DECRG Policy Research Report on

Globalization, Growth, and Poverty: Facts, Fears, and an Agenda for Action

"Globalization, Governance, and Civil Society"

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Abstract

Contrary to popular perceptions, globalization renders governments and civil society more, not less, important as actors for managing its associated risks and opportunities. The development process in general, and globalization in particular, fundamentally and necessarily changes both civil society and its relations with government, but this transformation need not entail conformity, coercion, or cultural homogenization: convergence on performance indicators (outcomes) can be associated with a variety of institutional forms (sources). A dynamic civil society is vital for debating the many difficult issues associated with higher levels of integration into the global economy, and for empowering domestic constituencies to press for appropriate institutional and policy reforms. Supporting evidence is provided in the form of detailed case studies from Africa, the former socialist countries of Eastern Europe, and 'small states'.

Overview

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Globalization takes many forms, but in this volume we have been primarily concerned with the causes and consequences of the increasing international flow of money (finance), goods (trade), and people (labor), with a special emphasis on their effects on the poor—their living standards, forms of employment, and the quality of their environment. A recurring theme has been that globalization offers enormous potential for reducing poverty, but that the very nature of the power underlying that potential means that mismanaging it can be correspondingly deleterious. Several key actors help shape the particular form and direction that globalization takes in a given country, among them international agencies (WTO, UN, etc), firms (multinational, public, private, domestic), governments (national, regional, and local), and civil society organizations (including families, social networks, community groups, and NGOs). In this chapter we focus specifically on the role of governments and civil society in managing globalization.

Three inter-related arguments form the substantive core of the chapter. The first is that, contrary to popular perception, governments (national and local) and civil society organizations continue to play a significant role in shaping their country's destiny in the modern global economy; indeed, globalization renders them more, not less, important. This is so because governments and civil society organizations together assume the primary (though by no means exclusive) responsibility for shaping the internal conditions in their country—particularly, the quality of its legal, political and economic institutions—that have a major bearing on the country's capacity to keep attracting, and negotiating effectively with, foreign investors.

Second, having said that, development fundamentally and necessarily transforms civil society and the nature and extent of its relationship with the state. The challenge of globalization in each country is not to "preserve" or "restore" civil society per se, nor to have it conform to rich country "standards" or "appearances", but to periodically reinvent itself in response to changing technological and economic imperatives, designing and implementing strategies that are true to its own history, culture, interests, and aspirations.[2] A political environment that encourages and rewards the periodic reinvention of civil society is vital. In addition to its many other (instrumental and intrinsic) roles, democratic civil society organizations remain the appropriate venue for deliberating appropriate responses to many of the difficult issues that globalization generates and/or exacerbates. Moreover, the most likely path to peaceful, effective,

[2] This challenge is no less important for developed countries; on its manifestation in the US, see Putnam (2000).

and on-going political reform is through the empowerment of domestic constituencies (and their collective voice given expression in and through civil society organizations), not via stringent "conditionalities" imposed by external agents or donors.

Third, globalization exposes economies and societies to a greater range and severity of economic risks and opportunities. Countries possessing—or at least making steady progress towards possessing—a robust set of economic and political institutions, on the one hand, and a "cohesive" civil society, on the other, will be in a stronger position to encounter globalization's promises and perils on its own (rather than someone else's) terms. Whether greater integration with the global economy precedes or follows the creation of effective institutions matters less than that serious, sustained, and collaborative efforts to establish them are made by civil society organizations, governments, firms, and the international community.

The chapter proceeds as follows. Section 1 presents a conceptual framework for understanding the dynamic nature of the relationship between governments and civil society in managing the development process generally, and globalization in particular. Section 2 reviews the theoretical and empirical literature surrounding these issues, section 3 presents case study evidence from Africa, Eastern Europe, and "small states", and section 4 explores the implications of the analysis for governments and civil society actors. Section 5 concludes.

10.1 Governance, Civil Society, and the Development Process: A Framework

In order to make sense of some of the most intractable and divisive issues in the globalization debate—perceived and actual challenges to identity, culture, and national sovereignty, among others—it helps to outline the essential features of the development process in general, and thus globalization in particular. This is so because globalization is essentially a contemporary label for the perennial and dynamic economic processes shaping, and in turn being shaped by, the changes within and between polity and society.

As a long tradition across the social science disciplines has maintained[3], economic and social development (i.e., rising levels of income, education, health, and well-being more generally) is closely linked with the transformation of the very nature of society itself, from one

[3] From Tonnies (1887) to Polanyi (1944) to Schumpeter (1962) to Stiglitz (1998). See most recently Bates (2000).

broadly based on small local economies, informal social institutions, and limited personal interactions ("community") to one predicated on widespread and high-volume arm's length exchange, large formal institutions, and the rule of law ("society"). An assumption in much of the early development literature, however, from neo-classical and modernization theory to Marxism, was that development would inevitably bring about a steady institutional convergence in form and function, with the world's great plethora of idiosyncratic rural "communities" steadily being transformed into urban industrial "societies" sharing more or less similar institutional features. As noted in Chapter 2, development theory and policy for much of the post-WWII era argued that an "object gap" separated the undeveloped "communities" from developed "societies", and that the transformation of the former into the latter could be facilitated by loans and technical assistance to provide the appropriate necessary "objects"—i.e., physical infrastructure projects such as roads, ports, and dams.

Importantly, while the relative significance of foreign aid and "object provision" may have declined in recent years (replaced by private investment and an emphasis on overcoming "idea gaps"), much of the present angst over globalization essentially makes a similar assumption about development's institutional trajectory and ultimate end point. Viewing the increasing levels of economic integration between nations, and having the plight of the world's poor brought more directly and graphically to their attention, some have drawn the conclusion that contemporary capitalism is giving rise to a more standardized, homogenous, and hegemonic global culture that, *ipso facto*, undermines the authenticity and autonomy of indigenous (and other marginalized) groups while widening economic inequalities between countries.

Acknowledging the reality that development necessarily transforms civil society, sometimes in wrenching ways, does not mean, however, that its end result must inevitably be economic misery and/or cultural conformity. Even a cursory glance of today's most prosperous countries—say, the United States, Germany, and Japan—reveals that they manage to deliver remarkably similar levels of productivity and wealth on the basis of a very different systems of governance (e.g. different legal codes, election mechanisms, and public-private sector relations, especially with banks) and forms of civil society organizations (e.g. labor unions, volunteer groups). Moreover, cultural differences (language, religiosity, ethnic diversity) also remain distinctive, despite levels of economic integration between the countries that are orders of magnitude higher than those between them and the developed world.[4]

The necessary transformation of civil society as a result of globalization and development does mean at least two things, however. First, there will be “winners” and “losers”. Accordingly, serious policy efforts need to be anticipated and implemented to ensure that society’s most vulnerable members are given opportunities not only to be integrated back into society, but to have a legitimate voice in decisions shaping how the costs and benefits of societal change and political reform associated with globalization will be shared.

Here, as elsewhere, the role of the state is crucial. In middle-incomes countries, such as those in Latin America, the provision of social safety nets and life-long education programs, for example, are vital if governments are to ask their citizens to walk globalization’s precarious “tightrope” (Friedman 2000). In low-income countries, such as those in Africa, basic reforms to improve the quality of political and legal institutions assume primary importance, especially where greater integration into the global economy turns on the export of “point source” natural resources, such as diamonds and oil, that can be easily captured by elites (Woolcock, Pritchett, and Isham 2001; Klare 2001). The revenue generated by these resources can lead to windfall profits for predatory military dictators (Sierra Leone) or more schools, hospitals and roads for the general population (Botswana). Which of these outcomes prevails will be largely a matter of the effectiveness and accountability of a country’s public institutions, and the cohesiveness of its civil society (Karl 1997; Ross 2001). The fragility of both dimensions in Africa (e.g. Equatorial Guinea, Zambia) and Eastern Europe (Tajikistan, Turkmenistan) means that, in too many cases, predation trumps development. In short, globalization via the sale of point source natural resources in countries with weak political institutions and divided civil societies can be a disaster.

Second, the necessary and often traumatic transformation of civil society means that countries need to manage this process as best they can. While low-income countries may be less influential than their high-income counterparts in terms of shaping international prices and trade regulations (i.e., globalization’s “rules of the game”), they can and should make every effort to

[4] This is not to say that citizens of Germany, Japan, and the United States are indifferent to the effects of globalization; they are not. The point is that convergence in terms of standards of living and institutional performance has been achieved in these highly globalized countries by forms of governance and civil society that remain remarkably distinct.

manage well those things over which they do have control, namely the quality of their economic, political, and legal institutions, and the vibrancy of their civil society organizations. Effectively managing the transformation of civil society organizations and state-society relations will be greatly aided and abetted by entitlements such as a free press, freedom of association, and free and fair elections. “Effective management” does not mean containment, coercion, or control; it means giving civil society organizations legitimate freedoms to express their interests and aspirations in open forums where they will be weighed democratically against those of others. The institutional embodiment of these organizations should be expected to assume a form consistent with, but be just as diverse as, the history and culture of the people they represent. From the perspective of governance and civil society, successfully managing globalization should lead to a convergence in function (what they achieve), not form (what they look like) or pathway (how they came to be the way they look).

10.2 Review of the Literature

The social science literature on globalization is vast, complex, and expanding exponentially. Nevertheless, a common theme running through it is that spatial, economic, and technological integration has changed the nature but not the extent of the importance of political institutions and civil society (Held et al 1999, Beck 2000). Popular reports on the demise of the state under globalization have been greatly exaggerated (Evans 1997): trade within national borders remains orders of magnitude larger than trade between nations, for example, while highly globalized countries otherwise closely bound together by geography and relatively similar cultures, institutions, and free trade agreements—most notably, Canada and the United States—continue to show persistent wage, health, inequality, and policy differentials that are not offset by migration (Helliwell 1998). Borders and states still matter, a lot.

The continuing importance of both civil society organizations and the state for managing globalization is borne out in the empirical literature specifically examining each of these realms (and the relations between them). In Mexico, Fox (1996) shows that civil society groups played a key role in bringing about policies more favorable to the poor in Chiapas. Tendler (1997) makes a similar case in her work on political reforms in the otherwise poorly managed regions of northeast Brazil, where a concerted effort by local organizations *and* (crucially) national reformers helped to bring about “good governance”. Decentralization was effective as a tool for improving the quality of governance only where the national governments remained a key player, and where credible mechanisms for ensuring accountability at the local level could be ensured. In the Indian state of Kerela, Heller (1996, 1999) shows that the extraordinary levels of social development enjoyed by the residents of that state (vis-à-vis the performance of others in South Asia) are a product of long-standing efforts by labor organizations to ensure that workers receive adequate education and health care, and enjoy ready access to a vibrant critical press. While a series of questionable economic policies by the state government have conspired to undermine efforts to turn these heightened levels of social development into equally impressive economic growth rates, Heller argues that these problems are far more easily overcome than the more familiar litany of institutional problems that plague other Indian states, or indeed most other developing economies.

These arguments find interesting counterparts in recent efforts to more formally measure the importance of various social and political institutions on economic performance. This work has opened up new terrain for scholars and policymakers from a variety of backgrounds[5], but we can usefully restrict our coverage of these endeavors to two literatures, first that of economists studying the effects of social variables on growth, and second, that of sociologists and political scientists investigating how civil society and governance shape development outcomes.[6]

Contemporary efforts to incorporate social variables into economic development have their origins in the seminal work of Adelman and Morris (1967), but in recent years renewed efforts have been made to tease out causal relationships between different social variables and economic growth. Most of these results still rest on admittedly crude growth regressions[7], but the

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[5] To be sure, there have always been dissenting views within the development community. A key feature of the renewed interest in ‘the social dimension’ and ‘civil society’ issues, however, is not so much the vindication of these dissenting views (which were, and remain, largely driven by ideological commitments). Rather, it is that innovative attempts are now being made to expand the substantive scope of orthodox and revisionist theories (in the case of economics) and/or to build constructive, even complementary, alternatives (in the case of sociology and political science).

[6] The economic literature reviewed here is restricted to work on cross-national studies. There is an equally interesting and important literature on the individual and household effects of social variables (e.g. Narayan and Pritchett, 1999), but we shall only incorporate that material as and where necessary.

[7] As Aron (2000: 100-01) correctly observes, “while various studies establish statistically significant relationships, they frequently do not test the sensitivity of their results to model specification, outliers, measurement error, endogeneity of regressors and omitted variables bias... [M]uch of the cross-sectional empirical literature, while loosely related to the augmented growth model of Solow... in fact consists of

broad results obtained to date are highly suggestive, and a more or less coherent picture appears to be emerging. These studies attribute a range of effects to social variables, running from the mildly influential to the highly significant.

The pioneering papers in this field take their cue from the endogenous growth literature, but among the first to explicitly incorporate and test social variables were Knack and Keefer (1995; 1997) and Keefer and Knack (1997), who took data from the World Values Survey on trust and institutional credibility, and used it to explain economic growth rates and patterns of conditional convergence (or divergence).[8] Knack and Keefer's results provide moderate support for so-called "Olson effects"—i.e., that social groups can in fact have constraining effects on growth—but (consistent with Putnam 1993) they also argue for the importance of trustworthy, credible political institutions. In more recent work, La Porta et al (1997), Zak and Knack (1999) and Knack (1999) use data sets from more countries over longer time periods to reaffirm the importance of social trust to the growth of large firms and economies. Mauro (1995) and La Porta et al (1998) use similar strategies to show how corruption and lax government institutions undermine growth, while Hall and Jones (1999) argue that the quality of a nation's "social infrastructure" is a major determinant of its productivity levels.

Africa has provided the most fertile ground for economists seeking to integrate social variables into analyses of economic growth patterns. Easterly and Levine (1997) argue that high levels of ethnic and linguistic fractionalization in Africa, coupled with the high spillover effects (externalities) of one country's poor economic policies on its neighbours, can explain up to 45% of that region's slow growth rates.[9] Temple (1998) takes a different approach but reaches broadly similar conclusions, showing that low levels of communications infrastructure and other measures of social capability[10] account for slow African economic growth rates. Collier and Gunning (1999), echoing Rodrik (1999), argue that sub-Saharan Africa is not "different", as

reduced form regressions... [W]hen institutional quality variables are included, the different effects of institutions on growth are conflated and difficult to disentangle."

[8] For an early (though less explicitly "social") analysis in this tradition, see Kormendi and Meguire (1985).

[9] But see Collier (1999b), who maintains that high levels of ethnic fractionalization only have a negative effect on growth in countries that also deny political and civil liberties. Posner (1999) argues that a more accurate indicator is the number of "politically relevant" ethnic groups, not their mere demographic size or diversity. (Groups may be small numerically, for example, but nonetheless control key industries.)

popularly imagined, but that it merely has an unhappy confluence of growth-reducing factors: isolationist trade policies, deficient public services, unfavourable geography, political instability, lack of financial depth, high aid dependence, and low social capital. These authors distinguish between *civic* social capital, by which they mean cohesion and collective action at the community level, and government (or *public*) social capital, namely the quality of the political and legal infrastructure. On both counts, they argue, social capital in Africa is in short supply, with civic social capital undermined by ethnic fractionalization and high inequality, and public social capital eroded by unelected and unaccountable rent-seeking political elites. Of these various factors, Collier and Gunning rate lack of openness to trade and low levels of social capital as being the most damaging to Africa's growth.

Rodrik (1998; 1999), using similar themes if not words, extends this "lack of social capital" thesis, arguing that countries of all stripes and hues showed remarkably similar growth rates until the shocks of the early 1970s. Accordingly, the key issue to be explained is why some countries recovered rapidly from these shocks while others sank into near-permanent decline. For Rodrik, the combined effect of divided societies and weak institutions of conflict management (i.e. fractured civil society and poor governance) explains why the series of shocks in the 1970s were unable to be absorbed. As such, he argues that openness to trade should be a component of, not a substitute for, a national development strategy centered on forging broad domestic social coalitions and constructing effective institutions for managing conflict.

Economic research on social variables is important in its own right and also because it shows that economists are finally beginning to take the social dimensions of growth and development seriously. As Aron (2000: 103) astutely notes, however, the vast range of proxies for "'socio-political measures'... has tended to obscure the different channels through which institutions operate, and has impoverished the interpretation of the role of institutions in growth. This is a serious flaw in analyzing developing countries, where weak institutions are implicated in low growth." To get a more detailed insight into the different mechanisms and channels by which institutions shape development outcomes, it is instructive to review recent work by scholars working in other social science disciplines.

[10] See Perkins and Koo (1995) and Temple and Johnson (1998) for a more extensive coverage of this theme as it applies to economic growth.

Social scientists have also concerned themselves with "public" social capital, examining the manner in which institutional structures contribute (or not) to economic development. Drawing on detailed case studies[11], this body of research has given rise to three broad propositions: (1) States, firms, and societies are neither good nor bad in and of themselves; governments, corporations, and civic groups are "variables" in terms of the impact they can have on the attainment of collective goals. (2) States, firms, and communities *alone* do not possess the resources needed to promote broad-based, sustainable, welfare-enhancing outcomes; complementarities and partnerships forged both within and across these different sectors are therefore required. Identifying the conditions under which these synergies emerge is thus a central task of development theory and practice. (3) Of these different sectors, the state's role in facilitating positive developmental outcomes is at once the most problematic and important, because the state is the ultimate provider of public goods, the final arbiter and enforcer of the rule of law, and the actor best situated to transcend the potentially parochial interests of a particular class, sex, ethnic group, political party, business lobby, or religious community.

If these propositions are true, equitable and effective economic development requires the difficult task of assembling and maintaining coherent, credible, and competent public institutions that are simultaneously actively engaged with the day-to-day affairs of their constituents (Evans 1996, Tendler 1997). These twin features ensure that public officials are at once skilled employees who can relate to their colleagues, yet are also openly accountable for their actions, able to make timely responses to crises and opportunities alike, and are in touch with the on-going concerns of those they serve. This result is generalizable across a broad range of formal organizations: positive developmental outcomes are most likely when institutions—public, private, and civic alike—are characterized by both high organizational integrity and synergy (Evans and Rauch 1999; Rauch and Evans 2000). Importantly, where one or more of these features is absent or weak, institutional performance is likely to inefficient and ineffective at best, highly destructive ("predatory") at worst.

Upon closer inspection, the arguments from both the civic (micro) and public (macro) schools of social capital research have a remarkable degree of congruence (Woolcock 1998). Whether one is discussing formal organizations or local communities, the nature and extent of the social relationships within and between component sectors or groups is a key variable

[11] For a representative account of work in this tradition, see *World Development* (1996; Vol. 24, No. 6).

shaping development performance. Furthermore, it is vital to understand these relationships in a dynamic rather than static sense; i.e. to appreciate that success or failure at one moment in time is likely to have a profound effect on subsequent efforts. Paradoxically, success today may not necessarily result in success tomorrow, but may undermine the very conditions that made it possible in the first place; conversely, what appears as failure today may in fact sow the seeds for happier outcomes further down the line.

The “social variables” and “social theory” literatures have a number of common and complementary findings with important implications for the study of globalization. These can be expressed as three broad propositions:

1. A *social structure* that is diverse is good, but to a point. Different communities within society, especially marginalized groups, need to have a legal and legitimate voice; they need forums in which different views are aired and new ideas shared. Where dissemination of information is suppressed or narrowly confined, there are high transaction costs to exchange of all sorts, and the creation of a social consensus that can be called upon to mediate times of crisis is undermined.

2. Competent, credible, and coherent *public institutions* are vital for providing public goods of all types, and, importantly, for creating, implementing, and monitoring sound policies. Prosperity, while potentially the product of such a regime, can also mask flaws within it; but crises like severe economic shocks put it to the test. Economies with solid institutions of conflict management will weather these shocks more effectively than those without because their governments can call upon the support and co-operation of a majority of their citizens.

3. The capacity of groups within society to organize in their collective interest turns crucially on the nature of the *groups' relationships with the state*. Where some groups secure grossly disproportionate access to the resources of the state, they will distort policies to the point of eroding the credibility and capacity of the state. At best, democracy curbs these tendencies by providing mechanisms of public accountability and peaceful opportunities for marginalized groups to displace (or at least dissent against) dominant ones. Other mechanisms for ensuring transparency and the two-way flow of information within and between the public, private, and civic sectors (e.g., free markets, free press, free association) serve similar purposes.

We contend that these propositions help to advance our understanding of the ways in which civil society and governance shapes the capacity to manage globalization in different countries.

10.3 The Evidence: Case Studies from Africa, Eastern Europe, and ‘Small States’

The continuing importance of dynamic civil society organizations and effective governance to managing the global economy is graphically demonstrated by comparing and contrasting three different sets of cases. The first set comes from Africa, where the diversity of country performance is matched only by the importance of finding solutions for a region so desperately in need of them. The second set comes from the twenty-seven post-socialist countries of Eastern Europe, where the traumas of moving rapidly from a planned to a market economy have presented great challenges for governments and civil society alike. The third set is drawn from a sample of the world's 'small states', whose necessarily high levels of dependence on trade and foreign investment, coupled with a corresponding inability to have a serious impact on shaping external events, makes it all the more important to manage well its internal conditions.

Three countries are selected from each set: one that has succeeded at globalization, one that has performed "indifferently", and one that has largely failed. In Africa the selected countries are, respectively: Botswana, Zimbabwe, and Nigeria; in Eastern Europe: Poland, Albania, Turkmenistan; and among the "small states": Mauritius, Jamaica, and Sierra Leone.

10.3.1 AFRICA

The three countries selected from Africa graphically demonstrate the importance of governance and civil society to managing the challenges and opportunities of globalization, but in different ways. As can be seen in table 9.1, Botswana has demonstrated an impressive development performance over the last thirty years. Growth rates have been stable and high, poverty has been significantly reduced, and social development indicators have shown steady improvement.[12] Importantly, Botswana is also well integrated into the global economy, on the basis of exports (diamonds and other natural resources) that have proved troublesome in other nations. This record of solid performance stands in marked contrast to that of Zimbabwe and Nigeria, where initial promise has given way to ethnic violence, political instability, and economic decline. What factors might explain these divergent paths, despite common origins as British colonies and as nascent democracies? We begin by considering Nigeria, then proceed to Zimbabwe and Botswana.

[Table 9.1 about here]

[12] Though the current AIDS epidemic in Botswana seriously threatens these accomplishments.

Nigeria

Upon achieving independence in 1960, Nigeria possessed some of the most entrepreneurial and educated people on the continent of Africa. It also boasted one of the most resource-rich environments, and by virtue of its huge population one of the largest internal markets. If any African country was supposed to achieve and maintain high levels of economic, political and social development, it ought to have been Nigeria. However, although the West African country achieved some economic successes in the 1960s and 1970s, these were short-lived, as it was unable to maintain the high levels of economic growth in a manner akin to Mauritius and Botswana. In many respects, while the African success stories profiled herein and others (such as Ghana) have made remarkable progress since independence, Nigeria appears to have moved in the opposite direction in recent years.

Starting in the 1970s, the Nigerian economy "experienced rapid and uneven growth under the aegis of oil-based accumulation." (Tuman 1994, p. 28). Specifically, the oil boom of the 1973-74 period enabled the Nigerian state, which controlled the oil economy, to assume control of "several key manufacturing sectors, to invest heavily in infrastructure and urban development, and to begin a process of import-substitution industrialization through an overvalued currency and subsidies to domestic manufacturers" (Tuman 1994, p. 28). As a result of these investments, between 1974 and 1979, construction output grew at 20 percent and manufacturing output at 15 percent (Tuman 1994, p. 28). The country's export earnings increased more than six-fold from US$4 billion in 1975 to approximately US$26 billion by 1980 (Ugorji 1995, p. 537). However, despite these impressive developments, there was widespread corruption, misappropriation of funds, lack of diversification into non-petroleum concerns, lack of maintenance of existing infrastructure, and construction of non-functioning 'white elephant' projects, such as the largely-moribund and uncompleted Ajaokuta Steel Company Limited, which has gulped more than US$5 billion since it was established in 1979 (Gire, 1999).

The origin of the economic crisis that prevailed in Nigeria over the past two decades could be traced to the oil bust of the 1980s. The sharp drop in oil prices in 1982 was devastating to Nigerian economic and social life. From 1980 to 1983, revenues accruing from the export of oil, which "accounted for an average of 80 percent of state finances ... decreased from US$27.4 billion to $11 billion, resulting in a depletion of external reserves and a surge of foreign indebtedness"(Graf 1988; Tuman 1994, p. 28). The ensuing economic malaise forced the government to institute 'home-grown' austerity measures that entailed a drastic reduction in imports and capital expenditures, imposition of wage controls and retrenchment in the public sector (more than 2 million jobs were lost between 1983 and 1984, according to Watts [1987]). In turn, these actions triggered massive inflation, hoarding, layoffs[13] and operation of the industrial sector at 30 percent of its capacity (Watts 1987).

To stem the economic woes plaguing the country, the regime of General Ibrahim Babangida introduced a Structural Adjustment Programme (SAP) in June of 1986. Specifically, the SAP entailed the following reforms (Tuman 1994):

- Full or partial privatization of state enterprises;
- Devaluation of the Naira, achieved principally through the introduction of a two-tier exchange rate;
- The elimination of import licenses, the provision of tax incentives and credit subsidies for export-oriented firms, and the adoption of a more liberalized tariff structure;
- Reduced public spending;
- Deregulation of financial markets;
- Wage restraint. (p. 29)

SAP, however, did not yield the desired effects; in many respects, it made the economic and social situation in Nigeria worse. Plant capacity continued its downward spiral, from 41 percent in 1988 to 33 percent in 1991 (African Business 1990, p. 31), "unemployment levels continued to increase in the late 1980s and beyond, average real wages [fell] and a number of worker benefits [were either] cut or eliminated" (Ejiofor 1986; Tuman 1994, p. 29). A review of other important economic indices reveals that Nigeria's situation remains very stagnant, if not precarious. At present, its GNP per capita is $US310, compared to $370 in 1985 and $1000 in 1980 (World Bank 1989, p. 48), and the proportion of Nigerians living below the poverty line has increased from 43 percent in 1985 to approximately 70 percent by the year 2000 (World Bank 2001). The economic situation within specific communities in Nigeria is even more telling; in certain Cross River state villages in the country, cash incomes decreased "from over $800 per capita in the early 1980s to $160 in the late 1990s and $66 (and less) in the poorest households…" (Ifeka 2000, p. 121). Along the same lines, Nigeria's GDP recorded a glaringly precipitous decline from $US93.1 billion in 1980 to about US$40 billion in 1997 (Adedeji 1999).

[13] Watts (1987) estimates that the aforementioned austerity measures resulted in the loss of 900,000 jobs (in the manufacturing sector) between 1983 and 1984.

Lastly, “the index of urban consumer prices jumped from 100 in 1980 to 1,160.9 in June of 1990” (African Business 1991, p. 39). These figures undoubtedly elicit one important question: how could this disappointing slide from middle-income to poor-country status in less than a generation, be explained? To answer this question, a more in-depth discussion of the country’s political, societal and economic structures is needed.

The Nigerian State

The nature of the state in Africa has had a major influence on the course of economic development in the region. The crisis of governance confronting a great deal of African countries has undeniably affected the ability of the state to effectively integrate their respective countries into the global economy (Collier and Gunning 1999). Owing to this political deficiency, African states in general have often been described as neopatrimonial (Medard 1982), “prebendal” (Joseph 1982) or clientelistic. These terms reflect the belief that many African states deviate from Max Weber’s ideal-typical legal-rational state “in which authority is impersonal, deriving from the rules of a constitution; bureaucracy is based on a system or rules which define the offices, powers and functions of bureaucrats; and equality before the law is upheld by an independent judiciary” (Gore 1994)

Firstly, unlike Botswana, Mauritius or even Zimbabwe, Nigeria has been politically unstable and plagued by a seemingly unending number of successful and aborted coup attempts. For 28 out of its 40 years of independence from British rule, it has been ruled by a series of military regimes, which grew increasingly autocratic, despotic and unwilling to relinquish power to a democratically-elected government, leading many to contend that Nigeria is a “militocracy” (Kwarteng 1996). Although this pattern of governance was recently broken with the election of President Olusegun Obasanjo (himself a retired military general and former head of state) in May 1999, the deleterious effects of this non-democratic experience persist. Furthermore, although Botswana, and more importantly Mauritius (given its ethnic, religious and racial diversity), have been able to institutionalize the clamors of their multicultural populations, Nigeria has been beleaguered by ethnic conflicts, including a devastating civil war from 1967 to 1970.

Secondly, until very recently, the Nigerian state, like some of its counterparts elsewhere, has been weak (in some respects), very repressive and therefore unable to engender a corporatist relationship with non-state actors. As a result, the state’s ability to promulgate and promote policies that will spur economic development has been stifled. Along the same lines, Mann (1993: 59) distinguishes between *despotic* and *infrastructural* power; the former basically "refers to the distributive power of state elites over civil society [while the latter] is the institutional capacity of a central state, despotic or not, to penetrate its territories and logistically implement decisions". In testing this distinction in the Nigerian context, Lucas (1998) notes that the exercise of despotic power (or 'negative' power over society) has been particularly acute, as the state has tended to be repressive in nature and sought to insulate itself from society and constitutional restraints. In this regard, the state has not only resorted to coercive measures to implement reform initiatives (Herbst 1990), over the years it has routinely employed such tactics to maintain a semblance of control in an environment replete with radicalized and increasingly restless groups. Infrastructural power (or 'positive' power through society), on the other hand, is positive in the sense that it allows the state to "get things done, to effectively exercise its authority and achieve its goals within the society" (Lucas 1998, p. 91).

Although it is often assumed that despotic and infrastructural power can inhere within the same state, Mann (1993), Lucas (1998) and others contend that they may be in conflict which each other. In the Nigerian case, Lucas notes that as the state's despotic reach has increased, its 'positive' power has decreased because it lacked support from civil society. Consequently, increased autonomy from society has paradoxically resulted in a decrease in infrastructural power in Nigeria and other contexts in which there has been a tradition of authoritarian rule.[14]

Lastly, the Nigerian state historically has been very interventionist and nationalist in orientation, partially due to the fact that, as a former British colony, it inherited a highly centralized and unitary governance model (Amadife 1999). Since independence, the state has became even more centralized under the guise of a federal system, as the center continues to maintain control over economic life, including the disbursement of oil revenues[15]. Furthermore, political elites therefore have presided over a state, which, "driven by the anarchic strain of economic nationalism and rentier distributive politics, overextended its weak managerial capacities by intervening into irrigated agriculture, motor vehicle assembly, intermediate

[14] In addition to Lucas and Mann, this inverse relationship between state autonomy from civil society and infrastructural power has been probed by Migdal, Kohli and Shue (1994), Chazan (1982) and Azarya and Chazan (1997).
[15] This situation is currently being called into question by Southern states, particularly oil-producing regions, who want the centre to accede some, if not all, of the control it currently has to the periphery.

industries (steel, paper and machine tools) and a bevy or irrationally chosen public enterprises" (Wilson and Lewis 1990). Unlike Botswana, which did not pursue a policy of wholesale 'Africanization' upon independence, Nigeria instituted several indigenization decrees that sought to drastically curtail the reach and influence of foreign capital within the country's economy. Even though these policies markedly increased the number of Nigerians involved in finance, commerce, construction and manufacturing, they were, in many ways, retrogressive, as they did not "create a dynamic, innovative and productive indigenous industrial bourgeoisie" (Lubeck 1992, p. 533). More specifically, owing to this reality, the Nigerian economy was heavily dependent on imported industrial goods and consequently unable to develop a viable, competent, and internationally competitive manufacturing sector.

The growth of the public sector is not inherently inimical to economic development, as the Mauritian and Botswana case studies below reveal. Instead, the problem derives from the fact that the marked increase in the number of state-owned enterprises (SOEs) was haphazard and spurred more by political exigencies (i.e., to "provide jobs for constituents, political allies and friends" [Ugorji 1995, p. 540]) than actual need. In turn, this reality has ensured that SOEs constitute a drain on government resources, and are typified by inefficiency and corruption; Nigeria has been plagued by corruption and rent-seeking behavior. From this vantage point, the state is viewed by elites as a means of acquiring wealth and prestige, as the chances of accumulation outside the political system have been comparatively slimmer. Hence, certain scholars contend that elite groups in Nigeria are intent on using the state to advance their own narrow interests (Beckman 1982).

Civil Society and Economic Development

Nigeria undoubtedly possesses one of the most vibrant and resilient civil societies on the African continent, although it was almost pushed to the point of decimation by consecutive military regimes, particularly that of the late General Sani Abacha. Nevertheless, in addition to its vocal and vociferous press, Nigeria has several prominent non-governmental organizations, including the Nigeria Labour Congress (NLC), the Nigerian Bar Association, the Nigerian Association of Nigerian Students, the Constitutional Rights Project (CRP), the Civil Liberties Organisation (CLO) and the Nigerian Union of Journalists (NUJ).

Owing to Nigeria's checkered political history, the aforementioned and other NGOs have been more influential in challenging, if not altering, the state's policies in the twin areas of political liberalization and democratization, than they have in positively affecting economic policies. The post-independent Nigerian state, like its colonial predecessor, routinely resorted to repression in order to stifle demands for change emanating from civil society. For example, the Academic Staff Union of the Universities (ASUU), which has been at the forefront of resistance to state incursion into the affairs of Nigerian universities in particular and increasing state authoritarianism in general, was subject to intimidation and harassment from government officials (Beckman and Jega 1995). The radicalization of ASUU (and by implication, other non-governmental organizations), which heretofore had been a relatively passive group, could be traced to the deteriorating conditions of the 1980s.

The private sector in general and business interest associations in particular have become more central to economic policy-making in many regions of the world, including a small number of African countries such as Mauritius and Botswana, and non-African countries such as Japan and Germany, which enjoy particularly close relationships between their public and private sectors (IDS 1996). It is therefore becoming more important to speak of "cooperation between government and business [as] generally contribut[ing] to better policy making and improved economic performance" (IDS 1996) than "closeness" per se. Despite this vital role of business and related non-governmental groups, many countries, including Nigeria, historically have failed to fully include and harness the full potential of private sector organizations.

The mostly authoritarian and interventionist regimes that have ruled Nigeria for most of its existence have often developed ambitious and elaborate development plans with very little input from the private sector (Sages Consult). This reality derives from two important problems, which have attendant repercussions. Firstly, the "policy process [under the auspices of successive military governments] has been characterised by poor policy conception, unclear direction, inconsistencies and confusion" (Sages Consult). Secondly, the private sector itself has not been able to assume a leadership role in economic policy formulation partly because of the "institutional and management weaknesses of its members (Sages Consult); the rivalry between NACCIMA and MAN, two of the largest business associations in the country (IDS 1996), for example, also further reflects the inability of the private sector to present a common front on critical economic issues.

Box 10.x Business Groups in Nigeria

The Nigerian Association of Chambers of Commerce, Industry, Mines & Agriculture (NACCIMA) is one of the foremost business interest groups in Nigeria. With its 55 organizational member chambers, comprising city, state and bilateral chambers (CIPE 2001), it seeks to undertake the following tasks (Olumide 1993):

1. Disseminating business information, including a monthly NACCIMA Bulletin
2. Promoting trade and foreign investment via trade fairs and other avenues
3. Providing business education and advisory services
4. Influencing government economic policies

In terms of being involved in the formulation and promulgation of economic policies, the influence of NACCIMA and its affiliates has not been as far reaching, when compared to more stronger synergies observed between the public and private sectors in Mauritius, and to a smaller extent, Botswana. Unlike the aforementioned and other contexts, Nigerian chambers of commerce have only made modest progress in their dealings with the state on economic matters. For example, they have routinely "present[ed] memoranda and position papers" (Olumide 1993) to government officials, and have recently "assisted in the development of the government's privatization program." Moreover, they have functioned under the auspices of several initiatives, such as the Committee on the Review of Minimum Remuneration in the Federal Public Service and the National Minimum Wage, which consists of government officials, along with representatives of the National Employers Consultative Association (NECA), NACCIMA, NLC and farmers' associations (Nigeria Commerce 2000). Despite this increasing visibility, successive military governments in Nigeria tried to manipulate organisations such as NACCIMA. For example, in 1988, the regime of General Babangida tried to 'exercise political control over the private sector [by] introduc[ing] the notion of the organised private sector' (OPS), which would be chaired by the President or Vice President and would consist of only three business associations (IDS 1996). Whilst the spectre of military rule appears to be behind the country, it remains to be seen whether Nigerian business interest groups will be accorded a more central role in the economic realm, like their counterparts in Mauritius.

In conclusion, the experience of Nigerian Labour Congress clearly shows that when non-state actors are either harassed or excluded altogether from policy formulation, they are more inclined to challenge the legitimacy of such policies (Barchiesi 1996 and Ihonvbere 1997). Hence, "the relative exclusion of labor from negotiations over reform not only…weakened the commitment of labor leaders to the transition program(s) implemented by ex-President

Babangida, [it] also …diminished the possibilities that labor will be favorably disposed to restrain wage demands once a post-transition regime is put into place" (Tuman 1994, p. 37).

*   *   *   *

Zimbabwe

Zimbabwe is endowed with natural and other resources, but has not been able to achieve the dramatic levels of economic growth recorded in the 'African tigers', especially Botswana, which witnessed double-digit growth in the 1970s and thereafter, when stagnation was the norm on the continent. Nonetheless, its modest economic achievements, including its lower debt burden, have been slightly on par with some other African countries (e.g., Kenya and Cote d'Ivoire) and have slightly surpassed those of a multitude of economies on the continent. Zimbabwe is unique in that it has a highly diversified economy and a relatively advanced manufacturing sector that contributed 24.4 per cent of GDP in 1998, compared to agriculture's 18.5 per cent (World Bank, 2001). In 1999, Zimbabwe had a GNP per capita of US$520 and GDP of US$5.7 billion (World Bank, 2001).

In the early 1980s, Zimbabwe recorded a brief interlude of 'boom', when the economy grew annually at a rate of 12 per cent (Moyo 1992). Unfortunately, this growth was followed by a period of marked declines in export earnings (from 1981 to 1982) and drought (from 1982 to 1984) [Skalnes 1993, p. 408]. Between 1980, when white settler rule ended in Zimbabwe, and 1992, GDP grew by an average of three per cent (Skalnes 1993, p. 407). According to Skalnes (1993, p. 408), the problems plaguing Zimbabwe's economy have included: a persistently high budget deficit, averaging ten per cent of GDP; the channeling of a large share of relatively high savings (around 20 per cent of GDP) into government debt; strict foreign exchange rationing, which has reduced private investment to levels below those needed for replacement; and a consequent lack of new employment creation in the formal sector. Owing to the fact that from 1984 onward, the "large budget deficit,…long-term problems of insufficient replacement of outmoded stock and rapidly rising unemployment"(Skalnes 1993, p. 408), were not rectified by home-grown economic measures, the Economic Structural Adjustment Programme (ESAP) was instituted in 1991. As some recent reports reveal, however, there is no agreement on whether ESAP has been a success or failure (World Bank 1995a; World Bank 1995b; Gibbon 1995)

Despite the fact that ESAP was responsible for the liberalization and stabilization of the Zimbabwean economy, this stabilization was short-lived, as "..the momentum of adjustment was not sustained" and "per capita income contracted by an annual average of 1.4 percent during the 1990s" (IMF 2001, p. 5). In general, economic growth during the past decade has been relatively sluggish, with real per capita GDP declining by 4.0 per cent in 1995 and projected to contract even further by 8.3 by 2000 (IMF 2001, p. 6). Other economic indicators reveal that Zimbabwe's economy is continuing to take a turn for the worse. The gross national savings rate, in percent of GDP, has decreased from 17.2 percent in 1995 to 10.5 percent in 1999, whilst gross investment has decreased from 22.4 percent to 10 percent during the same period (IMF 2001, p. 6). Lastly, although the Consumer Price Index (CPI) inflation rate averaged 22.6 percent in 1995, it has skyrocketed to 10.5 percent by 1999.

The aforementioned and other figures clearly show that the situation of Zimbabwe's economy is precarious at best. How can this reversal in the fortunes of Zimbabwe—regarded in the 1980s as one of the exemplars of economic development and stability on the African continent—be explained? Several reasons have been provided, among them "wavering domestic policies, governance problems, [and] costly deployment of troops to support the Democratic Republic of Congo (DRC) government... Exogenous shocks, including intermittent droughts, terms of trade losses, and the fallout from the emerging markets financial crisis in the late 1990s also played a part" (IMF 2001, p. 5).

The role of governance and civil society in the unfolding crisis in Zimbabwe will be briefly outlined in ensuing sections. The main premise is that the nature and extent of globalization and development is not reducible solely to economic explanations, but that serious attention must also be given to the way in which the state and civil society organizations shape the constraints and opportunities for economic performance and policy reform.

The Zimbabwean State

The primary responsibility for Zimbabwe's weak level of economic growth and its concomitant failure to reap benefits from the global economy can be placed on the lack of good governance. The political system that prevailed after independence did not emerge in a vacuum but was a codification of the features of the colonial epoch, including its authoritarian and centralized nature (Meredith 1979). The state in Zimbabwe is governed by a *de facto* one-party regime, dominated by the Zimbabwe African National Union-Patriotic Front (ZANU-PF). Although elections have been held every five years since 1980, they are not truly contested, as until recently ZANU-PF candidates have usually been almost assured of winning the presidency and majority of seats in the parliament. In contrast to the competitive and multi-party political system in Mauritius, where all candidates standing for elections have a relatively equal chance of winning, the situation in Zimbabwe has been markedly different.

The ZANU-PF government is regarded as more of an authoritarian regime than one democratically accountable to the citizenry. In addition to representing a party fused and literally indistinguishable from the state apparatus (van der Walt 1998), the Mugabe-led government typically has employed its financial wherewithal and state organs, such as the Zimbabwe National Army (ZNA), the Central Intelligence Organisation (CIO) and the state-owned media, to repress or silence the opposition, and further entrench ZANU-PF's hegemony over the country's political and social life (Sithole 1997, p. 130). Given this record, between 1980 and 1989, the original ZANU party, led by President Robert Mugabe, co-opted, intimidated and repressed other political parties. The regime has operated based on a "scorched earth" policy or *Gukurahundi*, a Shona term, which "[literally] means *the storm that destroys anything* [and has manifested itself in] a policy of annihilating all opposition, black and white alike" (Sithole 1997, pp. 130-1). In line with this unofficial but no less real policy, officials of the Patriotic Front-Zimbabwe African People's Union (PF-ZAPU) were co-opted into merging with ZANU in 1989 to form ZANU-PF.

In recent years there has been a widening of hitherto restricted public spaces. In what has been termed the "cracking of elite cohesion", over the last decade there has been an incremental curtailment of ZANU-PF's hegemony (Sithole 1997, p. 133). Edgar Tekere, a leading official of the ruling party, was expelled from the organization in 1987; he later formed the Zimbabwe Unity Movement (ZUM), which was the "first party to be formed in nine years of independence, and the first to mount a real challenge to ZANU since the 1987 merger with ZAP" (Sithole 1997, p. 133). The Movement for Democratic Change (MDC), founded in September 1999, has posed the most challenge to ZANU-PF's 20-year domination of the political landscape, winning 57 seats in parliament (compared to ZANU-PF's 64 seats) in the 2000 elections (Compagnon 2000).

The economic policies promulgated by Zimbabwe after independence were in many ways a reflection of its colonial past, which was clearly capitalist in orientation, albeit with the "the traditions of state controls and an inward-looking economic strategy." (Lehman 1992, p. 15). Conversely, the postcolonial regime of Mugabe was borne out of an avowedly socialist ideological milieu. A review of the rhetoric and policies of the Mugabe government reveals an inherent contradiction that has plagued Zimbabwe since independence. There was a clear and seemingly irreconcilable divergence between the ascendant development paradigm (supported by Mugabe et al), which "spoke the discourse of Marxism whilst overseeing the functioning of capitalism", and the apparently marginalized minority perspective, which canvassed for full adherence to ZANU-PF's espoused Marxist-Leninist ideology (van der Walt 1998)[16] Since it took over the reins of power in 1980, the political elite's perception of foreign capital interests often has been labeled as contradictory and conflictual (Lehman 1992, p. 15). The seeming distrust of foreign capital, which has prevailed in Zimbabwe, also stems from Rhodesia's international history prior to independence, and its location within the orbit of the (real or imagined) reprisals from the erstwhile apartheid regime in South Africa (Moyo 1992, p. 314).

The disagreement over the appropriate development path "can be explained by the inability of the governing elites to consolidate and solidify their power bases into a united ideological force" (Lehman 1992, p. 15). This ideological rift has also been portrayed as a disagreement between vocal radicals and pragmatists. Radicals adhere to a heterodox model of development, rooted in the belief that the "structural causes of economic crises are found in the depressed condition of foreign exchange availability, the unequal relationship between core and peripheral states, and the declining terms of trade" (Lehman 1992, p. 16). More specifically, regarding foreign capital, radicals believe that the government should intervene in the economy, oversee the generation and allocation of foreign exchange, and keep liberalization at bay, as it could "increase the economy's vulnerability to external forces and impinge on economic firms, and entail the surrender of Zimbabwe's sovereignty to market forces" (Lehman 1992, p. 17). Wholesale nationalization of state-owned enterprises, income and land redistribution, and "dividend and remittance controls, import controls, and wage and price controls", are some of the linchpins of the radical economic strategy. Pragmatists, on the other hand, advocate "the

[16] See also Astrow (1983), Davies (1988) and Hull (1986)

maintenance of foreign capital ties in order to foster the interrelated policies of foreign borrowing, export growth and rising investment" (Lehman 1992, p. 17).

Both of these views have either been articulated or reflected in official rhetoric and policies. On the one hand, government officials have made statements avowedly against foreign capital (EIU 1987, pp. 13-4). Concurrently, however, the level of restrictions placed upon foreign capital has fluctuated widely since independence, further reflecting the lack of a coherent development ideology and strategy. From 1980 to 1984, foreigners could repatriate approximately 50 percent of their after-tax profits, but further restrictions were placed on remittances afterwards (Lehman 1992, p. 18). Furthermore, although the government did not embark upon nationalization on a grand scale after independence, as happened in the former Zaire for example, it did pursue the policy of 'Zimbabweanisation' on a more limited scale (Lehman 1992, p. 26). Lastly, unlike Mauritius and Botswana, where the ethnic (religious and other) conflicts appears to have been contained, if not resolved, in Zimbabwe, "ethnic, class and political divisions remain as powerful obstacles to a coherent development strategy" (Lehman 1992, p. 15).

Civil Society and Economic Development

After independence, state-civil society relations were "coopted or consensus-driven" in nature, as "the government purposely sought the support of civil society organisations for the purposes of legitimacy and ideological credibility" (Kuperus 1999, p. 648). However, the existing political terrain in Zimbabwe has been aptly described as an arena characterized by state-civil society conflicts, intra-civil society conflicts and divisions within state and party organs (van der Walt 1998). The seeming weakness of Zimbabwean civil society and prevalence of intra-civil society conflicts especially could be partly attributed to the country's colonial history, prolonged struggle for liberation, and authoritarian political structure.

In general, opposition groups in Zimbabwe are "typically poorly organized, lacking clear policies and hampered by a low profile and a lack of resources" (van der Walt 1998). According to one more pointed commentator, "a more motley and inefficacious group of opposers would be difficult to find…Headed by has-beens…[the opposition] confronts these obstacles with ill-informed naivete, a lack of heart, and immature whining…[It] seems to become more witless and incompetent with each round of polling" (Sylvester 1995, pp. 418 and 420). Nevertheless, Zimbabwe possesses a resilient civil society that consists of religious, labor, student and business organizations. As described in preceding sections, non-state actors have been confronted with a state that increasingly became stronger, adversarial and repressive (Du Toit 1995). Historically, NGOs have not been as vocal in challenging the state; still, they managed to defeat the February 2000 referendum that would have further increased the power of the presidency under the aegis of the National Constitutional Assembly, an institutionalized pro-democracy movement of approximately 200 civil, religious and opposition groups (Moyo, Makumbe and Raftopoulos 2000). Hence, owing to the paucity of opposition political parties, and the relative weakness of those in existence, various civil society organizations (CSOs) have been primarily responsible for taking the 'status quo' regime of President Mugabe to task for its authoritarian stance on many issues.[17]

A number of business groups have also emerged to challenged the Mugabe regime (see Box 9.x), but in general the relationship between the public and private sectors appears to have deteriorated in the early 1990s, as the country first began to experience "severe balance of payment and fiscal difficulties", and as President Mugabe steadily "abandoned his pro-reform stance" (Brautigam 2000, p. 23 and 25).

Box 10.x Business Groups in Zimbabwe

There are various interest groups representing business interests in Zimbabwe. Some of the more prominent organisations include the Confederation of Zimbabwe Industries (CZI), the Commercial Farmers' Union (CFU), the Chamber of Mines, the National Farmers' Association of Zimbabwe (NFAZ), the Zimbabwe National Chamber of Commerce (ZNCC) and the Zimbabwe Congress of Trade Unions (ZCTU) [Skalnes 1993, p. 412]. Given Zimbabwe's recent history, white-led groups, such as the CFU and CZI, have been more influential *vis-à-vis* the state, than predominantly-black organisations such as the NFAZ and the ZCTU (Brautigam 2000 and Herbst 1990). This observation should not be surprising, as the former interest groups undoubtedly enjoyed preferential treatment under, and thus were able to influence, the colonial state. In response to the economic problems of the 1980s, several groups, including the CZI, CFU, the Chamber of Mines, the ZNCC and the Zimbabwe Tobacco Association, formed the Zimbabwe Association of Business Organisations (ZABO) in order to prod the government to

[17] According to Sithole (1997: 136), the more vocal groups include "the Zimbabwe Law Society, students and teachers of the University of Zimbabwe, clerics from the outspoken Zimbabwe Catholic Commission for Justice and Peace (ZCCJP) and the Zimbabwe Council of Churches (ZCC); newer groups such as the Zimbabwe Human Rights Association (Zimrights), the Southern African Human Rights Foundation (SAHRF), and the Foundation for Democracy in Zimbabwe (FODEZI), have emerged to join the fray."

enact 'gradual liberalization of import licenses, foreign exchange controls, price controls and relaxation of controls on investment and labor' (Brautigam 2000, p. 25).

One of the largest business interest groups in the country is the Zimbabwe Congress of Trade Union (ZCTU), formed in 1981 by ZANU-PF to "counter the influence of trade unions affiliated to other parties and to undermine their attempt to merge into an independent national umbrella organization, the United Trade Unions of Zimbabwe" (Skalnes 1993, p. 423). For most of its existence, the labor movement in Zimbabwe "has been weak and characterized by divisions on racial lines, sectionalism, low national density, political factionalism, and elitist and undemocratic structures" (Woods 1988, p. 57). In addition to the internal problems plaguing ZCTU, it has operated in a political environment that has tended to be coercive and hostile. Due to the movement's organizational deficiencies, coupled with a lack of receptivity on the part of the state, the ZCTU became relatively more emboldened, radicalized, and autonomous in the late 1980s. The implication of this observation is far-reaching and important; *where non-state organizations are coerced and excluded from deliberation on policies that potentially may affect their constituencies, they are more apt to become more antagonistic and undermine reform initiatives that are necessary but unpopular.*

In line with its new lease on life, ZCTU witnessed a marked increase in the number of its members, from 128,200 in 1980 to 220,300 by 1989 (Raftopoulos 1992, p. 59). Moreover, starting in 1989, the organization challenged specific policies and reforms, including the Investment Code, which it "claim[ed] demonstrated much more pertinently than ever the government's avowed commitment to capitalism" (Raftopoulos 1992, p. 59). Several provisions, such as the Law and Order (Maintenance) Act and the amendments to the 1985 Labour Relations Act, have also been challenged by members of the ZCTU. The Economic Structural Adjustment Programme (ESAP) was also vigorously opposed and criticized by ZCTU officials for its negative impact on the most vulnerable citizens. Paradoxically, ESAP was in many ways beneficial to the labor movement because it resulted in the phasing out of statutory minimum wages and the introduction of freer collective bargaining, which allowed unions to strengthen their position by winning substantial concessions from management…'(van der Walt 1998).

Lastly, in its 1996 report, entitled *Beyond ESAP: Framework for a Long-Term Development Strategy Zimbabwe*, ZCTU bemoaned the poor relationship between business, labor and the state, and the concomitant lack of "democratic control" over policy-making in the country. Specifically, the report advocated the implementation of a "societal corporatist strategy between labour, the State, capital and other actors in which all interest groups and stakeholders participate in policy formulation, decision-making and implementation through a Zimbabwe Economic Development Council" (van der Walt 1998). This notion of corporatism, which essentially refers to policy formulation by a tripartite group of actors (state, business and labor) along the lines of the Mauritian model (see below), has been seriously lacking in the Zimbabwean context (Sachikonye 1986). In sum, it is the repression of civil society and the absence of strong synergies between business, labor and state interests in the process of policy-making, which have combined to stifle economic growth in Zimbabwe.

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Botswana

Botswana's economic performance has been nothing short of extraordinary. Compared to other African countries, or any other developing nations for that matter, Botswana has evolved from being one of the poorest nations when it gained independence in 1966, to a stable, middle-income country. Between 1966 and 1977, beef was its main export; however, with the discovery of minerals in the 1970s, the economy became diamond-dependent, with mining accounting for approximately 33 per cent of the gross domestic product (GDP). In the 1970s and 1980s, real GDP averaged 16 per cent and 11 per cent respectively, and although real GDP growth slowed in the 1990s (to 7 per cent between 1995 and 1997), Botswana has still managed to maintain fiscal and current surpluses, and a competitive exchange rate regime (Electronic Mail and Guardian 1998). What factors account for this remarkable achievement, in a neighborhood full of countries with less dynamic, if not perpetually stagnant, economies?

Not surprisingly, governance has been cited as one of the key factors requisite for development (World Bank 1989). Consequently, Africa's development crisis is construed as being a predicament engendered by political deficiencies. In contrast, the pragmatic and stable nature of the Botswana state has been cited as one of the reasons why the country has performed so well (Good 1992; Samatar 1999 and Tsie 1996). Moreover, Botswana has been and remains one of the most politically stable countries on the African continent. It has held free and fair elections every five years since March 1965, which have been won by the ruling Botswana Democratic Party (Tsie 1996). Although there is no agreement on whether Botswana is a genuine democracy, the BDP-led regime has been described both as a 'capitalist state' reflecting interests of dominant classes and one of the few developmental states in Africa, because 'much of the development that has occurred in Botswana has been state-sponsored and directed' (Tsie 1996).

Unlike other resource-rich African countries, such as Nigeria and the former Zaire, Botswana has not been characterized by widespread corruption, patronage and mismanagement, which have been rife throughout the continent. Consequently, unlike Nigeria, the "post-colonial state in Botswana did not and has not become the sole means of accumulation [, and the cattle-based bourgeoisie, which toll over the reins of government after independence,] has been steadily diversifying into commerce, manufacturing and real estate without necessarily abandoning its cattle base" (Tsie 1996). More importantly, this cattle-based elite has promulgated policies which "promot[e] broad capitalist interests rather than its narrow sectional interests" (Tsie 1996) In sum, BDP leaders have presided over a regime typified by accountability, transparency and efficiency; these and other attributes have enabled the state to benefit from economic globalization and shield its citizens from its vagaries.

The role of civil society in economic policy formulation has only begun to be stressed in recent years. For example, in the context of the Lome Convention, "the need is recognized for public consultation with civil society actors in national decision-making in both EU and ACP countries" (Ukpabi 1998). Comparatively speaking, civil society groups in Botswana are not as developed as in other African countries. This reality may be partly attributable to the political and economic stability that has prevailed since independence. In addition, the fact that the struggle for independence was not as rancorous or driven by vocal non-governmental groups, may account for the relative weakness and *ad hoc* nature of civil society in Botswana (Holm, Molutsi and Somolekae 1996). This is not to say, however, that civil society in Botswana is non-existent or ineffective.

The state has been primarily responsible for setting economic policies and spurring Botswana's integration into the global economy: "[R]ather than responding to interest group pressure, the government in Botswana [has] tended to make its own analyses and then build support for shifts in a long-term strategy geared toward maintaining its generally impressive economic performance. Interaction with the public was intended more to inform, instruct and persuade" (Brautigam 2000, p. 22). It is only in recent years that this paternalism has acceded to a relatively more open and inclusive process of agenda setting, including the creation of a High Level Consultative Committee, which is chaired by the President. Private sector organizations therefore have started playing a more important but limited role in influencing economic policy. Specifically, "through their promotion of entrepreneurial activity and active involvement in the formulation of economic policy, business associations [have] increase[d] private sector participation in public policy, drawing on the enormous potential and proven expertise of their members in many ways" (CIPE 1993) The experience of Botswana clearly shows that civil society participation is integral to successful economic policy formulation.

Box 10.x: Business Groups in Botswana

The Botswana Confederation of Commerce, Industry & Manpower (BOCCIM), one of the main private sector organisations in the country, consists of approximately 1500 members in commercial and industrial concerns (CIPE 1993). Owing to its increasing relevance in Botswana, BOCCIM has contributed immensely to ensuring that private sector concerns are reflected in public policy. With assistance from international organisations such as the Center for International Private Enterprise (CIPE), BOCCIM has strengthened its institutional capabilities, restructured its management and solely utilised the skills of local consultants.

These and other substantive reforms have allowed BOCCIM to assume an important advocacy role. As a result of this new stance vis-à-vis the state, BOCCIM officials were able to present several recommendations to former President Ketumile Masire at the Second National Private Sector Conference held in Francistown, Botswana in September 1991. More specifically, BOCCIM has been instrumental in achieving the following (CIPE 1993):

- Abolition of the Price Control Act in 1990, thereby allowing market forces to determine prices
- Amendment of the Immigration Act to 'decentralize the Immigration Selection Board and speed up the issuance of work and residence permits'
- Amendment of the Trade and Industrial Acts in 1992, thereby 'remov[ing] the powers of the Licensing Board to reject applications except for security and health reasons'
- Amendment of the Trade Union and Employers Organizations Act in 1992, thereby enabling these associations to act independently
- Evolution into an 'organization capable of representing its members' interests effectively through public advocacy, building an enabling environment for investment and promoting a market economy based on competition'
- Facilitation of local town business meetings in the areas of 'finance, training, AIDS prevention, industrial relations and productivity improvement'
- Provision of training to small business members

However, it should be noted that other civil society groups, such as the Botswana Federation of Trade Unions (BFTU), have not been as successful in influencing the formulation of economic policies in the country.

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10.3.2 EASTERN EUROPE

The role of governance and civil society organizations in aiding and/or undermining the attempts by the twenty-seven former socialist countries of Eastern Europe to enter the global economy is striking, and perhaps as close as one could hope for in terms of a "natural experiment" for testing the central hypotheses of this chapter: take a group of countries, isolate them from the global economy for forty or more years, repress their civil society organizations, and render their political systems unaccountable to voters or the press; then, suddenly, attempt to reverse all three policies. What has happened? Not surprisingly, the experience of these twenty-seven countries in the 1990s spans a spectrum from tragic failure to brave turnaround to modest success (with a heavy skew towards the negative end).

> "Postsocialist countries displayed disastrous economic performance immediately following the collapse of the Soviet Union declining, on average, 7.6 percent from 1990 – 1992. Postsocialist economic growth of the region from 1989- 1998 was approximately – 1.0 percent" (Bunce 1999, 763)

We deal with one case from each of these three points on the spectrum, and consider the role that governance and civil society has played in shaping its economic trajectory. Interestingly and importantly, the lessons are not always so straightforward.

Turkmenistan ('failure')

Politics

The Communist Era

Turkmenistan is one of the many 'stans' in Central Asia (the others include Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan), which was under communist rule for decades. However, Russian control over the region actually commenced in 1873, when its troops established a presence in the Caucasus, with emigration to the area increasing rapidly between then and 1917 (Ruffin 1999, p. 6). Russian and later Soviet incursions into Central Asia was characterised by gerrymandering. The region became incorporated into the Soviet Union through Lenin's creation of a Central Asian Turkestan Autonomous Soviet Republic (Ruffin 1999, p. 6). However, "in 1924 in order to weaken further any pan-Turkic aspirations, Stalin….began the policy of 'national delimitation' to carve Central Asia into five smaller, and less powerful, political units" (Ruffin1999, p. 6). The Turkmen Soviet Socialist Republic (now Turkmenistan) was formed in October 1927 (Gleason 1997, p.64). Similar to the other Central Asian republics, particularly Kyrgyzstan and Tajikistan, the Turkmen Republic '..played an insignificant role in Soviet politics [, as] there was never a Turkmen leader on the CPSU Central Committee Secretariat or Politburo' (Gleason 1997, p. 65). Hence, leaders of the Turkmen Communist party were Moscow appointees, who made 'key economic and political decisions' concerning the republic (Gleason 1997, p. 67).

Also, in order to consolidate its control over the region, the Communist Party of the Soviet Union (CPSU) began a policy of 'Sovietizing' Central Asia. The specific aspects of this policy included the closure or destruction of "Islamic schools, courts and mosques, imposition of Russian as a compulsory language in the schools, and replacement of Arabic and Latin alphabets with Cyrillic" (Ruffin 1999, p. 6). Due to the supposed threat posed by Islam, "wherever ethnic groups considering themselves Muslims experience a sense of their own unity, an ideological program of atheism was forcibly put into effect and pan-Islamism was marked for eradication, as synonymous with medieval backwardness and fanaticism" (Kazymzhanov and Tribble 1998, p. 467). In sum, Soviet rule was thoroughly repressive, as it sought to "..eradicate the cultural and political traditions that had evolved over the centuries [through] the physical extermination of the intellectual elite and the arbitrary creation of national borders" (Kazymzhanov and Tribble 1998, p. 467).

'Post-Communist Authoritarianism'

Compared to Eastern Europe and some of the other Soviet Republics, the transition from Communism to post-Communist rule in Turkmenistan was not historic, spurred by demonstrations or rancorous.[18] On the contrary, "…the leadership in Ashgabat (the capital) did

[18] In this regard, M. Holt Ruffin (1999, 21-22) also notes the following: "independence came suddenly to Central Asia and with its timing determined in Moscow more than Tashkent or Almaty. Unlike the independence achieved in mid-century by African and Asian anti-colonial movements – which were generally able to agitate openly against governments much less repressive than the Soviet System -- independence for the 50 million inhabitants of Central Asia was preceded neither by a national liberation

not seek or welcome the breakup of the Soviet Union [,as] Turkmenistan recorded an overwhelming Yes vote in a March 1991 referendum on maintaining the USSR" (Ochs 1997, p. 315). It was probably Tajikistan's declaration of independence that spurred Turkmenistan to do the same on the 27th of October 1991 (Ochs 1997, p.315). However, in several respects, the status quo prevailed, as the leadership and existing party structure were not totally jettisoned. In fact, the current President, Sapramurad Niyazov's political career dates back to 1985, when he was first secretary of the Central Committee of the Communist Party. During this period, Mikhail Gorbachev implemented *glasnost and perestroika* reforms in a bid to liberalise the Communist state. In keeping with the "..spirit of [these] reforms, [Niyazov] imitat[ed] Moscow's initiatives in many respects"[:]

> Leading officials in the ruling party apparatus were sharply criticized for abusing their positions, and some of them were replaced. In 1990, again following the trends set in Moscow, he initiated contested elections of the Chairman of the Council of Ministers and first deputy Chairman of the Supreme Soviet, a move very untypical in Turkmenistan (Dudarev 2001, p. 133).

However, these measures were short-lived and largely superficial, as Turkmenistan remains one of the "least transformed [, most conservative and backward amongst the] former Soviet republics" (Ochs 1997, p. 312 and 315). In actuality:

> The lack of reform is neither accidental nor due to uncontrollable circumstances; rather, it reflects a deliberate decision by the country's ruling elite to eschew policies initiated in Russia and the other Newly Independent States which, in the regime's view, have generated, or exacerbated, economic hardship, political conflict, civil unrest, ethnic tension, and in some cases, have led to ethnic warfare (Ochs 1997, p. 312).

The election of Niyazov as the Chairman of the Supreme Soviet of the republic in January 1990, eventually paved way for the Turkmen Republic's independence from Moscow tutelage. In May 1990, the Communist Party "supported the idea of a presidency and recommended Niyazov to the position of head of state" (Dudarev 2001, p. 133). Niyazov reportedly won 98.3 percent of votes in the presidential elections held on 27 October 1990[19]. In the wake of an attempted coup d'etat in Moscow in August 1991, Niyazov resigned from the Politburo of the CPSU Central Committee, 'de-affiliated' the Communist Party of Turkmenistan from the CPSU, and renamed the former, the Democratic Party of Turkmenistan (Dudarev 2001, p. 134). Justifying this delinking from the CPSU, Niyazoz made a pronouncement along the following lines, at the 25th congress of the Communist Part of Turkmenistan:

> [T]here was hardly any reason to proclaim a belief in the ideals of a party that 'was imposed on the Turkmen people in 1924, contrary to their wishes'. Apart from consolidating the nation, it had yielded 'virtually no benefits'; rather, it had 'depersonalized ownership, given rise to corruption, aggravated kin and tribal conflicts, and legalized reprisals' (Dudarev 2001, p. 137).

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struggle nor by self-conscious efforts on the part of the metropolitan power to prepare the region for independence."

[19] In 1992, Niyazov was the only candidate who stood for elections and he secured 99.5 per cent of votes; he further consolidated his position by 'winning' 99.9 per cent in a 1994 referendum (EIU 1995, p. 5).

With Niyazov at the helm of the new party, he increasingly assumed new powers under a strong presidential system, further consolidated his control and presided over a one-party state (the only one in the former Soviet bloc) that was thoroughly authoritarian and repressive[20]. The Niyazov-led state has been described as a '…..near-totalitarian political system and…one of the most repressive in the world' (CSCE 2000, p. 13). A cult personality has also developed around Niyazov; he now goes by the name, Turkmenbashi (leader of the Turkmen), and several streets, academies, cities and other important monuments (100 in all) have been named after him (Dudarev 2001, p. 136). It appears that, for the foreseeable future, Niyazov will remain president and that the 'transition period' supposedly may end in the year 2010 (CSCE 2000, p. 13).

Economics[21]

A review of the Turkmen economy reveals two broad themes: dependence on the export of oil, and failure to institute concerted and systemic reforms. Turkmenistan possesses abundant

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[20] The U.S. Commission on Security and Cooperation in Europe has branded Turkmenistan as one of the "worst-case scenarios" of post-Soviet development, with Congressman Christopher Smith, who chaired the commission's hearing on democratization and human rights in Turkmenistan, comparing the country to Romania under dictator Nicolae Ceausescu (Radio Free Europe 22 March 2000).

[21] *Other Economic Sectors: "This [natural gas, oil, and oil refining] has negative effects on the growth of other sectors of the economy – in particular, trade, catering, and banking." In addition, Turkmenistan's cotton monopoly has made the country highly dependent on food imports from other FSU countries. (Kutan 1999, 3).*

Diversification Attempts: Economic and financial reforms of 1992-1996 were to transform Turkmenistan from, "a supplier of raw materials into a producer of finished goods and to create a more diversified labor force that would work not only in the oil and gas sectors but also in nonresource sectors." (Kutan 1999, 4)

- *Dutch Disease: Term given to a situation where a booming resource sector such as oil and gas hurts the development of the nonresource and trade sectors of the economy for two reasons. First, the spending effect, since oil revenues are spent domestically, all costs increase (including on nontradable goods and services) resulting in a currency appreciation and a growing trade deficit. The second reason, the factor-movement effect, is that labor shifts when wages increase in the revenue-generating sector of oil. As a result there is negative output growth in other areas like food production or higher end products for an export-growth strategies. (Kutan 1999, 6)*
- *Gas production: Has dropped substantially since Turkmenistan's independence. From a peak production level of 89.9 bn cu metres in 1989 to only 13.3 bn cu metres in 1998. "As a result, between 1991 and 1997 real GDP dropped by almost 60%, which translates into an annual average fall of over 11%." (EIU 1999, 19)*
- *Indebtedness: "Despite Turkmenistan's considerable gas reserves and its much-heralded potential as the "Kuwait of the Caspian," it now has levels of income and indebtedness close to those of developing countries" (EIU 1999, 16)*

MISMANAGED: Authoritarianism does not promote growth in Central Asia

- *"One of the paradigms of political development, derived from the modern experience of countries such as Chile, South Korea, or Taiwan, holds that economic liberalization can coexist with authoritarian rule and produce sustained high rates of economic growth. These in turn help reduce social tensions over time and eventually allow a transition to democracy. Unfortunately, there is little reason for optimism that such a scenario might occur in Central Asia – for many reasons." (Holt Ruffin 1999, 10)*

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natural resources, with “gas, oil, sulphur, potassium and rock salts, non-ferrous and rare metals”, being particularly plentiful (Kalinichenko and Semenova 2001, p. 156). With the fourth largest natural gas reserves in the world, the country has historically been dependent upon its oil and gas sectors; it is also one of the top ten producers of cotton in the world, with agriculture accounting for 48 per cent of GDP in 1990 (IMF 1999, p.11; IMF1994b, p.1). Nonetheless, despite these enviable resources, it remains one of the least developed countries in Central Asia and indeed the former USSR, with its low levels of educational attainment (Gleason 1997, p. 111). This underdevelopment is partly due to Turkmenistan’s communist legacy. Not surprisingly, during the Communist epoch, economic policies influencing the course of events in the region were promulgated at the centre:

> Moscow’s central planners – not comparative advantage, rates of economic return, global demand, or at least of all, the desires and values of Central Asia’s populations – determined patterns of investment, trade, and development in the region over a period of seventy years. Few if any institutions existed to protect the Central Asians from unbalanced regional or local economic development plans; only one “economic balance” counted, that of the Soviet Union with its hypertrophied military and industrial sectors (Ruffin 1999, p. 8).

More significantly, “in 1989, centrally managed enterprises owned 83% of industrial fixed assets, employed 30.5% of the industrial personnel and produced 37% of the output” (Kalinichenko and Semenova 2001, p. 158). The Turkmen economy grew at a moderate pace in the 1970s and 1980s, with Net Material Product (NMP) rising at an average rate of 0.4 per cent between 1971 and 1985, and 2.2 per cent between 1986 and 1989 (IMF 1999, p. 11). Nevertheless, as a result of Moscow’s excessive control, the Turkmen “…economy was characterized by underproduction, [production of goods of inferior quality], the slow construction of projects, waste in capital investment and an overall shortage of specialists” (Kalinichenko and Semenova 2001, p. 156). Moreover, throughout the 1980s and early 1990s, there was a decline in the ‘main economic indices’, including labour productivity, and per capita income, which “was 60% of the average CIS [Commonwealth of Independent States] level” (Kalinichenko and Semenova 2001, p. 156).

Upon attaining independence, the economic situation took a dramatic turn for the worse for the Central Asian states, including Turkmenistan. Between 1992 and 1997, real GDP declined precipitously, with worst rates recorded in 1997 -25.9 percent and 1994 – 19.0 percent (IMF 1999, p. 10). This malaise was due mostly to “..external factors, as disruptions in the interstate trade and payments system interrupted the regular supply of inputs to Turkmenistan’s nongas sectors [;a]t the same time, trading partners experienced difficulty in paying for Turkmen energy exports, because of sharply higher energy prices” (IMF 1994b, p. 4). Furthermore, inflation rates soared uncontrollably; it increased from 644 per cent in 1992 to 1400 percent in 1993 and 1261.5 in 1995 (IMF 1999, p.10).

Regardless of its somewhat dire economic straits, Turkmenistan is one of the only former Soviet Republics not to have attempted an IMF program. According to Fish (1998, p. 34), Turkmenistan is considered to have a composite economic reform score of 1.9 while nations like Poland and Russia have reform scores of 7.4 and 6.4 respectively. In the same vein, The European Bank for Reconstruction and Development assigned Turkmenistan the lowest “transition indicator” in the CIS. (Lelyveld 1999), while the EIU (1999, 17) maintains that “[t]he government’s principal mistake has been to believe it could develop the economy without an effective stabilisation programme or real structural reform – including privatisation and foreign ownership of the country's large enterprises." (EIU 1999, 17). President Niyazov has repeatedly rejected 'IMF-backed reforms' because he believes they "would create poverty and eliminate jobs [; instead, he] embraced the largely discredited doctrine of import substituting industrialisation (ISI) and has yet to devise a strategy focused on creating real jobs for its poorly educated, young and rapidly growing rural population" (EIU 1999, 17).

In order to arrest this deteriorating situation, Ashgabat instituted its own homegrown economic 'reforms', christened Ten Years to Prosperity in 1992, which was meant to increase the country's standard of living and transform it into another Kuwait (Gleason1997, p. 111). However, this plan differed from what obtained in Poland or even Russia, for example, because it was not neither comprehensive nor a radical break from past policies, as Turkmen authorities did not regard 'shock therapy' as being particularly feasible or desirable. In fact, Niyazov portended that rash reforms will "lead to problems of inter-ethnic discord and social problems, and have a bad impact on the majority of the population" (Kalinichenko and Semenova 2001, p. 162). Furthermore, it regarded the "direct state management and regulation" of the economy as compulsory (Kalinichenko and Semenova 2001, p. 162). Price reforms included the decontrol of producer prices in 1992; a year later, notwithstanding, the prices of energy and agricultural products remained controlled (IMF 1994b, p. 10) and subsidies are still largely in place:

> "Most noticeably, sizeable price distortions in the form of widespread consumer subsidies, free utilities and foreign-exchange restrictions continue to block the economy's efficiency. Turkmenistan has yet to reform the agricultural sector or provide a welcoming environment for foreign investment, and the struggling banking sector needs recapitalisation and a concerted effort to sort out non-performing loans." (EIU 1999, 16).

Systemic reforms, particularly those pertaining to privatisation, have been implemented in a slow and cautious manner. As of January 1998, only 1948 out of 4800 designated enterprises had been privatized (Kalinichenko and Semenova 2001, p. 162); with the majority of the former firms being in the energy and transportation sectors (Gleason 1997, p. 114). The country also introduced the manat, to replace the Ruble, in November 1993 (Ochs 1997, p. 342)

In fact, unlike other "Central Asian states, Turkmenistan's investment ratio appears not to have decreased much following independence, reflecting heavy government investment (partly foreign financed) in major infrastructure projects with low returns…, but also investment in the oil and gas sector" (IMF 1999, p. 111). Although reform initiatives have not been implemented in a concerted manner, the economic situation, as measured by key economic indices, has improved somewhat. While average annual growth of GDP was negative for most of the 1980s and early 1990s, it grew by 7 per cent and 16 per cent in 1999 (World Bank 2001). Inflation rates has also decreased from 445.9 per cent in 1996 to approximately 19.8 per cent in 1998 (IMF 1999, p. 28). It remains to be seen, nevertheless, whether this growth will be sustained in the long run.

Globalisation and International Trade

Several internal factors have been cited for the inability of Central Asian economies to properly adapt to globalisation (Zhukov 2000, p. 149). These include the following:

> [G]eographic remoteness from the main centers of the world economy; lack of direct access to the most important trade routes; the small size of the population and its very low level of individual incomes; which

> in turn predetermine the narrowness of the domestic market; and the exceedingly modest magnitude of domestic savings that might be mobilized for investment.[22]

In a manner akin to the International Division of Labour, during Communist rule, Turkmenistan was responsible for supplying gas and cotton to the rest of the Soviet Union. But owing to the lack of radical economic reforms, the state remains the key player in domestic and international trade in Turkmenistan. While all of the other Central Asian states have witnessed a dramatic increase in the volume of total exports, Turkmenistan recorded a decrease from approximately $2.15 billion in 1992 to $774 million in 1997 (IMF 1999, p. 39), with most of this deriving from natural gas and cotton. Import levels, on the other hand, have fluctuated moderately; staying at around $1 billion during the same period, while foreign direct investment (FDI) has not shown a linear increase but has exhibited the same pattern (IMF 1999, p. 41 and p. 55). Despite the fact that Turkmenistan has been able to attract investment from Turkey (the most important player in the country), Germany, the USA and Malaysia, FDI stood at $108 million dollars in 1997, compared to Kazakhstan's $1.3 billion (IMF 1999, p. 55).

In the post-communist era, Turkmenistan's trading relationships with its 'traditional' trading partners, Russia, Central Asian and other countries belonging to the former USSR, have been tenuous, to say the least. Firstly, Turkmenistan relationship with its 'elder brother' has often been characterised by perpetuation of dependency of the former upon the latter (Rumer 2001, p. 20). For example, it has, in the recent past, been embroiled in conflict with Russia, which has "den[ied] Ashgabat access to the former 'all-Union' pipeline….[and] also refuse[d] to purchase and re-export natural gas from Turkmenistan"[23] (Rumer 2000, p. 20). There have also been tensions between Turkmenistan and Ukraine over the supply of gas, with the latter rejecting the increase in gas prices and supply being withdrawn for a while (Nedvetsky 1994, p. 198). More importantly, in 1999, several Central Asian states imposed duties on imports emanating from other states in the region (Rumer 2000, p. 12). Regional conflicts concerning natural and transportation, among others, have hindered the ability of Central Asian states to act concertedly on issues of common concern.

[22] Relatedly, Ruffin and Waugh (1999, 10) also highlight the following plaguing the Central Asian region: no history of a market economy, lack of transportation (which in turn hampers export growth), lack of a common market, export growth compromised by low commodity prices, and decreasing exports to Russia and Ukraine

[23] On the geographical challenges confronting Turkmenistan, the EIU (1999, p. 17) notes the following: "The gas export revenue on which Turkmenistan's development policies depend has not been forthcoming. Turkmenistan is in the unfortunate position of having all of its possible gas export pipeline routes cross the territory of current or potential competitors in the energy market – Russia, Iran, Azerbaijan, Kazakhstan and Uzbekistan. The Russian state-owned gas monopoly, Gazprom, controls the pipelines used by most Turkmen gas exports and has progressively cut Turkmenistan's access to its best potential markets." (EIU 1999, 17).

Civil society[24]

Civil society in the region was neither weakened nor strengthened as a result of Communist rule; it was and remains virtually non-existent. Compared to other countries in Central Asia, the former Soviet Union or Eastern Europe, Turkmen civil society is weak, underdeveloped and largely acquiescent. While the country has several opposition movements, these groups do not have the capacity to pose any significant threat to the authorities in Ashgabat (Arici 1997). A recent volume on civil society in Central further reflects the paucity of NGOs in Turkmenistan; it devotes chapters to and provides a list of several independent organisations operating in Kazakhstan, Kyrgyzstan and Tajikistan and Uzbekistan (Ruffin and Waugh, 1999). Conversely, it lists 13 Turkmen NGOs (with three of them being offices of ACCELS) and does not provide an overview of the 'third sector' in the country.

As there is very little written on Turkmen 'civil society', it is doubtful, for example, that there indeed is a trade union movement in Turkmenistan able to form tripartite relationships evident in Botswana or Poland. This seeming invisibility and weakness of civil society is primarily, if not wholly, attributable to the repressive state apparatus, which forbids and punishes all forms of active opposition. The two main opposition groups that operated in the final days of Soviet rule, *Agzybirlik* (Unity), founded in 1989, and the Democratic Party (a different group from the ruling party of the same name) were subject to intense harassment (EIU 1999, p. 7). The former was "crushed…in January 1990 and its leaders [exiled] in 1992 [;t]he Democratic Party has also been banned and its leading members are abroad. While members from both dissident movements have remained active in exile, they have suffered constant persecution by the KNB [Turkmenistan's successor to the Soviet KGB]" (EIU 1999, p. 7). A recent CSCE (2000) report further documents the manner in which activists have been persecuted, harassed, jailed or exiled. The CSCE cites the example of Khoshali Garaev, who was arrested in neighbouring Uzbekistan in 1994, sentenced to 12 and 15 years for supposedly plotting to overthrow and kill Niyazov; he later died in prison under questionable circumstances (CSCE 2000, p. 14).

In addition to political opposition, with the exception of Sunni Islamic and Russian Orthodox groups, certain religious groups are not allowed to operate freely in Turkmenistan but have to obtain special permission (CSCE 2000, p. 14; Radio Free Europe/Radio Liberty Foundation February 14 2000). According to religious officials clandestinely operating in the country, "security forces routinely interrogate and intimidate believers, especially those attempting to collect the 500 signatures required for registration" (CSCE 2000, p. 14). In line with this policy, authorities have "detained believers, raided worship services, deported non-citizens involved in religious activity, fined believers and demolishes places of worship" (Radio Free Europe/Radio Liberty Foundation, February 14 2000). Additionally, two other *sine qua non* of a free civil society in today's world, the Internet and the media, are severely controlled by the state. Wayne Merry, a Senior Fellow at the Atlantic Council in Washington, DC, observes that Internet restrictions being imposed in Turkmenistan seek "isolate the country from the modern world and prevent what he would as subversive influences, particularly from the West, and particularly from manifestations of globalization from penetrating Turkmenistan" (Hogan 2000).

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[24] *How does globalization/ civil society affect the poorest of the poor?*

- *"With per capita income at only US$33 dollars a month peoples living standards continued to decline and foreign investors remained wary of doing business in the country due to Niyazov's unpredictability. Turkmenistan remained isolated on the international stage. (Rashid 2000)*

The media also remains under the tight control of the state with very little "…criticism of even analysis of domestic affairs" (EIU 1999, p. 13).

Despite this rather hostile terrain, there is a sign of a budding civil society in Turkmenistan, which has increasingly challenged the state on political and economic matters.[25] For example, the EIU (1999, 8) documents the following pockets of resistance all over the country:

> Despite the government's determined efforts to rig a unanimous outcome in the 1994 legislative election, many voters [approximately 1000] expressed opposition to the government by crossing out the official candidates' names. In the city of Mary, almost 25% of voters expressed themselves using this option. In the following year, demonstrations erupted in response to shortages in the capital city, Ashgabat. In late November 1998 police proved incapable of controlling a violent crowd which formed outside of a branch of the Dayhan (Peasant) Bank as a result of a massive hard-currency shortage."

Moreover, apart from the quasi-governmental Turkmen Information Consulting Center (based within the National Academy of Sciences), one of the country's first NGO-like groups, there were approximately 20 NGOs operating in the country as of 1998 (Ikramova and McConnell 1999, 200).

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[25] ***Encouraging Civil Society***

- Encourage NGO cooperation in non-contentious areas: "In Uzbekistan and Turkmenistan, where governments are less tolerant of NGO activity, environmental groups focus primarily on noncontentious issues that help build NGO capacity, but do not directly challenge state structures . . . in 1993-94 Turkmen and Uzbek greens worked with international NGOs to stop organized (and government-sanctioned) poaching of large game and endangered species on zapovednik (nature reserve) territory, particularly in Turkmenistan." (Watters 1999, 90-91).
- Women, Education & Activism: "Whatever the expectations of Communist Party officials, education in Central Asia was and is empowering. Especially for women, it opens possibilities for independence and initiative that were inconceivable a few generations ago. It is no wonder that voluntarism in Central Asia today is dominated above all by a remarkable group of empowered and activist women." (Starr 1999, 31).
- Internet & Information: "Old systems of hierarchy and social control are less sustainable when individual citizens have access to information on how people live elsewhere. Such information, combined with modern proficiencies acquired through education, transforms subjects into active citizens who expect to control directly their own lives and the life of their communities." (Starr 1999, 31).
- Rekindle Traditions of the Past: "*Mahallas* [universal neighborhood organizations of Islamic society] provided a considerable sphere for the development of neighborhood-level leadership and initiative. And throughout the entire region there existed independent foundations (*waqfs*) that maintained shrines, schools, and public welfare agencies. Finally, the Muslim tradition of giving (*zakat*) may resemble more closely the Catholic practice of tithing than Protestant voluntarism, but it does create the expectation that a pious person must take responsibility for the well-being of others at the local level." (Starr 1999, 31).
- Autonomy under Soviet Rule: "Working both within and outside the law, Central Asians became adept at identifying and exploiting small zones of independence and self-management. Little studied today, the actual practice of voluntarism and autonomy under Soviet rule provided the immediate seed-bed for the emergence of independent activity after independence, both in its positive and negative manifestations." (Starr 1999, 32).

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Albania ('moderate': early failure, recent success)

<u>Politics</u>

As a nation at the crossroads of many civilizations, Albania has been occupied by several foreign forces, including Germans, Greeks, Italians and Turks[26]. After been subject to repeated occupations, the country finally declared its independence from Ottoman rule in 1912 and thereafter established a parliamentary republic (Abrahams/HRW 1996, p. 7). However, this experiment was interrupted by 'self-proclaimed' King Zog, an autocratic ruler who governed Albania until 1939, when the country was occupied by Italian fascists and later the Nazis (Abrahams/HRW 1996, p.7). The communist epoch commenced in Albania in 1944, when Albania was liberated from 'both nationalist and monarchist groups within the country' (Abrahams 1996, p.7); a year later, Enver Hoxha was appointed as first secretary of the communist Party of Labour of Albania (PLA). Vickers and Petttifer (1997, p. 3) highlight the specific features of the Hoxha period:

> The hardline communist regime under Enver Hoxha ………sought to create a united country under the socialist system, and to overcome the heritage of regional and religious differences that affected the development of the national independence movement during the time of the Ottoman empire. The dominant ethos of the regime was the desire to establish the 'new socialist man' who would be defined by his stable Albanian identity and communist consciousness.

More specifically, owing to the country's backward state, the PLA-led regime embarked upon ambitious development plans to improve people's living standards and ensure that the country was self-sufficient. As a result the Communist regime was able to engender noticeable improvements in health and other related sectors. According to the Portrait of Albania (Emadi 2000, p. 364), between 1938 and 1978, the number of hospital beds in the country rose from 1000 to 17000, while the number of doctors patients per doctor decreased from 8527 to 687 during the same period. There was also a noticeable increase in life expectancy – from 53.5 years in 1950 to 72.0 in 1989 (Emadi 2000 p. 366). Significant improvements in education included the opening of the first Albanian university in 1957, a rise in the total number of students from 56,300 to 713,600, and an increase in the number of secondary schools from 11 to 333 between 1938 and 1983 (O'Donnell 1999, p. 113).

However, these accomplishments came at the expense of political freedom and individual liberty. Hoxha presided over a state that was thoroughly repressive and unduly suspicious of outside influences. According to Emadi (2000, p. 368):

> Th[e country's] modest socio-economic progress was overshadowed by the efforts of the ruling party to suppress the spirit of individualism of the Albanian people. Those who opposed the party's official policy or engaged in anti-state activities were incarcerated in state prisons and labor camps. It was estimated there were 1,200 prisoners in Ballsh labor camp and similar figures for Spac labor camps.

Immediately after the Communist regime came to power, it established courts and a police force to 'rid itself of opponents' (O'Donnell 1999, p. 12). Several Albanians were branded 'enemies'

[26] For a detailed discussion of Albanian political history, see Winnifrith (1992), O'Donnell (1999) and Biberaj (1998).

or ‘war criminals’, and treated accordingly:

> Building on the tradition of clan allegiance, whole families were persecuted for the actions of one family member. Thousands of people were imprisoned or sent into internal exile without trial for even slight deviations from the party line. Frequent purges maintained a strict order based on fear [and] Hoxha sustained his repressive system by playing on the historical fear of outside invasion (Abrahams/HRW 1996, p. 7).

When Hoxha died in 1985, his hand-picked successor, Ramiz Alia, instituted some liberalisation measures to prevent upheavals elsewhere in Eastern Europe from spreading to Albania (Emadi 2000). He also restored diplomatic links with the former Soviet Union and the United States, and allowed the opposition to form independent political parties (the most prominent, the Democratic Party, was formed in 1990), and lifted the proscriptions on religion and foreign travel (Abrahams/HRW 1996, p. 7). In 1991, Albania held its first multi-party elections, with the PLA winning 162 parliamentary seats, while the DP won the 72 of the 250 seats being contested (Emadi 2000, p. 373). However, political turmoil forced the resignation of the PLA-led government in June 1991, and ‘two short-lived transitional governments followed before the opposition was able to force new parliamentary elections on March 22, 1992’ (Abrahams 1996, p. 8).

These elections resulted in a DP victory, the resignation of Alia and the election of Sali Berisha as Albanian president by the parliament. Since then, in a manner reminiscent of the Hoxha era, Berisha has employed some of the tools of the ‘Bolshevik politics of class struggle’ (Tarifa and Weinstein 1995, p. 68). He has purged his party of moderates, attacked and harassed opponents, arrested and imprisoned leaders of opposition groups (including former president Alia and Fatos Nano, head of the Socialist Party) and attempted to stifle opposition to his regime (Tarifa and Weinstein 1995, p. 68). This process of intolerance has led many to refer to the dawn of a ‘new autocracy’ in Albania (Tarifa and Weinstein 1995). The flaws of Albanian democracy were further exposed by the political crises that ensued after the problematic parliamentary elections of 1996 and the eventual transition to a socialist-led government by 1997.

Economics

The economic situation in Albania, prior to the advent of Communist rule, was precarious to say the least. The economy was in shambles and utterly primitive, as 90 percent of the country’s income came from agriculture and industrial production contributed a mere 4.4 percent (or less) to the country’s net material product (O’Donnell 1999, p. 151). In 1938, approximately 40 percent of arable land was concentrated in the hands of a few owners, even though 80 percent of Albanians resided in rural areas (O’Donnell 1999, p. 151). It was this stagnation and backwardness that the Hoxha-led regime tried to rectify, beginning in 1945, with its ambitious modernization plans. The contents of a speech made before the First Congress of the PLA in November 1948, revealed the monumental tasks then before the new state:

> [The] fundamental objective was to raise the country from its profound backwardness, through a vigorous development of the forces of production. The essence of this task was the socialist industrialization and the electrification, of the country…..Socialist industrialization had to be carried out at rapid rates so as to overcome the backwardness inherited from the past within the shortest possible time, to ensure the independent development of the economy and to achieve an appreciable rise in the material and cultural

> level of the working masses (The Institute of Marxist-Leninist Studies 1982, pp. 244-245, as cited in O'Donnell 1999, p. 156).

Hoxha's industrialization strategy included the following five components: '**Simultaneous and harmonious development of industry and agriculture**', '**priority development of heavy industry**', '**rapid rates of development of industry**', **self-reliance** and **'prioritizing heavy industry, while concurrently developing light industry, albeit at a slower pace**' (O'Donnell 1999). In order to achieve these goals, 'the state launched a plethora of radical development programs and nationalized Albania's industries, banks, transportation, foreign trade, mineral resources, and other natural features' (Emadi 2000, p.363). Furthermore, the Agrarian Reform Law passed in August 1945 redistributed land from wealthy landowners to peasants (O'Donnell 1999, p. 156).

Consequently, the number of hectares used for agricultural purposes doubled from 300,000 at the onset of World War II to 600,000 by1971, while the state recorded significant changes in industrial development, particularly in chemical and heavy industries; two sectors which had virtually been nonexistent prior to 1970s (Emadi 2000, p. 363). Between 1950 and 1985, total industrial production rose from 422 to 16,082, and the level of production by the country's engineering industry increased from 2.8 percent to 14.56 during the aforementioned period (O'Donnell 1999, p. 174).

The International Context and the Communist Regime

Surprisingly enough, contrary to its image as a largely isolated nation, Albania, for the most part, has engaged in international trade and collaborated[27] with its neighbours and others, since the 1920s.[28] However, in the earlier years, this trading relationship was often characterised by exploitation, owing to the country's small size and history of occupation by external forces. Prior to the onset of Communist rule, its imports rose from 24682 to 40601 Albanian gold francs between 1927 and 1939, while its exports declined from 11107 to 9467 gold francs during the same period (O'Donnell 1999, p. 154).

During the Hoxha era, Albania traded with other communist countries within the Council of Mutual Economic Assistance (CMEA) and 'received substantial economic and technical assistance from the Soviet Union to modernize its economy' (Emadi 2000, p. 368). In early 1957, Albania was granted $18.5 million in credit and $105 million in debt cancellations by the Soviet Union; in November of the same year, it also received 'another $115 million credit and a loan of $8.75 million to assist Albania's industries' (Emadi 2000, p. 368). However, as a result of a disagreement between the two countries concerning the feasibility of Albania's industrialisation plans, it severed all ties with Moscow and withdrew from the Warsaw Pact. Albania later strengthened its relationship with China, but despite receiving substantial aid ($594 million between 1961 and 1970 this arrangement also 'soured over political and ideological

[27] According to O'Donnell (1999, p. 150), Albania maintained alliances with Yugoslavia (1944-1948), the Soviet Union (1948-1961) and China (1961-1978).

[28] In fact, Emadi 2000, p. 362 maintains that the system which prevailed in Albania and other countries within the Soviet-led bloc could best be described as 'bureaucratic state capitalism' (and not pure socialism) because of the '..penetrating influence of the capitalist world system on the economies of the Soviet Union and its bloc countries [and the manner in which] international capital began to resurrect capitalist relations of production in the so-called socialist economies in the late 1950s'.

issues as well' (Emadi 2000, p. 369). As this relationship fizzled, 'Albania's foreign trade with Western Europe increased from $39.5 million in 1972 to $94.2 million in 1974 and its trade with developing countries rose from $0.2 million to $8.3 million respectively'(Biberaj 1986, p. 98, as cited in Emadi 2000, p. 369). Nonetheless, Albania pursued a largely autarkic (or self-described 'self-reliance') policy[29], which '..isolat[ed] the country [, and] kept Albania from receiving the modern technology and assistance necessary for sustained growth and advancement in all areas of policy' (O'Donnell 1999, p. 93).

Isolation, Stagnation, Growth and Persisting Problems

By choosing to rely solely on its own wherewithal, the modest progress made in previous decades began to dissipate. Consequently, starting in the 1980s, 'the economy began to suffer a decline in productivity as the government remained committed to providing full employment for a rapidly increasing labour force, and the extreme isolation of the country prevented any accumulation of resources to finance capital investments and to replace basic machinery' (Vaughan-Whitehead 1999, p. 3). This period of isolation increasingly was characterised by the following:

> [A]system of rigidly fixed prices (unrelated to prices abroad) and constant exchange rates that played no allocative role and were used only for accounting purposes. Product markets were characterised by excess demand, as evidenced by long queues for basic goods. Import shortages led to major production losses, even in key export industries. At the same time, the government continued to subsidise losses in inefficient enterprises, mainly by means of an uncontrolled monetary surplus (Vaughan-Whitehead 1999, pp. 3-4).

Although Alia expanded trade relations with the international community, the economy was in doldrums in the late 1980s and early 1990s (Emadi 2000, p. 370). A look at key economic indicators further reveals the country's deteriorating situation during this period. From 1985 to 1990 (a year before communism's official demise in Albania), the 'trade balance deficit increased from US$ 36 million to $150 million in 1990' (Vaughan-Whitehead 1999, p. 4). Trade with CMEA countries dropped from 60 percent in the mid-1980s to less than 5 percent of total commercial trade (IMF 1994, as cited in Vaughan-Whitehead 1999, p. 5). In 1992, industrial output declined by 51.2 percent; compared to a decline of 14.2 per cent in 1990 and 42 per cent in 1991 (IMF1994 and IMF 1997, as cited in Vaughan-Whitehead). Also, inflation was 104.1 percent in 1991 and 236.6 per cent in 1992, while the external current account deficit was US$213.0 and US$434.0 in the same years (IMF 1994 and IMF 1997).

In order to stem this malaise, the Albanian government liberalised trade and prices in 1991, and embarked upon wholesale IMF-supported monetary, fiscal and income reforms a year later (Vaughan-Whitehead 1999, p. 4). These reforms entailed 'greater budget discipline [,]…a tightening of the money supply [, the introduction of] a floating exchange' [,]…privatization of agricultural land and of many small and medium-sized owned enterprises (Vaughan-Whitehead 1999, p.4). As from 1993, the economic reforms instituted by the post-Communist regime started yielding some positive results. Clunies-Ross and Sudar (1998, p.1) summarised the situation thusly:

[29] O'Donnell (1999) further notes that Albania's self-reliant stage lasted from 1978 to 1985.

> Ending the 1980s as the poorest country of Communist Europe, the most isolated and autarkic, and the most extreme in its Stalinism, and then (at least among countries outwith the former Soviet Union) suffering the most severe disruption to production in the first couple of years of its transformation, it appeared by late 1996 to have become the most successful economically over the previous few years. It had been especially quick to achieve a stable floating exchange-rate and fairly stable domestic prices. It seemed set to overtake its 1989 level or production earlier than any of the other European and ex-Soviet transition economies apart from Poland and perhaps Slovakia and Slovenia; and, alone among them, it had apparently experienced growth at 'East Asia' rates for four years. Advocates of shock-treatment as the best recipe for transition to the market could plausibly cite Albania in support".

In broad terms, the reforms fully ensconced Albania into the global economy, as the country witnessed an increase in international flows of **money (finance)**, **goods (trade)**, **people (labour)** and **remittances**. Firstly, the country has recorded an unprecedented increase in foreign aid and investments since the demise of communism, and the institution of political and economic reforms. From 1991 and 1996, the United States extended $218 million in economic assistance to Albania and 'established a $30 million Albanian American Enterprise Fund to promote private sector activity'; Italy, Germany and Japan have also given $420 million, $210 million and $75 million respectively (Biberaj 1998, p. 195). Also, between 1991 and 1995, the number of foreign firms operating in Albania increased from 10 to238 (Clunies-Ross and Sudar 1998, p. 215).
A look at the second manifestation of globalization, reveals a rise in the volume of exports and imports in recent years. From 1991 to 1996, exports rose from $82 million to $270 million, while imports rose from $314 million to $850 million (Biberaj 1998, p. 197). Oddly enough, the mass emigration of Albanians to better climes, particularly Italy and Greece, also benefitted the economy positively. This emigration 'not only relieved unemployment [it] also produced a considerable inflow of cash remittances available for consumption or investment'; in 1994 and 1995, $US374 million and US386 million respectively were transferred by Albanians émigrés to their family members still residing in the country (Clunies-Ross and Sudar 1998, p. 16).

According to statistics presented by the IMF(1994) and cited in Vaughan-Whitehead (1999), the decline in GDP (-10 per cent in 1990, -28.0 per cent in 1991 and –7.2 per cent in 1992) was arrested; it grew by 9.6 per cent in 1993, 9.4 per cent and 8.2 percent in 1996. Albania therefore recorded one of the highest growth rates in Europe between 1993 and 1996 (EIU 1999, p. 22). Its inflation levels also declined dramatically (from 226.0 percent in 1992 to 12.7 percent in 1996), industrial output, which had decreased by 14.2 percent in 1990 and 51.2 percent in 1992, grew by 13.6 percent in 1996 (Vaughan-Whitehead 1999, p. 6). Agriculture's share of total export, which stood at 48 percent in 1990, dropped to a low of 8 percent in 1995 before slightly increasing to 9 percent in 1996 (EIU 1999, p. 18). Albania's seeming impressive growth during the 1990s was lauded by the IMF, the World Bank (1996) and the Economic Intelligence Unit (1996, p. 32), which remarked that 'since the implementation of the stabilisation of adjustment programme in 1992, the country has made substantial progress in achieving macroeconomic stability [and] was Europe's fastest growing economy in 1995, with real GDP growth of 11%'.

Albania still remains one of the poorest countries in Europe, as the previously-described growth has not necessarily been sustained. The EIU (1999, p. 20) describes the persisting problem in the following manner:

> ... [A]part from the success of agriculture following privatisation, the achievements of reform appear to have been superficial. The financial sector remained undeveloped, and the willingness of Mr Berisha's

> government to implement reforms and comply with IMF and World Bank requirements masked a reality in which apparent economic success largely depended on remittances from foreign workers, large-scale smuggling and money-laundering and illusory, short-term profits from the pyramid schemes.

Some of the more specific problems plaguing Albania include 'structural imbalances, unacceptably high unemployment, delays in overhauling the financial system, and inadequate transportation and communication infrastructure' (Biberaj 1998, p. 198). The fall in the prices of some of its key exports (such as copper) and 'loss of traditional markets' (Biberaj 1998) have also been deleterious to the fragile and underdeveloped economy.

Civil Society

Owing to the corrosive and all-encompassing repression that prevailed under Communist rule, civil society in Albania remained at best weak, if in fact it existed at all. The PLA did not allow a non-state realm to coexist with the state, as it sought to control both the public and private realms:

> In contrast to former communist countries in Eastern Europe that experienced the emergence of special interest groups as early as the 1970s, Albania saw no autonomous group activity until the end of the communist monopoly on political power, in December 1990. The intermediary realm between state and society was nonexistent previously, as the ruling Communist Party controlled every aspect of life. This legacy of the old regime, combined with the fact that even before the Communist takeover Albania lacked civic traditions and independent social movements and associations, posed formidable barriers to the construction of a free and lively civil society, which is considered an important element in the consolidation of democracy (Biberaj 1998, p. 214).

In fact, the 'small and intimate' size of the country enabled the state to easily control and stifle, any opposition to Communist rule; it was 'a common saying that the authorities knew the state of the teeth in your mouth" (Clunies-Ross and Sudar 1998, 9). In order to consolidate its control over all facets of society, the state banned all forms of religious expressions[30], including churches and mosques, restricted the cross-border movement of citizens and ideas, and proclaimed Albania to be the world's first atheist nation; "Even the family was not sacrosanct, with the huge networks of informers run by the Sigurimi, the secret police, reaching into every living-room" (Vickers and Pettifer 1997, 12).

In recent years, 'postcommunist Albania [has] witnessed the rise of myriad professional associations, societies, cultural organizations, clubs, women's organizations, unions, business organizations, environmental groups, and other voluntary groups openly competing in the public realm. They define their purpose as civic action to advance public interest by applying pressure on state institutions, influencing policy processes, stimulating political participation, and enhancing governmental accountability, transparency, and openness' (Biberaj 1998, p. 215). There are currently approximately 200 civil society organizations (CSOs) in Albania today:

> [They operate] in social services, education, development, culture, environmental protection, and health care. Some CSOs are directly engaged in the development of the civil society and the promotion of CSOs. The civic sector in Albania has also taken an active role in such services and activities as: educating youth groups about their place in a civil society; the protection of human rights in Albania through legal guarantees and the application of appropriate laws; the organization of activities in the field of conflict

[30] For a discussion of religion in post-communist Albania, see Stutzman (1999).

> resolution through mediation; and promoting activities to assist in the development of civil society" (Civicus 2001).

Outsiders have also been involved in the development of Albanian civil society. From 1995-1997 a European Union LIEN/PHARE program took place in southern Albania to "empower disadvantaged groups and enable local populations to participate equally in development decisions to create sustainable and locally integrated development" (Holland 1998, 68). Albanian CSOs are also being supported by foreign funding and technical assistance. Grant-making international organisations and centres currently operating in the country include "the Albanian Foundation for Civil Society, ORTC Democratic Network Program, USAID, SNV (a Dutch CSO), and the Soros Foundation." (Civicus 2001).

Nonetheless, Albanian civil society is still largely underdeveloped, encumbered by internal problems and operating in an often-hostile environment. Although the situation has become relatively more opening in the post-Alia era, as a Human Rights Watch (1996) report recently documented, there is still widespread intimidation of opposition groups, including physical attacks, legal harassment and 'political discrimination in state employment'. In addition to having its autonomy infringed upon by the post-communist state, Albanian civil society is hampered by 'lack of capable leadership and organizational capacity' (Biberaj 1998, p. 216).

Trade Unions, Employer Organisations and the State

Not surprisingly, trade unions and other civil society groups are largely post-communist phenomena. Unlike Poland, trade unions did not emerge in Albania until 1990 (Vaughan-Whitehead 1999, p. 135). As of 1996, there were 24 registered trade unions; the two dominant ones were the Free Trade Union (KS) and the Independent Trade Union (BSPH) – Vaughan-Whitehead 1999, p. 135. Like their counterparts elsewhere, Albanian trade unions 'had to deal with the painful consequences of economic stabilisation reforms and restructuring, with massive lay-off programmes and falling real wages [;t]hey also had to develop a stance in relation to the new employment possibilities created by very small enterprises in the private sector, not only in industry but also in the relatively new service sector' (Vaughan-Whitehead 1999, p, 135). The position of Albanian trade unions has been further weakened by low unionization in the service sector (32 per cent in 1996), 'absence of trade unions in the private sector' ('5 percent unionization rate in private enterprises compared to a 72 percent rate in state-owned enterprises') and the precipitous decline in the number of unionized workers – 50 percent of industry workers were unionized in 1996, compared to 93 percent in 1994 (Vaughan-Whitehead 1999, pp. 137-139). Moreover, a law on collective bargaining was developed only in 1991 to 'promot[e] a new industrial system' (Vaughan-Whitehead 1999, p. 135). But 'the ingrained tendency of the state to overcentralise and the lack of preparation and weakly developed independence of the social partners rendered this a very difficult and lengthy process'(Vaughan-Whitehead 1999, p. 135).

The key employers' associations include the Union of Albanian Employers and the Confederation of Albanian Businessmen (KONBIS). The inability of employers to be more influential and vocal vis-à-vis the state has been 'attributed…to the lack of tradition in Albania and attitudes reflective of the burden of the past [,t]he predominant role of the state as employer….[,] the sheer variety of managers and businessmen….. [and the inability of] employers' representatives…to define their negotiating role….' (Vaughan-Whitehead 1999, p. 136). According to Vaughan-Whitehead, a tripartite model emerged with the passage of legislation, which allowed representatives of trade unions and employer groups to participate in the Pensions' Board, and the Board of Employment Foundation and Self-Employment. Furthermore, in 1995, the Labour Code paved way for the creat[ion of] the legal background for the institutionalisation of tripartite relations through the establishment of the National Labour Council' (Ibid 1999, p. 136). The Council, consisting of 10 individuals representing labour and employer groups, along with government officials, reached its first tripartite agreement in 1996 (Vaughan-Whitehead 1999, p. 137).

MISMANAGED: Weak Institutions & the Pyramid Scheme Crisis
"Albania's growth in real GDP was the highest of the countries in transition in 1994 (10.3 per cent) and 1995 (9.5 per cent), but social and political tensions swept the good economic transition picture away in the spring of 1997. The level of institutional development did not represent a level of trust and social capital which could manage the rigours and ruptures of an economy in transition" (Holland 1998, 70)
"Privatization in 1996 was not yet complete, though quite advanced by the usual standards of transitional economies at the time. . . That things [in 1997] eventually (if briefly) went so badly wrong we have, by elimination, to attribute to a failure or failures in institutional development" (Clunies-Ross and Sudar 1998, 5).
The Pyramid Crisis of 1997: "Mr Berisha's rule was brought to an end by a disintegration of order throughout the country in early 1997, following the collapse of a number of controversial "pyramid" deposit-taking schemes. The schemes, which were unregulated, had emerged as alternatives to the undeveloped banking sector, as savers sought to deposit remittances from abroad. They grew rapidly in 1996 by offering 15-100% interest on a three-month deposit. Early investors were paid from funds collected from later depositors. Many people not only invested all their savings in the schemes but also sold their homes to get cash to invest. Although the IMF warned the government against the schemes, the pyramids' instigators had been generous in funding the DP and ministers were loath to act" (EIU 1999, 7).
"...with the collapse of a booming informal financial sector in the early days of 1997, all went into reverse. Much of the productive capacity and many social facilities were physically destroyed, as much of the country fell, more or less briefly, into anarchy" (Clunies-Ross and Sudar 1998, 1).
"The immediate causes of the collapse of 1997 are clear enough. The deeper causes ---why a financial system of that especially precarious character grew so fast; why there was no official response to the danger-signals; why the multilaterals and foreign aid-givers were not able to make warnings heard; why people reacted so destructively to the collapse; why state control broke down---must remain subjects of puzzle and debate(Clunies-Ross and Sudar 1998, 1).
What overt or explicit (or implicit) voices are heard pro or anti globalization?
Pro ?
"...under the extreme form of communism practised from the mid-1960s to 1990, private trade was forbidden and state and collective enterprises conducted transactions without cash through balances at the state bank. The availability of poor-quality, home-produced goods was low; no one could privately own a car. Hence the euphoria by the liberalisation of domestic and foreign trade [in Albania] was unparalleled among the countries undergoing the transition from communism" (EIU 1999, 6-7).
"Despite the transition to a free market economy, or perhaps partly because of it, the wages and salaries of the most skilled and professional strata have remained extremely low, whereas a new class of small entrepreneurs, mainly in the retail and agricultural sectors, have emerged as arbiters of economic power. This newly prosperous stratum provided solid support for the DP [Democratic Party] government's radical free market 'shock therapy' policies" (Vickers and Pettifer 1997, 5).
Con?
"The biggest domestic problem for authorities is the potential for popular dissatisfaction that could lead to another outbreak of civil disorder. With large numbers of people left impoverished by the crisis of 1997, and with unemployment high, the DP [Democratic Party] has fertile ground for anti-government agitation. . . Political stability is thus, more than in most other east European countries, interwoven with economic stabilisation. The first prerequisite for economic recovery is the maintenance of order, so that the basic security and predictability necessary for a normal economic life can be re-established" (EIU 1999, 20-21).
How does globalization affect the poorest of the poor?
Before globalization the poorest of the (working) poor was not much different than the richest of the rich: "The [communist Albanian] economy and society in general depended on extreme, spartan egalitarianism. The ratio between the highest and lowest incomes was 1:2 so that in the mid-1980s a factory director would take home approximately 900 leks a month, an assembly worker 750 and a roadsweeper 600" (Vickers and Pettifer 1997, 12).
"The government is constrained in its pursuit of macroeconomic stabilisation by the need to provide for a population that has been reduced to considerable poverty. Homelessness is perhaps the most visible sign of the present penury. Before the crisis of 1997, many people sold their homes to gain cash for investment in the pyramid schemes, and are now among the mass of people seeking welfare accommodation. Others are poorly housed in shanty towns around Tirana and Durres" (EIU 1999, 21).
Did civil society whither or strengthen under the experience?
Whither – the Communist Legacy Remains: "The long years of communism had none the less profoundly affected the people, particularly in their social and economic development. The post-communist governments have found great difficulty in breaking with the habits of the past, both personal and institutional" (Vickers and Pettifer 1997, 3). "Instead of trust and networks of civic engagement, history has produced a vicious circle of distrust [in Albania], reinforcing a form of primitive social capital which resided in the private world of family and clan, not in the networks of the market place where risks could be taken and economic co-operation sought" (Holland 1998, 70).
Society Disorientation Lead to Anarchy: "There was major disorientation caused by the breakdown of the communists' rigid system of social and moral values. During the winters of 1990-91 Albanian society almost degenerated into general anarchy" (Vickers and Pettifer 1997, 4).
No Popular Uprising: "...after Enver Hoxha's death in 1985 there had been a process of reform of a very limited kind under Ramiz Alia. The structure and functioning of the communist party throughout society enabled the old system to collapse gradually over an eighteen-month period; forcible removal through popular uprising along Romanian lines proved unnecessary. In these circumstances it is arguable how far some aspects of the new order actually represented a genuine break with the old, given the origins of the opposition Democratic Party among a particular section of the Tirana elite which included many longstanding communists" (Vickers and Pettifer 1997, 4).

*   *   *   *

Poland ('modest success')

<u>Pre, Communist and Post-Communist Eras: The State and the Opposition</u>

Poland is one of a few countries whose political experience includes a transition from democracy to socialism. Between 1918 and 1926, it experimented with a democratic form of government that eventually ended "..due to excessive party system fractionalization' (Tworzecki 1996, p. 44). Owing to these and problems, a coup d'etat in 1926 aborted democratic rule and the country was then governed by fourteen cabinets and a parliament (Tworzecki 1996).

<u>*Communist Era (1945-1989)*</u>

The introduction of Communism in Poland was not the result of an internal transformation of society, but the outcome of Soviet imposition at the end of World War II (Frentzel-Zagorska 1990, p. 760). However, despite the control wielded by Moscow, Polish socialism was markedly different from its variants elsewhere within the communist bloc. For instance, the Communist era in Poland was not as totalizing, as there were repeated challenges to the regime's legitimacy from within the party and society. This period has been described as consisting of the following phases: "initial postwar resistance against the communist power, the stage of declassing ('Stalinism'), [and] the cyclic revolutions" (Nowak 1993, pp. 262-3). The unique practise of Communism in Poland, compared to other countries in the defunct Soviet bloc, has been described thusly:

> On the surface Poland displayed all the classic characteristics of the 'communist political system': a single party monopolizing political power; the official ideology of Marxism-Leninism; a highly developed secret police; a centrally planned economy. Yet the party was never as powerful as its monopoly role suggested. Catholicism challenged the supremacy of Marxism-Leninism. The planned economy did not exclude small, private farming, which dominated Polish agriculture after 1956; there were also small independent family businesses and thriving black or grey markets (Millard 1999, p. 6).

The Communist system sought to assume control over all aspects of Polish life, by trying (but largely failing) to "develop a new homo sovieticus" (Weigle and Butterfield 1992, p.5). Under Stalin, similar to what occurred in Russia, Poland's self-organized groups were replaced with those created by the state. This both eliminated Poland's social organizations of the past, and discouraged the creation of new ones in the immediate future (Bernhard 1996, p. 314). After Stalin's death, the communist regime allowed greater room for social organizing. However, the Soviet-backed system remained relatively restrictive regarding the degree of social pluralism permitted (Berhard 1996, pp. 314-315). From this vantage point, Bernhard notes that "social organizations independent of the state only emerged during times of weakness or crisis" (1996, p.315). Independent social organizations that did manage to survive the soviet system, like the Catholic church, were considered hostile to the Soviet regime and closely monitored, or integrated into other structures of state control where they had little room for autonomous social action (Bernhard 1996, p. 316).

The Polish people, like their counterparts in Czechoslovakia and Hungary, were not deterred by the controlling tendencies of Communism but were able to incrementally undermine successive Communist administrations. When opportunities emerged, the Polish people demonstrated a cyclical tendency to self-organize and expand their public sphere. Frentzel-Zagorska (1990, pp. 760-1) notes that in 1956, 1968, 1970, 1976 and 1980, when Solidarity was formed, Polish citizens organized to challenge the Communist regime. The first challenge occurred in 1956, in response to Khrushchev's 'secret speech' at the Congress of the Soviet Communist Party (CPSU), which criticized the crimes of Stalin (Tworzecki 1996, p. 45). In turn, there was a fissure within the Polish Communist Party, as certain communists advocated political reforms (liberalizers), while others (revisionists) were largely satisfied with the status quo, "opposed reforms and tried to gain popularity by blaming the crimes of the Stalin era on officials of Jewish origin" (Tworzecki 1996, p. 45). In response to this unrest, the ruling class made certain concessions to the opposition, including "a retreat from the policy of terror a factual recognition of peasant ownership, and of the independence of the Church" (Nowak 1993, p. 263). Moreover, other ensuing resistance to Communist rule compelled the state to institute economic reforms, grant freedom to the official press and recognize the rights of the political opposition (Nowak 1993). Furthermore, as a result of negotiations between Soviet and Polish Communist officials, and in order to placate the public, Wladyslaw Gomulka, a 'national-communist' who enjoyed a measure of public support', was appointed as First Secretary (Tworzecki 1996, p. 45)

Another challenge to the Polish Communist Party occurred in 1968, when Warsaw University students embarked upon street demonstrations to protest the state's "shortening" of an anti-Russian play (Tworzecki 1996, p. 46). Two years later, workers at the Gdansk shipyard and elsewhere protested the increase in food prices; this led to the death of 45 people and wounding of 1,165 (according to official estimates), and the resignation of Gomulka (Tworzecki 1996, p. 47). Ensuing protests in 1976, 1980 and 1981 were also partly triggered by economic crises prevalent at the time. In response to the failure of the State to address the underlying deficiencies, instead of simply raising food prices, several new organisations came to the fore during the period, most notably the Committee for the Defence of the Workers (KOR), formed in 1976, and the Solidarity movement, which emerged in 1980 (Tworzecki 1996, p. 47).

The emergence of Solidarity was important, as it proved to be the communist regime's final death knell. Not surprisingly, the Polish state was gradually weakened by the aforementioned protests, which allowed non-state actors to demand wage increases, economic reforms and the legalisation of trade unions (Tworzecki 1996). As the regime acceded to these and other demands emanating from civil society, the state became increasingly weak and unable to stem the tide and further control Solidarity and other groups. In order to placate striking workers, the regime relaxed its censorship grips and became one of the first in the Communist bloc to allow independent trade unions to operate somewhat unhindered. In this seemingly open environment, Solidarity was able to flourish with this members quickly growing to ten million (Tworzecki 1996, p. 48). However, as Solidarity and other independent organisations became more vocal, the regime became increasingly repressive and imposed martial law in December 1981; this only served to further embolden the opposition. This vacillation between liberalisation and repression continued until 1987, when a referendum was conducted to elicit support for badly-needed but stringent economic reforms. These reforms were rejected by the Polish people and widespread protests ensued a year later (Tworzecki 1996, p. 50). Sensing the severity of the situation, a "Round Table" was convened to address economic and political concerns, and the following political resolutions were reached between Communist Party and Solidarity Officials:

> …[T]he Communist Party and its satellites would be guaranteed 65% of seats in the lower house of parliament, with the remaining 35% to be openly contested. The elections to the upper house would be completely free. A presidency with strong executive powers, with the candidate to be elected by parliament, was also created (Tworzecki 1996, p.50).

Post-1989 Politics

The first parliamentary election, held in June 1989, was not truly competitive because it was 'non-confrontational'. However, although the rules were set to virtually assure a victory for and further prolong communist rule, they were badly defeated at the polls, as Solidarity secured 99 seats (out of 100) in the Senate and won all seats available to non-communists (161 out of 460) in the Sejm, the lower house (Tworzecki 1996, p. 50). Due to the fact that non-communists wielded disproportionate power, the ability of the Communist President and Prime Minister, Generals Jaruzelski and Kiszczak to continue with 'business as usual' was severely hampered, and the latter was unable to form the requisite coalition needed to govern effectively. Consequently, Mazowiecki, a Solidarity activist, was appointed Prime Minister and oversaw the implementation of the 'Balcerowicz programme (also referred to as 'Shock Therapy').

In a manner akin to the situation under Communist rule, the economic reform initiative was widely assailed by trade unions and other groups, resulted in protests and strikes, and led to the eventual dissolution of Solidarity into splinter groups (Tworzecki 1996, pp. 52-3). Certain Solidarity activists, such as Lech Walesa (who later won the presidency in 1990) and his Center Alliance (AC), advocated speedy economic reforms, whilst others under the Alliance for Democracy (later christened the Citizens Movement-Democratic Action – ROAD) umbrella organisation supported Mazowiecki and adopted the reverse position. In concert with this metamorphosis of Solidarity (which ruled Poland from 1989 and 1993, and from 1997 onwards – Millard 1999), communist organisations also reinvented themselves after 1989. In the setting dominated by myriad post-communist, post-solidarity and other often colourful parties[31] (approximately 370 in 1997 – Millard 1996, p. 105), conflicts typically centred mostly around economic reforms. Moreover, there were disagreements concerning electoral laws, '…the nature of church/state relations…., the definition of citizenship, either in ethnic-religious or in non-exclusionary terms; and the relative importance of individual and collective rights, especially in the field of broadly defined "morality" (Tworzecki 1996, p. 54). In sum, since the first parliamentary elections, subsequent contests for political office have been competitive (as non-communists could vie for all presidential and parliamentary posts), riven with often-rancorous disagreements and characterised by frequent changes in government - between 1989 and 1998, Poland was governed by three presidents and nine prime ministers 'under three sets of constitutional arrangement'(Millard 1999, p. 14).

Civil Society, Economic Reforms and Globalisation

Civil Society

[31] According to Millard (1996, p. 105), some of the more interesting political parties included the Party of Success and Laughter, and the Congress of Polish Eskimos.

The current rediscovery of the concept of "civil society"[32] cannot be discussed in any context without some reference to the Polish experience. Some of the key contemporary civil society theorists, such as Adam Michnik, Jacek Kuron[33] and Leszek Kolakowski, are of Polish descent. These theorists 'developed a model of civil society that combined a radical self-management agenda with a liberal emphasis on the importance of the self-limiting revolution and the separation of spheres [;] ….the Polish model of civil society was unique – particularly in terms of the rediscovery of the totalitarian paradigm, which was used to critique the classical alternatives of reform or revolution and to suggest the need for a 'society-first,' or civil society, strategy for political opposition' (Baker 1998, p. 125). This novel contribution is hardly surprising, since, according to Frentzel-Zagorska (1990), Poland has a "strong tradition of conspiring against foreign rule." Consequently, "Poland's freedom-fighting and conspiratorial tradition offered ready-made patterns for anti-government activity and endowed people engaging in it with a feeling of moral rightness; it also helped to secure minimum social support for them, at least on the private level" (1990, 766).

Social movements, particularly trade unions, have been very instrumental in effecting political and economic change in Poland. Specifically, civil society was codified in the country in 1980, when the regime legalised Solidarity; a decision which 'undermined the position of the Communist party in relation to the labor movement and created long-lasting political and societal cleavages that persist to this day' (Inglot 1998, p. 149). As mentioned in the preceding section, organised resistance to Communist rule resulted in the institution of economic reforms in the 1970s. Not surprisingly, the labour movement was at the forefront of these developments, in the 1970s and early 1980s, when it 'evolved from a centralized and unified structure into a fragmented and politically divided model of labor representation' (Inglot 1998, p. 149). However, trade unions operated in a public sphere that was subject to the vagaries of the state. On the one hand, labour groups were able to widen closed spaces; on the other hand, the Communist Party routinely restricted the ability of these groups to operate independently. For example, it proscribed independent unions in 1982, 'only to retreat once again a few years later, thereby encouraging official and illegal labor organizations to reactivate their influence at the local and national level' (Inglot 1998, p. 149). In this vein, Frentzel-Zagorska observes that during the Solidarity period, Poland's civil society operated in an, "abnormal pathogenic situation" (1990, 770). Its existence was constantly under threat by the ruling elite, yet, "Solidarity, as the people's own organisation, was preserved underground and as a myth- in the sociopsychological sphere. That provided a necessary condition for the further reshaping and development of Polish civil society in the eight years following the imposition of martial law" (1990, 770). Since the demise of communist rule:

> "The critical drivers of domestic political and policy developments are those significant constituencies – farmers, well-organised workers in heavy industry, public sector employees, emerging groups of private sector employers and, importantly, regional interests that will become more vocal following the decentralising reforms launched in January 1999 – more or less effectively organised either through trade unions, political parties or regionally based movements" (Blazyca 1999, p. 806).

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[32] For more cogent and detailed discussions of Polish civil society, see Sokolowski (2001), Ekiert and Kubik (1999), Taras (1997), Bernhard (1996), Glinski (1994) and Tarkowska and Tarkowski (1991), among others.

[33] Polish opposition activist Jacek Kuron's famous slogan, "Do not set party committees on fire – build your own committees!" (1988,12) is a classic quote from Poland's underground civil society movements.

Polish Economy[34]

The economic changes that have occurred in Poland over the last two decades are phenomenal, particularly if they are placed within the context of the situation under the *ancien regime*. During the communist epoch, officials 'attempt[ed] to link together the political monopoly of the communist party apparatus with the institutions of a socialist economy' (Galata 1997, p. 27). However, despite recording impressive economic and technological advancements, this progress was not sustainable, as the regime relied extensively on 'an extensive exploitation of natural resources (Galata 1997, p. 27). Additionally, the flaws in the system were exposed, as the country increasingly had to contend with an economy in shambles, beginning in the mid-1960s, when the crisis gripping Poland became acute (Fallenbuchl 1994). This was primarily due to the fact that the communist regime had, for too long, sought to mask and not rectify underlying structural problems:

> With administratively controlled prices, there was a hidden rather than open inflation. A potentially very substantial unemployment was hidden by a general overstaffing and the maintenance of unprofitable, or even useless, industrial production with the help of subsidies from the central budget. A balance of payment disequilibrium was not seen because of economically meaningless, completely arbitrary rates of exchange, incontrovertibility, barter transactions and bilateral payment clearing (Fallenbuchl 1994, p. 51).

Edward Gierek's development programme attempted to tackle and eliminate these malignancies. Specifically, he introduced a development programme in the early 1970s, which '..attempt[ed] to modernize and to restructure the economy with the help of a large-scale technology transfer and borrowing from the West without systemic modifications' (Fallenbuchl 1994, p. 51). Although this initiative expanded Poland's exports and consequently enabled it to pay its international loans, the reform largely failed because it was implemented within a system that was highly inflexible (Fallenbuchl 1994). Moreover, Gierek's strategy actually worsened the economic situation in Poland during this period: 'it resulted in an increased, partly suppressed and partly open, inflation, growing balance-of-payments deficits, and a rapidly mounting hard currency indebtedness' (Fallenbuchl 1994 p. 51). In sum, the main theme that characterised the mid-1970s and the following period under communist rule was largely stagnation, as key indices showed marked deterioration in economic life; for example, the Net Material Product (NMP) declined by 24 percent between 1978 and 1982 (Fallenbuchl 1994, pp. 51-2).

Not surprisingly, the situation existing prior to and in the aftermath of the demise of communist rule was hardly different from what obtained before. In 1989, GDP rose by a mere 0.2 percent (compared to 1.2 percent in 1978), 'industrial production declined by 0.5 percent [;d]espite price controls, [and] the open inflation was 25 percent in 1987, 60 percent in 1988, and 251 percent in 1989' (Fallenbuchl 1994, p. 52). In light of this precarious situation, the Polish government solicited the advice of international organisations such as the IMF, World Bank, the EBRD and USAID in order to '..reduc[e] hyperinflation, decontrol prices, eliminat[e] shortages, establish a freer flow of trade, mak[e] the zloty convertible, and reduc[e] subsidies – particularly of state-owned enterprises' (Angresano 1996, p. 88). As mentioned in preceding discussions, a Round Table Conference was convened between 6 February and 5 April 1989 to chart the course

[34] For recent volumes on the Polish economy, including the social impacts of reform initiatives, see Adam (1999), Kolodko (2000) and Bell (2001).

of the country's future (Galata 1997, p. 29). During this time, the Polish government and 'Solidarnose', which ably represented civil society, 'signed an agreement on [the following] social and economic policies, as well as systemic reforms:

> [A]n opening up or property structures, market relations and competition, development of local government and workers' participation, elimination of the remnants of the command distribution system, equal rights for sectors and companies regardless of the form of ownership, and the selection of staffs on the basis of qualifications' (Galata 1997, p. 20).

Tripartism: Trade Unions, the State and Employers

Upon the demise of Communist rule in 1989, two conflicting organisations were influential in the labour movement, Solidarity and the All-Poland Alliance of Trade Unions (OPZZ – created by the communist regime but allowed to operate with some autonomy) (Inglot 1998). Irrespective of the proliferation of new groups, trade unions have remained a central manifestation of Polish civil society (Millard 1999, p. 109). More importantly, 'policymakers sought to directly engage union participation in a new system of labor relations [;] the trade unions in turn used the government's internal divisions over labor policy to achieve specific economic goals and to enhance their political standing' (Inglot 1998, p. 148).

Inglot (1998, p. 149) further notes that Solidarity was plagued with divisions concerning how to relate to the government; 'one faction favored close cooperation with the government, whereas other refused to cooperate [,]… fear[ing] growing alienation of the rank and file, especially among workers in the largest industrial enterprises'. However, the institution of the 'shock therapy' (described below) '….effect[ively]… annull[ed], de facto, most labor agreements signed at the round-table negotiations in April 1989' (Inglot 1998, p. 150). Not surprisingly, there was no agreement amongst civil society groups concerning the efficacy of the 'shock therapy'. In light of the decision by the Polish government to embark upon urgently-needed reforms, Solidarity and other civil society groups agreed to support the initiative in order to douse tensions then apparent in the Winter of 1990 (Inglot 1998). However, this coalition began to unravel almost immediately, as influential labour groups representing '…miners, steelworkers and railroad employees, began to seek separate deals with the state to ensure protection for their wages and pensions benefits' (Inglot 1998, p. 150).

In attempting to foster an amicable relationship with labour and employers, successive post-communist regimes have instituted varying degrees of policies favouring tripartism (Millard 1999, p.113). The new 'Pact for Industry' had the following features:

> [It] involved trilateral negotiations among government, employers and unions over restructuring and privatization, wages and conditions. In exchange workers would help determine their enterprise's privatization strategy; they would receive 10 per cent of their firm's stock; and union representatives would sit on the boards of newly privatized companies (Ibid)

As mentioned above, the unending changes in government in the post-communist years has not been particularly favourable to tripartism. As Millard (1999) notes, the Pact was not formalised by and therefore ended with the Suchocka government (1992-1993). In 1994, the Pawlak government (1993-1995) formed a Tripartite Commission, comprising twenty-three members - four from government, the Confederation of Polish Employers, Solidarity and the OPZZ, and one member each representing "seven branch unions" – (Millard 1999, p. 113). The task of the commission was to 'monitor and evaluate the mechanisms and instruments of social and economic policy and to formulate their own conclusions'; however, it not an especially effective arrangement because of the 'unanimity requirement' ('for without consensus the Commission had no decision-making authority, merely consultative status'), the ability of the government to veto agreements, the weakness of employers' representatives and the lack of genuine consultation with employers and unions (Ibid)

<u>Economic Reform: The 'Shock Therapy'</u>

The Solidarity-led government, which took office in Poland in September 1989, immediately adopted a radical package of economic reforms commonly referred to as "Shock Therapy" or the "Balcerowicz Programme". The country therefore became the first in the former communist bloc to institute the following and other reforms spearheaded by the IMF:

> [L]iberalization of almost all prices, the elimination of almost all subsidies, the abolishment of the mechanism of administrative allocation of resources and final goods, freedom to establish private businesses, the liberalization of the system of international economic relations, which included free access to foreign trade by everybody, and the internal convertibility of the currency together with a 32 percent devaluation (Fallenbuchl 1994, p. 52).

These fiscal, monetary and other initiatives, in turn, were responsible for the dramatic turnaround recorded in the 1990s, such that by 1994, Poland became the first post-socialist country to record real GDP growth exceeding its 1989 values. Since then, the country has consistently reported high positive growth, making Poland one of Europe's best growth records (Blazyca 1999).

More specifically, annual growth of GDP, which had been largely stagnant in previous decades, started to rise. It grew to 7.0% in 1995 (World Bank 2001), compared to 0.2 percent in 1989; industrial production rose to over 10 percent in 1995 (Angresano 1996, p. 92). The private sector increasingly also became very central to Polish economic life, as its share of GDP increased from 30 percent in 1990 to approximately 56 percent by 1994, while private sector employment rose from 46 percent in 1989 to 60 percent in 1990 (Angresano 1996, p. 92). A review of other key indicators reveals the increasing importance of the private sector in Poland. While early foreign direct investment proved disappointing,[35] private enterprise boomed following Poland's reforms. By 1995, over two million private businesses had emerged in Poland (Lowrey Miller, Comes, and Simpson 1995). By 1991 GNP produced by the private non-agricultural sector reached 20 percent. While the state sector showed an early export surplus, in the private sector, which concentrated in trade, a huge import surplus was observed (Vienna Institute 1992). Unable to receive funding from state banks, many of the country's entrepreneurs looked to their own pockets. A survey published in 1991 revealed that 73% of entrepreneurs in Poland's Gdansk region used personal savings and loans from family and friends as their source for initial capital (Kreft 1991).

According to the Polish Central Statistical Office (GUS), real per capita GDP rose from $1,547 in 1990 to $2,402 in 1994), and inflation drastically declined from 585.0 percent in 1990 to 27.8 percent by 1996 (Kropiwnicki 1998, p. 145). Concerning its budget deficit, Poland witnessed a 'ris[e] from a 6 %-of-GDP deficit to an under-3% deficit before the 1995 election year' (Angresano 1996, p. 94). By 1998, Poland, "was viewed as an economy where

[35] "In spite of a sharp increase in the number of registered projects [in Poland], from 918 in 1989, to 2700 in 1990, and to over 5000 by the end of 1991, the amount of invested Western capital reached only US$353 million in 1990 and US$670 million in 1991, less than 30 per cent of the amount invested in the three times smaller Hungarian economy" (Kozminski 1992, 323).

‘fundamentals’ were sound, with most economic indicators (growth, inflation, foreign direct investment) moving in a healthy direction, and which looked reasonably strong in the face of the much greater uncertainties on the international economic scene following the 1997-98 crises in South-East Asia, Russia and Brazil” (Blazyca 1999, p.799). In addition to witnessing some marked improvements in its economic life by the mid-1990s, a review of key health indicators reveals measurable progress in key non-economic variables. For example, life expectancy for women increased from 75.3 years in 1989 to 76.4 in 1995 (with a minor setback between 1990 and 1991), whilst the infant mortality rate decreased from 19.1 to 13.6 during the same period (Kropiwnicki, 1998, p. 146).

Globalization, Export-Oriented Growth and Privatization

With a decreased domestic demand for goods and renewed relations with the west, Poland shifted its focus to its export sector. In 1990, Poland carried a considerable trade surplus of over US$3.2 billion (Vienna Institute 1991). Although an economic slowdown in Western Europe and the strengthening of the Polish zloty eventually weakened this trend, “domestic demand, led by investment, took over as the driving force [for economic growth]” (World Bank 2001). Annual investment growth averaged over 20 percent in Poland from 1995 to 1997. Although investment has declined to an average of 10.5 percent in 1998 and 1999, it continues to grow at twice the rate of the country’s GDP (World Bank)

Although Poland now ships a majority of its exports, approximately 64%, to the European Union (Rocznik Statystyczny 1998). Russia remains an important market. According to the World Bank, about 15 percent of official exports, “and a possibly larger share of unrecorded trade,” is sold to Russia and other Commonwealth of Independent States countries (World Bank 2001). With the Russian financial crisis of August 1998, Poland’s economic growth slowed from an average of 6% to 4.1% in 1999 (World Bank 2001). In addition, Poland’s stock prices experienced a 30% drop (Hanes 1998).

By weathering Russia’s financial storm, Stephen Pattison, director of trade promotion at the British Embassy in Warsaw says, “Poland may emerge from the crisis with a better reputation than it had before” (Hanes 1998). Today, Poland has attracted over $16.7 billion in foreign direct investment, the highest in Central and Eastern Europe and boasts a list of over 630 foreign investors from 31 countries Hanes 1998).

Privatization of Poland’s state owned organizations has been slow. In the early days of the country’s transformation, privatization was slow due to, “the lack of capital in private hands and to the complete lack of a tradition of massive stock ownership” (Kozminski 1992, p.322). Eventually, a mass privatization scheme was initiated in 1995. “The scheme had been delayed for some three years, but a keen interest was shown in the vouchers, fueled by an advertising campaign” (Sword 1998, 580-581). As opposed to the “large” privatization of state-owned enterprises, small privatization of services and retailing organizations was quick in Poland. By 1991 well over 85 percent of retailing was in private hands (Kreft 1991). More than half of state owned enterprises have been privatized. Of those that remain, most are small although the government of Poland still controls over 400 medium and large enterprises, representing over 50 percent of remaining state assets. These are primarily enterprises in mining and heavy industry sectors, highly unionized, and, in some cases, loss makers” (World Bank 2001)

Liberalizing the Capital Account

Poland is considered a safe haven for portfolio investors. According to Hans Peter Lankes, senior economist at the European Bank for Reconstruction and Development, "Poland only opened its capital account last year [1997]. Consequently, foreign portfolio inflows have never been very big and, as a result, neither have outflows" (Hanes 1998).

Problematic growth?

Despite these impressive changes in Poland's economic structure, recorded improvements have not necessarily been sustained in certain areas. Whilst GDP continues to increase (from $110.7 billion in 1995 to $155.2 billion in 1999), a cursory glance at other indicators shows that annual growth of GDP has slowed somewhat from 7 percent in 1995 to 4.1 percent in 1999 (World Bank 2001). Also, in 1999, an economic slowdown ensued, as Poland combated 'rising inflation and a deteriorating current-account deficit' (Economist 2001, p. 102). More significantly, certain analysts contend that the impressive economic performance recorded in Poland have engendered deleterious effects in other sectors. For instance, Angresano (1996) evaluates the manner in which the 'shock therapy' has impinged upon unemployment, income distribution and poverty. Angresano notes that the 'rate of unemployment grew steadily worse, from 1.5% in the first quarter of 1990 to the third quarter of 1993 when it reached 15.4% (Angresano 1996, p. 96). In the same vein, the reform programme induced 'anxiety and uncertainty among the Polish population… [especially] widespread fears of involuntary unemployment due to layoffs' (Berg 1994, p. 412, as cited in Angresano 1996, p. 96), whilst government officials were increasingly worried concerning their inability to address the unemployment problem (Angresano 1996).

Regarding income distribution in Poland, Angresano (1996), Berg (1994) and Adam (1994) maintain that inequality has increased dramatically since the 'shock therapy' initiative was instituted. Adam (1994, p. 615) maintains that, although 'a narrow segment of the population have made fortunes… the majority are much worse off; they must bear the burden of the high social costs of shock treatment'. Relatedly, the reform programme triggered social costs, include a rise in poverty, and the 'social and economic costs of reform [policies] now appear to be much greater than originally anticipated' (Angresano 1996, p. 98). Furthermore, the Polish Central Office of Planning contends that economic transformation has exacted a high social cost, with 'about 30% of households hav[ing] fallen into the low-income bracket (Angresano 1994, p.98). Data presented by Kropiwnicki (1998) also supports this rise in poverty levels since the early 1990s.

What overt or explicit (or implicit) voices are heard pro or anti globalization?

Pro (e.g. demand for McDonalds)?

Con?

A. To what extent are these voices politicized?

- "Polish trade unions (as everywhere) have been and look likely to continue to be pushed on the defensive by privatisation and by the emergence of new business interests not particularly well disposed to trade unions" (Blazyca 1999, 809).
- "Heavy industry restructuring, which is complicated in Poland by virtue of its regional concentration around Katowice in upper Silesia, will not be straightforward. Farmers are usually

involve, as each annual harvest approaches, in media-grabbing nationwide protests against lack of state support and slow growth in produce prices... In summer 1998 and in January 1999 those protests had a more overt, anti-EU flavour, perhaps a hint of things to come." (Blazyca 1999, 811).

II. How does globalization affected the poorest of the poor?

- "Eight years of sustained growth have helped reduce social problems, although there are still many issues that need to be addressed. Unemployment, officially non-existent before 1990, rose rapidly with the recession of 1990-91, reaching a high of 16 percent in 1994 before falling below 10 percent in mid-1998. Following the Russian crisis of August 1998, however, the unemployment rate started to rise again, reaching 13 percent in 2000. Pockets of very high unemployment remain in regions where agricultural and industrial restructuring is difficult and incomplete. Rural poverty and the educational and social problems that come with it will need particular attention" (World Bank 2001).

* * * *

10.3.3 SMALL STATES

Small states represent a third arena in which to test the validity of the governance and civil society theses, since they are unusually "globalized" in the sense of being highly dependent on trade and foreign aid (Dollar and Collier 2000; Easterly and Kraay, 2000). Since small states lack the economic and political power to have a major impact on global trade deals and international affairs more generally, the very well-being of their citizens turns on their capacity to respond promptly and appropriately to the opportunities and risks of globalization (Brautigam and Woolcock 2001). Brief case studies of three small states—Mauritius, Jamaica, and Sierra Leone—shows that here too there is a great deal of variation in terms of success at managing globalization, with governance and civil society organizations playing a key role in shaping which road is taken.

As shown in Table 9.x shows, all three countries have experienced improvements in life expectancy and infant mortality since 1970, with Jamaicans gaining double the number of years gained by Sierra Leoneans, and Mauritians tripling the latter's gains. Mauritius also had far greater improvement on infant mortality, although by 1997, Jamaica had the lower rate. On income per capita measures expressed in 1987 US$, both Jamaica and Sierra Leone have declined since 1975, while Mauritius has more than doubled its real GDP per capita. Economic policies are certainly central to the stories here, but can the differences in the ability of these three countries to manage their vulnerability be partly explained through variance in the institutions of governance and civil society?

[Table 9.x about here: comparative data on small states]

Governance

One aspect of state capacity is the ability of the state to assure domestic and foreign investors that it will carry out its financial obligations. One way to explore this is through credit ratings given by firms like Institutional Investor, which rates countries from 0 (low) to 100 (World Bank 1997a). A glance at the credit ratings for 1981-83 suggests that Mauritius (at 19.0 compared with Switzerland's 95.2) was only marginally above Jamaica (at 15.9), while Sierra Leone stood at 8.2. Over the next ten years, however, Mauritius improved its rating by an average 2.34 points per year, the most dramatic improvement of all the rated countries. Jamaica also improved, but only by 0.77 points per year, while Sierra Leone declined at an average -0.09 points per year. While this is a narrow view of state capacity, it does suggest that Mauritius's ability to manage its economic affairs, and therefore its vulnerability, is likely to be superior to the other two.

State capacity is also affected by the broad quality of the educational system that feeds graduates into the bureaucracy. In 1980, fifteen years or so after independence, Mauritius had a 93 per cent primary enrollment, and 50 per cent secondary. Jamaica was even better, at 103 per cent primary enrollment, and 67 per cent secondary. But Sierra Leone was enrolling only 54 per cent in primary school, and only 14 per cent in secondary (World Bank 1997a). Both Jamaica and Mauritius had a sufficient base from which to draw their civil servants, while the base in Sierra Leone was much thinner.

Governance also matters because it helps countries manage the conflicts engendered by globalization. Here we look primarily at democratic decision-making, but also at instruments of social policy, as reflected in levels of household inequality, and social insurance.

All three countries were once British colonies, and all three have experienced substantial and gradual enlargement of suffrage and inclusion of local people in governance. Jamaica had a long history of representative government, dating from the 18^{th} century. Legislative council elections were held in Mauritius in 1886, although the franchise was severely limited. Sierra Leone held its first legislative council elections in 1924, electing Africans to the council (Collier, 1982, 39). At independence, all three adopted democratic constitutions. Mauritius (independent in 1968) and Jamaica (independent in 1962) maintained their democracies over time, despite some rough spots. Sierra Leone had a lively multiparty competition until 1978, when an authoritarian leadership adopted a new constitution, making Sierra Leone a single party state.

Since 1972-73, Mauritius has averaged '1' on the Freedom House measure of political liberties, and '2' on the Freedom House measure of civil liberties, the same score held by the United Kingdom, making it among the most 'democratic' of small developing countries (Freedom House, 2000). Over the same period, Jamaica averaged a more modest but still low '2' on political liberties and '3' on civil liberties, while Sierra Leone has averaged '5' on political liberties and '5' on civil liberties. If democratic institutions help ameliorate the impact of trade liberalization and engagement with the global economy, Mauritius should benefit the most, while Sierra Leone should find little help.

To what extent did institutions in each country ameliorate or reinforce inequality, another possible aspect of conflict management? Again, data is poor in this area, and we have no data at all for Sierra Leone. We have figures on Gini coefficients of income inequality for Jamaica from 1991: 41.1, and from Mauritius, where income inequality was reduced during the 1980s, resulting in a household Gini coefficient of 37 in (year). Both of these are relatively low, particularly when compared with small Latin American countries such as Nicaragua (50.3) and Panama (56.6). In Mauritius, the idea of equality and equity has been honored, not just given lip-service, by political leaders, who emphasize social justice as one component of their strategy for balancing a complicated multi-ethnic society. Jamaica has shifted between a stronger socialist approach (under Michael Manley's People's National Party (PNP), 1972 to 1980) and a more conservative approach under the Jamaica Labour Party (JLP) led by Edward Seaga, 1980-1989. The reelection of the PNP in 1988 continued many of the moderate policies of Seaga. For most of their post-independence histories, Mauritius and Jamaica have been governed by parties that emphasized ideas of social justice and moderate redistribution, and that put considerable resources into social spending. Sierra Leone's leadership was not generally so disposed.

An effective social safety net is a final component of a system of conflict management. Unfortunately, we lack quantitative data to compare each country's history of social insurance. Studies suggest, however, that Mauritius and Jamaica have had a relatively long history of social protections, while the safety net in Sierra Leone depended on subsidies and controls on the price of rice sold in the urban areas, a feature that served to keep the price low for rural producers. In Mauritius, social expenditures (education, health, universal old age pensions, housing and social assistance, and food subsidies) absorb about 40 per cent of government spending, and this pattern has lasted for four decades or more (Bräutigam 2000b). Mauritius has a compulsory contributory pension system, and in 1983, the country passed an unemployment relief act that provided minimum, means-tested payments to unemployed heads of households. Social services in Jamaica make up a smaller percentage of public expenditure, averaging 31 per cent between 1980 and 1998 (King 2000: 31).

These three cases suggest the broad differences between countries that are similarly vulnerable to the risks and open to the opportunities in the global economy. Full exploration of these cases would no doubt reveal many factors to explain the different development outcomes. Economic policy choices certainly differed strongly, and this is a fundamental aspect of development outcomes. But it is also clear that Mauritius, as the most successful 'globalizer' of the group, also had the strongest political institutions and civil society organizations, particularly those reflecting levels of state capacity, and of ability to manage social conflicts.

10.4 Implications for Governments and Civil Society

[To be added, but will essentially tease out the implications from the preceding cases, plus incorporate evidence from smaller case study work on successful efforts by local and international civil society groups to act on behalf of marginalized groups: from highlighting grievous injustice (land mines, human rights abuses) to bringing about better local living conditions (improving working conditions in factories, reducing toxic wastes into local water supplies). Globalization has enabled a handful of activists to generate world-wide attention, sympathy, and resources for causes—even individual cases—that might otherwise have remained obscure (see Keck and Sikkink 1998; Sabel, O’Rourke, and Fung, 2000). Can also consider the role that civil society organizations have played in helping to establish property rights for the poor (cf. de Soto, 2000).]

10.5 Conclusion

To be added.

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