

The Impact of Globalization on Eurasian Economies: Prospects for Development in the 21st Century

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Abstract

The post-Soviet transformation of Eurasian economies over the past two decades has taken place within the context of the globalization process that has affected many countries around the world. Globalization of capital and transformation of these countries in a market-oriented direction through privatization and joint-ventures with foreign capital has had varied effects in growth and development of Eurasian economies. These developments have taken place at various rates and at varying speeds, depending on the country, especially when one contrasts those in Central Asia with other countries in more developed regions of Eurasia, such as Turkey. In Turkey, a hybrid model of development has evolved over several decades -- one that is built on a strong economic base inherited from the past, where heavy state intervention in the economy has led to the development of a viable industrial infrastructure upon which private capital has expanded and benefited immensely. Thus, the Turkish economy can serve as a model for other Eurasian economies that lack the necessary industrial and financial base, but are able to address the region's economic problems through a partnership with Turkey. Although a common characteristic of Eurasian economies is the adoption of neoliberal economic policies and integration into the global economy, which often has a negative impact on national economies, a careful approach in engaging with the global economy with heavy state support to guide through the process (as in China) could result in a positive outcome that fosters growth and development of the Eurasian region in the twenty-first century.

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1 Introduction

The Eurasian region, stretching from Turkey in the West to the borders of China in the East, is one of the most important strategic regions of the world in the age of neoliberal globalization. The countries making up the core of this region – Kazakhstan, Turkmenistan, Kyrgyzstan, Uzbekistan, Tajikistan, and Azerbaijan, as well as Turkey – provide a rich mix of abundant natural resources, such as oil, natural gas, metals and minerals, industrial and agricultural infrastructure inherited from earlier periods, and a skilled work force trained under mass production in industry, agriculture, and other vital sectors of the economy.

1.1 The Soviet Legacy and the Transition to Market Economy in Eurasia

Given their historic experience under state-directed socialist development during the Soviet period, all of these countries, except Turkey, were once republics of the USSR, but have been evolving for nearly two decades now as independent nation-states allied with one or another of the major powers that have strategic interests in the region. Thus, Russia, China, the United States, as well as other regional powers (such as Iran, India, and Turkey), have had and continue to have influence and impact on the development path pursued by these countries in the post-Soviet era (Kleveman 2004; Hiro 2009) – one that is dominated by the forces of neoliberal globalization (the transnational corporations) and by the process that facilitates the transformation of these economies along the capitalist path (privatization of state-owned enterprises as part of the process of neoliberal globalization).

The end result of this process is the gradual integration of previously state-centered socialist economies into the global capitalist system through a variety of means (joint-ventures with foreign capital, leasing of extractive industries, and privatization and outright sale of state-owned firms to transnational corporations). Developments along these lines over the past two decades have led to the rise and consolidation of the power of local and foreign capitalist

interests, hence to the transformation of their internal social, economic, and political structure in the direction of autocratic capitalist states (Olcott 2005).

1.2 The Special Case of Turkey

In contrast, while Turkey has also followed a similar neoliberal economic path tied to the global economy, the political outcome of this process in that country has been quite different due to a variety of reasons that are specific to Turkey's historic context: (1) the legacy of statism (*devletçilik*) adopted in the early decades of the republic, and (2) the more recent rise of political Islam based on the emergence of a rival economic force (the newly rising Anatolian bourgeoisie) with broader neoliberal economic interests and linkages that go beyond a narrow religious outlook and toward greater integration into the institutions of Western economic power – i.e., the European Union (Boratav 1974; Aydin 2005). Thus, Turkey looking to the West and linking to the East has provided a combination of possibilities for social, political, and economic change that has placed the country in a unique position situated as a regional power broker that will have an important influence on countries of the Eurasian region, as this region goes through new and yet uncharted social, political, and economic transformations in the coming years.

2 Neoliberal Globalization: Its Nature, Dynamics, and Contradictions

Over the course of the past two decades of global economic transformations facilitated by the collapse of the former Soviet Union and the rise and spread of neoliberal capitalist globalization around the world, economies of the Eurasian countries have experienced the impact of this process in various ways. Before assessing the nature and depth of this impact, however, we must first examine the dynamics and contradictions of neoliberal globalization.

2.1 Main Characteristics of Neoliberal Globalization

A central feature of neoliberal globalization, besides its speed and intensity, is the increased privatization of various spheres of the economy and society, with a relative decline in the power and ability of the state and other political institutions to control their national economies relative to earlier periods. Under the current wave of neoliberal globalization, the state in the advanced capitalist societies (and increasingly in the less-developed ones) has lost some of its traditional power in controlling and regulating the various spheres of society, especially the economy, but also other areas such as communications, information technology, and education, where privatization has become more and more prevalent. Thus, under the current phase of neoliberal globalization, the transnational corporations have become more visible and have increasingly taken center stage in effecting changes in the global political economy (Waters 1995; Halliday 2001).

Neoliberal globalization, much as during earlier stages of capitalism, is facilitated by transnational capital and is driven by the logic of *profit* for the private accumulation of capital. It is, in essence, the highest and most pervasive phase of transnational capitalism operating on a world scale. It is in this sense the most widespread and penetrating manifestation of global economic expansion that has profound social, political, cultural, and ideological impact on societies around the world (Golding and Harris 1997; Lechner and Boli 2004).

2.2 Economic Basis

The export of capital by the transnational corporations to the less-developed countries around the world has historically been part of the process of economic expansion worldwide that has led to the growth of giant capitalist conglomerates, cartels, and trusts that have come to dominate the world economy over the course of the twentieth century (Magdoff 1992; Amin 1997; Petras and Veltmeyer 2001). This has facilitated the rapid accumulation of capital by the transnationals at global proportions, a process that stimulates further capital accumulation worldwide, hence further domination of the global economy by the transnationals (Siebert

2000; Munck 2002; Sklair 2002). It is this economic essence of globalization, then, that sets into motion the social, political and ideological contexts in which global capitalism prospers.

2.3 Social Impact

The global expansion of capital has been transforming social relations along capitalist lines, as the main class divisions in society have become wage-labor and capital. The transformation of societies around the world through this process leads to the integration of an increasing number of countries into the global economy by which they are subordinated to the transnationals, especially in terms of the exploitation of low-wage labor. As women workers increasingly constitute bulk of the low-wage laboring population worldwide, the exploitation of the working class in this way takes on a gendered dimension (Barndt 1999; Afshar and Barrientos 1999; Rai 2001).

The global domination of capital over wage-labor in this process of worldwide capitalist expansion fosters the subordination of the working class to the dictates of the transnationals who are the very source of the emerging inequalities in income, wealth, and power. These inequalities, in time, lead to contradictions and conflict in the social sphere, when class divisions become solidified to a point when class struggles between the opposing class forces begin to surface (Beams 1998; Petras and Veltmeyer 2001).

2.4 Political Dynamics

In the political sphere, power remains in the hands of the transnational and local capitalist classes and is exercised through the capitalist state. The control of the state and major political institutions of society by these powerful capitalist forces has led to the erosion of democratic governance and given rise to political corruption and authoritarian rule (Palast 2002; Hertz 2002). However, rather than representing the unified interests of a newly emergent global capitalist class, the imperial state of the transnationals advances only the interests of its own capitalists, as against its rivals to secure the supremacy of the transnationals over the global capitalist economy (Cohn et. al. 2000; Halliday 2001; Petras and Veltmeyer 2007).

Despite a temporary commercial, monetary, and even military union, however, the leading imperial state (currently the United States) continues to dominate the world and dictates its terms over other states, thus giving rise to competition and rivalry between the major global capitalist powers (Hook 2001; Weber 2001). While this competition takes place at the monopoly level, between rival transnational corporations as well as their states, it nevertheless affects the structure of social relations in general and has a direct impact on society worldwide.

As the varied dynamics of neoliberal capitalist globalization and its impact on society more and more becomes regulated by the imperial state, it is within the parameters of the state's role in legitimizing and protecting the interests of global capital that we come to understand the relationship of the imperial state to the neoliberal globalization project.

3 Neoliberal Globalization and the Imperial State

With the globalization of capital during the twentieth century, the leading capitalist state of the advanced capitalist economies (the United States) has come to assume greater responsibility in organizing and leading the global capitalist system, thus adopting the role of an imperial state charged with the control and rationalization of the global political economy to advance transnational capitalist interests (Beams 1998; Halliday 2001). It is within this context of the role of the advanced capitalist state that the imperial state confronts the contradictions of neoliberal globalization.

3.1 Crisis of the Imperial State

The globalization of capital—through the worldwide expansion of transnational corporations—has had a decisive effect on the role and functions of the imperial state, and brought to the

fore new and more pervasive contradictions, leading to a crisis of management and legitimacy of capitalism on a worldwide basis. This has been the result of developments in the latest stage of global capitalist expansion, in which the monopoly fraction of the capitalist class in the advanced capitalist countries, especially the United States, has secured a thorough control of the state apparatus to advance its interests at home and abroad (Parenti 2002). And this has precipitated the crisis of the advanced capitalist/imperial state on a global scale.

The crisis of the imperial state manifests itself at different levels, ranging from international conflicts (economic rivalry, disintegration of regional political and military alliances, the inability to suppress nationalist movements and revolution, and military intervention and war) to domestic economic problems (trade and budget deficits, monetary and fiscal crisis, unemployment, recession, etc.) to national political crises (factional struggles within the capitalist class, problems of legitimacy, repression of working class and mass movements, militarization of the polity and society, and so on) (Perlo 1988; Parenti 2002).

3.2 Competition and Crises in the Global Economy

The growing prospects of economic rivalry between the major capitalist powers, backed up by their states, are effecting changes in their relations that render the global political economy an increasingly unstable character. Competition between the United States and the European Union (and China), representing the interests of their own respective elites are leading them on a collision course for world supremacy, manifested in struggles for markets, raw materials, spheres of influence in geo-political—as well as economic—terms, which may in fact lead to a new balance of forces, and consequently new alliances that would have serious political implications in global power-politics.

As the continuing economic ascendance of the major capitalist rivals of the United States help establish the former's prominent position in the global economy in a more entrenched way, pressures will build toward the politicization and militarization of these states from within, where the leading class forces bent on dominating the world economy will press forward with the necessary political and military corollary of their growing economic power in the global capitalist system (Hart 1992; Falk 1999). And this eventuality threatens the global economy with continued crises in the early decades of the twenty-first century.

3.3 The Shifting Balance of Forces in the Global Political Economy

These developments in the global political economy will bring shifts in the balance of forces among the major powers and lead to the forging of new and yet untested international alliances for world supremacy and domination in the twenty-first century. Such alliances will bring key powers such as Russia and China into play in a new and complicated relationship that holds the key for the success or failure of the newly rising imperial centers that will emerge as the decisive forces changing the global economic, political, and military equation in the early decades of the twenty-first century.

Thus, the contradictions and conflicts imbedded in relations between the rival imperial states of the major capitalist powers will again surface as an important component of international relations in the years ahead. And it is in this context of the changes that are taking place on a world scale that the imperial state is beginning to address the current crisis of global capitalism to maintain its rule.

4 The Impact of Neoliberal Globalization on Eurasian Economies

Becoming more and more integrated into the modalities of neoliberal globalization led by the transnational corporations, the economies of Central Asian states have become an appendages of the transnational oil companies that have greatly impacted the nature and rate of economic growth and its effects on various segments of the population in each of the countries making up this region.

4.1 Oil, Transnationals, and National Economies

Neoliberal globalization has come to play a central role in determining the type of investment and production (mainly oil, natural gas, metals, minerals, and other natural resources extracted for export) geared to the needs of the global economy rather than the local, national economy. Thus, vast amounts of capital has been invested in oil and other extractive industries across Central Asia with the aim of exporting these vital resources crucial for the industrial engine of advanced capitalist countries and producing high rates of profit for the transnationals (Kleveman, 2004; LeVine 2007), while leaving much of the rest of the local economy unaffected and idle that result in high rates of unemployment and underemployment, poverty, and declining living standards, except for those directly involved in top levels of the state bureaucracy.

4.2 Corruption, Inequality, and Poverty

The economic inequities and shortfalls created by the neoliberal policies propagated by the dominant powers and their institutions are exacerbated by Central Asian governments that are working in line with the interests of the transnationals through the corrupt policies and practices that are in their own and their collaborators' interests and not the well being of their people (Olcott 2005; Hiro 2009). Thus, creating gainful employment based on skills acquired by quality education are things reserved only to a minority of the population directly linked to the political bureaucracy of the state and its immediate beneficiaries, while broad segments of the population go without access to any of the benefits accrued by the sale or transfer of vast national resources to the transnational oil monopolies. The neoliberal privatization policies in this situation come to serve both foreign and local capitalist interests that feed into the perpetual cycle of corrupt practices that local bureaucrats engage in to expand their wealth and political clout over the population, hence perpetuating inequalities that divide these societies further along class lines, thus widening the gap between the rich and the poor (Sahadeho and Zanca 2007).

The polarization and conflict that neoliberal globalization has brought to Central Asia in the wake of the recent post-Soviet transformations have thus left their mark as a model that is contrary to the interests of the people of Central Asia and the broader Eurasian region – a situation that requires us to explore alternative paths of development that may be more in line with the needs and aspirations of the Central Asian people.

5 Paths of Development for the Eurasian Economies

Given the failure of neoliberal globalization to effect positive change in Eurasian economies over the past two decades of post-Soviet transition to a market-oriented capitalist economy across Central Asia, it would be instructive to explore alternative paths of development that would make a contribution to growth and development of these economies based on some recent examples that provide a promise for the future. Russia, China, and India on the one hand and Turkey on the other have provided paths out of alternatives to current neoliberal policies that have failed so miserably. But, ultimately, the prospects for change and development in Central Asia depend on the nature and policies of the states that are responsible for the success or failure of such policies.

5.1 Russia, China, and India

Given both the proximity and historic relationship of these three giants of north, east, and south Asia with their growth and expansion in the midst of neoliberal forces that are always ready to derail efforts at independent development, Russia, China and India have been quite successful in escaping imperialist pressures to incorporate these economies into the global economy controlled and dominated by the transnational corporations of the advanced capitalist states, most notably the United States (Chellaney 2006; Friere and Kanet 2010). On the

contrary, India with its heavy investment in infrastructure and industrial production and China through its state-controlled export-oriented production and trade, and Russia holding on to its vast economic base, have succeeded in escaping subordination to the neoliberal capitalist forces. On the contrary, through strong state intervention and planning, these three economies and states have succeeded in managing their entry to the world economy in promoting their own interests, even if this was done through a complex web of joint-ventures, state enterprises, and private investment schemes.

While the experience of Russia, China, and India show that a strong independent state committed to advancing their national interests can provide an alternative model of development within the context of globalization and the global capitalist system, the sheer size and magnitude of their economies may not be an appropriate model for the Central Asian economies to follow, even if the latter were able to avoid problems associated with corruption and cronyism that many Central Asian states have experienced during the past two decades of transition to a capitalist economy. Given the wholesale surrender of Central Asian states of their economies to the forces of neoliberal capitalist globalization and transnational corporate control, there seem to be little or no chance for these states to emerge as independent states to re-negotiate the terms of their relationship with the transnationals and global capital, unless a major rupture takes place that changes the direction of these economies and societies in a big way.

5.2 Turkey

Turkey's links to the Central Asian states go back a long time in history and its cultural and linguistic ties have served to open up possible economic relations that are of mutual benefit within the context of establishing and expanding a Eurasian zone of economic cooperation based on the Turkish model that may be more applicable than that of Russia, China, and India. However, as in other cases, Turkey, too, went through a period of heavy state intervention into its economy in the 1930s that established the basis of its industrial growth and expansion in later years when the economy evolved from a state-directed, planned economy to a private neoliberal economy based on the privatization of state enterprises and public assets. The long history of state-regulated economy that provided the infrastructure and industrial base during the initial stages of its development is the basis of its more recent success in making headway even while working within the parameters of a neoliberal capitalist globalization that has come to define and set limits to its relative autonomy in economic and state policy.

The distinguishing feature of the Turkish model and its adoptability to Central Asia as an extension of the wider Eurasian region is the affinity of the two regions to the historic presence of heavy state intervention that set the stage in one case for the expanded production that followed, while failing to do so in the other, leading the latter to take a different path that led to its ultimate failure. Thus, while the statist (*devletçilik*) or state-capitalist period through state-centered development projects produced big economic dividends in Turkey during the Atatürk era and built the basis of a strong industrial economy in Turkey that flourished in subsequent decades (Boratav 1974), the state-socialist infrastructure of Soviet era industrialization failed to translate into a strong economy in the post-Soviet transition to capitalist market economy due to heavy corruption, opportunism, and self-aggrandizement personified by the personality cults developed to serve narrow elite interests (as exemplified by the despotic regimes that have ruled this region for nearly two decades).

Perhaps the promise of the application of the Turkish model to these states would be the strengthening of ties between the countries of Central Asia and Turkey for greater cooperation, investment, and collaborative projects geared to national development that are of mutual benefit, while curbing the negative impact of the forces of neoliberal globalization that are already in the region and are destined to derail such efforts to prevent independent national economic development that may come to challenge their newly entrenched interests.

6 The Prospects for Economic Development in Eurasia

What are the prospects, then, for the economic development of countries spanning the Eurasian region? What would it take to set these countries on the correct path of development that meets the needs of their people and generate genuine development that is both sustainable and beneficial to their people? These are not easy questions to answer, nor are the answers easy to delineate. But, given the vast natural and mineral resources of the region, and given the great potential for their development for national use, the prospects for development of these states in the near to medium term remains quite high. In fact, further economic collaboration between Turkey and the countries of this region in the form of economic alliances that facilitate aid and investment may lead to greater links that play a critical role in promoting change. Such change, first in the economy, and later in other spheres of society, may set the Central Asian states on the road to economic recovery in the early to mid twenty-first century.

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