed, given the clan based nature of their rule, it could be argued that even a change in these leaders would not signal necessarily a change to third generation reform.

However, if one considers that both of these rulers predate the current political regime as ruling forces then the transition from Soviet republics to independent republics may mark the first generation of reform, the change from autocratic rule to a constitution may mark the second generation, and the change to (ostensibly) democratic government may indicate the third generation. Although it is most likely that these republics are in the second generation of reform, the potential quibble points out the difficulties of applying developmental models similar to Barzelay's generated for use in the western case to post-Soviet Islamic nations and economies.

Bruce J. Perlman is Director and Hatch Professor of Law and Economics, School of Public Administration, University of New Mexico. Gregory Gleason is Professor, Department of Political Science, University of New Mexico. Please direct comments on this article to: bperlman@unm.edu

NOTES

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² On Central Asian security considerations, see Ali Banuazizi, Myron Weiner, eds., *The New Geopolitics of Central Asia and Its Borderlands* (Bloomington: Indiana University Press, 1994); William E. Odom, *Commonwealth or Empire? Russia, Central Asia and the Transcaucasus* (Indianapolis: Hudson Institute, 1996); Martha Brill Olcott, *Central Asia's New States: Independence, Foreign Policy, and Regional Security* (Washington: United States Inst of Peace, 1996); Hafeez Malik, ed., *Central Asia: Its Strategic Importance and Future Prospects* (New York: St Martins Press, 1996); Karen Dawisha and Bruce Parrott, eds., *Conflict, Cleavage, and Change in Central Asia and the Caucasus* (Cambridge: Cambridge University Press, 1997); John Anderson, *The International Politics of Central Asia* (Manchester: Manchester University Press, 1997); Boris Rumer and Stanislav Zhukov, eds., *Central Asia: The Challenges of Independence* (Armonk: M.E.Sharpe, 1998); Hooman Peimani, *Regional Security and the Future of Central Asia* (Praeger Publishers, 1998); Gary K. Bertsch, Cassidy B. Craft, and Scott A. Jones, eds., *Crossroads and Conflict: Security and Foreign Policy in the Caucasus and Central Asia* (New York: Routledge, 1999); Robert E. Ebel and Rajan Menon, eds., *Energy and Conflict in Central Asia and the Caucasus* (New York: Rowman & Littlefield, 2000); Sherman W. Garnett, Alexander

G. Rahr, Koji Watanabe, *The New Central Asia: In Search of Stability* (Trilateral Commission, 2000).

³ Nursultan Nazarbaev, now president of Kazakhstan, is the former first secretary of the Kazakhstan republic communist party organization. Islam Karimov, now president of Uzbekistan, is the former first secretary of the Uzbekistan republic communist party organization. Saparmurad Niyazov, now president of Turkmenistan, is the former first secretary of the Turkmenistan republic communist party organization. Emomali Rahmonov, now president of Tajikistan, is a former Kuliab region communist party official. His predecessor as president, Rakhmon Nabiev who died under mysterious circumstances in May 1993, was the former first secretary of the Tajikistan republic communist party organization. Among the Central Asian presidents, only the president of Kyrgyzstan, Askar Akaev, does not belong to the former party *nomenklatura* although in some respects even Akaev, a physicist who was trained in Leningrad, can also be considered a member of the Soviet intellectual elite.

⁴ The Freedom House Annual Surveys measure progress toward democratic ideals on a seven-point scale for political rights and for civil liberties (with 1 representing the most free and 7 the least free). Changes in countries' scores from year to year are monitored via annual surveys. The political rights measurement addresses the degree of free and fair elections, competitive political parties, opposition with an important role and power, freedom from domination by a powerful group (e.g. military, foreign power, totalitarian parties), and participation by minority groups. The civil liberties measurement addresses the degree to which there is a free and independent media; freedom of discussion, assembly and demonstration; freedom of political organization;

equality under the law; protection from political terror, unjustified imprisonment and torture; free trade unions, professional and private organizations; freedom of religion; personal social freedoms; equality of opportunity; and freedom from extreme government corruption.

⁵ *Dispatch* (U.S. Department of State) Vol. 3, No. 4 (January 27, 1992): 57-60, at p. 57.

⁶ See N. Nazarbaev, "Address of the President of the Republic of Kazakhstan to the People of Kazakhstan: On the Situation in the Country and major Directions of Domestic and Foreign Policy: Democratization, Economic and Political Reform for the New Century," *Panorama* No. 38, (2 October 1998): 1.

⁷ Akezhan Kazhegeldin. "Shattered Image: Misconceptions of Democracy and Capitalism in Kazakhstan," *Harvard International Review*, Vol. 22 (Winter/Spring 2000).

Hugh Pope and David Cloud, "Struggle In Kazakstan Is The Apparent Spark For U.S. Investigation," *The Wall Street Journal* (5 July 2000).

⁸ Transparency International Press Release, Berlin (26 October 1999).

⁹ "Republic of Uzbekistan: Recent Economic Developments," International Monetary Fund Staff Country Report No. 00/36 (March 29, 2000).

¹⁰ S. Frederick Starr, "Making Eurasia Stable," *Foreign Affairs* (January-February, 1996): 80-92.

¹¹ "IMF Pressures Uzbekistan To Make Currency Convertible," *RFE/RL Newslines*, 29 June 2000.

¹² Calculated from Table 37 Uzbekistan: Direction of Trade with Traditional Trading Partners by Country, 1996-97. "Uzbekistan: Recent Economic Developments," IMF Staff Country Report No. 00/36. (March 2000): 74.

¹³ Commission on Security and Cooperation in Europe. 2000. *Human Rights and Democratization in Uzbekistan and Turkmenistan* (Washington: U.S. Government Printing Office).

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