



Regional Report Post-Soviet Eurasia

**The Air Is Getting Thinner:  
Stagnation and Regression**

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## Regional Report Post-Soviet Eurasia

# The Air Is Getting Thinner: Stagnation and Regression

by Hans-Joachim Spanger\*

Overview of the transformation processes in Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan



This regional report analyzes the results of the Bertelsmann Stiftung's Transformation Index BTI 2022 in the review period from February 1, 2019, to January 31, 2021. Further information can be found at [www.bti-project.org](http://www.bti-project.org).

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## Introduction

In the BTI 2022, all indices – from democratic and economic transformation to governance – are trending downward in Eurasia, essentially following a negative global tendency that has been observed for years. This marks a break in the moderately positive upward trend that saw Post-Soviet Eurasia manage to buck global developments in both the BTI 2020 and, to a lesser extent, the BTI 2018. All that is left is diversity and variance, because the aggregate data conceal consolidation and stagnation as well as significant regression and, though limited, some steps forward.

The region's Status Index score for political and economic transformation decreased by 0.11 points during the review period. At 5.10, it has fallen back into the narrow corridor just above the score of 5, where the region has hovered since 2006. Similarly, the democracy status score also declined by 0.12 points in 2022, eroding the gain of 0.12 that was recorded in 2020, but remaining slightly ahead of the global average decline of 0.13 registered for this year's edition. The economic status also recorded a decline of similar magnitude, -0.11 points, which largely counteracts the 0.15 improvement seen in the BTI 2020. The negative developments are somewhat more pronounced with -0.14 for the Governance Index, which also eliminates the gains registered by the BTI 2020 of +0.14 and even exceeds the global downward trend (-0.08).

This trend reversal solidified the already low level in which the region finds itself by global comparison. This applies particularly to the democracy status score, where Eurasia, with a score of 4.90, only outperforms the Arab region (3.65) and also only just surpasses Southern and Eastern Africa (4.79), but still ranks behind Asia (5.17) and far behind Latin America (6.45).

The situation is similar with the Governance Index, where Eurasia, with an average score of 4.24, once again occupies second-to-last place ahead of the Middle East (3.91), although the gap with other regions is less pronounced. The average score for economic transformation is the only one that places Eurasia, at 5.30, not only on par with the global average (5.31) for the first time, but also above the region of North Africa and the Middle East (4.83), sub-Saharan Africa (4.27) and close to the score registered by Asia and Oceania (5.47), but, as with political transformation, leaves the region lagging well behind Latin America (5.77).

However, these regional averages mask significant national differences, both in absolute values and in changes over the reporting period.

In terms of political transformation, we see contravening trends, with the region's democracies recording the most significant, and primarily negative, changes. While one democracy managed to increase in its score, Moldova (+0.35), five others saw declines: Mongolia (-0.05), Ukraine (-0.10), Armenia (-0.35), Georgia (-0.50) and Kyrgyzstan (-0.55), the latter thus slipping into the category of "highly defective" democracies. The autocracies, on the other hand, only saw marginal changes, with the exception of Belarus, which recorded a drastic decline of -0.42 points as a result of the unprecedented wave of repression following the 2020 election. Now at 3.97 points, that is, once again in the narrow corridor just below 4 points that has defined Alexander Lukashenko's rule since 2006, Belarus has returned to the group of countries classified as "hard-line" autocracies. The autocratic regime of Turkmenistan continues to rank in last place in the region, recording a slightly worse score of 2.70 in the BTI 2022.

The distribution is similar for the Governance Index: As in previous years, Mongolia holds the top position with a score of 5.90 and is now rated by the BTI as the only country in the region with "good" governance. It is followed by Georgia, which saw its index score drop by 0.28 points to 5.55, although it

still ranked at the top of the group of countries rated as having “moderate” governance. With the exception of Kazakhstan, all the countries in this group are democracies, most of which have seen their scores drop for similar reasons. They include Kyrgyzstan (-0.14), Ukraine (-0.21), Georgia (-0.28) and Armenia, which lost nearly half of its BTI 2020 gains, slipping by 0.36 points. Here, too, Moldova is an exception, with a moderate gain of 0.12 points. Belarus, where Lukashenko’s regime has subordinated all its government activities to a single goal since mid-2020 – namely that of defending its rule by literally any means necessary – saw the largest drop in its score, falling by 0.93 points to 2.78. Turkmenistan, which saw its score fall by -0.13 points to 2.19, and Belarus are the two countries in the region with “failed” governance in this edition of the BTI. The greatest improvement could be seen in Uzbekistan, where the course of authoritarian modernization initiated under President Shavkat Mirziyoyev continued. The country’s score rose by 0.27 points to 3.83.

There are no categorical gradations in economic transformation, such that the situation continues to be dominated by the group of countries that have had “limited” economic success. This group is led by Ukraine, which had an index score of 6.71, the same performance the country delivered in the BTI 2020. Apart from Ukraine, where ongoing economic consolidation is having an impact, only the region’s established energy and raw materials exporters are otherwise recording moderately positive or moderately negative changes. Azerbaijan led the list (+0.11), followed by Russia (+0.04), Uzbekistan (+0.04), Kazakhstan (+/-0.00) and Turkmenistan (-0.04). Once again democracies round out the bottom of the scale: Moldova (-0.07), Armenia (-0.18), Kyrgyzstan (-0.21), Georgia (-0.29), and Mongolia (-0.36). The COVID-19 pandemic has left a stronger mark on these countries than it has on the autocratic rentier countries, which suffered only temporarily from the slump in oil prices in the spring of 2020. There are also negative multiplier effects that are pronounced in countries that depend to a considerable extent on labor migration to Russia (and Kazakhstan).

The region’s political heterogeneity is also closely reflected in its management of the coronavirus pandemic. Eurasia has seen the full gamut of responses, ranging from complete denial in Turkmenistan, which means that no reliable information is available from the country, to partial ignorance in Tajikistan and temporary ignorance in Belarus, to attempts by other autocracies to conceal the extent of the pandemic by blocking information and manipulating statistics, forcing civil society organizations to fill the void. Developments in the democracies, both in terms of infection numbers and in tools used to manage the pandemic, have been similar to those seen in Western Europe, though Mongolia had already achieved a vaccination rate of over 50% by June 2021, primarily through the administration of the two Chinese vaccines that were available at the time.

Russia stands out in several respects. Although Russia imposed a 60-day lockdown and closed its borders during the first wave of infection at the end of March 2020, once it was lifted, the country, in the interests of the economy, refrained from imposing further restrictions other than the border regime until the fresh outbreaks in June 2021. The figures are in line with that approach, but they are subject to considerable ambiguity. According to official data, Russia had excess mortality in 2020 of 340,300 people, of whom 144,700 were killed by the coronavirus, a rate of around 95 per 100,000 inhabitants. Unofficial figures, however, set excess mortality as well as coronavirus-related deaths much higher, at up to 475,000. Russia was also the first country to have its own vaccine, with the August 2020 introduction of Sputnik V, a vaccine President Vladimir Putin claims to be as reliable as a Kalashnikov. Putin’s own vaccination took place out of the public eye (he had shied away from getting it for more than a year and even required his visitors to undergo 14 days of quarantine), and Russia’s own population clearly has little confidence in the vaccine either, considering that only 15% of the population had received at least one dose by the end of June 2021 (only Russian-made vaccines are authorized for use in the country). The Russian government also undertook considerable efforts with its vaccine diplomacy, also in the European Union. Lastly, the coronavirus repeatedly served as a pretext for arresting protesters during the course of demonstrations in support of Alexei Navalny for violating epidemiological restrictions, even though major regime events were still taking place at the time.

The coronavirus has also left its mark on Eurasia, but not in any way that is fundamentally different than that of other continents. The same applies to the transformation trends that have shifted in Eurasia and are now pointing downward there as well, in line with global trends. With few exceptions, the downward trend was moderate. At the same time, compared with the BTI 2020, the split in the region between democratically and autocratically governed countries has consolidated. Whereas systemic defects and pandemic-related pressures have not – despite some authoritarian tendencies – triggered systemic change, the region’s autocrats have responded with repression, severe in some cases, to secure their rule.

## Political transformation

Compared to the BTI 2020, the scorecard for political transformation in the region shows only moderate changes, with only one country increasing its score and two others seeing declines. Moldova increased its standing by +0.35 points (to 6.15), while Kyrgyzstan dropped by -0.55 points (to 5.55), and Belarus, with its decline of -0.42 points (to 3.97), has once again fallen into the group of “hard-line” autocracies. Armenia, which managed a big leap from “moderate” autocracy to “defective” democracy in the wake of its 2018 color revolution, managed to hold its place in the group of “defective” democracies despite an unsurprising drop of 0.35 points (to 6.75). The same applies to the other defective democracies, despite consistent declines, although in varying degrees. The decline was most pronounced in Georgia, at -0.50 points (to 6.10), meaning the country now ranks at the bottom of this group, with a risk of a downgrade if the tendencies observed over the past several years toward a bureaucratic-paternalistic authoritarianism continue.

Tab. 1: State of political transformation

consolidating democracies Score 10 to 8	defective democracies Score < 8 to 6	highly defective democracies Score < 6	moderate autocracies Score ≥ 4	hard-line autocracies Score < 4
	Mongolia	Kyrgyzstan ▼	Russia	Belarus ▼
	Ukraine			Kazakhstan
	Armenia			Uzbekistan
	Moldova ▲			Azerbaijan
	Georgia			Tajikistan
				Turkmenistan

The table follows the BTI 2022 index scores. Countries are ranked according to their system categorization and respective score in political transformation status assessment. Arrows mark a change of category compared with the BTI 2020.

Even if changes seen within the democracies point to common deficits that are structurally anchored, there are a variety of reasons accounting for such changes. Moldova’s improvement, which halted a downward trend that began in 2014, can be attributed to the disempowerment in the early summer of 2019 of the oligarch Vlad Plahotniuc, who had essentially usurped all state institutions. This was made possible by a concerted East-West campaign. The EU, the United States and Russia all leaned on their respective political clienteles in Moldova – the Moscow-oriented Socialists and the pro-European ACUM alliance – to overcome pronounced political antagonism and form an alliance, although it was short-lived and limited itself to the neutralizing and exiling of Plahotniuc. Conversely, Georgia’s slow decline is rooted in the fact that Bidzina Ivanishvili, another oligarch, now controls all state institutions after the continued successes of the Georgian Dream party, which he controls, in the parliamentary and presidential elections of recent years, and a toxic domestic political climate similar to the one in Moldova. As a result, all opposition parties – and not just the United National Movement party, which is under the control of exiled former President Mikheil Saakashvili, Ivanishvili’s archenemy – refused to take their seats in the new legislature following the parliamentary election at the end of 2020. The trend has yet

to be reversed, and Brussels' efforts at course correction have had no more success than they did in Moldova many years before.

In Armenia and Ukraine, on the other hand, following the Velvet Revolution of 2018 in Yerevan and the impressive electoral success of political outsider Volodymyr Zelenskyy in 2019, the political scene has been set in motion in such a way that a considerable gap has opened up between expectations and reality, and political inexperience within and beyond the democratic institutions has created some distortions. This was even more pronounced in Kyrgyzstan, where militant mass demonstrations toppled the political leadership for the third time, following similar events in 2005 and 2010, at the end of 2020. A snap election called at short notice in January 2021 with 79% approval (and voter turnout of only 39%), resulted in the election of Sadyr Shaparov, a thoroughly populist politician, as president. He now holds all the political reins and is trying to stage a return to the (authoritarian) presidential system of former President Kurmanbek Bakiyev, who was overthrown in 2010.

The region's six defective democracies continue to stand against seven autocracies. For quite some time, the core has been formed by the Central Asian successor states of the Soviet Union – with the exception of Kyrgyzstan, but augmented by Azerbaijan and Belarus, which are also at the bottom of the list globally. Moreover, only marginal changes are evident in this core, aside from Belarus, which, in the wake of widespread election fraud in the 2020 presidential vote and the subsequent wave of repression – unprecedented even for the incumbent Lukashenko, who was supposedly re-elected with 80% of the vote – must now once again be regarded as a “hard-line” autocracy. The only remaining “moderate” autocracy, Russia, also saw little change over the last BTI, falling by 0.10 points. However, it appears that Lukashenko's fate may be a harbinger of things to come for the incumbent in Moscow and his regime. There, too, repression intensified significantly after the end of the BTI review period. In the run-up to parliamentary elections scheduled for September 2021, any “non-systemic” opposition actors were subject to such massive preventative suppression that Russia will also be relegated to the group of “hard-line” autocracies if these practices continue.

The defining structural feature of political developments in Eurasia is a pronounced reliance on leadership figures and the personality-centered networks associated with them. With some variation, it is a constitutive characteristic of autocracies. In Azerbaijan, Ilham Aliyev is the paradigm for the dynastic model; in Russia, Vladimir Putin for the autocratic-Bonapartism; while in Turkmenistan, the erratic Gurbanguly Berdimukhamedov has become an autocrat sui generis. Still, the dominance of political leadership figures also characterizes the region's defective democracies, with the highly ambivalent result that such leadership is both a condition for political success and also the system's greatest weakness. This weakness manifests itself in parties that lack political substance, that are merely electoral alliances based on little more than loyalty to their leaders and which function primarily as career vehicles – and in an opposition that is systematically marginalized and forced into fundamental opposition or into exile. Institutions, meanwhile, serve as prey for the respective ruling class of state employees and entrepreneurs with material ties to them. On the positive side, though, a certain democratic resilience has developed that, despite the manifest deficiencies, has so far guaranteed the core elements of democratic rule, including competitive elections and civil liberties. This applies both to those defective democracies where the political leadership is firmly in the saddle, like Georgia, and to those where outsiders have been able to gain political power, as in Ukraine. The pandemic hasn't changed any of that, despite the restrictions imposed in the lockdowns everywhere and the economic slumps.

The widely criticized restrictions on freedom of information and expression imposed by the Armenian government on September 27 and October 8, 2020, were based on martial law and not on any coronavirus emergency containment measures. They were lifted in December. And in Mongolia, the success of the ruling Mongolian People's Party in the June 2020 parliamentary elections – it landed 62 of the 76 seats, with a turnout of 73% – and the June 2021 presidential elections (in which the People's Party

candidate also won), is largely attributed to its efficient management of the pandemic, especially early on.

Moldova also demonstrated impressive democratic resilience by holding early parliamentary elections on July 11, 2021, that ended the mismatched cohabitation of a center-right, economically liberal president and a Socialist-controlled government, with an election victory for the liberal or, better, pro-European Party of Action and Solidarity (PAS) alliance that is unique in the country's history. It won 52.8% of the vote with a turnout of 48%. More impressive yet is the example of Armenia, where under the massively aggravated conditions of a double crisis comprised of a pandemic and a war against Azerbaijan that it lost dramatically, the fate of the Velvet Revolution and its leader, Nikol Pashinyan, seemed sealed at the end of 2020. But things turned out differently than expected. After Pashinyan agreed to early parliamentary elections under concerted pressure from the president (who was affiliated with the old regime), the military brass, church leaders and a number of demonstrations (including road blockades and the storming of parliamentary and government buildings), the results on June 20, 2021, were quite different from those generally predicted. The Civil Contract founded by Pashinyan achieved a resounding victory with 54% (amid voter turnout of 49%), whereas the parties of his two most important opponents and predecessors as prime minister, Robert Kocharyan and Serzh Sargsyan, were defeated with 21% and 5% respectively.

Clearly, the fight against corruption, the hallmark of the revolution and the watershed between the old and new regimes, still remained convincing and resonant two years after its success. In a country like Armenia, that doesn't have income from mineral resources, the shameless enrichment of the politicians, bureaucrats and entrepreneurs of the old regime had been particularly palpable and despised by the people. In this regard, the new government has proved to be unassailable in the few years since it took power in 2018, even though reform of political institutions has been largely absent, as in the region's other flawed democracies. The fact that that the population believes the regime has not yet exhausted its potential for reform distinguishes Armenia significantly from Kyrgyzstan, where apparently comparable expressions of discontent in the streets led to a rapid change of power, a shift, however, which, as later became apparent, was merely a palace revolt within elite circles.

The judiciary proved to be a particular problem, acting as the guardian of the old regime at all levels in Armenia up to and including the Constitutional Court. Figuring out how to disengage this brake on political change, which is also effective in other democracies, without compromising the independence of the judiciary guaranteed by the constitution, remains an almost insurmountable challenge in Armenia, as in many other countries.

In Armenia, Kocharyan's court-ordered release from pre-trial detention in May 2019 acted as a catalyst for government efforts to fundamentally renew the judiciary's personnel. This was to be initiated by means of an April 5, 2020, referendum that ultimately fell victim to the pandemic and then the war. In Moldova, the short-lived coalition of ACUM and the Socialists collapsed over the very issue of justice reform. The coalition had been forged with the goal of overcoming the resistance of the Constitutional Court, packed with Plahotniuc loyalists, to the formation of a new government after the 2019 parliamentary election. In Ukraine, the Supreme Court torpedoed a key element in the fight against corruption in October 2020. At the behest of the pro-Russian alliance of Putin confidant Viktor Medvedchuk, called Opposition Platform – For Life, the court declared the law on the mandatory disclosure of income of state employees to be unconstitutional (the move also meant that the judiciary also would not be subject to such disclosures). Ukrainian President Zelenskyy chose a different path than that of Armenian Prime Minister Pashinyan by simply suspending the Supreme Court, but the move also triggered a constitutional crisis. This shows that while desirable in principle, the judiciary independence can all too easily become the opposite of effective checks and balances through a lack of accountability and transparent appointments.

Autocracies aren't confronted by such problems because their separation of powers is rudimentary at best. For them, the challenge is to maintain control over the limited political freedoms they open up from time to time in the name of social modernization and economic dynamization. Often, however, such reform does not go beyond mere rhetoric, as is the case in Kazakhstan, where, following the partial retirement of longtime President Nursultan Nazarbayev in March 2019, his successor, Kassym-Jomart Tokayev has embarked on a de facto dual-leadership structure that at most allows cosmetic departures from the autocratic regime of his predecessor. The situation is different in Uzbekistan, where President Shavkat Mirziyoyev succeeded in liberating himself both personally and politically from the regime of his predecessor, under whom he had served as prime minister from 2003 to 2016. So far, this has involved very elementary measures including the release of political prisoners, the opening of the internet and freedom for journalists, but it has not extended to a critical evaluation of the regime. Consequently, as Mirziyoyev has himself admitted, change has been more evident in the style of political leadership than in actual substance, which could ultimately lead to the widening of the gap between growing popular expectations and efforts, particularly among civil servants within state bureaucracy, to defend the status quo. The example of Belarus underscores the risks of such a policy for the regime – and what happens when control is lost.

## Economic transformation

Economic transformation has solidified into two unequally sized clusters: the 10 countries with “limited” transformation, and the remaining three, exclusively Central Asian countries with “very limited” or “rudimentary” transformation. However, the changes recorded are limited and are negative overall. Azerbaijan recorded a positive change of +0.11 points to a score of 5.36, which strengthens its position in the group of “limited” transformation after overcoming the oil price and currency crisis that could be felt until 2018. Minimal positive changes were also recorded by Russia (+0.04) and Uzbekistan (+0.04).

**Tab. 2: State of economic transformation**

highly advanced Score 10 to 8	advanced Score < 8 to 7	limited Score < 7 to 5	very limited Score < 5 to 3	rudimentary Score < 3
		Ukraine	Uzbekistan	Turkmenistan
		Russia	Tajikistan	
		Armenia		
		Kazakhstan		
		Georgia		
		Moldova		
		Mongolia		
		Kyrgyzstan		
		Azerbaijan		
		Belarus		

The table follows the BTI 2022 index scores. Countries are ranked according to their respective score in economic transformation status assessment. Arrows mark a change of category compared with the BTI 2020.

It is striking that the “defective” democracies show the most noticeable declines: Mongolia with -0.36, Georgia with -0.29, Kyrgyzstan with -0.21 and Armenia with -0.18. The only country in between is autocratic Tajikistan, with -0.21. Moldova follows with -0.07, whereas Ukraine remains at the top of the “limited” economic transformation group, with an unchanged index score of 6.71.

One factor in particular is reflected in these data: the slowdown in economic performance and in the fiscal and monetary positions of individual countries since the spring of 2020 as a result of the management of the coronavirus pandemic. It divides the region into two groups: those countries that, as oil and

gas exporters, suffered relatively limited losses and also benefited from fiscal buffers, and those countries in which either national lockdowns or the international multiplier effects of the efforts to contain the pandemic in Russia (and Kazakhstan) shook their macroeconomic stability. The latter countries in particular have suffered from the lack of remittances from labor migrants who were either stranded in Russia or returned home.

This phenomenon has hit the Central Asian autocracy of Tajikistan particularly hard, as it has not sufficiently tapped its supplies of natural resources. And yet Tajikistan is also uniquely exposed: More than 26% of its gross domestic product (GDP) in 2020 was based on such remittances, more than 90% of which came from Russia and Kazakhstan. But remittances in the country, which had grown at a high rate from 2017 to 2019, slumped by around 40% in the first half of 2020, according to World Bank data. Still, that hasn't stopped the Tajik government from reporting to the IMF that its GDP grew by no less than 4.5% in 2020 – a figure that is just as questionable as the notoriously unreliable data of the other two countries at the bottom of the economic transformation ranking, which are also the only ones to have claimed growth in 2020: Uzbekistan (+1.65%) and Turkmenistan (+0.78%). All other countries in the region posted declines in 2020, with Kazakhstan (-2.6%) and Russia (-3.1%) falling within the global average of -3.3%. Among the other countries, Ukraine fared relatively well at -4.2%, whereas Mongolia (-5.3%), Georgia (-6.1%), Moldova (-7.5%), Armenia (-7.6%) and Kyrgyzstan (-8%) posted steeper declines. In those countries, the decline in remittances averaged -16% in the first half of 2020, less dramatic than in the case of Tajikistan, but a drop that was still far larger than the average global decline of only 2% for 2020.

By contrast, after recovering from the lows between 2015 and 2018, oil prices did not play a significant role in the coronavirus pandemic-related economic downturns. For most of 2019, they hovered above the \$60 per barrel mark, before collapsing for a few months at the start of the 2020 coronavirus crisis and then again recovering to \$40 and eventually to more than \$50 by mid-year. The collapse is instructive of unilateralism and the logic of Russian policy. It followed Russia's refusal to respond to the COVID-induced drop in demand in the OPEC+ framework on March 6, 2020, with a (further) production cut of 1.5 million barrels per day, as proposed by Saudi Arabia. In response, Riyadh flooded the market starting on April 1, causing the price to bottom out completely – down to \$14.38 on April 19 (the price for Urals crude, which is decisive for Russia). Moscow's calculation – initiated largely by Igor Sechin, the CEO of Rosneft, the biggest producer – was to drive American producers of shale oil and gas, who had not participated in the throttling of production, out of the market. The plan failed, but it also became less urgent as demand picked back up. However, the consequences were borne by all, casting new light on coordination and solidarity within the Eurasian Economic Union (EAEU).

The body had already had a difficult start. First came the Ukraine crisis, and Russia showed little regard for the preferences of its EAEU partners. This was compounded by the drop in oil prices, which triggered a ruble crisis that also forced Russia's partners into a devaluation spiral. Finally, there were Russian countersanctions, also imposed unilaterally by Moscow in response to the Western sanctions regime. Whereas Kazakhstan refused to comply with any sanctions, Belarus seized the opportunity to re-export goods sanctioned by Russia, ranging from fruit to cheese to shrimp, prompting Russia to temporarily reintroduce customs controls. Nevertheless, the EAEU is slowly making progress: In individual areas such as services, tourism and labor migration, regulations have been agreed upon that greatly facilitate the desired freedom of movement. In others, such as the financial and energy sectors, arrangements to create common markets are on the horizon for 2025.

Moscow ultimately failed with its oil price operation, and its counter-sanctions fit into an economic policy trajectory the country has pursued since 2018 that could best be described as “strengthening sanctions resilience,” one that is based on two main pillars: import substitution and accumulating reserves.<sup>1</sup> Both assign the central role to the state and public investment – and the “National Projects” announced by Putin in 2018 at the beginning of his fourth term are representative of these pillars. The 12 projects, ranging from road construction to today’s inevitable digitalization, are expected to take the Russian economy to a new level, with a financial volume of around \$300 billion by 2024. They are also intended to halt the steady decline of Russia’s share of global GDP, which was 2.2% in 2014, but fell to just 1.7% by 2018.

At the beginning of his third term in 2012, Putin’s “May Decrees” were still aimed at strengthening the investment climate and limiting the state sector – but with limited success after the Ukraine crisis threw a spanner in the works, as did the only fragmentary implementation of the announced reforms. A “new” growth model is now in effect – but it is one that will promote rather than eliminate structural deficits like corruption and the weak regulatory environment. It is these factors, though, that continue to limit the growth that fiscal stimuli might otherwise fuel in Russia. Still, even if its aspired-to resilience to sanctions is the product of the country’s (to some extent self-inflicted) unfortunate geo-strategic situation, since the Ukraine crisis, it has been successful in one respect: Fiscally, Russia is in excellent shape, with continuously growing foreign reserves of \$605 billion (as of May 31, 2021, with the share of U.S. government bonds reduced to barely 20%) and a budget deficit in the pandemic year 2020 of only 3.8%. The country is still, however, a long way from achieving its economic policy goals.

The structural problems of the other rentier economies, such as Azerbaijan, Kazakhstan and Uzbekistan, are similar to those in Russia: corruption, a bloated state sector with numerous zombie companies, a lack of innovation and low productivity. And they similarly serve the vested interests and persistence of well-connected interest groups. However, the demographic pressures are different. While the aging of society is creating problems for Russia, the population in these countries is extremely young and growing rapidly. In Tajikistan, for example, the average age is only 21 years.

Uzbekistan is the only country in this group to have undertaken any notable action on structural reforms in recent years. These rather elementary measures, which Turkmenistan still has yet to adopt, include the introduction of a unified exchange rate, the abolition of the compulsory levy on foreign exchange earnings from exports, the elimination of non-tariff trade barriers, a simplification of customs clearance and reducing administrative red tape for establishing businesses. The measures were primarily aimed at opening up the country economically and improving the investment climate for foreign countries. Another motivating factor is Uzbekistan’s aspiration to join the WTO.

In the fourth year of reform, however, it appears that the measures are increasingly butting up against a systemic limit. Although the restructuring of state-owned enterprises in the interest of professional management and privatization was slated to begin in 2019, little progress has been made in this area so far. The privatization process is both faltering and lacking in any transparency. For the time being, investors are also required to involve the largely unreformed local administrations in their projects and to partner with state-owned enterprises. Both of these factors point to the persistence of vested interests in Uzbekistan, which are apparently even difficult for reformers in the government to overcome.

Belarus is a special case. In 2020, Lukashenko ran his election campaign on a decidedly anti-Russian platform, pursuing two closely related goals: resisting Moscow’s pressure to deepen the union between

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<sup>1</sup> As part of that effort, the Russian government moved in mid-2020 to approve the National Action Plan for Economic, Employment and Income Reconstruction and Long-Term Structural Changes for 2020-2021, worth about 4.5% of GDP. As such, it has not even come close to exploiting the fiscal space it has available to it considering the country’s reserve fund which, at the end of 2020, had more than \$170 billion, some-thing it didn’t have at the time of the financial crisis in 2008. Back then, support very predominantly went to large, state-owned enterprises, whereas now, in the run-up to the 2021 Duma elections, small business and social benefits have also been taken into account.

the two states and correcting Moscow's "tax maneuver." The latter is Russia's intention to abolish its oil export duty of 30% between 2019 and 2024 and replace it with a production tax of a comparable amount, which will make importing Russian oil massively more expensive given that Belarus has so far been able to import it duty-free under the Union Treaty.<sup>2</sup> However, this will render obsolete a mainstay of the Minsk economic model – the export of Russian crude oil refined in Belarus, which has also been targeted by EU sanctions since June 2021. According to official figures, losses in 2019 already amounted to \$330 million, for which Lukashenko demanded compensation from Moscow. Russia, however, only wanted to grant compensation at the price of deeper integration, including the supranational institutions provided for in the 1999 Union State Treaty. Part of the irony of the deep political crisis into which Belarus has fallen after the presidential election is that Minsk is now in a position in which it is entirely dependent, politically and economically, on Moscow.

The wave of repression that swept the country in the wake of the protest movement against the rigged elections also inflicted considerable collateral damage on another promising economic sector: the numerous internet startup companies founded in recent years. A considerable number of them have moved to neighboring countries, in part because some of the young entrepreneurs have themselves become victims of political violence. This, too, is reflective of how far Lukashenko is willing to go to defend his personal power without any consideration whatsoever of the costs involved.

## Governance

The Governance Index also shows an average regional decline in transformation management of -0.14, a decline which is significant in Armenia (-0.36) and, especially, Belarus (-0.93). Armenia, with an index score of 4.93, lost around a third of the gains it made after the Velvet Revolution of 2019, reflecting, among other things, that the revolutionary enthusiasm of many young and inexperienced civil society activists who have risen to the levers of power has too often collided with the travails of day-to-day government. With an index score of 2.78, Belarus has even fallen back to the level it was at the beginning of the last decade (it was marginally worse only in the BTI 2006, at 2.75), and, together with last-place Turkmenistan (-0.13 to 2.19), finds itself in the "failed" governance category. Both countries also bring up the rear in the global rankings, coming in at 130th (Turkmenistan) and 123rd (Belarus).

**Tab. 3: Quality of governance**

very good	good	moderate	weak	failed
Score 10 to 7	Score < 7 to 5.6	Score < 5.6 to 4.3	Score < 4.3 to 3	Score < 3
	Mongolia	Georgia ▼	Azerbaijan	Belarus ▼
		Ukraine	Uzbekistan	Turkmenistan
		Moldova	Russia	
		Armenia	Tajikistan	
		Kazakhstan		
		Kyrgyzstan		

The table follows the BTI 2022 index scores. Countries are ranked according to their respective score in the Governance Index. Arrows mark a change of category compared with the BTI 2020.

It is striking that, as with the political and economic transformation rankings, the majority of "defective" democracies also suffered setbacks in governance. In addition to Armenia, they include Georgia, with -0.28 points, which has slid into the group of "moderate" governance with an index score of 5.55 (and thus the worst score since the BTI 2012, which covered the final phase of the Saakashvili era with its

<sup>2</sup> The fact that a new conflict broke out between Minsk and Moscow over the pricing of gas and oil due to the expiration of contracts completed the picture.

erratic authoritarian tendencies), Ukraine with -0.21 and Kyrgyzstan with -0.14 points. The only countries in this group that saw improvement over the BTI 2020 were Moldova with +0.12 and Mongolia with +0.03, which is now the only country with “good” governance. With the exception of the latter, all the other democracies are ranked in the “moderate” governance category, which is complemented by Kazakhstan as the only autocracy in this group to have seen a marginal gain (of +0.02 points). Trailing those countries, but showing a recent gain is only Uzbekistan, which with an increase of +0.27 and an index score of 3.83 in the BTI 2022 ranks clearly ahead of Russia, whose score increased marginally by 0.02 points to a score of 3.48. Uzbekistan thus recorded its best score ever in the BTI, reflecting both the progress of reforms executed by young technocrats, who have replaced the old Karimov loyalists, and the country’s efforts to deepen regional cooperation in Central Asia. Russia, on the other hand, came again close to its second worst score ever (in 2010 it recorded a score of 3.45 and only in the BTI of 2016 did it fall to a significantly lower index value of 3.17 in the wake of the Ukraine crisis). Its governance is only efficient when it comes to domestic security – repression, in other words. For example, since January 2020, the Moscow municipal government has installed more than 180,000 cameras with facial recognition software in the city, which have been used since 2021 to identify and detain protesters. Expansion into 10 more Russian cities, in addition to equipping schools with a total of 43,000 cameras, is already underway.

Tajikistan’s ranking was also its second worst ever, following a drop of 0.14 points to an index score of 3.20. The only time it performed worse was in the BTI 2010, when it earned a score of 2.97%. By contrast, Azerbaijan essentially managed to maintain its (low) score of 3.98, registering a drop of 0.02 points.

The negative changes are particularly conspicuous in international cooperation and credibility as a partner to the international community. Two countries stand out in this regard: Belarus and Azerbaijan.

Belarus had made some efforts in recent years to enhance its international reputation, including steps taken to mediate in the conflict between Russia, Ukraine and the West. It had refused to recognize Russia’s annexation of Crimea (as it had previously refused to recognize the independence of South Ossetia and Abkhazia); it offered Minsk as a platform for mediation efforts in the Donbass conflict (as it had done since the 1990s as the namesake of the OSCE’s Minsk Group, which is charged with resolving the Nagorno-Karabakh conflict); and it sought a more active role in the EU’s Eastern Partnership by 2020, by, for example, unilaterally introducing visa-free travel and opening up to Western economic advice. But all this fell victim in 2020 to the unprecedented wave of repression with which Lukashenko responded to the broad protest movement against the rigged presidential elections, which triggered far-reaching Western sanctions. The country’s (self-)isolation, which includes closing its borders to its Western neighbors and, in May 2021, an equally unprecedented intervention in civil aviation to arrest a regime critic, is thus a direct consequence of domestic policies that no longer seek consensual solutions to social conflicts and view civil society exclusively as a threat to the regime – and treat it accordingly. This has all put Minsk in a position where it is entirely dependent on Moscow, and it is impossible to see how it can ever again become an independent and credible foreign policy actor under these circumstances.

Azerbaijan stands out primarily because it unleashed a war against its neighbor Armenia in September 2020 in violation of the 1994 cease-fire agreement – one that it successfully concluded after 44 days by regaining virtually all of the territory occupied by Armenia and capturing one-third of Nagorno-Karabakh. This war, the polar opposite of regional cooperation, was less driven by domestic considerations, even if it did serve to significantly bolster Ilham Aliyev’s popularity in the country. Igniting enthusiasm for war is known to be the most effective means of creating social consensus.<sup>3</sup> The root causes lie in the conflict

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<sup>3</sup> That victory has been celebrated extensively ever since, with victory parades, collections of war trophies seized on public display and war-themed parks. This may also be necessary for a regime that is only able to secure political consent by autocratic means, especially given that the population will have to bear considerable costs for the reconstruction of the territories once occupied by Armenia and completely destroyed (with the exception of the administrative districts of Kalbajar and Lachin, which are located between Armenia and Nagorno-Karabakh).

itself, which both Yerevan and the mediators in the Minsk Group – France, Russia, and the United States – have long deluded themselves into believing can be either be frozen or ignored. As a result, negotiations for a peaceful settlement of the Nagorno-Karabakh conflict dragged on unsuccessfully for more than two decades, during which time the gap between Azerbaijan and Armenia in terms of development levels – and thus the gap in military capabilities – widened and the trauma of the war Azerbaijan lost in 1994 increasingly faded. Viewed from that perspective, it was a matter of time and opportunity, especially given that there had been repeated small-scale fighting along the demarcation line, as in April 2016, and again for the last time directly on the border between the two countries in July 2020.

Armenia's self-assurance and self-deception about its own military and diplomatic capabilities was based on a broad social consensus that even the new leadership of Nikol Pashinyan could not (or did not want to) resist, if only to avoid offering an open flank to the patriotic attacks of the representatives of the old regime. This resulted in bellicose rhetoric (e.g., "Arzach is Armenia, period") that underscored Yerevan's intransigence and that Baku could well understand as an invitation, or could at least instrumentalize it as being such. Russia, which is bound to Armenia by a mutual assistance treaty and to Azerbaijan by political affinities, brokered an end to hostilities in November 2020, a few days before Armenia's complete defeat.

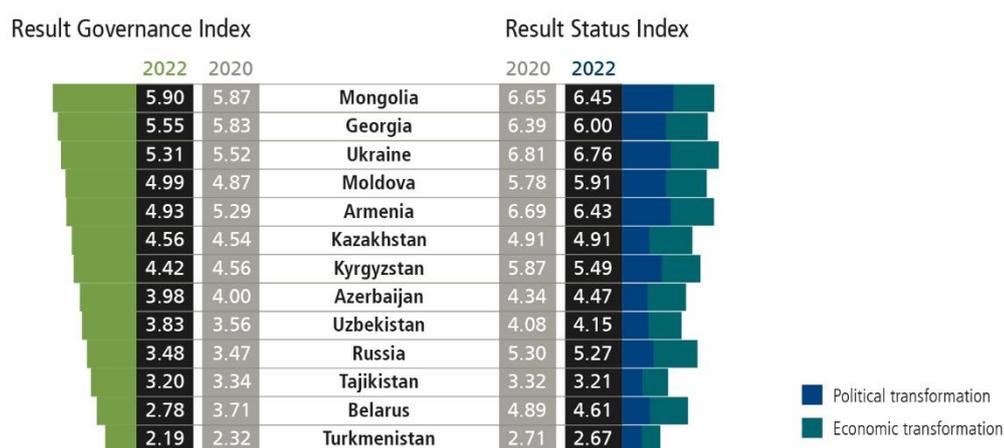
Russia's response revealed two things: First, that Russia remains the only power in the region that is willing and able to intervene, whereas France's support goes no further than verbal expressions of solidarity with Armenia. Second, the war demonstrated that Moscow has only limited control over its declared sphere of interest, having proved unable to prevent either the war or the interference of Turkey, the external (NATO) power that made Azerbaijan's success possible in the first place. The situation was different in 2008 in the conflict with Georgia over South Ossetia. Still, the agreement does now ensure Russia a military presence on Azerbaijani territory, as it seeks (with limited success) to contain Turkey. This reveals broader trends in Russia's foreign policy. On the one hand, the last two years have seen a further acceleration of the distancing from the West, which had its origins in the West's eastward expansion, which Moscow perceives as an illegitimate threat. On the other hand, regardless of their political state, more and more countries in the region are withdrawing from Moscow's control, whose reaction, restrained in comparison to the Ukraine crisis, is already being interpreted there as a "post-imperial" syndrome for lack of convincing alternatives.

The fact that, in contrast to the South Caucasus and Ukraine, and without Russian involvement, regional cooperation is possible even under more difficult conditions is confirmed by the experience of Central Asia. This was enabled by a change of course in Uzbekistan, where President Mirziyoyev has made the opening of his country a hallmark of his policies. The fact that old problems like water management (the construction of the Rogun Dam in Tajikistan and the drying up of the Aral Sea in Kazakhstan and Uzbekistan, for example), erratic and contested borders and inadequate national transportation infrastructures still hold considerable post-Soviet conflict potential underscores how precarious the situation remains. In addition to the growing recognition that regional economic cooperation promises common benefits, there is also a sense that by working together they will have more collective bargaining power with respect to Russia, for which the EAEU and the Collective Security Treaty Organization provide an institutional framework, and vis-à-vis China, which has to date pursued a strictly bilateral course that is driven by self-interest.

## Outlook

The coronavirus also hit the Eurasian countries with full force. However, it did not change the political map of the region; on the contrary, it has contoured it more sharply. Although the democracies temporarily restricted or suspended democratic freedoms with lockdowns similar to those in Western Europe, the pandemic was not politically instrumentalized. Moreover, the six democracies in the region proved to be extremely resilient in the face of the health crisis, despite a few weaknesses – rebelliousness from the bottom-up as in Kyrgyzstan, or authoritarianism from the top down as in Georgia. The epidemiological outcome is similar to that in Central and Eastern Europe, tendentially even better economically. In contrast, the seven autocracies in the region exhibit the entire spectrum of global failures – from ignorance to political abuse. What one does not see, though, is the kind of efficient rigor that typifies, for example, the People’s Republic of China, the country of the pandemic’s origin. In light of manipulative information policies, it isn’t possible to provide a reliable overall epidemiological assessment for the autocracies in the region, and the economic consequences are also often opaque. If one uses repression as a yardstick, which is more pronounced in Belarus than elsewhere, though increasingly apparent in Russia as well, the impression emerges that resilience is less robust. This is especially true given that in many places, civil society organizations have compensated for the regime’s failures as a state and circumvented systems that would have blocked information. This can be observed to a certain degree in the democracies, with their less efficient health care systems. In contrast to autocracies, however, such independent organizations are not marginalized politically and monitored in those countries but are instead an integral part of the political order.

This raises the question of the long-term effects of the pandemic on the transformation of the region. Economically, the autocracies have an advantage, at least those with exportable energy and raw materials. In light of the rapid increase in global demand, they were already recording growth rates again by the end of 2020, and that continued at an accelerated pace in 2021, although it also reduced the potential pressure for reform created by the crisis and opened up additional scope for redistributing funds in ways that could have a stabilizing effect on the regimes. In contrast, the economic slump was not only deeper in the resource-poor democracies – recovery is also likely to be slower.



The political consequences are contradictory in the sense that, while the democratic and autocratic camps have consolidated (following a regime change in Armenia in 2018), the two institutional anchors, the EU’s Eastern Partnership and the EAEU, have become more fluid. The fierce integrational competition between the two institutions, which dates back to the 2013/2014 Ukraine crisis, has weakened noticeably, even if official contact between the camps continues to be nonexistent. Armenia and

Kyrgyzstan, for example, are two democracies that are members of the EAEU, while Moldova has been an observer at the institution since 2018, a status the Socialist-dominated government under Ion Chicu even wanted to expand by participating in the EAEU Intergovernmental Council in 2020 (Uzbekistan has also had observer status since 2021). Only in the case of Belarus did domestic developments have international consequences, because in the course of the autocratic wave of repression, the EU imposed unprecedented sanctions against the regime in Minsk, which then countered by suspending its participation in the EU's Eastern Partnership in June 2021 and recalling its EU ambassador. Kazakhstan, on the other hand, became on March 1, 2020, the first Central Asian country where the Enhanced Partnership and Cooperation Agreement (EPCA) came into force. A similar agreement with Azerbaijan has been under negotiation since 2017 and with Uzbekistan since 2019. The EU successfully concluded an agreement with Kyrgyzstan in June 2019. These agreements supersede and expand upon the original cooperation agreements established in 1999. This does not apply to Russia, however, with its 1998 cooperation agreement having expired and talks for a new one suspended.

In several respects, Armenia provides an instructive case. For example, as a member of the EAEU, Armenia has also had the more far-reaching Comprehensive and Enhanced Partnership Agreement (CEPA) since 2017, which, except for the customs agreement, essentially reproduces the EU Association Agreement that was suspended in 2013. Armenia also succeeded in defending the democratic order it had won in the Velvet Revolution despite the dramatic double crisis of a pandemic and a lost war – without significant interference from Moscow, which held back despite unmistakable sympathy for the old regime and its representatives, most notably Robert Kocharyan. The situation was similar in Moldova, where Maia Sandu managed to defeat her opponent, Igor Dodon, in the presidential elections at the end of 2020 with a decidedly pro-EU platform. Dodon also enjoys close ties to Moscow, but he received little more than rhetorical support from Russia. The success of Sandu's party alliance in snap parliamentary elections in July 2021 strengthened this course and potential tidal shift.

At the same time, Armenia had to learn the hard way that Russia is the only country that is able and willing to guarantee its security – but that guarantee did not explicitly include Nagorno-Karabakh. The EU's credibility as a defender of democratic values and regimes, on the other hand, suffered considerably as a result of the war waged against Armenia by autocratic Azerbaijan, because nothing more than verbal expressions of solidarity could be heard from Brussels. Whether the EU can restore its credibility will largely depend on how it contributes to overcoming the disastrous consequences of the war, including the unresolved territorial issues related to Nagorno-Karabakh.

While the EU's limited power to shape security policy was evident in the Nagorno-Karabakh war, Russia's leadership in strategic matters is undisputed only where there is no alternative to Moscow, as in the case of Belarus, for example. Even the autocracies in Eurasia have no wish to follow Moscow's rigid lines of demarcation from the West. Indeed, the Greater European Partnership project, which has taken the place of Mikhail Gorbachev's concept of a "Greater Europe," hasn't really gotten off the ground. Russia's perception of itself as the organizing core of Eurasia only meets with limited agreement in the region, insofar as Russia is primarily viewed more as the political bridge between China and Europe and as the only actor in the region able to contain the newly emerging Chinese challenge. Viewed from this perspective, the concept could very well be understood as an expression of a "post-imperial" syndrome.

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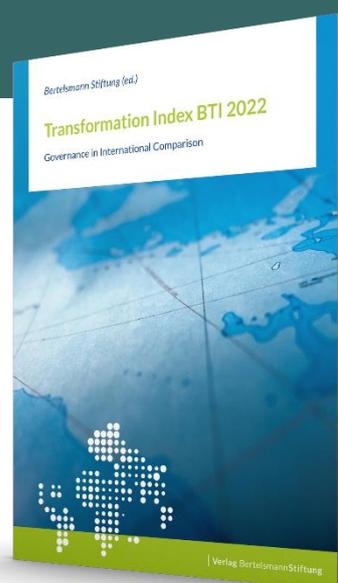
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