

Labour Focus on **EASTERN EUROPE**

THE TRANSITION problems and strategies



*An
independent
socialist
magazine
on Europe*

No.1 in 1993

£3.50 \$6.50

44

**The Russian left
in 1992**

**Industrial conflict
in Poland**

Labour Focus on **EASTERN EUROPE**

ISSUE 44, NO.1 IN 1993

CONTENTS

Editor
Gus Fagan

Editorial Collective

Patrick Camiller, Quintin Hoare, David Holland, Andrew Kilmister, Michele Lee, Jeremy Lester, Sheila Malone, Oliver MacDonald, Günter Minnerup, Rick Simon, Peter Thompson.

Sponsors

Tariq Ali, Luciana Castellina MEP, Harry Cohen MP, Mike Davis, Vladimir Derer, Paul Foot, Michael Hindley MEP, Ken Livingstone MP, Michael Löwy, Ernest Mandel, Zhores Medvedev, Istvan Mészáros, John Palmer, Jozef Pinior, Daniel Singer, Hillel Ticktin, Hilary Wainwright, Immanuel Wallerstein, David Winnick MP.

Sponsors carry no editorial responsibility for the journal.

Subscription rates

(for one year: 3 issues)

UK & Europe

Individuals: £10 Institutions: £20

Overseas (airmail)

Individuals: £14/ Institutions: £24/

US\$25 US\$45

Address

Labour Focus on Eastern Europe
30 Bridge Street
Oxford OX2 0BA
England
Telephone and Fax (0865) 723207

Labour Focus on Eastern Europe is an independent socialist magazine, established in 1977. Signed articles represent the views of their authors and the publication of a document does not imply agreement with its contents. Unless otherwise stated, all materials in *Labour Focus on Eastern Europe* may be reproduced with acknowledgement. Kindly send reprints.

c *Labour Focus on Eastern Europe* 1993

ISSN 0141-7746

2 LABOUR FOCUS ON EASTERN EUROPE

EUROPE Integration Under Strain

The EC and its Eastern Neighbours

Peter Gowan 3

Western Investment in Eastern Europe

Hugo Radice 14

Monetary Integration, Recession and the Left

Valerio Lintner 17

Political Strains in Western Europe: Migration and Race

David Edye 22

HUNGARY

Liberalism, Nationalism and Democracy in Hungary

László Andor and Tamás Krausz 27

RUSSIA

The Russian Left in 1992

Interview with *Aleksandr Buzgalin* 31

POLAND

Industrial Conflicts in Poland 1990-92

Kazimierz Kloc 35

THE YUGOSLAV CRISIS

The War in Yugoslavia: A Reply to Catherine Samary

Branka Magas 40

Rape and Ethnic Cleansing

Letter from *Croatian Womens Groups* 45

Review 47

Authors 30

The EC and its Eastern Neighbours

Integration, Containment or Disintegration

by Peter Gowan

The first four articles in this issue were papers presented at a one-day seminar, European Integration Under Strain: Alternative Ways Forward, 28 November 1992, sponsored by the European Studies Unit of the University of North London and LFEE, supported by the Socialist Group in the European Parliament.

Introduction

Relations between the EC and the countries of the former Comecon bloc are today at a cross-roads of great historical importance. If events continue along their present course, shock-waves of ever stronger intensity will be launched from various centres of crisis in the East with great and possibly decisive consequences for the course of events in Western Europe over the next quarter of a century.

The great hopes at the end of the 1980s that the whole continent could be unified politically and economically, initiating an historic new era of growth and social progress, are now collapsing. There is even a possibility that the next 25 years now seem likely to be a good deal worse for most people throughout Europe than the previous quarter of a century of Cold War.

The earlier hopes were based upon real possibilities: the civilian growth motors of the West European economies (cars, consumer durables etc.) had largely saturated their domestic market base without being replaced by new growth motors; the peoples of Eastern Europe were evidently desiring above all to share in this Western consumer civilisation and could have provided a vast new base for West European industries, provided that they were given the means, through a viable transition-process, to make their demand for such goods effective.

This now looks very unlikely. And if a gloomy prognosis is borne out, it will have one cause above all others: the utter incapacity of Western political and economic institutions and leaderships to respond effectively, from the point of view of the collective interests of the dominant social groups in the West, to the collapse of communism which they had devoted such huge resources to bringing about.

The main focus of this paper is on European Community policy on the one hand, and the Visegrad states on the other: Poland, the Czech Republic, Slovakia and Hungary¹. But it is impossible to consider their future lines of development without situating them in the wider East Central and East European context. So we shall try to do that towards

the end of this paper.

European Community Policy

The most basic fact about the European Community and East Central Europe (hereafter ECE) since 1989 is that the EC has had no policy for the future of the Eastern half of Europe: only policies for domestic changes within individual ECE states and policies for bilateral relations between the EC and individual ECE states.

After the first world war, President Wilson came forward with a programme for Europe; at the end of the second world war Presidents Roosevelt and Truman came forward with programmes for the world and for Europe. After the Cold War no equivalent programme has been presented by either the EC or the Western Alliance as a whole.² The CSCE with its membership basis of a "market economy" and "democracy" for every state in Eurasia and with its criteria for the settlement of disputes is the sum total of the Western "programme" for the region and the CSCE is very far from being a securely entrenched framework for the future.³

Part of the reason for the absence of a programme for the region lay in the fact that in 1989, although what used to be called the "buffer" states between the USSR and the West had collapsed, the Soviet Union itself had not. The West was therefore combining a continued conflict with the USSR (albeit in different forms from those of the past) with a simultaneous desire not to alarm the Soviet elite with a programme which could be seen as threatening Soviet security interests.⁴ The conflictual relationship with Gorbachev's Soviet Union precluded any Western support for a regional organisation replacing the CMEA; the desire not to alarm the USSR was no doubt one factor inhibiting the Western Alliance from proposing a regional organisation comprising only ECE and linked to the West. But no less important was the confusion and disagreement within the West (which still continues) over what, if anything, should replace the West's own Cold War institutional order, to accommodate the changes in the East. And since political arrangements for the region go hand in hand with, and are ultimately underpinned by, security arrangements, the EC was not, in any case, in a position to pre-empt the Atlantic Alliance with its own political programme for the region.

Various individual leaders have suggested various programmes: President Mitterand has proposed a European Confederation from the Atlantic to the Urals, while simultaneously ruling out EC membership for ECE states within the next 2 decades; John Major has responded by claiming to have a programme for an EC including Russia in the

The EC and its Eastern Neighbours

Integration, Containment or Disintegration

by Peter Gowan

The first four articles in this issue were papers presented at a one-day seminar, European Integration Under Strain: Alternative Ways Forward, 28 November 1992, sponsored by the European Studies Unit of the University of North London and LFEE, supported by the Socialist Group in the European Parliament.

Introduction

Relations between the EC and the countries of the former Comecon bloc are today at a cross-roads of great historical importance. If events continue along their present course, shock-waves of ever stronger intensity will be launched from various centres of crisis in the East with great and possibly decisive consequences for the course of events in Western Europe over the next quarter of a century.

The great hopes at the end of the 1980s that the whole continent could be unified politically and economically, initiating an historic new era of growth and social progress, are now collapsing. There is even a possibility that the next 25 years now seem likely to be a good deal worse for most people throughout Europe than the previous quarter of a century of Cold War.

The earlier hopes were based upon real possibilities: the civilian growth motors of the West European economies (cars, consumer durables etc.) had largely saturated their domestic market base without being replaced by new growth motors; the peoples of Eastern Europe were evidently desiring above all to share in this Western consumer civilisation and could have provided a vast new base for West European industries, provided that they were given the means, through a viable transition-process, to make their demand for such goods effective.

This now looks very unlikely. And if a gloomy prognosis is borne out, it will have one cause above all others: the utter incapacity of Western political and economic institutions and leaderships to respond effectively, from the point of view of the collective interests of the dominant social groups in the West, to the collapse of communism which they had devoted such huge resources to bringing about.

The main focus of this paper is on European Community policy on the one hand, and the Visegrad states on the other: Poland, the Czech Republic, Slovakia and Hungary¹. But it is impossible to consider their future lines of development without situating them in the wider East Central and East European context. So we shall try to do that towards

the end of this paper.

European Community Policy

The most basic fact about the European Community and East Central Europe (hereafter ECE) since 1989 is that the EC has had no policy for the future of the Eastern half of Europe: only policies for domestic changes within individual ECE states and policies for bilateral relations between the EC and individual ECE states.

After the first world war, President Wilson came forward with a programme for Europe; at the end of the second world war Presidents Roosevelt and Truman came forward with programmes for the world and for Europe. After the Cold War no equivalent programme has been presented by either the EC or the Western Alliance as a whole.² The CSCE with its membership basis of a "market economy" and "democracy" for every state in Eurasia and with its criteria for the settlement of disputes is the sum total of the Western "programme" for the region and the CSCE is very far from being a securely entrenched framework for the future.³

Part of the reason for the absence of a programme for the region lay in the fact that in 1989, although what used to be called the "buffer" states between the USSR and the West had collapsed, the Soviet Union itself had not. The West was therefore combining a continued conflict with the USSR (albeit in different forms from those of the past) with a simultaneous desire not to alarm the Soviet elite with a programme which could be seen as threatening Soviet security interests.⁴ The conflictual relationship with Gorbachev's Soviet Union precluded any Western support for a regional organisation replacing the CMEA; the desire not to alarm the USSR was no doubt one factor inhibiting the Western Alliance from proposing a regional organisation comprising only ECE and linked to the West. But no less important was the confusion and disagreement within the West (which still continues) over what, if anything, should replace the West's own Cold War institutional order, to accommodate the changes in the East. And since political arrangements for the region go hand in hand with, and are ultimately underpinned by, security arrangements, the EC was not, in any case, in a position to pre-empt the Atlantic Alliance with its own political programme for the region.

Various individual leaders have suggested various programmes: President Mitterand has proposed a European Confederation from the Atlantic to the Urals, while simultaneously ruling out EC membership for ECE states within the next 2 decades; John Major has responded by claiming to have a programme for an EC including Russia in the

foreseeable future. Chancellor Kohl has stressed the importance of the CSCE while seeming to favour a medium-term inclusion of the Visegrad states in the EC.⁵ And the Bush administration has simply wanted to extend the Atlantic Alliance steadily eastwards. In short, each Western government has sought to extrapolate its own immediate state interests and ideologies of the Cold War period onto the new, post-Cold War reality. As Mikhail Gorbachev used to say: no new thinking.

As a result of all this the EC's overall policy for ECE amounted to the following: each individual ECE state would move towards closer relations with the EC only insofar as its made domestic changes considered necessary and possible by the West, to wit, a rapid change to a capitalist society with a liberal democratic system of government. When such changes were well under way, the state concerned could negotiate an Association Agreement with the EC, though any subsequent backsliding on the change to capitalism would enable the EC to abrogate the Association Agreement. After the Association Agreement had been concluded, the given ECE may be able to move towards membership of the EC; but on the other hand it may not: nothing is ruled out, but nothing is ruled in either.⁶

So any attempt to assess EC policy towards the Visegrad states since 1989 amounts to little more than assessing this drive to ensure rapid system change in the states concerned. Yet it seems reasonable to include another criterion for evaluating EC policy although this criterion has never been a formal policy commitment on the part of the EC: the idea that the EC has the goal of producing modern, advanced societies and economies in ECE. We will therefore try to assess EC policy from this angle also, using the useful criteria for defining an EC policy failure in the region supplied by Heinz Kramer: as he puts it: "failure means a degeneration of democratic approaches into an authoritarian-cum-nationalist system and/or the replacement of the former run-down state socialism by a rundown capitalism rather than the relapse into the former socialist-Communist system."⁷

The Visegrad States

Western writings on developments within the Visegrad states since 1989 have tended to assume that internal events in these states have been endogenously driven and have had what might be called a nationally autonomous and "organic" character: domestic outcomes have derived from the relatively free interplay of social and political forces within each state.⁸

This presupposition is inaccurate: the domestic actors have been free to chose the moves they make in the domestic game, but the playing field, the rules and the resources at the disposal of each of the players - all these things have very largely been determined by outside sponsors. More than that, the sponsors have laid down which game will be played and the length of play: namely a short-term systemic change to an open capitalist system. And the game has had to be played state by state under bilateral supervision from the West.

The extraordinary dependence of internal processes upon external (Western) actors has been partly the result of special conjunctural factors: first, the collapse of the ruble zone, of the regional trading mechanisms and of the domestic mechanisms of economic allocation and control; secondly, the collapse of domestic ideologies, professions, elite careers

and the collapse of authority of surviving public institutions and legal systems, indeed the absence of a stable state-cum-social order, despite such forms as elected governments, parties etc. But it has also been the result of more permanent features of the Western system: the ability of powerful and largely unified Western states to "define reality" and "the acceptable" to weaker neighbours. And finally, it has been a consequence of Western responses to the breakdown: the use of the countries' external debts for internal leverage; the use of negotiations on entry into the institutions of the world economy for internal leverage; the rejection of any policy for rebuilding an EE trading system coupled with the bilateralisation of ECE relations with the European Community, and the consequent leverage to transform the division of labour within the Visegrad states so that it disturbs as little as possible the division of labour in Western Europe.⁹ Domestic ECE developments since 1989 have, then, been framed by two external structural driving forces: on the one hand by the disintegration of the economic and political ties binding together both domestic and regional reproduction in the East; and on the other hand by the drive Eastwards of the ideologies, economic and political forces of Western capitalism into the region, a drive to some extent co-ordinated and harnessed by Western governments.¹⁰ Table 1 gives some idea of the trade impact of the collapse of the CMEA.¹¹

Assessments of current trends in the region and of future interaction between the two halves of the continent must therefore hinge on analysis of the impact of these twin processes of socio-economic disintegration and the flood of Western influence pouring into the region.

Table 1:

Estimated Terms of Trade Costs to East European Countries from the end of State Trading with the USSR

Country	Costs (\$ mill)
Hungary	1,900
Bulgaria	2,700
Czechoslovakia	3,500
GDR	4,200
Poland	3,100
Romania	300
TOTAL.....	15,600

Source: David Tarr: "Problems in the Transition from the CMEA" in *Communist Economies and Economic Transformation*, Vol 4, No. 2 1992.

At one extreme we have the case of the former GDR. Here, decisions were taken in Bonn for a sudden and complete institutional destruction of the old system, coupled with an effort at entirely Western-led capitalist construction from scratch. In ECE institutional barriers to rapid destruction of the old system have been maintained to greater or lesser degrees, in order to slow down the devastation of the old social orders on which the bulk of the urban populations still depend in order to maintain a modicum of stability for their ways of life; and in parts of EE, such as Bielarus or Ukraine, the institutional barriers to capitalist transformation have predominated over the forces of capitalist transformation up to now.

West and East have thus been assymmetrically linked since 1989. The member states of the European

Community have largely remained cohesive and sought to minimise the domestic Western impact of developments in the East, except, of course, in the case of the ex-GDR, whose integration has transformed macro-economic conditions throughout Western Europe.¹² And although at times common discipline towards ECE on the part of EC states has neared breaking-point,¹³ a prime goal of EC policy towards ECE has precisely been to maintain the unity of member-states, even if the price of such unity is to constrain EC policy-making to the point of virtual paralysis, notably in negotiations over Association Agreements.¹⁴

Thus the enormous strains of collapse and transition in ECE and EE have been firmly contained within the region except in the case of the Yugoslav war, where Westward spillover in the form of mass refugee migrations is occurring. Nevertheless, in the future the outcomes both of the collapse in the East and of the forms of Western entry into the East will have profound reciprocal feedbacks on Western Europe, either positive, as virtuous circles of growth, or negative, not least of the kind currently experienced from the Yugoslav war.

Part One Slump-transition and its consequences

Assessing EC policy since 1989 requires examining the following issues: (1) some appreciation of how far the goal of system change has been implemented; (2) assessing the current and likely medium-term impact of the drive for system change upon the macro-economic condition of the ECE states; (3) assessing the impact upon political conditions in ECE. We will attempt to look at these issues in this section.

The extent of system change

After three and a half years, the economies of ECE have been very largely opened up to the direct influence of the Western economies, above all through price liberalisation, institutional changes to allow inward investment and moves towards currency convertibility, but the social transition to capitalism has not yet been completed.¹ The key breakthrough requires first a capitalist labour market in which private profit criteria govern the hiring and holding labour; and second the full freedom to buy and sell capital in decisive sectors of the economy.

The right to operate in these ways, not only in law but in socio-political fact, has been achieved in the Visegrad states over the past 3 years. The balance of power on labour markets has decisively shifted from workers to employers, but governments have not yet unleashed the full power of capitalist labour market forces upon their populations.² Millions of workers are still being employed by enterprises making sustained losses but maintained in operation by the state. Between 70 and 80 per cent of industrial output is still in the state sector and capitalist criteria of economic reproduction are not yet being applied to it. And in Poland, where the drive for change has been most hectic, in 1992, according to the Institute of Political Studies in Warsaw, the private sector, including farmers, makes up no more than 25 per cent of the country's overall economic output.³

And by the same token, capital assets have not

been made fully available for buying and selling on the market and the institutions for selling money capital (banks and other credit institutions) have similarly not been placed on a genuinely capitalist footing.

Finally the material basis of the state is far from being fully capitalist. State revenue depends still very heavily on direct extraction from enterprises, rather than on value added tax and income tax. At the same time state spending commitments still reflect the very large social welfare rights of the former socialist system, far higher than the level of provision commensurate with operating on a capitalist basis.

Only when the socio-economic system and the state budgetary and regulatory systems are brought into line on a capitalist basis will the transition be complete in a social sense. In the meantime a centre of decision-making authority is having to drive through the transition without the back-up of an existing capitalist class (ie middle class "civil society"), without a capitalist state and with a population still tied by thousands of threads of interest or aspiration to the inherited social institutions.

Nevertheless, in all the Visegrad states, by late 1992, the governments, have reached the point where the final denouement of the transition can occur. There are no serious legal or technical obstacles and the parliamentary balances of power are aligned more or less adequately for the final push. But the consequences of this step are also now becoming apparent not only to governments but to their Western advisers and the great question facing the region is whether, in 1993-4, the step will be taken.

Macro-economic consequences of system change

This transition is occurring in the midst of a very serious economic depression. This is partly the result of the breakdown of the regional communist order, notably its currency and trading system, but it has also been greatly exacerbated by the coercive diplomacy of the West, especially IMF conditionality, insisting on rapid price liberalisations and "financial stabilisations", which have utterly destabilised domestic socialist markets. A further contributory factor in the depression has been the trade policies of the West: Visegrad governments have been urged to open their domestic markets to Western competition. This has been done to varying degrees; the Polish government threw open its doors totally in 1990. As a result, domestic producers have been very hard hit by a flood of imports from the West, while the products most easily saleable on EC markets have still been blocked by EC protection.⁴

New right ideologues in the West have tried to present this slump as a necessary and beneficial accompaniment of system change: Schumpeterian phrases about "creative destruction" have been used to suggest that the slump is a creative shake-out of socialist inefficiencies as enterprises are forced to face real market signals. We are, they assure us, on the down-swing of a J curve.⁵

This is unfortunately an untenable argument. The signals are coming from dislocated, collapsed markets, and the signals are themselves therefore "diseased". Therefore enterprises with excellent prospects on stabilised markets are going bankrupt, while enterprises doing well may often be transient products of the crisis.⁶ Furthermore, the big shake out has not even begun in earnest and if decisions are taken to let current market signals rule and drive

enterprises in the red into the private sector for bankruptcy, then the scale of devastation will be approximate to that in the ex-GDR, but without the hundreds of billions of D Marks from the West.

In reality there is no theoretically necessary connection between a transition to capitalism and an economic slump. By far the biggest and deepest experiment in capitalist transition in the former Communist Bloc has been accompanied for over a decade with the fastest economic growth rates in the world: that in China, which has, after Japan, the biggest trade surplus of any country in the world with the USA.⁷

A recession was bound to occur in ECE as a result of the collapse of the ruble area, the loss of the GDR to the region and the collapse of the USSR. But it was the West's diplomacy of conditionality for rapid system change that was responsible for the current slump, now heading for catastrophe in Romania and Bulgaria, and very serious in Poland, Hungary and Slovakia.

The European Community's team of experts on ECE hopes that the depression in the region will "bottom out" in 1993 and that therefore "the more optimistic predictions of acceleration in the second half of this decade" will be borne out. But it warns that "this virtuous circle is not yet in motion and will not be, by any means, automatic".⁸

The slump and the social transition intersect to produce two potentially explosive crises: a galloping growth of domestic enterprise and bank debt; and budget deficits that are not under control.

Inter-enterprise debt and enterprise debt to the banks are a serious problem in all the Visegrad economies. In Hungary, in the first quarter of 1992, inter-enterprise debt had reached 400 Billion forints (approximately \$5.2 bn) and has been dramatically worsening.⁹ These problems are increasingly serious in Czechoslovakia where such debts, by the end of 1991, had reached 120 billion koruny (\$4.3 bn) and where they have continued to rise steeply during 1992.¹⁰ But the problem is most serious in Poland where, according to the Minister for Industry, by April 1992, inter-enterprise debt had reached 200 trillion zloty (about \$14.8 bn) or roughly one third of GNP. And seven of the "big nine" commercial banks in the country have been in serious trouble since the end of 1991 as a direct result of the poor performance of their loans to state enterprises, which constitute 80 to 90 per cent of their total "assets". According to a World Bank Report, 30 to 40 per cent of such loans were classified as "doubtful" or "irrecoverable" by February 1992.¹¹

This debt burden threatens chains of bankruptcies which could in turn pull down the new commercial banks and risk the collapse of the whole credit system. Meanwhile, the emerging private sector of small businesses is unable to borrow, leading such long-established private businesses as Polish farmers

Table 3. Changes in ECE Industrial Output

	1990	1991	1992
Bulgaria	-16.3	-27.5	-17.5
Czechoslovakia	-4	-21	-22
Hungary	-10.5	-19.1	-18.9
Poland	-24.2	-12.9	-7.6
Romania	-17.4	-18.7	-17.6
Slovenia	-10.5	-12.4	-16.0

(Source for Tables 2 and 3: *European Economy Supplement A, Recent Trends*, No. 8/9, 1992)

to protest that they never faced such hardships under Communism. Without access to investment credit, the private sector cannot move forward.

If the state enterprises are genuinely privatised, made to operate as capitalist firms, they will go bust in very large numbers and will threaten to bring the banking system or their new holding company owners down with them.

Meanwhile the Polish and Hungarian governments are in no position to recapitalise the banks and credit institutions because of their uncontrollable budget deficits and an attempt to do so in Czechoslovakia would plunge its budget also into a deficit that cannot easily be bridged by domestic borrowing since the domestic capital markets required for such borrowing do not exist. In Hungary, the IMF and the Hungarian government agreed that the budget deficit for 1992 should be kept under 70 billion forints (69.8 billion was the limit) - about \$1 billion dollars. By the end of May it had already reached 78.7 billion forints. Estimates in May 1992 calculated that the 1992 deficit will turn out to be about 200 billion forints - three times the figure agreed with the IMF. The 1991 deficit had been 114.2 billion forints (against a target for the year of 78.8 billion) so the budget deficit has been deteriorating rapidly. The cause of this budgetary collapse has not been runaway expenditure to stem the threat of social upheavals: public expenditure has been running almost within its agreed limits. The cause is the collapse of revenues.¹²

The Hungarian government has planned to try to tackle the deficit through introducing new high VAT taxes at the start of 1993. This will only deepen the slump. Furthermore, attempts to increase government tax revenues fall especially heavily upon the very private companies which the governments are supposed to be fostering. The alternative solution to the fiscal crisis, so-called "budget reform", entails drastic structural cuts in education, health, housing and pension provision. The government does not, however, plan to make such reforms until 1994, after the next elections. In the meant-time projections for next year's budget deficit are of roughly 250 billion forints.¹³

It might be thought that Western aid might be assisting the solution of these problems. But very little of the aid flowing into ECE has been for macro-economic purposes. Indeed most Western loans would only exacerbate the countries' macro-economic difficulties in the short to medium term. For example, out of \$8.1 bn in aid available to Poland this year, only \$1.7 bn has been taken up, and for very good reasons: most of this "aid" takes the form of credits for Poland to import goods from the West.¹⁴ But Poland and other ECE countries are desperately struggling to achieve current account surpluses in order to repay debt and give a modicum of stability to their exchange rates. And, in any case,

Table 2. IMF Figures: EE and CIS Output and Prices

Output	Sept 92 projections				May 92 projections	
	1990	1991	1992	1993	1992	1993
EE	-7.1	-13.7	-9.7	-2.4	-8.7	-1.5
CIS	-0.4	-9.0	-18.2	-6.5	-0.7	-6.5
Prices	1990	1991	1992	1993	1992	1993
	EE	142.2	134.9	796.4	42.1	701.4
CIS	5.4	88.9	1296.2	134.5	296.2	94.5

successive Polish governments have rightly been under great domestic pressures from Polish enterprises, trade unions and even inward investors to prevent the destruction of potentially profitable enterprises by the invasion of imports from the West.

In these conditions any attempt to place the bulk of industry on a capitalist accounting footing would be likely to turn the depression into a slump of awesome proportions, threatening to pull down the nascent financial markets, bringing about a budgetary collapse and leading to the disintegration of the infrastructures necessary for an economy aspiring to development.

The only way to press forward to capitalism without destroying the basis for development into modern advanced economy would be through rapid and very large resource commitments from Western Europe. And these seem to be excluded in the short-term.

Furthermore, to push the system change to a conclusion now would probably require a drastic strengthening of authoritarian political tendencies, if not an outright break with liberal democratic machinery.

Political consequences of the drive for system change

There is a widespread awareness now in the West of the growth in ECE and EE of authoritarian-nationalist or quasi-fascist currents. But two misconceptions should be avoided in assessing the political consequences of the drive for systemic change: first, that the authoritarian threat to liberal democracy comes from the political forces opposed to the transition to capitalism; and secondly, that the political forces defending liberal democratic freedoms are being supported by the EC and its member states.

There is a fashion in the West to explain these authoritarian threats in cultural terms as the products either of Communist authoritarian political cultures or as throw-backs to inter-war cultural traditions. Of course, such cultural legacies are present. But the important question is which social forces and political projects give these cultures political life and energy. It would be an extremely dangerous error to skip this issue, especially if the evasion is combined with the proposal that only by rapid change to "the market" will the basis be laid for solid liberal-democratic machinery.¹⁵ This line of argument for a swift move to fully operational capitalism is a recipe not for building liberal democracy but for destroying it.

The source of this error lies either in a failure to grasp what the transition to a "market economy" involves or in a dogmatic mistake of seeing capitalism as a monolithic genus without species. Only by distinguishing between two species of capitalist project can we distinguish current threats to liberal democratic development.

Very schematically, we may make a distinction between authoritarian threats of a quasi-coup variety and authoritarian populist movements. Both threats exist in the Visegrad states today and both come from supporters of the capitalist transition, though they are seeking different varieties of capitalism. It would be a serious error, therefore, to view these threats as recidivist resistance to the "market economy".

Resistance to effects of capitalism

The seemingly broad popular consensus for the "free market" in the early phase of post-Communism was

in reality a negative consensus against the old Communist regimes. The new political elites were voted into office on the basis of a plebiscitary rejection of a dying communism, a rejection embracing absolutely heterogeneous social groups moving, in some cases in diametrically opposed directions, united only to vote out the Communist Parties: industrial workers opposed the Communists partly because they had failed, in the late 1980s, to maintain the social protections earlier guaranteed, while other groups with a capitalist orientation voted against Communism precisely because and insofar as it had maintained social protection systems rather than changing the system to capitalism.¹⁶ There was a certain amount of positive unity for political freedom, but Western cold war conceptions about the extent to which ordinary people in Poland or Hungary in the 1980s were inhibited from expressing their views under Communism were grossly exaggerated.

At the same time, all sections of the anti-Communist majorities hoped initially for substantial improvements in living standards by becoming "part of the West" or "part of Europe", and the new political leaders presented a perspective of short-term entry into the EC and other Western institutions. For a brief period, this gave a quasi-hegemonic role to pro-Western political solutions for everything.¹⁷

Popular attitudes have dramatically changed since 1989, except perhaps in the Czech Republic where a neo-conservative brand of Westernism versus Communism remains dominant, along with continuing hopes for a fairly rapid improvement in living standards.

But the change in popular attitudes can be illustrated most dramatically in Poland. Nowhere was such Western hegemony of a free-market liberal form stronger than there in 1989-1990. In the elections of June 1989 Solidarnosc made a clean sweep of seats for the lower house of the Sejm and as late as April 1990 the neo-liberal prime minister, Mazowiecki, champion of the "big bang" transition to capitalism was still registering opinion poll ratings of some 80 per cent, despite three months of very harsh austerity.

As tables 4 to 6 show, the political attitudes of the Polish people are radically different today. And these opinion poll returns are confirmed by the dramatic shift in political loyalties and goals within the Polish trade union movement, bringing a united front between the extremes of anti-Communism of Solidarity 80 and the former official anti-Solidarity trade union, OPZZ on a platform of mass strike action against the Democratic Union led government, around such demands as a rejection of the current privatisation law, protection of the domestic market from "the flood of foreign capital" and the "cancellation of enterprise debts and cash-flow problems". And the summer 1992 strikes linked to this movement occurred not in doomed state industries but in those with a potential for the future.¹⁸

Neither election results nor opinion poll findings indicate a ground-swell of support for Catholic Nationalist authoritarianism within the population. There has been a dramatic decline in support for the Church hierarchy and its policies.¹⁹ But the worrying trend in public opinion from the point of view of democratic stability is the popular contempt for the established political parties, coupled with high regard for the army. Hostility towards mainstream parties is widespread also in Hungary and in the Czech Republic and Slovakia. It is demonstrated not only by opinion polls but in the enormous abstention rates in

Table 4: Levels of Satisfaction/Dissatisfaction (%)

	Apr 91	Jan 92
Dissatisfied with political situation	59	87
Satisfied with political situation	35	9
Dissatisfied with economic position	59	79

Table 5: Levels of Confidence in Institutions (%)

	October 1990	January 1992
In national government	68	23
In Polish Television	68	48
In the Polish church	81	55
In the military	52	70
In the police	35	42

elections.

We do not need to resort to complicated and rather indeterminate culturalist explanations for these poll results and indices of industrial unrest. There is a much more direct explanation which is too often totally ignored in Western analysis: a crisis of political representation, stemming from the fact that the policies of the mainstream parties are utterly at odds with the felt interests of the great bulk of the populations. And in this connection we should not ignore the fact that the mainstream parties are almost entirely funded by the West while, at the same time, the West European CD and SD parties are entirely united on the main lines of domestic policy for ECE. This pattern is buttressed by the heavy Western ownership of the daily press in the region.²⁰ The ex-Communist parties, along with the main trade union federations linked indirectly with them, have been anathematised both by the Socialist International and by the ICFTU as well as subject to assaults on their resources by the governments, supported by the mainstream parties, left and right, in the region. The Czech government in 1992 stripped the Communist Party of all its assets. The Hungarian government, aided by the Free Democrats, has been legislating to strip the main trade union centre of its assets.

The crisis of representation, then, does not lie in the fact that popular attitudes of hostility to the slump and the erosion of socialist rights are repudiated by the governing parties. It lies in the fact that these attitudes are scarcely articulated at all within the official political system: they are simply not represented by the "mainstream" political parties. And the entire weight of mainstream political and press propaganda, buttressed by the Western agencies and governments, is directed towards delegitimising the parties and trade unions that express democratic opposition.

This provides the background for the popular withdrawal from the official, mainstream party systems of the region, most notably in the cases of Hungary and Poland. Most of the mainstream parties have tiny memberships and are little more than skeletal organisations dominated by their members of parliament. Meanwhile, in Hungary and Poland especially, it is not uncommon for 80 per cent or more of the electorate to fail to vote in by-elections and for voter turn-out in national elections to be very low.

In the CSFR the crisis of representation led to a constitutional breakdown, as the Slovak population opted for separation rather than succumbing to the

policies for rapid transition of the Klaus government, and the Czech opposition parties then swung over to a joint position for a Czech and Slovak Union against the Klaus drive for Czech capitalism.

There is not a shred of evidence to suggest that the ex-Communist parties are seeking to install a new dictatorship. Indeed, their leaderships are far from being opposed to the transition to capitalism. But they are, unlike the social democrats backed by the Socialist International, sensitive to the popular and trade union pressures to put the living conditions of working class people before precipitate actions for fully-fledged capitalist change.

The Authoritarian Threat

The danger to the nascent liberal-democratic systems derives, on the one hand, from pro-capitalist governing parties or leaderships faced with electoral extinction in the next round of elections and, on the other hand, from middle class nationalist movements opposing Western-style "open market" capitalism in the name of "national capitalist" class formation and development.

The initial orientation of all the Visegrad governments has been towards creating the domestic conditions for Western inward investment and for gearing the transition to the needs of such investment. In Poland, this entailed a stabilisation plan which immediately hit the existing Polish private sector, especially the private farmers. In Hungary, under the HDF, the interests of the domestic private sector were given greater weight but both there and in Czechoslovakia governments strove to attract Western capital by offering it the best, most profitable, state enterprises for sale.

This orientation has brought an increasingly strong backlash from aspiring national bourgeois groups, as well as from lower-middle class groups hoping to gain handsomely from the restitution of pre-1948 property - a promise made across the region which was taken back when it became clear that the consequence could be years of confusion over property titles, a confusion inhibiting direct Western investment. The political entrepreneurs of integral nationalism, the Endecja traditionalists and Christian Nationals in Poland, sections of the Smallholders (the Turgyan wing) and of the governing Hungarian Democratic Forum (the now seemingly dominant wing led by Istvan Csurka) in Hungary, the Republican Party in the Czech Republic and the Slovak National Party, have latched onto this national bourgeois project, demanding radical Anti-Western and anti-liberal as well as anti-democratic measures against assorted enemies: Jews, Communists, Western bankers, liberals and "genetically inferior" species such as gypsies.

Some of these parties, such as the Turgyan wing of the Smallholders in Hungary, lack the most minimal stability to make them a serious threat.

But the Csurka wing of the ruling HDF in Hungary is a very different matter. The tract by HDF deputy president Istvan Csurka published in August 1992 is a very serious call for attacks upon the stability of the liberal democratic system there and for attacks on international stability in the region. Csurka focuses attention upon "Jewish influences", making an amalgam between the so-called ex-Communist nomenklatura and New York bankers through alleged common Jewish ethnicity. He also claims loyalty to the Hungarian state on the part of Hungarians in surrounding countries and threatens an irredentist campaign against Slovakia and Romania, as well as

raising the alleged "genetic inferiority" of Hungary's gypsies, seeing them as a health threat to the strong genes of the Magyar stock and a threat that should be purged. Csurka campaigns for a more authoritarian state: taking the press in hand, organising agitation for the sacking of the President (a member of the Free Democrats) and calling for mass purges in various state institutions, including higher education, in order to ensure HDF control through personnel clientelism.²¹

The Christian Nationals in Poland have also shown themselves to be ready to at least rouse serious suspicions that they were seeking to overthrow the democratic system there. In June 1992, the party's deputy chair, Antoni Macierewicz, in his capacity as Internal Affairs Minister, attempted to brand a very large part of Poland's political establishment as former secret police spies. With some justification, the other parties in the Polish parliament branded this as an attempted political coup. The aim of the exercise seems, however, to have been more a desperate attempt to save the nationalist Olszewski government.²² The ultra-nationalist Slovak National Party did appear to pose a threat in the autumn of 1991, only to see its support fade away. The Czech Republican Party could gain in the event of Klaus's transition strategy coming unstuck.

The policy divisions between the interests of these two groupings (the Westernisers, tying capitalist class formation and economic programmes to Western capital, and the Nationalists) can cover almost every issue affecting the transition to capitalism, from privatisation to credit policy via tariffs and the recruitment of new state officials. Neither Csurka nor these other authoritarian populist movements are remotely anti-capitalist or seeking to preserve strong systems of social protection. They are inclined towards autarkic capitalist development, breaking with the open-market orientations insisted upon by the IMF and the E.C.

At the same time, what radicalises this division is the struggle by both sides to gain a genuine popular base. In particular, the national bourgeois politicians tend to radicalise their nationalist appeals in order to try to capture support from those who feel dispossessed by the entire process of transition: threatened manual workers, state sector employees and the unemployed. Their radicalism increases as their electoral base seems to be narrowing.

The Westernising current is also not immune from destabilising the liberal democratic order, especially through strong attacks on such "civil society" institutions as the trade unions as well as on the ex-Communist Parties. And, in the case of the Klaus government in the Czech Republic, it has driven through the splitting of the federation, despite opinion polls producing majorities in both nations against separation. In Poland, Lech Walesa combines a strong Westernising orientation in the economic sphere with demagogic denunciations of the Polish political parties in Parliament, threatening presidential solutions.

Meanwhile, in terms of the core policies of governments in the region, there is now a perceptible shift away from the orientation towards "open, free market economies" espoused by the EC and the Westernisers. In Both Poland and Hungary, the governments embrace what can only be described as "dual power" in economic strategy. The Polish government is led by the Democratic Union, which is firmly Westernising, but it includes the Christian Nationals, one of whose members, Henryk Gorys-

Table 6. Support for maintaining certain features of Socialist Poland in January 1992 (up/down on October 1991) (%)

State welfare system	92 (up)
Full employment	82 (down)
Cheap, subsidised housing	80 (down)
Cheap, subsidised food	70 (down)
state ownership of industry and services	46 (up)
Lack of major wage differentials	36 (down)
Agricultural cooperatives	33 (up)
Centrally managed economy	29 (same)

(Source for Tables 4-6: *RFE/RL Research Report*, vol.1, no.21, May 1992.)

zewski, is deputy prime minister in charge of economic affairs. And the Christian Nationals have opposed Poland's signature of the Association Agreement with the EC.

In the Hungarian government, the traditional dominance of the Westernising finance minister, Kupa, has been compromised by Prime Minister Antall's decision in February to appoint the more nationalist Tamas Szabo as minister without portfolio but with the right to intervene on economic policy.. In Czechoslovakia, of course, the "dual power" has been established in the form of the split between the two republics.

The rise of nationalist governments with policies such as those of the Christian Nationals or the Csurka wing of the HDF could involve undermining the main instruments of EC policy for locking the Visegrad states into liberal democracy. These instruments are, first, the threat of suspending the Association Agreements if the governments move away from liberal democracy and, second, the threat of capital flight from an open economy, bringing intolerable economic strains on an authoritarian government's economic management. Nationalist autarky combined with hostility to the EC would render such instruments ineffective.

Conclusion

The EC's drive for rapid system change may have the following effects if it is pushed to its conclusion during 1993:

- (1) An economic shake-out that could undermine the basis of a modern integrated economy in the Visegrad states for at least a decade. This is an especially great danger in Poland and Slovakia; perhaps less so in the Czech republic and in Hungary.
- (2) A collapse of popular support for the parties of the transition, leading to authoritarian temptations on their part. This is a special concern in Poland and Hungary; much less immediate in either the Czech Republic or Slovakia.
- (3) Growing support for parties of the Left seeking to prioritise the defence of working class living standards over rapid system change.
- (4) Increasing energy behind nationalist middle class projects for economic autarky.
- (5) The risk that governments facing electoral annihilation because of economic failure try to externalise tensions by feeding ethnic tensions. This is a particularly serious risk in the case of the HDF's irredentist temptations in relation to Slovakia and Transylvania and it may also become a temptation for the Meciar government in Slovakia in relation to its Hungarian minority. It is also a general danger towards the gypsy and Romany populations across the Visegrad region.

Part Two

Future national/international linkages and a left policy

So far we have tried to assess the strains of the transition upon the economies and political systems of the Visegrad states. We will now attempt to link the domestic trends we have analysed in these states with integration strategies for linking ECE and EE with the European Community.

Alternative futures

The difficulty of discussing alternative integrative strategies for the two halves of Europe lies above all in the fact that the actors involved -- 'the West/the EC' and the ECE states -- are themselves highly variable entities. We don't know what the EC will mean in 5 years time or what the economic and political identity of, say, Hungary will be either.

We will nevertheless make the following assumptions to guide what follows:

- (1) That the transitions to capitalism will be completed in the Visegrad states over the next two or three years and that the particular socio-economic structures and political systems of these states will have been largely formed by the mid-1990s. In other words the shapes of the new dominant social groups, the types of economy and the political form of the state will have become clearer.
- (2) That the EC will not break up and will largely achieve a Single Market but that EMU, frozen before any West European EMU, and a Common Foreign and Security Policy will not be operating by the late 1990s.
- (3) That a German-led currency bloc with attendant political co-ordination will emerge within Western and Central Europe during the next 2 to 4 years.
- (4) That beyond the inner zone of Visegrad states plus Slovenia and Croatia (and perhaps the Baltic States) there will be a continuing and probably deepening economic and political crisis.

We may then consider the following alternative types of relationship -- embracing domestic-international linkages and economics and politics -- between Western Europe and the inner zone:

Type of linkage (Western role)

- (1) The Southern Europe variant: (direct integration).
- (2) The Turkish variant: (containment).
- (3) Regional polarisation/conflict: (containment).
- (4) A German hegemonic zone: (disintegration).
- (5) An ECE regional community: (strategic integration).

The Southern Europe Variant

This entails the recruitment of the inner zone states into the West European Core, in the way that, say, Spain has been integrated since the mid-1980s. This has been the great hope of the post-1989 elites of the region.¹ Any such recruitment may, of course, involve a long economic transition period after the country's full membership of the EC -- lasting maybe a decade. But the preconditions for this variant's success would involve the following:

1. Domestic changes

- a) An "open" capitalist economy, involving fully convertible currencies and largely free movement of

capital, a developed domestic financial market and full Western-style labour and capital markets, with a state sector of the economy subject to Western capitalist accounting procedures.

- b) A resolution of agricultural relations between the country and the EC.

- c) A domestic party system whose main components were fully committed to the open economy.

- d) A party system whose main forces were committed to liberal political freedoms including in relation to ethnic minorities.

- e) Measures to seal the state off from external shocks from further East and South.

2. Western Changes

- a) Either a substantial institutional deepening of the EC via the projected 1996 intergovernmental conference or an acceptance that the EC is from now on a Common Market and little more.

- b) A massive shift of private investment into the ECE state concerned to ensure its insertion in the Western division of labour in such a way as to ensure substantial growth in a socially predominant sector of the economy.

- c) Sufficient public EC resources committed to macro-economic aid over the next few years together with a readiness to transfer EC budgetary resources indefinitely into the future to tackle the social costs of adopting an "open market" style of economic growth and to meet the costs of fitting the economy into the Western division of labour.

- d) Expansion of the West's security commitments to the country concerned.

The Turkish variant 1960s to 1980s

By this we mean a combination of continued Association status with a dual economy and a semi-liberal democratic system. The Turkish variant also implies integration into the West's security system, thus limiting the Visegrad states' range of foreign policy options.

In many respects the Turkish variant is simply a failed version of the Southern European option combined with deepening integration at the military/security level. It implies the following:

- a) The failure to build an "open economy" in the EC's sense.

- b) A dual economy/society with the deprived sector having a very large socio-political weight.

- c) Lack of adequate Western resource transfers.

- d) Gridlock in the EC over deepening and expansion. But it also involves some positive elements:

- a) A sufficient degree of Western security ascendancy to prevent the Visegrad states from being involved in external conflicts.

- b) A strong interest on the part of dominant social groups in the Visegrad states in maintaining primary links with EC and Western authorities.

- c) A continuing degree of coherence within the West at a political level.

Regional polarisation/conflict

This would involve the degeneration of the existing regional stability between the Visegrad states into inter-state conflict linked to:

- a) the rise of chauvinist and irredentist. political groups

- b) a revival of Russian regional power with a nationalist or pan-Slavist leadership, either gaining domestic support within some ECE states or dividing them.

- c) the spread of the current Balkan conflict.

- d) a Romanian crisis.
- e) Western paralysis/internal conflict.

A German hegemonic zone in ECE.

By this we do not mean simply preponderant German economic weight in the economies of the region: this already largely exists in terms of both trade and investment. We mean a semi-formalised shift of the region's contact channels with the West from the EC to a German-led currency bloc that could include Austria, Benelux and Switzerland but would exclude France. This would be the result of the failure of what we may call the Delors phase of West European Integration. It would require an enormous investment effort from Germany if it was to become a stable zone and it would probably be combined with a new Franco-German rivalry, which in turn might give the USA a revived importance in West European politics.

A new regional community in ECE.

A fourth variant would involve replacing both Comecon and the conveyor-belt process of integration into the EC with a Visegrad Customs Union that might expand Eastwards and/or Southwards and become a coherent international entity with elements of its own division of labour and collective bargaining power, able to deal collectively with the EC.

In the rest of this paper we will try to discuss some key factors that will determine which variant predominates. And we will make some suggestions for Socialist policy.

Southern Europe variant: the problem

If it were possible for the Visegrad states to be integrated organically into the EC in a short space of time, this would bring very great benefits for at least two thirds of the populations of the region by comparison with their current fragmentation and exclusion. It would entail a positive commitment on the part of all those Western interests with a stake in the EC to generate economic growth and stability within the Visegrad region and it would also bring significant resource transfers, both private and public.

But the prospect of this happening over the next 15 years looks very slight, unless the EC itself were to regress to little more than a customs union, in which case the benefits of membership would also be drastically reduced.

It is often assumed in Western Europe that the main obstacle to such a project is the backwardness and lack of competitiveness of the Visegrad economies. This is only a quarter truth which should be placed next to another quarter truth: that the Visegrad economies at present are far too competitive to be allowed into the EC: in steel, textiles, agriculture, coal and other sectors the EC feels the need for strong protective measures; and the fact that ECE wages are at most about one tenth the levels of, say, West German wage rates gives them a great competitive advantage in many fields, even when productivity and transport problems are taken into account.

The real problem here is a double-sided one: partly, the restructuring of EC industries to improve competitiveness and productivity; and partly the restructuring of ECE industries to protect the existing division of labour in the EC to avoid major restructuring there.

A second major problem concerns the very low

wage rates and the likelihood of large pools of structural unemployment in the Visegrad region. Under conditions of free movement of labour, as required by the Single Market, this would lead to labour migration Westwards -- something that would be very beneficial to many sectors of Western business which are crying out for cheap, young, semi-skilled labour. But it would generate political tensions in Western Europe.

But the greatest problem of all as far as the domestic arrangements in the Visegrad region are concerned is the incompatibility of the EC's current institutional and policy framework with sustained economic growth in ECE in the next 5 years.

The EC is simultaneously imposing 3 parameters upon the economies of ECE:

- (1) A set of measures to drastically depress effective demand within the economy. These include pressure for balanced budgets involving swinging cuts in spending; advanced capitalist bankruptcy laws, competition laws and accounting systems which drive large numbers of companies into bankruptcy; convertibility and stable exchange rates along with liberalisation of capital markets, all of which involve a priority for deflationary policies; no support for the main trade union centres from Western union centres like the ICFTU and the West European trade unions; pressure for further privatisations when much of the state sector is in the red. Very little macro-economic aid for the stabilisation of budgets; no major effort for "debt forgiveness".
- (2) An emphasis on export-led growth to pay off maturing debt and to stabilise the balance of payments, while maintaining a maximum amount of openness to imports from Western Europe.
- (3) A continuing heavily protectionist regime against ECE exports to the EC which undermine EC branches such as steel, textiles and agriculture -- items which, in free trade conditions would amount to some 50% of ECE exports to the community.

This framework does not add up to a viable growth model for these economies. It would become half-way viable only if it was combined with massive inward direct investment by West European MNCs. But up to now such inward investment has been nowhere near a level that would provide a growth motor for these economies.

Because of this voices are being raised by Jacques Attali and others for the Association Agreements to be scrapped and for the EC to open its doors to all the products of the existing industrial structure of the Visegrad states. This could produce a rapid export-led boom in the region, based largely upon the huge wage differentials between ECE and the EC. But there is no sign that the EC's policy-makers are moving in this direction: on the contrary, in November 1992 the anti-dumping procedures are being wheeled out to protect West European steel industries despite what looks like phony claims alleging ECE subsidies. Furthermore, an open door would have to include agriculture and therefore it would entail the effective scrapping of the CAP, something that can be ruled out as a short-term possibility. And finally a key obstacle to all such schemes is the fact that they would open a back door for the US and Japan to escape from the controls of the Single Market and to use ECE as their entry point.

It is this reality which provides a rational basis for what we called the middle class National project in the Visegrad states. In the absence of either inward investment with a greater mass than the investment currently devoted to the ex-GDR, or a West European

open door for Visegrad exports, the EC's policy framework for ECE does not make sense. Middle class nationalist autarky is more rational. And most rational of all would be a combination of protection/state control with a priority for stimulating domestic demand and regional trade -- a combination of policies which the ex-Communist parties and the trade unions of the region would be best equipped to offer.

On the other hand, a really massive flow of, say, West German investment into the region cannot be totally excluded, particularly in the case of Western Poland and Bohemia. There are strong currents of thought in German business circles arguing for a heavy de-industrialisation drive in Germany itself and a shift of production to the Eastern periphery: a "Mexicanisation" of the Visegrad states. If this were to occur then the kinds of collapse which we have seen in Sweden through the de-industrialisation drive by Swedish capital there during the 1980s would be repeated in the FRG, with very unpleasant economic consequences for West German workers and with a corresponding swing to the Right in FRG politics. There is also a purely political motivation for such an economic shift in the FRG: the continuing desire on the German right to re-Germanise Pomerania, Silesia and the Sudetenland.

But it is too early to say that such a development is likely and neither the Polish nor the Czech governments could base their economic policies upon such possibilities, even if they wanted to from a political point of view.

Finally and most decisively, the Southern Europe perspective presupposes a deepening of the EC and a common view of ECE entry both of which are excluded at least in the short-term.

The Turkish Option: Containment

The drift of events is leading towards a freezing of EC-Visegrad relations at their current stage: the maintenance of the Association Agreement frameworks in the way in which Turkey has been associated with the EC since 1963 without being able to move towards full membership. In practice, this would mean that the EC states were using the region as a buffer and shock-absorber for Western Europe, helping to seal it off from the crises and conflicts in the outer zone of Eastern Europe and the Balkans. From an economic point of view, the Visegrad states would be used for Western production enclaves selling back into Western Europe, while the bulk of the Visegrad economies would be deprived and while social and political life would be crisis ridden. Thus integration would be confined to the new dominant social groups in the Visegrad states: they could be linked into the life of Western Europe and could enjoy security guarantees from the West. Understanding could be shown for various repressive measures and authoritarian interludes rather in the way that such understanding has been shown by the Western alliance towards Turkey because of its value in the Cold War and the Middle East.

This is a formula that would achieve support not only on the Right in Western Europe but also within the Socialist Parties and trade union movements. But it would have tragic consequences for the peoples of the Eastern half of the continent and it would also involve a steady seepage of right-wing poisons into the politics of Western Europe, not least because a fully fledged "containment" operation would no more work on the Oder/Neisse line than it has worked on the Mexican frontier.

Regional polarisation and conflict

This might be described as a failed Turkish option. It could involve in the first place the spreading of the Yugoslav war southwards to embrace Kosovo, Macedonia, Albania, Bulgaria and perhaps even Greece. The strains of the conflict on Hungary could increase and Hungary could be drawn in through conflict with Serbia in Voivodina.

At the same time it is possible to envisage the spreading of the conflict in the North Eastern corner of the Balkans, with Romania being drawn into increasingly open support for Moldova while Russia steps up its role on the side of the Dniestrian statelet.

But the most worrying threat of polarisation and conflict, as far as the Visegrad states are concerned lies in Hungary's relations with Slovakia. The Csurka current in the HDF could easily bring Hungary into conflict with the Meciar government in Slovakia first over the Danube dam and then over the Hungarian minority in Slovakia. While the European Community has taken on the role of attempting to mediate on the dam issue, the German government seems to be coming down very strongly on Hungary's side, giving rise to the threat of a political polarisation within the EC on this issue.

Another potentially serious source of conflict could be the break-up of the Czech and Slovak Federal Republic: while the process of break-up has so far been entirely peaceful, strong tensions could easily generate a process of retaliatory escalations leading towards serious conflict.

However lurid such projections may appear today, we cannot rule out the possibility of such conflict amongst the Visegrad states leading to a structural split within the EC on security issues, leading to the kind of crisis in the EC which never occurred during the whole of its past history.

And an attempt by the EC to adopt a containment policy towards the Visegrad states would greatly stimulate the growth of ultra-nationalist currents within the region as the governments there try to grapple with economic depression, collapsing popular support and waves of migrants into their societies from further East and from the Balkans.

A German-led bloc

If such a development were to occur, it would be mainly the result of conflicts within the West only some of which would be directly linked to developments within East Central Europe. We will therefore not directly discuss this variant here. But its consequences for ECE would be profound.

A new regional community in ECE

In the absence of the Western commitments economic and political resources necessary for an "organic" integration of the Visegrad states into the EC, this option is the one which the Western Left should try to promote. It would involve the rebuilding of a multi-lateral trading framework in ECE coupled with adequate protection against a destabilising flood of West European imports. It would also involve a recognition that the domestic markets of the region should be expanded, allowing for demand-led growth. And on the political level it should involve support by the Socialist Parties of Western Europe for the ex-Communist Left in the Visegrad states as well as trade union links with the main trade union centres there.

Rather than closing down industries in the region

that are opposed by Western industrial interests, there should be efforts to rebuild some elements of the international division of labour in ECE and EE. And the Western left should also support the concept of public corporations and a large state sector indefinitely surviving throughout the region.

At the same time, the real Left in the Visegrad states and the Western Left should take a common stand against the ultra-nationalist and racist movements across the whole of Europe.

This approach does not involve ruling out future membership of the European Community, but it does involve collectively strengthening the economies of the region on an independent basis and combining politically for the purposes of negotiating with the EC. The effect of this would in fact be to stabilise the EC's own efforts to deepen its integration process in the 1990s.

Notes

Introduction

1. Named after the town in Hungary where they signed an agreement in February 1991.
2. Jacques Delors' 1990 plan of 3 concentric rings, the EC at the centre, then EFTA, then ECE was really a statement of fact rather than a programme.
3. See *Le Monde*, 10/11 May 1992, p.4, on the Council of Europe's plans.
4. On the West and the coup see Edward Mortimer, *European Security After the Cold War*, Adelphi Paper 271, Summer 1992, p 21.
5. In June 1991 Mitterand declared that ECE membership of the EC would have to wait "decades and decades" (*Independent*, 18 June 1991).
6. On the EC machinery for this process and for the negotiations on Association, see Peter Gowan, "E.C. Policy Towards East Central Europe", *Labour Focus on Eastern Europe*, No. 43, 1992.
7. Heinz Kramer, "The EC and the Stabilisation of Eastern Europe", *Aussenpolitik* I, 1992, p 12.
8. Sten Berglund and Jan Ake Dellenbrant's useful book, *The New Democracies in Eastern Europe: Party Systems and Political Cleavages*, (1991), is one example among many others of this type of analysis.
9. One Western analyst who has appreciated the scope of state building tasks in ECE after the collapse has been Claus Offe. See his "Capitalism by Democratic Design? Democratic Theory Facing the Triple Transition in East Central Europe", *Social Research*, Vol.58, No.4, Winter 1991.
10. Though unashamedly a work of propaganda for the viewpoint of the EC Commission, Giles Merritt's *Eastern Europe and the USSR: The Challenge of Freedom* (1991), remains a very valuable account of the flow of initiatives from the West in ECE.

Part One

1. The literature on post-1989 ECE is replete with varying labels for "the transition"; some emphasise a transition to "civil society", others refer to the change to a "market economy", while many see the key change as being "privatisation". Here the preferred term is "transition to capitalism".
2. See Byron Brown, "Transforming Post Communist Labour Markets: The Polish Case", *RFE/RL Research Report*, Vol.1 No.32, 14 August 1992.
3. Cited in G. Langguth, "The Single European Market - Also an Opportunity for Eastern Europe?", *Aussenpolitik* II/92.
- 3a On tax reform in Czechoslovakia, see Ivan Svitek, "The Czechoslovak Tax Reform of 1993", *RFE/RL Research Report*, Vol.1, No.24, 12 June 1992.

4. A valuable critique of the strategy for achieving an open market economy which entails simply legislating it is contained in Pawel Bozyk, "The Transformation of East Central European Economies: A Critical Assessment", *Studies in Comparative Communism*, Vol. XXV, No. 3, September 1992. On EC protection, see Peter Gowan, "European Community Policy Towards East Central Europe", *Labour Focus on Eastern Europe*, No. 43, 1992.
5. For a classic statement of this view see Jan Winiecki's article in *Soviet Studies*, Vol 43, No. 4 (1991), pp 669-676.
6. See note 5 above and also Peter Gowan "Old Medicine in New Bottles". Very early on Paul Hare and Gordon Hughes had warned of this danger and provided a methodology for tackling it. See their "Competitiveness and Industrial Restructuring in Czechoslovakia, Hungary and Poland", *European Economy, Special Issue*, No.2.
7. Chinese growth rates for the last decade have been higher than those of the so-called 4 little tigers.
8. *European Economy, Supplement A, Recent Economic Trends* No.8/9 August-September 1992, Commission of the European Communities, 15 Sept, 1992, p.2.
9. *RFE/RL Research Report*, Vol.1 No.29, July 1992.
10. *RFE/RL Research Report*, Vol.1 No 23,5 June 1992, p 36 and *European Economy Supplement A, Recent Economic Trends* No.8/9 August-September 1992, Commission of the European Communities, 15 Sept, 1992 p 11.
11. Ben Slay, "The Banking Crisis and Economic Reform in Poland", *RFE/RL Research Report*, Vol.1 No.23 5 June 1992.
12. Karoly Okolicsanyi, "The Hungarian Budget Deficit", *RFE/RL Research Report*, No.29, July 1992.
13. See Ben Slay, *op.cit.*
14. *ibid.*
15. For this argument, see George Schöpflin, "Post-Communism: Constructing New Democracies in Central Europe", *International Affairs*, No.2 (1991)
16. On attitudes towards the market amongst Polish workers in the 1980s, see Lena Kolanska-Bobinska, "The Myth of the Market and the Reality of Reform" in S. Gomulka and A. Polonsky (eds.), *Polish Paradoxes*, (1989). On the tiny support for a turn to capitalism in Czechoslovak public opinion throughout 1989 see Sharon L. Wolchik, *Czechoslovakia in Transition* (1991).
18. See Anna Sabbat-Swidlicka: "Summer Strikes: First Test for the New Polish Government", *RFE/RL Research Report*, Vol. 1 No.34, 28 August 1992.
19. See Jan Zielonka, "East Central Europe: Democracy in Retreat?", *The Washington Quarterly*, Summer 1991. Unfortunately Zielonka slips from demonstrating that public opinion is against authoritarian solutions to concluding that no authoritarian danger exists.
20. On the press in general, see *RFE/RL Research Report*, Vol 1, No.39, 2 October, 1992.
21. On Csurka's manifesto and related developments, see Judith Pataki, "Instvan Csurka's Tract: Summary and Reactions", *RFE/RL Research Report*, Vol.1 No.40, 9 October 1992; J. F. Brown. "A Challenge to Political Values", *ibid.*
22. See Louisa Vinton, "Poland's Government Crisis: An End in Sight?" *RFE/RL Research Report*, Vol.1 No.30 24 July 1992, and Louisa Vinton, "Poland's Governing Coalition: Will the Truce Hold?" *RFE/RL Research Report*, vol.1, no.31, July 1992.

Western investment in ECE A motor for growth?

by Hugo Radice

This paper was presented at a one-day seminar organised by LFEE and the European Studies Unit of the University of North London in November 1992. The seminar was supported by the Socialist Group in the European Parliament.

The spiral of decline in output in East-Central Europe seems now to have halted, at least in the Visegrad grouping (Poland, Czech Republic, Slovakia, Hungary). However, the process of transformation from the Soviet-type economic system is proving both slower and more costly than the gurus of the free market imagined. Western investment may seem to provide an answer to this and other problems, but at the same time it raises issues that are only beginning to be addressed - including the desire of Western capital to fund investments in Eastern Europe, and the challenge that it poses to economic sovereignty.

The transformation in global context

The analyses of transformation offered by both orthodox economists and their critics have focused largely on the level of the national economy where policy debates are played out. Even foreign debt and the loss of export markets are seen as being best addressed by appropriate national economic policies, with debate focusing on the precise policy mix and on the extent and nature of Western assistance. The underlying reason for this is the blind application of the conventional Western model of the market economy and its management.

A serious attempt to adapt this model to the specific historical circumstances of East-Central Europe would recognise how vital it is to place the transformation in its global context. First, in the pre-Communist economic history of the region, foreign capital played a central role in financing and organising industrial development (Teichova & Cottrell 1983). Secondly, since the early 1970s, in the circumstances of East-West detente, the spread of transnational industrial cooperation agreements, technology transfers and joint ventures was at the centre of the unsuccessful attempt at industrial renewal in the region (McMillan 1986). Thirdly, in the recent development of the world economy, the globalisation of both industrial and financial capital has been at the heart of the restructuring of capitalism since the end of the postwar boom.

If we then consider the likely outcome of the transformation in its global context, it is apparent, first, that success for each economy in the region will be measured above all by its competitiveness on world markets and its resultant position in the international division of labour. Secondly, in the best of circumstances the capitalism of East-Central Europe will resemble that of the Latin American, Mediterranean or Asian "semi-periphery". The recent history of these regions indicates that in the absence of an effective indigenous capitalist class, it falls to the state and to foreign capital, in close if uneasy alliance, to fill the gap - not merely economically, but politically as well.

Role of Western investment

In this framework, the function of foreign capital is to substitute for the missing capital and capitalists.

a) First, it can plug the gap in investment finance. The economic collapse of the region has reduced the savings available from incomes; in addition, the rapid redistribution of incomes to the rich has probably worsened this because of capital flight, while the state's capacity to force and centralise savings under central planning has largely disappeared. At the same time, there are massive investment needs in infrastructure (telecommunications, roads) and in restructuring and modernising industry. Western governments and agencies have been implacable over the repayment of the region's inherited foreign debts - net debts of \$147bn for the whole ex-Soviet-bloc and \$71.2bn for the Visegrad group at the end of 1990 (UNECE 1992a, p 322).

b) Secondly, it can provide the equipment, technology and managerial know-how for restructuring and modernisation. Compared to capitalist economies of a similar broad level of development, the sectoral pattern inherited from the Soviet period is of excessive heavy industry and inadequate infrastructure and services (notably the financial sector). At the sectoral or plant level, with rare exceptions productivity levels are low, and production technologies outdated - and in energy and heavy industry environmentally very damaging. The goods and services required are mostly only available "off the shelf" from capitalist transnational corporations.

c) Thirdly, foreign capital can provide political know-how and muscle in creating domestic policies that meet the needs of the business sector as a whole. As direct owner or manager of productive resources, foreign firms influence domestic producers and consumers materially and culturally, shaping popular pressures on governments. They also influence Western governments and multilateral agencies. This is especially important in maintaining the hold of free market ideology, through the enforcement by the IMF and other agencies of privatisation and sound finance.

The possible vehicles for foreign capital are extremely varied. The most obvious are the traditional ones of the provision of money capital through loans or the purchase of securities, and direct investment in production operations, either through wholly-owned subsidiaries or through joint ventures with local capital. A third important avenue is through license agreements, turnkey plant construction, contract production and other forms of cooperation or alliance, i.e. the methods already in use before 1989. Fourthly, consultancies providing advice and services of all kinds, both to government bodies such as privatisation agencies, ministries and higher

education, and to individual businesses, whether private or still in public ownership. Lastly, foreign capital's involvement in economic change through conventional foreign trade should not be forgotten.

Policies towards foreign capital

The generally positive attitude of governments in the region is evident from foreign investment and related legislation since 1989 (UNECE 1992b), which offer incentives and controls broadly in line with current practice in the capitalist world (UN 1992 ch III). However, foreign investors are concerned with the overall impact of a wide range of policies and institutions - and they are concerned not with official words, but with present deeds and future possibilities.

First, the value and yield of their investments is affected not only by foreign investment laws but also by the level of the exchange rate, the extent of convertibility in practice, and the fiscal regime. Secondly, many investors will be affected by macroeconomic policies, often in contradictory ways. Thirdly, they will be concerned about the institutional and legal aspects of market functioning and regulation, e.g. the privatisation process, competition policy or price controls. Fourthly, they will require in most cases a wide range of goods and services which cannot readily be imported, and whose supply often remains ostensibly under state control: some of these, like many financial and technical services, have simply not existed before. In short, governments in the region, whether "big bang" proponents or gradualists, are having to construct piecemeal the entire apparatus of a capitalist state.

With regard to foreign capital, governments must strike an appropriate balance between the conventional objectives of "nation-building" and national economic reconstruction on the one hand, and the imperatives of integration into global capitalism - the classic post-colonial problem of Africa and Asia after political independence. As in those "new nations", nationalist pressures from those losing out in the transformation will find an easy target in foreign capital, and the new political elite may find such pressures hard to deflect.

Patterns of Western investment

The evidence on this is not readily available. Not much faith can be placed in UN data (UNECE 1992c), and I have therefore relied mostly on the financial press. The sectoral range of investment is extensive, covering financial services, tourism and infrastructure as well as light and heavy industry, raw materials and agriculture. The home country pattern, when adjusted for the size of home country, shows Germany, Austria, France and Italy as the main investors, particularly if US oil firms are excluded. The host country pattern shows a concentration on the Visegrad group, with Hungary leading the way, and the remaining former Soviet republics and satellites lagging well behind (apart from resource-rich Kazakhstan).

Direct investments fall into the following main types:

- a) **opportunists** exploiting immediate market shortages offering a very quick return without major fixed investments or long-term commitment. These include many trading companies and consultancy services.
- b) **demand-oriented** investors looking for rapid-growth areas where their competitive advantage can justify medium-term investments. These include not only consumer goods, but also infrastructural pro-

ducts (in telecommunications, power engineering, building supplies, anti-pollution equipment), and personal and business services (insurance, banking, retailing, distribution, tourism).

c) **production-oriented** firms looking for low-cost labour or other resources with which to supply global markets, again involving usually a longer commitment. First, in labour-intensive sectors like furniture, textiles and clothing, consumer durables assembly, computer software or some parts of agribusiness, wages are a fraction of German levels and levels of skill comparatively high. Even where little labour is required, such as a planned Audi engine component plant in Hungary in which a \$200m investment will yield only 200 jobs, the wage difference is important given the highly competitive nature of the world car industry. As *Business Week* put it (14/9/92 p 46), "all simple production will go East". Second, also significant are those sectors in which valuable capacity is available in the context of the global markets of particular firms: despite deepening Western recession, deals are being struck in chemicals, steel and heavy engineering. Lastly, raw materials and semi-manufactures available cheaply - often because of chronic regional over-supply - have proved attractive, again in steel and chemicals, but also in food processing, metal fabrication, construction materials, etc.

d) the "**crown jewels**", finally, are those investment targets under either of the last two headings which are especially attractive from the standpoint of the dominant global strategy of Western TNCs in a sector. In some cases, like the auto industry, the centrality of large assembly plants to the typical "late industrialisation" strategy of the 1990s creates tremendous profit opportunities over a long period, as well as beneficial terms from the host government for the investment: hence the fierce competition to buy Skoda's car subsidiary, the Czech heavy truck firms, and even the Polish FSO plant. In other cases, notably financial services, the market is completely new, and first-comers can cream monopoly profits and establish long-term market shares, using the lessons gained from recent global expansion elsewhere.

There are also some clear country patterns. Relative flows have been affected obviously by the presence or absence of "crown jewels", and by the timing and content of foreign investment laws. Another variable is the form of disposal of state assets. In Hungary, this has been mainly through "privatisation from above", with the State Privatisation agency simply disposing of firms directly. In Czechoslovakia, the picture was more complex, but voucher privatisation had led by the end of 1992 to the emergence of investment funds as significant owners, often as minority partners of foreign firms. In Poland, typically, there have been several false starts and no clear pattern.

Consequences of Western investment

The effects of this flow of investments so far cannot yet be judged. Unquestionably the remarkable speed with which the Visegrad countries switched their exports to Western markets, and the growth in those exports, owed something to the early investors. However, the real growth in inward investment has only come in 1992, and may well slip back as Western recession deepens. From a macro-economic point of view, the net direct investment flow has been significant in easing balance of payments constraints only in the case of Hungary, while employment creation has been trivial.

In assessing the results for Western investors, so much depends on the particular circumstances of each firm and host country that generalisation is difficult. A few well-known firms have come unstuck, such as General Electric, which has had to cut back its planned investment in Tungsram of Hungary. It is also interesting that a high proportion of "serious" investors have had longstanding business links in the region going back to the 1970s, and even to the 1930s (e.g. Asea Brown Boveri, General Electric, Bata Shoes). However, it is worth bearing in mind that East-Central Europe, or even the entire former Soviet bloc, only makes up a tiny proportion of world production, sales and trade, and from the standpoint of a firm's global strategy it is usually of minor importance.

Turning to local firms, particular state enterprises in the region have certainly been saved from bankruptcy and extinction by Western investments. The rapid adoption of Western consumption models has benefited many local producers of consumer goods and services, including retailing and travel. Some local capitalists have made fortunes out of the confusions of privatisation.

What may be more significant is the much less discussed influence of Western TNCs in business service sectors and the media. Among business services, in addition to banking and insurance, accounting and commercial property dealing have also attracted a good deal of investment. These areas are especially influenced by government legislation and policy, not only because of their political sensitivity (e.g. for merchant banks advising on privatisation), but also the vagaries of how national standards are defined (e.g. in accounting).

In the media - considered broadly to include the press, TV and radio, and advertising - foreign capital has found conflicting forces at work. The collapse of Party control has led to a mushrooming of new entrants in the national presses such as Maxwell, Murdoch, Bertelsmann and Hersant (*Le Figaro*), often peddling straight imitations of their home-country products. At the same time, control over TV and radio, and on occasion the press, has become a critical political issue, since in the absence of well-rooted political machines they are the main means of influencing public opinion. This leads on to the involvement of Western institutions in the development of higher education and training, mostly within governmental or intergovernmental programmes, but often, for example in the UK's Know-How Fund, linked to the growth of commercial trade.

Still more invisible are the employees of foreign capital: what about the effect on them? We can only speculate about whether foreign firms are creaming off the best-quality labour; certainly they tend to pay more than local firms, as is common elsewhere. The influence of trade unions is fragmentary, but it is interesting that some investors have been obliged to accept a no-redundancy agreement (e.g. CPC in Poland, *FT* 17/6/92 p 33, and Siemens in Czechoslovakia, *FT* 27/11/91), while a recent bid by Asea Brown Boveri for a Polish boiler maker was turned down in favour of a worker/management buyout.

Equally important is the relation of foreign capital to its local partners. Like UK car component firms following Japanese investments, networks of East European suppliers are having to meet the tough requirements imposed by their customers. Accustomed to a world of excess demand, they do not readily exhibit responsibility or creative thinking, but smaller state enterprises, lacking the continuing

political influence of the larger ones, are desperate for business. In any case, the Soviet-type system bred entrepreneurs of a certain kind who have emerged as the new managers, as well as the new small private business class. But all round, the realities of modern capitalism are puncturing the illusions of the would-be capitalist. The cost of credit has escalated as inflation subsided, while their skills are desperately ill-matched to those of their foreign-owned, often predatory competitors.

Lastly, we have to remember that foreign direct investments in the ex-Soviet bloc also have an impact on workers in the West. Investors attracted by cheap labour are likely to transfer at least some work from their home plants or other foreign subsidiaries, although the degree of substitutability between home and local production may be very limited given that the region is not yet included in the EC or the European Economic Area (EC + EFTA). In the case of Audi's engine plant in Hungary, employment will be lost in Ingolstadt, Bavaria; the workers there won severance payments to be financed out of the company's cost savings (*European* 4-7/2/93 p 34). However, the potential impact of such job transfers is bound to be trivial compared to that of job losses from the recession, or indeed of import competition from East Asia.

Conclusions and prospects

In conclusion, I would emphasise that foreign capital has become central to the transformation to capitalism in East-Central Europe. Although the pace of change has been frustrating to the free market ideologues, it has been sufficient to attract investments by a wide range of firms, especially in the Visegrad countries. However, given the short period of time involved, it is not surprising that foreign capital and the governments of the region peer at each other through a fog of uncertainty and indecision, especially beyond the Visegrad countries. After the surge in direct investment in 1992, I detect increasing public concern about foreign ownership. Both workers and local capitalists are beginning to develop the experience necessary to begin to formulate independent and coherent views, and the representative institutions to express them politically. This has helped to influence government decisions, as in the case of ABB in Poland, or the refusal of the Hungarian government to bow to pressure from TNCs for currency devaluation. So far this has not led to any significant changes in policy or legislation in a protectionist direction, but this is hardly surprising given the tough discipline imposed by the IMF.

The prospects for the future growth of foreign investments in the region are uncertain. One particularly important influence at present is the condition of the West European economy, which has the greatest weight in the overall international economic relations at least of East-Central Europe. A preoccupation with problems at home may divert funds and political support from Western firms and governments in many ways. A second and clearly not unconnected influence is the political stability of the region. This should be seen as extending well beyond the usual meaning of governmental stability to include the way in which civil society is being restructured, and its cultures reshaped. In the end, capitalism requires a reasonable convergence of its disparate interests through institutions that are accepted as legitimate by both the state and each other.

The article that follows was presented as a paper at a one-day seminar on European integration organised by LFEE and the European Studies Unit of the University of North London. The seminar was supported by the Socialist Group in the European Parliament.

Monetary integration recession and the left

by Valerio Lintner

Introduction

European integration is very much the issue of the day, and it has of course recently precipitated a deep crisis among the UK nationalist right. It has split the Conservative Party, caused the fall of a seemingly irremovable Prime Minister, and has provided almost intractable problems for her successor. It has also exposed divisions, albeit of a lesser dimension, among the left in this country.¹

At the very heart of current developments in Europe lies monetary integration and the surrender of national control over important aspects of economic policy that goes with it. It is this area that this paper tackles. The first substantive part of the paper outlines the precise meaning and the costs and benefits of monetary integration. The second reviews the EC's attempts to move forward in this area and examines the Maastricht Treaty and its proposals for EMU. The third discusses the current situation in the

light of the deepening recession which is afflicting Europe and indeed the rest of the world, examines the position of the left in this context, and offers a few suggestions as to the way forward.

Significance of Monetary Integration

Monetary integration can take a number of forms, but the "limiting case" to which the EC, or at least some of it, aspires is a complete monetary union. To most people monetary union in Europe means a single currency and no more Pounds, Lire, Francs or Deutschmarks. This is a powerful association and conditions the debate on monetary integration to a considerable extent. A single currency is an important feature of monetary integration, adding specific features to the union, but it is important to note from the outset that per se it is not an essential prerequisite for a monetary union. Much the same economic effects can be achieved through a system of irrevocably fixed exchange rates supplemented by complete convertibility of currencies and within the context of a completed common market, ie reasonably free movement of goods, services, people and capital within the EC area.

What a single currency would add is an important symbolic dimension, a "European monetary identity". It would also result in savings in transaction costs, perhaps open the possibility of seigniorage (since the ECU or whatever the future European currency comes to be called would be a major international reserve currency), make prices more transparent across Europe and thus facilitate the process of resource reallocation involved in the completion of the common market, and it would probably result in increased insulation from external economic shocks and from currency speculation - the farcical currency market events of last October would hardly have been possible with a single currency. Perhaps most crucially, it would provide the political discipline necessary for a monetary union to survive over time, for while different currencies exist, exchanged rates can never be considered to be truly irrevocably fixed. The temptation to devalue in times of difficulty will always be at the back of the minds of economic agents and decision makers.

With or without a single currency, however, the really significant point about a monetary union is that it requires economic convergence among participating countries, which in turn necessitates considerable coordination and/or joint determination of economic policy, which of course cannot be achieved without surrender of national sovereignty. European countries would have to pursue a common external exchange rate policy, while internally they would have to achieve broadly similar rates of inflation so as to avoid serious dislocation. Equalising inflation rates requires the joint determination or at least the strict coordination of the macroeconomic and microeconomic

(continued from previous page)

Let the last word rest with the small shareholders of the Polish confectionery firm Wedel. It was the first annual meeting since PepsiCo purchased a 40% stake, and they were angry because no dividend had been declared: PepsiCo had insisted on reinvesting the entire profits, with the support of the Polish government as the other large shareholder. The dissident small shareholders were defeated overwhelmingly. "We took part in staged meetings like this for 45 years knowing that there was absolutely no point in them", said one, remembering the communist past" (*Financial Times* 16/4/92, p 26). Somehow they left that out of the IKEA catalogue (see cover photo!).

References

- A Teichova and P L Cottrell (eds) (1983), *International Business and Central Europe, 1918-1939*, Leicester UP.
C H McMillan (1986), "Trends in direct investment and the transfer of technology", in B Csikos-Nagy & D G Young (eds), *East-West Economic Relations in a Changing Global Environment*, IEA/Macmillan.
United Nations (1992), *World Investment Report 1992*.
United Nations Economic Commission for Europe (1992a), *Economic Survey of Europe in 1991-1992*, UN, New York.
United Nations Economic Commission for Europe (1992b), *East West Investment and Joint Ventures News*, no.13 September 1992; (1992c), *ibid.*, no.14 December 1992.
Press sources: primarily *Financial Times*, *Guardian*, *Business Week*, *Business Europa*, *European*.

mic policies which directly or indirectly have an impact on the rate of inflation. The current accepted wisdom is that inflation is predominantly a monetary phenomenon, and this implies a common monetary policy for the union, with central determination of variables such as the interest rate and the money supply, to the extent that the latter is in fact possible. A more balanced view would also accept the role of fiscal policy as well as microeconomic and structural factors in the inflationary process. This suggests that there is also a need to centrally control, at least in part, factors such as government spending and taxation, education policy and structures, industrial policy, labour market policies and structures, and (particularly in the UK) policy towards the real estate market. This does not mean total harmonisation in these areas, however, and national and regional governments would retain significant amounts of local autonomy, in the spirit of the true concept of subsidiarity.

This raises the issue of just how the objectives and implementation of policy are to be decided and controlled in the context of a supra-national institution that suffers from notorious democratic deficit. There are essentially two possibilities: the "democratic" model under which decisions are taken collectively and (hopefully) equitably, or the leadership model, in which the most powerful actor(s) imposed its preferences on everyone else. The former is clearly the only real way forward, but unless the institutions of the EC are significantly reformed we face the possibility of the latter, which is in turn subject to considerable uncertainty given the problems which Germany, the obvious European leader, finds itself

Joint policies cannot be carried out in an institutional vacuum, and so a common central bank (out of direct political control?) and perhaps a common ministry of economic affairs would become necessary. All this would naturally involve a substantial expansion of the Community budget. In addition, there is a clear case for an effective redistribution mechanism within a monetary union, through which the gainers from the process compensate the losers. This is desirable not just on equity grounds, but additionally on grounds of expediency, in order to ensure the unity of purpose required for such a venture to succeed. The redistribution might be operated through the Community's structural funds, but in the long run will necessitate more direct regional transfers, although these are not on the current EC agenda. All this implies what is really a de facto economic union, and probably a considerable degree of political integration, "a political union, a United States of Europe, which is not on the agenda", as Nigel Lawson put it when in office as Chancellor of the Exchequer.

The benefits of monetary integration and of a European monetary union, in addition to the ones outlined above that are specific to a single currency, are based mainly on the assumption that this will render economic policy more effective by having it conducted at a more appropriate (supra-national) level, and because "best practice" may be adopted, ie policy will be heavily influenced, and perhaps determined by the country(ies) which have the best track record in this field. The problem here is, of course, the interpretation of "best" which is inevitably ideologically loaded: best for whom? Institutional and structural development and modernisation would also be promoted by the need to conform with practice in "successful" states. For example, with Maastricht the UK would have to adopt the idea of

a central bank which is outside of formal and direct political control

What fundamentally underpins this point of view is the belief that in the latter part of the twentieth century medium sized nation states such as the UK are no longer in a position to control significant aspects of their own economic (and indeed political) destinies. The degree of international interdependence that has resulted from the growth of world trade, the increased role of multinationals and the increased mobility and globalisation of capital is such that macroeconomic policy cannot be effectively and independently conducted by European nation states in isolation of one another. There is substantial debate over the extent and precise nature of this loss of national sovereignty and national power, but recent history, including the attack on sterling that resulted in the by now infamous "Black Wednesday", would suggest that it is indeed difficult for individual European countries to "buck the market" or to pursue a set of economic policies that are substantially independent and/or different from another. Real political control over economic variables can only be achieved by the joint determination and implementation of, or at least close cooperation in, economic policies, and thus the pooling of sovereignty. Hence monetary integration, as the prime manifestation of this cooperation, is inevitable in order to confront the economic realities of the modern world.

Similarly, the costs of monetary integration consist largely of the losses in national sovereignty and national economic power that result from the transfer of economic policy making to the supra-national level. Individual countries forfeit the ability to determine the objectives of important aspects of economic policy locally. They also lose control over the instruments required to implement policy: monetary integration as planned in the Maastricht Treaty implies the loss of the exchange rate, monetary policy and some aspects of budgetary policy, for example. Of course the importance and extent of these losses will be determined by the extent to which they really exist in the first place. If control over monetary policy, the exchange rate and budget deficits is an illusion, then the loss will clearly be limited, and in fact sovereignty will be enhanced by the process of sharing it. If, on the other hand, a country such as the UK is perceived of as currently possessing such economic power on its own, then the cost of monetary integration is indeed a real one. This is really the key issue surrounding monetary integration.

EMU, EMS & Maastricht

The EC's attempts to move forward in the field of monetary integration can be broadly divided into three phases: the early attempt at European Monetary Union (EMU) which took place during the first half of the 1970s, the establishment and development of the European Monetary System during the ten years or so after 1979, and finally the current proposals contained in the Maastricht Treaty.

EMU was launched at the Hague Summit in 1969, following the well known events of May 1968. The main issues of the day concerned whether the EC was an "optimum currency area" in which fixed exchange rates were appropriate, and whether the best path to EMU was provided by a gradualist approach, favoured by Holland and West Germany in the Schiller Plan, which emphasised promoting convergence and harmonisation to prepare the ground for fixed exchange rates and a single

currency. The alternative, canvassed by France and Belgium in the Barre Plan, was the "monetarist" approach (quite distinct from Friedman's monetarism) which involved imposing monetary union as a fait accompli, and forcing convergence ex-post. The outcome was the Werner Plan of 1970, a classic compromise between the two schools of thought which was implemented from March 1972. This had as its unlikely objective monetary union by 1980, and created the 'snake in the tunnel' system of fixing EC exchange rates within a band of +/- 2.25 per cent and fixing these against the dollar in line with the Smithsonian Agreements of December 1971. Predictably, EMU had fallen apart by the middle of the decade in face of the extreme turbulence faced by the international monetary system during this period.

The EMS was launched by Roy Jenkins in 1977, during his time as President of the European Commission, and by Helmut Schmidt at the Copenhagen and Bremen Councils in 1978. It came into operation in 1979. It essentially consists of a fixed exchange rate mechanism and an embryonic parallel currency, the ECU, which also acts as the centre of the Exchange Rate Mechanism (ERM). The ECU is a composite currency based on a 'weighted basket' of participating countries, and as such is anchored by the Deutschmark. In the ERM the value of participants' currencies is permitted to vary by + 2.5 per cent (+ 6 per cent in the case of weaker currencies such as the Italian Lira). This is the "snake", this time with no tunnel, which is kept together (or not, as we have recently seen) by central bank intervention in foreign exchange markets, a limited reserve pooling system (20% of participants reserves are exchanged for ECU and are held in the European Monetary Cooperation Fund, and short term credit is available under Basle/Nyborg Agreement of September 1987), a divergence indicator (which has never actually been used) and some informal and voluntary measures to promote convergence in economic policy.

Britain has always been a member of the EMS to the extent that sterling has been included in the ECU basket from the outset, but the country has only participated in the ERM from October 1990 until the infamous black Wednesday. At first James Callaghan and Denis Healey considered ERM membership potentially deflationary and politically dangerous, given the divisions over Europe in the Labour Party. Then Margaret Thatcher carried out her well documented personal pogrom on most things European (except for the 1992 programme which proved too much of a temptation for her instincts as an economic liberal) for much of the 1980s, refusing to take the UK into the ERM until "the time is right". Nevertheless, one should note that Nigel Lawson as Chancellor followed a policy of "shadowing the Deutschmark" for much of the mid/late 1980s, and the exchange rate of sterling vis-a-vis the ECU was remarkably stable during this period.

The EMS came into being amid considerable scepticism as to its prospects. Nevertheless it has proved to be a success. It unquestionably promoted exchange rate stability in Western Europe. There were only eleven realignments between its inception and black Wednesday, and none at all between January 1987 and September 1992. It has also facilitated economic convergence in the EC, with rates of inflation among EC countries falling in the 1980s, particularly after 1982, and tending to converge. The use of the ECU as a public and private currency has also increased. However, it should be noted that this was achieved at a time of widespread

stability based on international acceptance of the agenda for economic policy (control of inflation as the main objective to be achieved by tight monetary policy) which was set by right wing leaders such as Thatcher, Reagan, and Kohl. The external parameters were therefore highly favourable for the EMS during this period. We have seen recently how much more difficult it is for such a system to succeed in time of economic difficulty.

The success of the EMS precipitated a debate on the way forward, which resulted in the Delors Committee's report in April 1989 advocating a monetary union in the EC to be achieved in three stages and to be run by a European System of Central Banks (ESCB). This spawned two Inter Governmental Conferences (IGCs) to consider the issues of monetary union and of political integration (which was added on to the post Delors agenda). The end result was the agreement at the Maastricht Summit and the Treaty that is now in the process of being ratified (or not being ratified, in the case of Denmark) by nation states.

Although monetary union is the core of the Maastricht Treaty, it is important to note that Maastricht consists of much more. It constitutes a wide ranging reform of the EC and a significant step forward for integration on a number of fronts. The most important aspect of Maastricht is the Treaty on European Union, but there are also 17 assorted Protocols (additional agreements not signed by all of the twelve), as well as 33 Declarations (guidelines, which are not legally binding, on the implementation and interpretation of the Treaty).

The Treaty on European Union amends the Treaty of Rome, and consists of five aspects:

1. A **European Union**, based on:
 - the existing EC and its institutions
 - a common foreign & security policy to be conducted on an inter-governmental basis
 - home affairs & justice policy, again largely inter-governmental in nature
 - miscellaneous common policies, in areas including: education, training and youth, public health, the labour market, industrial policy, communications, R & D, regional policy, environmental policy, and development policy
2. **Subsidiarity**. This was introduced to allay fears of an excessive transfer of powers to the supra-national level and thus to pacify potential rebels in the Conservative Party. It is, however, a time bomb, since it will be impossible to define legally, and in the long run it has the potential to pave the way for regionalism and the marginalisation of the nation state. If power must be devolved to the lowest appropriate level, then it follows that many functions of government should be performed at the regional level.
3. A **Committee of the Regions**, with solely advisory powers
4. **EMU**: see below
5. **European Citizenship**, which is of course a somewhat controversial concept, but the proposals include giving European citizens the right to stand for election and vote in local and European elections in all 12 states, to be represented by Consuls of all member states, and to complain to a European Ombudsman about deficiencies in EC institutions.

All this is to be supplemented by some (limited) institutional reform granting a little more power to European Parliament; some financial provisions to tackle fraud and ensure "financial rectitude" (the European Court of Auditors becomes a full EC

institution); and an improvement in the implementation of Community legislation (the Court of Justice is given enhanced powers in this field). Finally, there is the Social Chapter, a separate protocol to which the UK has of course not adhered. The UK has also the right to 'opt out' of the provisions for EMU.

The specific proposals and timetable for EMU are shown below. The first of the three stages is being undertaken under existing Community powers and structures, while the remaining two stages require an amendment to the Treaty of Rome.

Stage One consists of the completion of Single Market, increased coordination and cooperation in economic and monetary fields, a strengthening of the EMS and an extended the role of ECU, and an enhanced role for the Committee of Governors of member states' central banks. This stage began July 1990 and has a deadline of January 1993

Stage Two essentially involves the groundwork for single currency: all members are to be included in the narrow band of the ERM, the European Monetary Institute is to be created to promote the coordination necessary for EMU. This stage is due to begin in January 1994

Stage Three is then complete monetary union: the European single currency (the ECU) is to be introduced. The deadlines for this are as follows:

a) December 1996, if EC Council of Finance Ministers decide by Qualified Majority that a "Critical Mass" of Seven States (six, if UK opts out) have met the convergence terms. The date is then to be set for introduction of the ECU in the relevant states. Failing that:

b) December 1997, which will see the start of an automatic process leading to complete monetary union among a minimum of five states by January 1999. Additionally,

c) 1998 is to herald the start of the creation of the European Central Bank (ECB - which takes over from EMI, and is seen as the independent issuer of currency) and of the European System of Central Banks (ESCB, the independent conductor of monetary policy and foreign exchange operations). If these institutions are not yet in place, then national central banks are to become independent at this time

The Maastricht convergence criteria for EMU are as follows:

1. A maximum Budget Deficit of three per cent of GDP per annum.
2. A maximum public debt of 60 per cent of GDP
3. No realignments within ERM
4. Inflation: A maximum of 1.5 per cent above the average of the rate in the three lowest inflation states in year before decision (1996 or 1998). This qualification rate is to be "sustainable". The qualification rate at the time of the Maastricht summit was 4.7 per cent.
5. Long term (Government Bond) interest rate should be a maximum of 2 per cent above the average of that in the three lowest rate states

Monetary integration and the left

The Maastricht Treaty, and indeed the whole issue of European integration, naturally poses fundamental problems for the left. The treaty as it stands has a strong ideological bias, for it is firmly rooted in the right wing economic thinking that has become the accepted wisdom in recent years: inflation is the main policy objective, and inflation is predominantly a monetary phenomenon which is to be tackled by monetary policy. Keynesianism is at best a short-term palliative, intervention is to be minimised, the market is king. Real variables are secondary in importance to monetary ones, etc. There is little in the Treaty to deal with the democratic deficit, while the lack of direct political accountability of the proposed European Central Bank and European System of Central Banks would pose serious problems for any attempt to implement an expansionary policy at the European level in the future.

The philosophy that underpins the Treaty is therefore biased towards neo-liberalism and deflation. Furthermore, the convergence criteria for monetary union are themselves highly deflationary, particularly for states that have relatively weak economies, ie the UK, Italy, Ireland, Spain, Portugal and Greece. The attempt to meet these criteria has undoubtedly exacerbated the current recession in Europe, as have the inflated interest rates that have resulted from Germany's leadership of the ERM at a time when it is coping with the problems of unification. As matters stand they are also a serious impediment to the implementation of policies designed to lift the European economy out of recession. We can see evidence of the impact of the Maastricht criteria all around Europe: the crisis for the Amato government in Italy as it attempts to implement drastic cuts in public expenditure and increases in taxes in order to reduce the country's fabled public debt, the partial privatisation of the Spanish social security system in order to reduce government spending, and so on.

On the other hand, a number of points need to be born in mind. Firstly, these convergence criteria are not cast in stone. They are essentially compromise values drawn up by lawyers in order to facilitate an agreement at the Maastricht summit. As such they can be changed by majority voting in the council once Maastricht is ratified. Indeed, it is highly likely that they will have to be changed at some stage, since it seems improbable that member states will be able to meet them at acceptable political costs in a time of deep recession. Secondly, Maastricht does contain elements that are not exclusively neo-liberal. For example the so-called Social chapter, and the admittedly weak chapter on industrial policy.

Perhaps the crucial point that the left has to consider, however, is whether there is any real choice but to become involved in and support the Maastricht process, since action on a European level may be the only realistic way forward. To understand this



argument it is necessary to differentiate the process of European integration from its current manifestation in the form of the EC and Maastricht. The left may not like Maastricht, or the CAP, or the single market for that matter, but it needs to promote the means of economic policy making at the supra-national level, since the policies it wishes to pursue are impossible to operate at the level of the nation state.

If it is true that the left needs to act at the supra-national level in order to have any realistic possibility of implementing its agenda, the the issue of whether to support a Maastricht Treaty that is far from perfect becomes one of tactics: does one repudiate Maastricht, put the process of European integration into reverse and hold out for for a European Community that is closer to left perceptions of what is desirable (assuming that it can be agreed what these are)? Or does one go along with what there is, make the best of it, try to change whatever it is possible to change, and build Europe? This is clearly the contemporary version of an old dilemma. This paper argues that the latter is the only conceivable way forward. Apart from anything else, the UK left has much to learn from the experience of other left parties in the EC. Furthermore, failure to become involved at this stage may run the risk of precipitating a 'two tier Europe', which would not be in the UKs strategic long term interests. In any case, as will be argued below, the UK may not have to live with the effects of the Maastricht treaty as it stands, since in the current economic climate it is unlikely to be implemented.

So what has the left in the UK actually done? It is clear that the vast majority has chosen the line here advocated and has supported Maastricht and European integration. Thus the Labour Party is now falling over itself to be more European than the others - a conversion akin to the one on the road to Damascus from the party that had withdrawal as a key part of its 1983 manifesto. Of course there is a rump in the Party that is still against integration (Peter Shore, Brian Gould, together with some of the more traditional left such as Dennis Skinner and Tony Benn), but the vast majority follow the leadership line. Outside of the labour Party, support for Europe is more patchy, with for example the rump of the old Communist Party advocates immediate withdrawal from the Maastricht process and the adoption of an independent UK recovery plan.

An important issue in this context is what form a left economic strategy at the European level might take. This clearly poses great difficulties, especially given the crisis of identity which the left in the UK is undergoing after the collapse of planning in East Europe and four general election defeats, and there is the need for new and creative thinking in this field. Nevertheless, the current economic difficulties, horrendous though they are, paradoxically offer some hope, since the issue of a European recovery programme is now decidedly on the agenda. It is beyond the scope of this paper to go into details on this subject, but an indication of what might be the way forward is provided by the work of the group of economists chaired by Stuart Holland³ (sometimes referred to as the "out of crisis" group), and by a recent pamphlet written by Ken Coates.⁴

So what is likely to happen over the next few years, and what should the left's strategy on Europe consist of? The view taken here is that Maastricht will probably be ratified, but is unlikely to be implemented in full or on time because of the current

recession and because of the stresses which are resulting from the unification of Germany. In the long run something akin to Maastricht is, however, likely to happen. When, it is impossible to say. The only observation in this context would be that European integration is a long term process which seems to advance in a cyclical fashion: advances are much easier to achieve in times of economic prosperity than in times of recession, when nation states are faced with a zero-sum or diminishing-sum game and are prone to retreat into themselves and their own short-term interests. Therefore it seems incumbent on the left to develop a Transitional Strategy. This might consist of the following:

- a) keep EMU as a long-term objective
 - b) Reform ERM by: i) accepting that exchange rates have to change in a recession and until there is greater convergence among European countries. A possibility here, canvassed by Will Hutton at the recent Labour Party conference on Europe is to use the EMI to actively manage exchange rates, insisting on realignment when objective criteria dictate it. ii) moving away from having the deutschmark as the fulcrum of the ERM, since German interest rates are clearly inappropriate for the rest of Europe at present. A perhaps problematic alternative, again suggested by Will Hutton, is to make the French Franc the centre of the ERM. iii) addressing the issue of the destabilising effect of capital movements, and attempting to control these by the taxation of speculative transfers and the regulation of the capital and financial derivatives markets
 - c) Work to reform the Maastricht EMU clauses to make them less ideologically loaded and more appropriate to the real world, ie i) promote institutional and structural convergence in fields such as education, labour markets, housing markets, banking, the UKs notorious short-termism, research and development, regional policy and so on. Work to develop European baccalaureat, a European transport system, a European army, a European training system, etc ii) make the financial criteria in Maastricht less rigid and deflationary iii) include real variables in convergence criteria, for example, unemployment rates, poverty, regional differences, growth iv) develop a greater redistributive dimension within Maastricht by giving greater weight to regional policy, social policy and other structural policies, and by bringing regional transfers-back onto the agenda
3. Press for measures to increase the democratic accountability of EC institutions, in particular for more powers for the European Parliament and for democratic control of future EMU institutions such as the ECB.

The immediate requirement in face of the 1990s slump is, however, the promotion of some kind of European New Deal based on joint reflation, industrial policy, job creation, education and training and so on. By undertaking such a policy and making it work, the population of Europe will be persuaded that there is an alternative to neo-liberal economics.

Notes

- 1) V Lintner & S Mazey, *The European Community: Economic and Political Aspects*, McGraw-Hill, 1991
- 2) P Luff, *The Simple Guide to Maastricht*, European Movement, 1992
- 3) S Holland (ed), *Out of Crisis*, 1992.
- 4) K Coates, "A European Recovery Programme?", *European Labour Forum*, 1992.

Political strains in Western Europe

migration, race, asylum, refugees

by David Edge

This article was presented as a paper at a seminar organised in November 1992 by LFEE and the European Studies Unit of the University of North London. The seminar was supported by the Socialist Group in the European Parliament.

Introduction

The issue of migration, and in particular asylum seekers and refugees has exploded onto the European stage as a result of a number of factors in the past few years: the increasing number of people escaping violence from the South using jet travel to become intercontinental asylum seekers in the North (Tamils in the UK & Iranians in France); the collapse of regimes in Eastern Europe; the war in former Yugoslavia and the break up of the Soviet Union; the effects of drought and famine in Africa and economic dislocation in the South.

This paper will summarise developments in three related areas: 1) Migration flows, present and projected towards the EC from the East and the South (asylum seekers, refugees and economic migrants); 2) Political and policy responses by the EC, including the Commission and the European Parliament (EP) and by individual EC governments, particularly Germany, the United Kingdom and France; 3) Alternative Policy Options, for the short, medium and long term that the Confederation of Socialist Parties in the EC could consider as desirable in tackling this issue.

Historical Background

Asylum and colonial legacies: From the 1960's to the early 1980's EC member states might pride themselves on their "liberal" attitude towards asylum seekers, with their response to exiles from Spain, Portugal and Greece, and then to those fleeing after the coup in Chile in 1973 and the events in Argentina. This relatively liberal approach continued until the early 1980's, although it is important to remember that from 1973 onwards most of the major labour importing countries in the EC began to restrict severely the entry of people coming to work.

The reasons for this continued attitude towards asylum seekers can be explained by the relatively small numbers and the cultural similarity of those involved. The experience of those Asians expelled from Uganda in 1972 highlights precisely the issue of cultural similarity, with the UK only accepting those whom it was obliged to accept as British passport holders. These incidents led to the first cases of the phenomenon of "refugees in orbit", stateless, and shuttling endlessly from one country to another.

EC migration: The period of reconstruction in

Western Europe in the post-war period necessitated the import of large numbers of labour migrants. The UK, France, and the Netherlands relied on their existing and former colonies as the major source of that labour, while Germany signed bilateral agreements with Turkey, Greece and Yugoslavia to satisfy its labour needs. Most commentators indicate the crucial role played by the availability of this source of cheap labour as a major reason for the high level of economic growth enjoyed by most countries in the period up to 1973.

Provisions within the Treaty of Rome (Articles 48 - 51) and subsequent regulations and directives provided for the free movement of labour and other factors within the Common Market. Apart from some migration from the Mezzogiorno to Germany and small-scale cross border movements along the French/German and Benelux borders, the effect of these provisions in terms of impact on labour flows has been minimal. Most of the major labour flows have been from outside the Community and subject to different political and economic regulation.

Post-boom recession: The downturn in the West European economies during the 1970's and 1980's resulted in the introduction of increasingly restrictive immigration regulations. The attempt was made to halt any further entry of workers and at the same time to make it difficult for those who had been resident to be joined by their families and to enjoy full civic rights. Numerous attempts were made, particularly by the French and German governments, to offer inducements to certain migrant groups to return to their countries of origin. It has always been clear that it is those groups who are considered culturally non-assimilable, for example, Turkish people in Germany and Maghrebins and West Africans in France, who are offered inducements to leave.

The effect of the rise in unemployment and the general assumption that there were too many immigrants in Western Europe provided fertile ground on which parties and movements of the far right could try to cultivate their populist support. The Front National in France, the Republikaner and the Deutsche Volks Union (DVU) in Germany, and the Vlaams Blok in Belgium, have all been successful in using immigrant groups as scapegoats for a whole range of economic and social problems. Mainstream politicians across the political spectrum, have also

contributed to these fears, and very few have challenged the fraudulent basis of the far right. Many parties have, instead, incorporated parts of the far right programmes into their own policies. One of the dangers from such lack of political courage is the difficulty in controlling these parties once they become firmly entrenched in the political system. These tensions are just as prevalent in the countries of East and Central Europe. In Hungary, for instance, there were the events in Ketegyhaza, where a group of gypsies were attacked and their houses set on fire. Populist currents supporting such attitudes also exist within the ruling Hungarian Democratic Forum (MDF), the deputy president of which, Istvan Csurka, recently expressed the view that the Magyar nation had been coexisting too long with "disadvantaged strata and groups ... to whom the laws of natural selection do not apply". The MDF has a popularity rating of around 20 per cent.

Internal political pressures

In recent years there have been major new pressures for entry into the EC.

Asylum: The numbers claiming asylum in the mid to late 1980's began to rise steeply for the reasons listed above, and has led to a number of responses both from the member states individually and through the EC, as well as from the Commission and the European Parliament (EP). In the early 1980's about 70 per cent of those seeking asylum in the EC were from countries in the South. Since 1988, however, these flows have decreased, with flows from Turkey, Poland and Yugoslavia now accounting for over 50 per cent of applications.

Some countries have been more favoured than others as destinations for asylum seekers. The Federal Republic of Germany has accounted for 44 per cent of asylum applications since 1983, France for 16 per cent, the Netherlands for 5 per cent and the UK only 2 per cent.

The 1980's debt crisis, the collapse of states in the Horn of Africa, and the war in Sri Lanka, the Lebanon and between Iran and Iraq, gave rise to increasing numbers of asylum seekers and refugees. The juridical distinction between the various categories of people who arrive at EC border posts or who enter without documentation is difficult to maintain. People flee their own countries for varied and complex reasons, which might not satisfactorily fulfil the "persecution" criterion of the 1951 Convention. A narrow interpretation of the 1951 Convention might justify the restrictive policies of various member states, but the trend of people fleeing is likely to continue, and the EC and member states' current policy of containment is no solution in the long term. The proposals contained within the Maastricht Treaty about the Council drawing up conventions in this area may stem from a perceived notion that the 1951 Convention is not restrictive enough.

A global perspective on refugees reveals that the EC countries accept a tiny proportion of the world's refugees. According to UNHCR figures the world refugee population in 1989 was between 13 and 15 million. Between 1989 and 1991 the number of asylum seekers and refugees to the EC totalled around 1.5 million, which includes ethnic Germans settling in Germany. This works out at a ratio of refugee to indigenous population of 1:400. Jordan's ration is 1:4 and Zambia's 1:50.

Refugees: Yugoslavia and East Europe: War and economic collapse in these areas is likely to result in the movement of large numbers of people from the

former Soviet Union and Eastern Europe. According to E. Mortimer (European Security After the Cold War, 1992), 2.5 million have already left this area in the last two years, and further instability throughout the region may lead to other movements.

Ethnic-cultural migrants, like Soviet Jews, Bosnian Muslims, Gypsies, or Armenians: The distinctive characteristics of groups like these is that they tend to be displaced as a result of violence or public policy and therefore do not fit easily into a category of people looking for work.

Economic EC Migrants: East Europe & the South: A distinction is sometimes made between the different migrants who may want to come to centres of industrialisation. There are seasonal workers who are usually concentrated in the agricultural sector, who have no intention of remaining. There are those who come on temporary contracts for a period up to five years to work in unskilled and semi-skilled occupations, which was a common feature of those migrating into Western Europe in the 1950's - 1970's. There are those who form part of the "brain drain", mainly middle class professionals, whose intention to migrate implies a permanent decision to leave their country of origin. The experience of migration into Western Europe in the post-war period suggests that most migrants from whatever group become permanent residents in the host countries.

All these groups exist in the East and South, and as a result of declining birth rates in all the major EC countries, there is likely to be an increasing demand for labour, estimated in France's case at about 100,000 per year. Other measures can be taken to offset the decline in the indigenous active population: raising the retirement age, increasing women's participation rates and improving productivity. But in order to maintain France's and the EC's economic dynamism there will have to be some controlled immigration. The major difference with the kinds of workers who came in the 1950 - 1973 period, concerns the level of qualification. Skilled professionals will be required, which will entail depriving poorer countries of their technical elites, thereby putting a brake on their own development.

Trends

On the basis of statistical data from the UN Economic Commission for Europe, based in Geneva, it is generally expected that Eastern Europe's social decay will result in a large movement of people. Most of the anticipated migration is likely to come from the countries further to the East - the former Soviet Union and the Balkans.

According to one study on this subject, "It is an open secret... that Czechoslovakia's increased access to the German labour market as well as German economic and political support is predicated on its willingness to intercept those potential migrants passing through its territory from the Balkan states". (*After the Soviet Collapse. New realities, old illusions.* Published by the Institute for European Defence & Strategic Studies, January 1992). These authors estimate that a potential three million may start to move if border formalities become easier. Other estimates put the figure of those potential migrants at between 3.7 and 8 million over the next decade.

Various estimates exist as to the likely growth in the population of North Africa. Mortimer's figures point to an increase in population from the present 67 million to 127 million by 2025. Other suggested figures range from the present 65 million to 202 million in 2035. *Libération's* special issue on migration

(22 June 1991) indicates that although the birth rate is falling in most of these countries, there is nonetheless high unemployment : Algeria 22.5 per cent, Morocco 16.6 per cent, Tunisia 16.4 per cent. These two factors will cause people to move in search of work, and could become critical for the EC if there is no commitment to offering substantial aid and development packages to North Africa.

Controls and EC Machinery

Trevi: a forum for immigration and justice ministers of the EC, established in 1975, with the remit to examine issues outside Community competence. It is not part of the formal institutions of the EC, although membership of the group is confined to EC countries. Initially the group concerned itself with terrorism, but it has widened its scope of interest to include drug trafficking and illegal immigration.

Ad Hoc Group on Immigration: politicians and civil servants from the Home Office and interior ministries of the EC. The group was set up to consider the immigration proposals for a Europe without internal frontiers. The European Commission has observer status at meetings of this group, which deals specifically with issues relating to frontier controls, visa policies, bogus travel documents, and abuse of asylum procedures. A special Sub-Group on Asylum has been formed to deal specifically with asylum issues.

Schengen: a treaty between, initially the Benelux countries, France and the FRG, now includes Italy, Spain, Portugal and Denmark but not the UK or Ireland. The aim was to abolish frontier controls between their countries by 1 January 1990. The treaty experienced a last minute hiccup, when the West German government insisted that East Germany should be included in the agreement. The agreement was signed on 19 June 1990. Austria, a non EC member, has confirmed that it will bring its policies into line with the agreement. The EC has, therefore, sealed its East and South borders.

The scope of the treaty is wide. It contains short term measures and provides for long term measures in a variety of areas : drugs, firearms and ammunition, mutual judicial assistance, frontier controls, frontier surveillance, visas, rules on stays of less than three months by aliens, and the granting of asylum. The agreement contains measures for more stringent controls at external borders, with provisions for more frontier guards, stricter controls on entrants from non EC countries, and mandatory refusal, at the borders, of aliens who do not meet all conditions of entry. A second strand to the agreement is a "harmonised" visa policy. Asylum seekers may make a claim for asylum to only one country, and if refused by that country are unable to apply elsewhere. In order to ensure the effectiveness of this system and to keep tabs on asylum seekers and others, Schengen countries have agreed to establish the Schengen Information System (SIS), whose main computer will be based in Strasbourg. The SIS will allow the exchange of computerised information between the countries concerned, and will store information on: asylum applications, and refused applications; policies and information on the situation in the countries of origin of asylum seekers; identification papers and travel routes; aliens qualified as undesirable by one of the countries; persons to be expelled, extradited or wanted for criminal prosecution; persons under surveillance by one of the national secret services.

The terminals of the SIS are now in place at all border posts. The existence of the SIS has been used

as an argument by the Dutch government for the introduction of compulsory ID cards for all citizens, to make all the investment in the system worthwhile.

Interior Ministers Draft Declaration on the treatment of asylum seekers and refugees a signed in London, 30 November 1992: These proposals are as restrictive as any already in existence in individual member states. The ministers, meeting in secret and outside any direct accountable framework, agreed to harmonise their national laws by 1995. These measures would mean that asylum seekers should stay in the first safe country they reach, usually a neighbouring country, to prevent the intercontinental movements characteristic of recent years. There is also the ludicrous suggestion that asylum seekers should exhaust all local channels of redress before fleeing ! The ministers found themselves unable to agree with all the changes suggested by the UN High Commissioner for Refugees.

The European Parliament has been a consistent champion of the need for the EC's policy on immigration and asylum to be consonant with the European Convention on Human Rights and the UN Declaration of Human Rights. (See the Vetter Report OJ C99/170. See also the Malangre Report EP A3-0199/91, 2 July 1991.)

It is clear, however, that the Commission and the Council are in the process of developing a very restrictive policy in this area. Furthermore, the European Parliament's approach to an EC refugee policy, arguing that it should be situated firmly within a human rights context, would only be effective if there were a competent executive to implement this policy.

National policy debates

Germany: The attitude of the German government towards immigration over the last forty years has been summarised in the phrase "kein Einwanderungsland", basically translated as "not a country of immigration". Despite massive immigration over the last forty years, this policy position hides a desperate attempt to prevent culturally non-assimilable people from becoming accepted as full German citizens, in particular Turkish immigrant workers and their families.

The basis of the country's asylum policy, formulated in the immediate post-45 period, is contained in Article 16 of the *Grundgesetz* (Basic Law): "Persons persecuted on political grounds shall enjoy the right of asylum".

This article, coupled with the recognition of citizenship rights to those who can prove German descent, in some cases going back centuries, for example the German community on the banks of the River Volga in the former Soviet Union, has meant that the Federal Government has accepted by far the greater proportion of those migrating in recent years. The result has been numerous attempts in the 1980's to change the constitution. In 1985 the current government coalition attempted to gain the necessary two-thirds majority to change Article 16, but was thwarted by the combined efforts of the opposition in parliament, and church and support groups in the country.

The huge increase since 1989, has reopened the debate and it appears that there may now be the necessary two-thirds majority. Chancellor Kohl, at the CDU conference in October 1992, in response to this huge rise in the numbers seeking asylum, warned : "We face the danger of a deep crisis of confidence in our democratic state, effectively a state of emergency

.... extremists....extremists are already crawling out of their lairs". (*Independent*, 27 Oct 1992)

The proposal by the governing coalition of CDU - CSU - FDP would be to expel immediately all those with "clearly unfounded" asylum requests, and those who have arrived in Germany from countries where there is no clear political persecution, or who have come via a "safe third country". In effect, this is a proposal to scrap Article 16 of the Grundgesetz, which will require the support of the SPD to ensure two-thirds majority.

At a special meeting of SPD in November 1992, the party decided to accept a plan to amend the constitution to let "officials process applications briskly, weed out cheaters quickly, and reject anyone refused asylum elsewhere in Europe".

The proposal is also to substitute the existing law with one based on the 1951 Geneva Convention. The problem with this approach is that the imprecision of the language of the 1951 Convention leaves a large amount of discretion in terms of defining "persecution".

There is a wider problem in that the Federal Republic does not have an immigration law as such, which has led many to criticise the attempts to focus solely on the asylum question. There are an estimated 6 million foreigners living in the Federal Republic, whose citizenship rights are restricted because there is no clear policy recognising their permanent settlement, which stems from the attitude above of "kein Einwanderungsland".

UK: In 1991 there was an attempt by the Home Secretary to introduce bill to change procedures on granting of asylum. However, it lapsed as a result of opposition and the calling of the election. One amendment remains which requires that the rules and procedures conform to the 1951 UN Convention on Refugees. The new Asylum and Immigration Bill retains the restrictions particularly on tourists and students.

France: In a debate in the National Assembly on immigration in 1990, Prime Minister Rocard warned : "...we are about to face a new massive wave coming from a more remote South and a more uncertain East. And, I say it clearly, this wave must be stemmed". (*Le Monde*, 24 May 1990) At the end of 1990, it was announced that work permits for asylum seekers were to be abolished, and France lobbied hard but unsuccessfully with the Netherlands to oppose the move by Germany to eliminate the visa requirement for Polish nationals. The French government is quite clear that Germany should be the first and final destination for the new wave of asylum seekers. The government is also concerned with the pressure for migration from the South, seeing itself in a special role as mediator between the EC and the Arab world. Hence the promotion of the Conference on Security and Cooperation in the Mediterranean (CSCM) with all central bordering Mediterranean Basin countries, and the need to develop a "dialogue of cultures".

In order to reduce the number of asylum seekers the government imposed visa requirements on all non-EC citizens, apart from Swiss nationals. This is the strictest regime in the EC, and was further strengthened in July 1991 when transit visas were requested from nationals of 11 countries, namely those from which the largest numbers of asylum seekers were coming, Albania, Ethiopia, Somalia, Sri Lanka and Zaire.

Criticisms of new controls

EC measures: The Minority Rights Group, in its 1992



Refugees from the war in Bosnia

report, commented that "many of the details of the harmonisation process have been carried out in secrecy and implemented in an underhand manner". The worry for many interested organisations about the Schengen Treaty is firstly over the way in which the information is being collected. The Home Office has informed the Data Protection Registrar that it intends to use as a source of information "people making a complaint or enquiry", which implies that the immigration service is quite entitled to store anonymous, damaging or malicious information on its computers without any checks on its accuracy.

There could have been positive effects of the Schengen agreement, by permitting non EC nationals, refugees and asylum seekers already resident in the EC to enjoy the same rights as EC nationals in terms of travel, looking for work and other civil and political liberties. But the implications of Schengen will be more significant in creating a negative climate of opinion around the whole issue of non-EC nationals, refugee and asylum seekers. The removal of internal border controls and the possible use of ID cards to guard against illegitimate entry is likely to lead to increased police powers to stop and check individuals on the streets, in the workplace, in schools and elsewhere. Such "trawling" operations have already become a familiar part of immigration practice in the UK. The increase in racial discrimination from the need to check those most identifiably different also has to be considered in this context. The likelihood of ID cards being introduced, particularly in the UK, has implications for civil liberties.

Although there is as yet no ID card system as such in the UK, the gathering and collecting of computerised information by official agencies is increasing. In 1988 the Home Office began to collect "detailed statistics" on the nationality of asylum seekers. The Immigration Service in Britain acquired a new computer system in 1987 called HOLMES (Home Office Large Major Enquiry System), which is designed to assist the Service in its detection of people who evade immigration control by overstaying or entering Britain illegally. Most of the information in the system is provided by anonymous letters and phone calls about alleged immigration offences. These kind of systems mean that it will be very easy for the British government to link into the SIS.

The Trevi Group convenes in secret and there is little information about the content of its discussions . Much of the work being done on harmonisation of conditions for granting visas and other immigration matters is being carried out by a sub group of Trevi, the Ad Hoc Immigration Working Group, which is composed of EC ministers, civil servants and police

officials from all member states. Its overall aim is to formulate combined action against terrorism, drug trafficking and illegal immigration. A major criticism of this group is that it is formulating EC policy outside any democratically accountable framework, preventing public discussion about the issues.

The Dutch government has indicated that the Schengen group has reached agreement on visa requirements for 115 countries, and that these are likely to be adopted by all 12 EC countries. Most of these countries are ACP states, many of them part of the new Commonwealth. In 1989, in Madrid, a report (Palma Document) was agreed on, drawing up a "positive" list of countries whose nationals would not require visas to enter the EC. The complete list of those nationals who require visas will be ready by 1993. The effect of these measures is to break traditional historical links between countries and create a division between those countries with which the Community has close relations and whose nationals do not "give rise to problems", and countries whose nationals "do give problems".

This terminology barely hides the division of the world into rich countries (EFTA, Canada & Japan) and the rest, the Third World or Two-Thirds World (ACP states). The imposition of these visa requirements will add to race discrimination by making entry to the UK, even for short periods of time, more difficult for friends and relatives of Britain's settled Black and Asian communities. In addition, the extension of visa requirements will be a major hurdle for refugees and asylum seekers, since in many cases now such people arrive first as visitors and then later claim asylum. This avenue is now being severely curtailed, since visitors will become subject to much closer initial scrutiny and control. The Trevi group is using, as a model for its proposals, the work done by the those involved in drawing up the Schengen agreement.

The European Parliament's Political Affairs Committee's Subcommittee on Human Rights is mainly concerned with human rights issues outside the EC. There is very little about human rights in the EC itself, and there is no indication that the European Political Cooperation (EPC) system is concerned with human rights within the EC. There is, however, a great deal of interest shown in human rights issues in third-world countries !

Conclusions and policy options

It is clear that there is no technological solution to the current and impending crisis over asylum seekers, refugees and migrants. A barbed wire, mined border fence along some axis between Eastern and Western Europe, similar to the one that existed between the GDR and the Federal Republic, is not a realistic option.

The crisis, therefore, requires a bold and imaginative approach which encompasses short, medium and long term options with the aim of providing Eastern Europe and the South with the possibility of dynamic economic growth based on trade liberalisation and massive inward investment to encourage domestic led growth from a mixture of public and private enterprise.

Short Term:

1. A clear unequivocal commitment to accepting refugees from the former Yugoslavia and former Soviet Union needs to be made by the EC and effected by all member states. A similar commitment should also be made with respect to refugees in other

war-torn areas of the globe. Eastern European states which have had to shoulder the burden of accepting refugees from these areas need to be supported by grants and loans for investment projects.

2. The EC member states should ensure strict compliance with the Geneva Convention and be in the vanguard of promoting policies which accord with internationally accepted norms of procedure concerning hearing of cases, rights of appeal, and choice of country of destination if expelled. One immediate measure could be the repeal of all Carrier Liability Acts.

3. All discussions within the Trevi group, the Ad Hoc Committee on Immigration and other groups should be transparent and subject to the usual democratic scrutiny. Lobbying from interested groups should be encouraged. The EP should have direct access to all such deliberations. This touches the whole issue of the democratic deficit in the EC.

4. Heavy fines need to be introduced against employers of people whose residence is "irregular".

5. Mainstream political leaders should give leadership in such policies and not pander to fears of "flood" or "swamping", by using dubious statistics and furthermore should not leave unchallenged statements that heighten tension and isolate immigrant and refugee groups.

6. The Racial Equality Directive proposed by the EP should be introduced by the Commission immediately and passed by the Council of Ministers.

Medium Term:

1. Issues concerning migration, asylum seekers and refugees have to become part of foreign, trade and development policy. Coordination of these policies is the only way to deal with the crisis. There are also implications for the Common Agricultural Policy (CAP), which has to be reformed to prevent dumping of surplus on the world market at low prices, which destroys the livelihood of farmers in the East and the South. There is a need for massive investment in Eastern Europe and the South via the European Bank for Reconstruction and Development (EBRD). Straubhaar proposes the establishment of a General Agreement on Migration Policy similar to GATT.
2. The EP, in conjunction with the Commission, could initiate a move towards enshrining the European Convention on Human Rights in EC law, thereby giving asylum seekers the possibility of appealing to both the European Court of Justice in Luxembourg and the Human Rights Court in Strasbourg.

Long Term:

1. The Conference on Security and Co-operation in the Mediterranean (CSCM), which groups together the countries of the EC Mediterranean and Maghreb, has begun discussions to draw up programmes on trade, development, and migration. The imposition of restrictive policies in the EC will recreate the same divisions of the cold war except that the border may shift at certain places further east.

2. A common policy towards East, Central Europe and the South: harmonisation of asylum and immigration policy has already reached a crucial stage, with all EC countries, except the UK and Denmark, becoming part of the Schengen area. All EC member states guard jealously their sovereignty in terms of immigration and nationality laws. All these countries are becoming increasingly restrictive in accepting both asylum seekers and other migrants. The Iron Curtain has been replaced by new curtain of such fine mesh that only a few will slip through.

Liberalism nationalism and democracy in Hungary

***by László Andor
and Tamás Krausz***

During the historic landslide of 1989-1990, all political tendencies that characterised themselves as "system-changers" condemned the collapsing state-socialist system, and announced their own programmes with a more or less clear vision, a vision that promised a much better future for the people. Reform-communists, liberal democrats, young liberals, nationalist intelligentsia, as well as all those small-holders, christian- and social-democrats, who resurrected their parties after a gap of forty years, set for themselves the goal of adopting the social system that has taken shape in Western Europe. Expressing doubts about the realism of this program at the time inevitably led to harsh political stigmatisation.

The new programme promised liberal and national democracy. It was liberal, in that it demanded the rule of law and promised bourgeoisie living conditions and entrepreneurship free of restraints. It was national, because it promised the restoration of the sovereignty of the country, initiated the withdrawal of the occupying foreign troops, and promised a return to our own organic and natural path of development. And, finally, it was democratic, because instead of one-party rule organised and controlled from above, it promised the revival of civil society, the emergence of real self-government, and a significant extension of direct decision-making.

Today, most of the actors in Hungarian political life acknowledge the existence of unavoidable constraints on economic and political development and draw the unavoidable conclusions in a rather troubled or sometimes even confused way. The real situation forces them to erase an increasing number of goals from their original project. This process is leading to a disintegration of both the ruling and the opposition coalitions, to an increasing distances between the parties, as well as to sharpening of their internal fights.

As the political leaders become more aware of the limits of their real opportunities, the three main factors of the original model (national, liberal and democratic) begin to conflict with each other. So much so, that realistic alternatives have to abandon not only one of the three factors, but two of them. We could return to the path of democratisation, but in this case liberal and nationalist tendencies must be significantly weakened. Or liberalisation can continue, at the expense of democratic and national viewpoints. Or nationalist forces could take over totally but, in this instance, liberalism and democracy would remain only in the realm of rhetoric.

Nationalism on the offensive

The present government, although it has made some compromises, is taking the country consistently towards the nationalist alternative. The liberal critics of government policies point out correctly that the nationalist programme subordinates the transformation of the Hungarian economy to certain political considerations. First of all, the government wants to organise a social base for itself. It was for this reason that it pushed the Compensation Act through parliament and the constitutional court, an Act regulating the re-privatisation of land that destroyed the chances of internationally competitive Hungarian agriculture for decades.

In the privatisation process people with political contacts are in a much more favoured position than others. This tends to the creation of a new nomenclature-ownership system, with unequivocal political implications. It was also political motives that encouraged the government to destroy a large

section of Hungarian industry within a very short time, since they wanted to get rid of the concentrations of the industrial working class and those parts of the old bureaucracy that acted partly in their interests.

When István Csurka, a vice-president of the ruling Hungarian Democratic Forum (MDF), published his manifesto in August 1992, even some people in his own party described these ideas as explicitly Nazi. Strengthening the state power given to the MDF by the election results of 1990, and using it against the suspicious operations of Communists, Jews, and liberals: this was the essence of Csurka's manifesto. The leading bodies of the MDF did not criticise Csurka's principles.

The under-defined goal of "system change" is not just a synonym for the revival of economic growth, or the establishment of the western type institutions, as many people believe, but the consolidation of the political, economic and ideological power in the hands of a new ruling class, which would link itself to the traditions of the Hungarian nobility, gain support from the nationalist middle-classes, and draw to itself the most talented children of the lower social strata under the auspices of national ideals. This nationalist political elite, which was voted into the nearly unchanged bureaucratic structures, gave signs fairly early that they saw themselves as the only real representatives of the interests of all Hungarians. By the second half of 1992 they came very close to claiming: "we are the state".

The Liberal alternative

This nationalist absolutism finds its public opponent in Hungarian liberalism. The representatives of liberalism are against handing control over the still mainly state owned economy into the hands of the political elite that happens to be in office. Exactly the opposite: they would like to make politics into a servant of free market forces. They reject the priorities of the nationalists because they see a massive and uncontrolled inflow of an already very

influential foreign capital as the main leverage of economic development.

But they oppose democratic principles as well, in as much as they have abandoned all ideals of equality and openly admit that their programme would result in a strong concentration of ownership and economic power. The basic problem of Hungarian liberalism is related to specific aspects of Hungarian history, as a part of general East-European history.

Firstly, capitalism emerged and developed in Hungary without a democratic and national bourgeoisie. The resulting authoritarian and statist tradition deeply affected economic development as well. The gentry elite always considered liberalism as something alien, as an external import, and its anti-Semitism was related to the lack of a national bourgeoisie.

This traditional nationalism is quite easily revived again in the modern period when, in the process of "system change", it turns out once again that capitalism, without a national bourgeoisie, offers a particularly competitive position to the successors of the gentry (state bureaucrats, "national" intelligentsia etc.). Their promotion in intellectual and managerial careers, as well as in the competition for state property, is being seriously threatened, however, by different groups of liberals and left-wingers. These people are more likely to speak foreign languages, they know and accept more easily the cultural values of European civilisation, they are able to look further than the national horizon and, what's more, they explicitly reject all forms of ethnic differentiation.

Historically, Hungarian liberals were always afraid of co-operation with the labour movement. The current version of this tradition is reflected in the fact that the liberals reject the left as a "remnant of the one-party state". One of their major political priorities is to prevent politics extending beyond its parliamentary form. Their traditional fear of the masses is related to the fact that before 1945 mass popular movements emerged only on the far right, in the form of a lumpen-fascist mass movement. Prior to 1945 in Hungary, there had never been more than 100 000 organised socialist or social-democratic workers and intellectuals. Today this force is unorganised, but potentially amounts to one third of Hungarian society.

Today the liberals are supported by a large section of the advantaged layers of the former regime, and by the new owners who are scared of the possibility of a left take-over, but who are also frightened by right-wing conservative forces like those around Csurka.

However, only a part of the former communist managerial layer supports the liberals, together with those urban "lumpens", who joined them for their harsh anti-communist propaganda during the election campaign of 1990. The ideology of this funny and shaky alliance consists of neo-liberal economic philosophy, the Hungarian liberal tradition, and some elements of bourgeois radicalism. However anti-etatist they are in ideology, and however strongly they fight all kinds of racial prejudice, most of them hopelessly lack the least amount of social sensitivity.

It is not surprising, therefore, that liberalism is on the defensive in the whole region. It gained support temporarily in 1989 but later withdrew to the peripheries of intellectual and political life. The social roots of liberalism have never been deep in the Hungarian past. Liberalism created some undeniably

progressive traditions, especially in its bourgeois radical tendency. One of these traditions is the demand to modernise the country, to catch-up with the more advanced societies. But this endeavour was usually based on a simplified and idealised interpretation of the core of the world-system.

The most striking example of this today is the fetish of market mechanisms and the biased interpretation of their effects. Hungarian liberals never speak for example about the 53 million poor people in the countries of the European Community, about which French liberals write in the pages of *Le Monde Diplomatique*.

Hungarian liberals have always supported the objectives of the so-called Kupa-programme, the policies proposed by the minister of finance, Mihály Kupa, who adopted IMF policies and who was always considered by the government coalition parties to be an inconvenient compromise. The Kupa-program has been rejected by many experts, who pointed out that it is not based on an analysis of existing domestic and international conditions. It proposes measures to improve the Hungarian economy which would work only in the advanced economies of the capitalist centre, and only if those were operating according to neo-classical economic textbooks.

Thus, the liberals of the semi-periphery replaced the doctrine of "developed socialism" with the utopia of the "developed market economy"; and their thinking is still dominated by a vision of a utopian capitalism that lacks the least element of historical analysis. Just as the baroque-style ideals of "developed socialism" functioned in the mid-1970s as a cover for a soft dictatorship, the ideal of the free market economy now clears the way for the building of a kind of nomenclature-capitalism of a new privileged layer.

The liberal attitude to the industrial working class dates back to the liberal reform-communist period. Originally it was justified by economic arguments, although its political implications were clear for many people then as well. Today, the liberal defence of total private ownership and quick privatisation is justified by the same neo-liberal economic philosophies as then. It is abundantly clear, however, that the social layer that would benefit from "spontaneous privatisation" would form a social basis for the liberals at the next elections. And, last but not least, their closer relationship with international monetary institutions offers the possibility of external political support.

Perhaps the biggest misconception concerning bourgeois ideals is that economic liberalism necessarily requires a weak state. Liberalism wants to limit the authority of the state only in a limited sense, i.e. to the extent necessary to ensure civil liberties, while the functioning of the legal system and requirements of defence lead to a drastic strengthening of the armed apparatus and the state. The contemporary examples of this are Thatcher's Britain and its semi-peripheral cousin, Pinochet's Chile. Because of the economic results of this fifteen-year ruthless dictatorship, Chile has been put forward by some East-European liberals as a model of future development. The protection of newly acquired property would require the same strong state in Eastern Europe, whether following the liberal or the national path, especially if we take into account the guarantees provided to a large-scale foreign capital share.

In reality, the foreign capital that comes into the country does not result in any gains for the majority

of society. When foreign capital buys up the competitive corporations, the few prosperous industries and supermarket chains, it occupies major sections of the internal market and eliminates Hungarian competitors. All of this results, despite liberal slogans, in a strengthening of the monopolistic structures of the economy, while the National Competition Office (in the building of the former National Planning Office) is very keen on differentiating between businesses according to their political colour.

It is also very likely that the small number of really productive new foreign investments will be built and will operate as an enclave, i.e. without much positive effect on the rest of the domestic economy. The absence of any protection of internal markets, liberalised international competition, as well as the resulting deindustrialisation, time after time cut out large sections of the skilled workers and the technical intelligentsia, which are stigmatised as uncompetitive and too costly.

It can come as no surprise then if the faith of these layers in the liberal alternative will tend to decline. Hence, while many observers are arguing for the need to maintain a so-called "liberal minimum", there is a reasonable fear that we have arrived already at a "liberal maximum", as far as the possibility of reconciling liberal values with the other two major political values (democratic and national) is concerned. Latin-Americanisation, a concept increasingly mentioned in public discussion, would signify an economically liberal pseudo-democracy under the rule of a comprador bourgeoisie and state apparatus, rather than the earlier model, which was a semi-military and traditionally nationalist regime based on a self-sufficient, import-substituting industrialisation.

Liberalism was one of the main losers in the East-European transformation. There are also quite a few people in the rank and file of the liberal camp who want to fight the emerging neo-fascist tendencies, while simultaneously pulling down the monuments of the anti-fascist heroes.

The Prospects for Democracy

From the point of view of democracy, nationalism and liberalism show a striking symmetry. In reality, neither of them wants to delegate more power to those who have nothing except their vote and their constantly depreciating purchasing and labour power. The debate between them is about whether the ruling political elite in the state, organised along historical and ethnic lines, should take over economic positions as well, or whether it is rather the agents of those with economic power (capitalists and managers) who should be the ones to control the state. Both tendencies want to give the control over the country to "the better people". The difference is that one side sees the decisive criteria in the origins of individuals ("popular-national backbone" Hungarians, or "deep" Hungarians), while the other side prefers the presumed managerial capacities of entrepreneurs or "real owners".

Since, in the latest period, these two tendencies have dominated the political scene, the chances for democracy have been dramatically reduced. A renewal would be very difficult without a massive change in popular sentiment. Increased activity on the part of civil society would be a necessary precondition for any kind of democratic development. Seeing the passivity of the masses in Hungary after the elections of 1990, the new government gave a clear message that it had little interest in



MDF leader, István Csurka

consultation until the next election would roll around in four years. Their self-determination was shaken for a while by the "petrol riot" of the same year, but they easily returned to the practice of secret bargains among elite groups.

The government saw the biggest threat to "peaceful transition" in the trade unions, but they found loyal partners in the liberal parties who were willing to give their support to unprecedentedly harsh anti-union laws, which have weakened the unions in their ability to represent the interests of the workers for years to come. The liberal critics are right when they say that the nationalist right wants to define from above who the Hungarian people are and who their representatives can be, but, in this very important field of the organisation of the civil society, the liberals have co-operated in the preparations of measures which will have damaging consequences both socially and politically. In so doing, they contributed to the weakening of society's ability to resist and gave added strength to the christian-nationalist course.

The new regime has attacked and seriously damaged all those institutions by means of which people had some say in their own lives. They discredited and smashed the collective farms and industrial co-operatives, they outlawed the existing trade union organisations, and, despite all promises, they did not give local government any real economic independence.

There was a widespread popular illusion that the changes of 1989-90 would mean the revival of civil society in Eastern Europe. But, three years later, we find the forces of democracy in a nearly complete disarray. A part of the left hopes to survive through its links with the liberal elite and it therefore accepts even the semi-criminal forms of privatisation. Another part tries to defend state ownership, and seeks co-operation with the nationalists. A genuine democratic program, pointing the way to a broadened popular and workers' control over property, exists only in embryo.

Nevertheless, work in this area will advance more rapidly now, although we cannot expect democratic policies to be converted into government programmes in the near future.



An antisemitic cartoon in a recent issue of *Magyar Fórum*

A democratic agenda

Essential elements of a democratic agenda would be:

- constitutional changes to enhance the institutional possibilities of popular control over the government, the economy and the media;
- immediate stop to and revision of all kinds of privatisation, establishment of social boards for the strategic management of the public companies;
- renegotiation of the IMF-conditionality of the foreign debt, as well as that of the EC associate membership conditions;
- negotiations with the former COMECON countries and the states of the former Yugoslavia about the possibilities of closer economic co-operation;
- long-term plans for structural and regional development to re-build the infrastructure of the economy, to provide new jobs for the unemployed, and for the development of the health-care and education system;
- restoration of universal welfare provision, instead of the newly introduced insurance and means-tested schemes;
- reduction of the size of national government offices and incomes, and re-distribution of their funds to local governments for job-creating programs.

The fight between nationalism and liberalism is sharpening day by day. Who will be the winner in this struggle will be decided not only by the organisation of the internal forces, but to a great extent by the changes in the international economic and political constellation. Hence it is possible that for a long time none of these alternatives will consolidate. Of course, all at the expense of civil society, which will be prevented from defending itself by further restrictive measures. The most that those left out from power can hope in the Europe of the early 1990s is that this struggle will go on in more or less civilised forms, without the resort of violence.

Afterword

The first version of this paper, written in August 1992, was seriously condemned by some experienced left-wing thinkers in Hungary for being tactically

ill-conceived, because it heavily criticises the liberal tendency in a period when the democratic left should make a coalition with the liberals against the emerging nationalist far right. Our opinion is that, before making any kind of coalition, the left has to find its own particular identity. It may be the case indeed that a broad anti-fascist coalition will be part of the agenda. Democratic socialists warned the system-changers as early as the autumn of 1989 that if government policies create mass unemployment (which will reach 1 million, i.e. 20 percent in 1993), this would result in the emergence of a mass social group that would marginalise the liberals and form a base for the nationalist extreme right. An anti-populist ideology against this force is completely useless. Everything depends on whether the Hungarian left will find its own character in the near future, or whether it opts for "trade union populism", or remains on the liberal bandwagon and lets the blood-thirsty right wing mob set the agenda. In the event that there is a significant right wing shift in Western Europe, especially in Germany, such a scenario would lead to a dreadful historical tragedy in Hungary.

Authors

László Andor is an economist at the University of Economics in Budapest.

Aleksandr Buzgalin is a leading member of the Russian Party of Labour.

David Edge is a lecturer in European Studies at the University of North London.

Peter Gowan is a lecturer in European Studies at the University of North London.

David Holland is a writer on Poland and is assistant to Stan Newens, MEP for London Central.

Kazimierz Kloc is a journalist in Warsaw.

Andrew Kilmister is a lecturer in economics at Brooks University in Oxford.

Jeremy Lester lectures in Russian Studies at the University of Reading.

Tamás Krausz is a historian and one of the editors of the Hungarian journal *Eszmélet*.

Valerio Lintner lectures in European Studies at the University of North London.

Branka Magas is a writer on Yugoslavia.

The Russian left in 1992

Interview with Aleksandr Buzgalin

This interview took place in Moscow on 5 January 1993. Aleksandr Buzgalin was interviewed by Jeremy Lester.

*We know that in January of last year the process of formally setting up the Party of Labour was commenced and the party's programme was published in *Obozravatel'*. Could you briefly explain developments in the party since then?*

The process has not been as successful as we perhaps hoped. The growth in the dismay of the masses, and the changes in their behaviour over the year has not yet reached a point where the Left can really be the main beneficiary in political terms. The deepening of the crisis in our society led to the slogan "everyone for himself". We have a growth in the tension of everyday life and a growth in the level of social alienation, especially in certain sectors of the working class, such as engineers, medical workers, teachers etc. In such circumstances the growth of the social self organisation of the masses is very difficult. This is why we currently have a lot of contradictions in the development of the trade union movement, and since our party, as its name implies, set out to be a political representative of the workers movement, these contradictions have had a damaging effect on our party throughout the year.

Secondly, the party has faced a lot of difficulties with the movement of labour collectives. With the growth of "nomenklatura privatisation" and other such policies, the numbers and effectiveness of the self-managing labour collective movement has considerably decreased. In such circumstances, I have to say that the Party of Labour finds itself now in a similar situation at the beginning of 1993 as it did at the beginning of 1992. There have been some improvements in our position, but nothing very radical. We have groups of militants in big cities - for example, there are perhaps 50 activists in Moscow, 20 in St. Petersburg, 20 in Perm and about the same number in some other large cities. In all we are active in about 12 to 15 regions of the country at most; perhaps even less, because some of these groups' existence is quite fluid, so that after about 2 or 3 months they sometimes split up and disband.

Despite all this we have had some practical successes away from the strictly organisational side of the party; in what I would term the qualitative aspects of the party rather than the quantitative aspect. For example, we have some representatives of the party in the Russian Congress of People's Deputies. Most notably, the Chairman of the Political Council of the party, Oleg Smolin, is a very popular representative and his recent speech at the 7th Congress in December last year caused quite a sensation. We also have party representatives in some of the regional and city councils. We have very close contacts with the Moscow Federation of Trade Unions and are able to use their newspaper,

Solidarnost', for the publication of materials concerning party developments and party opinions. The Chairman of the editorial collective of the newspaper, Andrei Isayev is also, of course, a member of the party. And the same situation applies to other cities such as St. Petersburg. Also, together with the Confederation of Anarcho-Syndicalists we have a 30 minute programme on the radio every day. Perhaps I can say, then, that we have big possibilities for such a small party! Even on television, we managed to get 4 or 5 interviews done with party members, such as myself and Boris Kagarlitsky, throughout the course of last year.

One of our main achievements last year was also the publication of an anti-crisis economic programme of the democratic left, which became an important debating point at the 7th Congress of People's Deputies. We have also had regular meetings and round table discussions with leading cultural figures. Together with the Trade Unions we also had some meetings in the spring and autumn of last year with striking workforces from various sectors - especially during the strikes of the teachers, the medical workers and the air-controllers.

The Trade Union influence in the party is mainly from the Moscow Federation organisation. Have you managed to broaden your trade union base at all over the past year?

Yes, the Moscow Federation is our main support base, but we do have some influence elsewhere. In Perm and St. Petersburg, for example, and to some extent in Omsk and Irkutsk in Siberia, we also have very good contacts with regional trade unions; and the same is the case with some trade unions from different specific sectors of the economy.

You mentioned earlier on that you have still have good contacts with the Anarcho-Syndicalists. I had understood that a year or two ago there were some quite serious disputes between the Confederation of Anarcho-Syndicalists and various movements on the democratic Left?

Yes, I think we can say that we have had permanent conflict and debate with the Anarcho-Syndicalists; yet at the same time we have also managed to achieve some form of permanent working cooperation. There was a division in the Confederation of Anarcho-Syndicalists not so long ago and for a time the movement collapsed altogether. About six months ago, however, the movement was re-established and the leadership of the movement around Isayev joined with the Party of Labour.

What about the relations with other organisations on the broad Left in Russia. In November of last year a congress was held to try and achieve a greater degree of coordination, if not unity, between all the different forces. How successful was the congress?

Yes, the congress was held at the end of November, just before the opening of the 7th Congress of

People's Deputies, and I would regard this as a very significant event. There were more than 1,000 delegates in attendance from all over Russia and these delegates came from all sections of the contemporary Russian democratic Left. Moreover, not only did the congress bring together for the first time delegates from the Left political movements, but we also had many representatives from non-political organisations, which I would regard as equally significant. For example, the Union of the Working Labour Collectives of Russia, Women's organisations, Green organisations as well as organisations that have recently been set up to defend the rights of those workers and labourers and other citizens who have lost all their savings formerly deposited in banks due to spiralling inflation. In total, then, there were more than a dozen such non-political organisations at the congress, all of which were very keen to register their support for the policies and aims of the Democratic Left movement. From the perspective of the attendance at the congress, then, we can say that it was a big success. On the other hand, it perhaps goes without saying, that there were huge disagreements and conflicts amongst all the delegates. Our main task was to try and find some degree of unity amongst all these different forces and to carve out a well-defined border between the democratic left and the nationalist-chauvinist organisations (the red-brown alliance) on the one hand, and pro-government, liberal organisations on the other hand. To this end, we also invited left representatives of the now defunct Social Democratic Party as well as the People's Party of "Free Russia" (Rutskoi's party).

The congress, then, represented just the first step towards trying to achieve some broader degree of unity. The main problem now, it seems to me, concerns the nature of the relations between the so-called independent Left and the post-CPSU parties and organisations. This is the realm of greatest conflict and struggle at the moment, especially now that there is the attempt to re-establish the Communist Party of the Russian Federation.

What effect do you think the re-establishment of the Russian Communist Party will have? And what kind of organisation do you think it will be?

In my opinion it will be a very specific organisation, perhaps representing some of the worst traditions of the CPSU, though at the same time, hopefully, some of the better ones. For example, it will almost certainly develop an internal form of bureaucratic organisation along the old CPSU lines which will only aggravate the likely contradictions between the leadership of the party and the neo-Stalinist, neo-Brezhnevist illusions of the masses. According to the documents published so far, the party will be similar in nature to the old Gorbachev party; there will be a lot of common words about socialism and democracy etc., but without any real programmatic base setting out in concrete terms the tasks of the party. In practice there will be an attempt to find a compromise and an agreement with powerful state-oriented apparatuses. Despite all this, however, there is at least one very positive aspect to the re-establishment of the party. First and foremost it will be a mass organisation, perhaps bringing together 100,000 members, perhaps as much as 1 million members. It will also have a lot of real, genuine practical contact with labour collectives, and with regional trade union organisations since most of the leaders of these organisations were only a short time

ago official members of the Communist Party. It will also have useful contacts with mass media organisations. And it will also bring with it a definite organisational structure. The main drawback of the independent left movement has always been its inability to create a strong organisational structure. All of us involved in these movements are good theoreticians and ideologists, but few, if any of us, are good at the necessary practical tasks of organisation. So, in my opinion, our task should be the establishment of a good working relationship with the Communist Party. We should try and use the positive features of the party. We should also remember that the party will desperately need to portray itself in new terms with new figures, new personalities and new intellectuals behind it and this is where we will have our biggest opportunity to make an impact on the new party. Perhaps not surprisingly, the question of the relationship with the new Communist Party is one of the biggest debating points within the leadership of the Party of Labour at the moment. For the likes of Boris Kagarlitsky, for example, it is better to create a bloc of supporters outside the structure of the new Communist Party. This is an understandable approach from someone of his background. But it does seem to me, that at this moment in time, it would be a mistake to totally reject all forms of cooperation with the Communists.

Do you foresee a mass democratic left movement being established?

It is necessary to distinguish two things. First, the support for socialist organisations when it comes to elections. And second the real self-organisation of the masses. As regards the first aspect, it is possible to envisage considerable mass support at the next elections, especially if the independent left joins forces in a common electoral bloc with the post-CPSU parties. For example, in such a situation it may well be possible for us to capture between 20 and 30 per cent of the vote because the basis for this level of support does exist in society. But as far as the real self-organisation of the masses is concerned, the possibilities are less good for us. During the perestroika period we failed to understand the depths of conformism amongst the ordinary masses in society. In virtually all areas of life the masses remained very passive to the reforms that were being introduced. Only in a few sectors was there a visible tradition of mass self-organisation from below. And this clearly remains the biggest hurdle for the development of a left democratic movement. It is, of course, possible to create popular forums composed of a few leading, well known figures. And it is possible to have a lot of focus on a few leading deputies in the People's Congress and organise electoral support around them and propagandise your opinions through them. But to create a real mass self-organisation in society today, this is another matter entirely and one that is hard to envisage taking place, either in the short term or even in the longer term future.

Nevertheless, by creating blocs of like-minded forces from across the spectrum of the democratic left, it will at least be possible to demonstrate a definitive alternative to the type of nomenklatura privatisation that is currently taking place. It will be possible to find an economic and political compromise between the interests of the organised trade union movement and the interests of certain sections of the old party apparatus.

Apart from those forces on the democratic left, there seem to be three main power blocs: there is the bloc of forces behind the Gaidar-type of shock therapy economic reforms who very much believe in a pro-western, liberal-capitalist model for Russia; there are those on the extreme right who have united around Russian nationalist and patriotic themes, often incorporating neo-Slavophile ideas, especially concerning the nature of Russian statehood; and then there are the self-styled centrist groups, such as those within Civic Union, who believe in a very different approach to the market and who also stress Russia's intermediate cultural position between the West and the East. How would you classify the social and class interests standing behind these three blocs of forces?

The best way to differentiate the three blocs that you have outlined is to gauge their attitudes according to two specific criteria. Firstly, to assess them according to standard ideological beliefs on the Left-Right spectrum. And secondly, to assess them according to their stance on whether Russia currently requires a very strong, authoritarian state during this process of transition, or whether more genuine aspects of democracy can be created. So, for example, the pro-liberal forces around former Prime Minister Gaidar clearly stand on the right of the ideological spectrum, yet on the whole do not stand for extreme authoritarian statist methods of government. The Civic Union organisation is a centre-right ideological force and is composed of elements, particularly in Rutskoi's party (i.e. Rutskoi himself) who veer towards a strong authoritarian form of state power. And then there are the nationalist-patriots who cover the entire Left-Right ideological spectrum, yet who all believe in a very dictatorial kind of state power and who all shun the idea of democratic developments in Russia.

From a social perspective, the picture is just as complicated. In the old Soviet Union there existed a very specific, almost unique social structure and this has inevitably complicated the process of transition and has clearly affected the nature of the social base of these three different blocs of forces. The old social structure, in effect, represented a mixture of different socio-economic systems, so that in any real, concrete relation different aspects of social interests could be seen. For example, if I was employed in an enterprise as an engineer I would encounter different types of social relations in the workplace. Firstly, I would encounter a state capitalist structure in which the Director of the enterprise is a state representative and I am an employee and therefore the relations are the same *viv-a-vis* the buying and selling of labour. But there were also elements of socialism here, because there was no unemployment, there were numerous social welfare guarantees and even some degree of self-management within the enterprise. On top of this there were elements of semi-feudal relations, especially as regards the maintenance of the system of *propiska* - the system of registration according to one's place of residence. Finally, there were also elements of a pseudo-capitalist type of relation to the extent that the black market was rife within the enterprise. So what we had, then, was a very confusing social picture where it was impossible for a clearly defined and distinctive social interest to emerge. In each individual person elements of different types of social systems and social relations would co-exist with each other. To some extent we were all a bit of a bureaucrat, an employee of a bureaucrat, a bit of a private businessman buying and selling what we could on the black market as well

as being a socialist. In such circumstances, then, the crisis of this system led to the appearance of a whole plethora of different social and political forces.

On the whole, I would say that the pro-market liberals around Gaidar and company are primarily supported by (a) the *nouveaux riches* of the old black market, (b) the more corrupt elements of the old nomenklatura and party and state apparatus who often assisted the black marketeers with the provision of state goods for re-sale on the black market, (c) elements of the old skilled workforce, such as engineers, who are now desperately trying to become new private entrepreneurs, and (d) sections of the old industrial class, especially those who were most alienated in the past from the labour decision-making structures in the enterprise and whose main interest was always geared towards achieving a higher material wage, rather than in securing for him/herself greater access to decision-making structures.

As far as the leaders of the centrist social and political bloc is concerned, they mostly stem from the middle level tiers of the old party and economic bureaucracy (more so the latter) - especially Directors of state enterprises and so on. As regards their mass social base, their supporters are mainly state employees who are desperately trying to retain their guaranteed job status and their guaranteed wage - that is to say, those who maintained not a very high level of existence under the old system, but nevertheless a stable kind of existence. These workers tend not to have a real interest in self-management schemes, but neither are they interested in turning themselves into new private entrepreneurs or even working in the new private sector. They are in essence, what I would call the old-style passive conformists.

As far as the left democratic forces are concerned, the social base here is still quite small, composed as it is of those who actively desire to see the introduction of self-management schemes in the workplace. On the whole, such people tend to be skilled workers and what I would call "ordinary intellectuals" - that is to say, those who did not hold a position of responsibility within the ranks of the old nomenklatura.

Finally, when it comes to the nationalist-patriotic bloc (the so-called "red-brown" alliance), the main social base here is made up of those who hanker after the days of the old Russian Empire and the traditions of those times - i.e. semi-feudal types of relations. These are joined by those who also hanker after the traditions embodied in Stalinist-type socialist conditions. And finally, one should not forget that this bloc is currently very popular with the ever-increasing lumpenised sectors of Russian society.

What we have here, then, is a bloc of disparate social forces linked together by a shared cultural affinity to tradition, most notably the version of collectivism that has always been predominant in the Russian way of life; not to mention a strong affinity towards the Great Power traditions of both the Russian Empire and the Soviet Union. For all these groups, then, there is a very emotional attachment to the "Motherland" and a very strong perception at the moment that the Motherland is suffering and is under very great threat - not least, so they would contend, by hostile "Jewish-Masonic" forces.

What you say about the "red-brown" bloc brings to mind the kind of support that was achieved back in the thirties by some of the fascist organisations, Mussolini for instance. Is this a correct type of analogy?

Yes, very much so. The model of the movement's organisation and its appeal especially to the lumpenised sectors of society bears a strong analogy with Mussolini's Italy in the late twenties, early thirties. Having said that, though, one should always bear in mind the specific circumstances of Russian social and political life today and one should not downplay the role of certain sections of the old Soviet elite and certain aspects of the old Soviet social structure in this bloc of forces and the specific ambitions that they have. The process of our current transition that we are undergoing is very specific and I would not want to draw too many analogies with either other countries, or other eras; nor, for that matter, would I want to say that past models of socio-economic analysis - including the Marxist analysis - can easily fit our present-day conditions. First and foremost any analysis of our contemporary conditions must be prepared to take account of our very specific situation and set of circumstances today.

Returning to the pro-westernisers for a moment, can one draw a very loose analogy with their current tasks in today's Russia with the tasks of the Bolsheviks back in 1917. The analogy that I'm getting at here is this: for the past year, pro-western forces have held most of the top reins of power in the country, yet they have had to rely for broader support on a social class that has not yet been constructed - i.e. a middle class. The same kind of situation, to some extent, existed in 1917 when the Bolsheviks assumed the reins of political power, yet also had to rely on a broader social basis that had yet to be created - i.e. a strong working class. In other words, then, power was achieved before the social base to buttress that power was in place; and in the process of creating that social base, authoritarian methods had to be resorted to.

It seems to me that we can find some analogies with the past, though I am not entirely in agreement with the one that you have drawn, both as regards the task of the Bolsheviks after 1917 and the current tasks of the pro-westernisers around Yeltsin and Gaidar.

For example, as far the Bolsheviks were concerned, it seems to me that the programme of the Bolsheviks was not in any way simplistically confined to the construction of a new proletariat, and from that basis, the construction of socialism. It was a very complicated programme and included different aspects of a transition programme that sought to make alliances with the peasants and the middle class as well as giving credence to genuine forms of democratic control of the economy - some elements of which are still very useful for us today.

As far as Gaidar and the current pro-westernisers are concerned the matter is also more complicated and complex than you have portrayed. In essence they are not in reality trying to create a bourgeois economy in the manner that their propaganda proclaims. But what they are trying to do is to make sure that the basis of the old economic system is destroyed forever.

Finally, you commented earlier that you saw the re-establishment of the Russian Communist Party as a positive tendency on the Left of the political spectrum in Russia today. Why do you welcome the possible re-appearance of this party?

Certainly, the re-appearance of the Communist Party is a very contradictory phenomenon, especially for us on the independent left, and we must be aware at all times of these contradictions. Having said that,

though, I welcome its re-appearance above all else because it is essential in today's circumstances to have a large, mass, organised party on the Left of the political spectrum; even if the party has a poorly structured social, political and economic programme which doesn't entirely fit the concrete situation in existence today; and even if it relies too heavily on old slogans and propagandistic appeals. What we need today is an actual movement and an organisation through which we on the independent left can seek to channel our ideas. The biggest danger today is the real possibility of the destruction of all types of socialist traditions in our society and this must be prevented at all costs. So, in this sense, the re-emergence of the Communist party gives us a new range of possibilities in our overall struggle; though I should perhaps point out that I doubt very much that the party will keep its "Communist" label for very long.

In addition, the re-emergence of such a party will help us to focus our attack on the current, very destructive liberal economic reforms. This is not to say, of course, that the party will adopt the kind of self-management schemes that we in the Party of Labour adhere to. It will in all probability develop economic ideas very similar to those currently being put forward by the Civic Union bloc - that is to say, it will have very grand illusions about the positive benefits of continued state bureaucratic intervention and the preservation of collectivist-type enterprises and social defence schemes etc. In short, it will endorse very primitive economic ideas, harking back to past Soviet times rather than forward to new times. But the thing we have to recognise is that at the moment the new liberal ideas are causing so much hardship and so much destruction that they must be prevented at all costs, and if this means restoring some of the past economic policies, then at least this will represent an advantage over what we're getting at the moment.

Thirdly, as I mentioned earlier on, the re-creation of the Communist Party will open up new possibilities of forming a left-wing electoral bloc in time for the next parliamentary elections and this will give us the opportunity of getting our own representatives on the independent Left elected, if you like, on the back of the post-CPSU structure. What the new party will lack, in particular, will be young intellectuals and theorists untainted by a past association with the CPSU and they know that if they are going to be able to have a broader appeal in society, then they must deal with the likes of the Party of Labour and they must find some compromises with us on our own ground, so to speak.

AGAINST THE CURRENT

is a U.S. bimonthly socialist magazine of news, analysis and dialogue. In the current issue: **ROBERT BRENNER** on the Paradoxes of Reformism; **DAVID FINKEL** on Self-determination and Bosnia; **KIM MOODY** on Clinton and Labour; **ALLISON ROLLS** on Women in Ireland; **ANDY POLLACK** on the Somali Holocaust.

Try us! The price of a year's subscription: \$25 overseas, \$18 in the U.S.

7012 Michigan Ave. Detroit MI 48210

*Translated and introduced by David Holland. First published in *Preglad Spoleczny*, August 1992.*

The article which we publish here provides an illuminating taxonomy of the industrial struggles erupting around the process of transition to a market economy. Its author, Kazi Kloc, has researched extensively in the history of labour disputes in the post-war period in Poland, including the 1940's and the role played by the workers' councils movement in the 1956-58 crisis and subsequently.

He identifies current disputes as characteristic of a transition from one economic system to another. It is interesting to reflect that periods of this kind, when the whole nature of a social system is in question, as for example in the transition of first generation peasants to a capitalist economic system, are precisely those which have produced the most dramatic and radical workers' movements, as in the Mexican and Russian revolutions. Indeed the upsurges of the Polish labour movement in 1956-57, 1970-71 and 1980-81 could also be partly seen as the revolt of worker/peasants attempting to establish their own control over new conditions of domination.

The expectations that the author voices that the worst of the turbulence was now over, have not been confirmed by events. A long and bitter strike in the Silesian coal-field in the last quarter of 1992 has been followed by outbreaks of militancy in the Lodz textile area.

Efforts at contriving a 'social pact' with the labour movement have however developed, as the author predicts, and as Milka Tyszkiewicz described, in the last issue of *LFEE*. This project is aimed at buying social peace by co-opting the labour movement into managing the transition to capitalism.

The background to such a deal is that the Law on privatisation of 13 July 1990 was essentially a compromise between technocrats representing the government and the workers' self management lobby. Workers were conceded a maximum of 20% of the shares in their company at a reduced purchase price. The role of the workers' councils, which retained extensive powers to block privatisation, derived from legislation enacted during the hey-day of Solidarity in 1981, is here a key factor. The workers' councils in a number of instances succeeded in obstructing privatisation moves.

The pact agreed between Jacek Kuron, the Labour Minister, on the one hand and Solidarity, the OPZZ and a number of smaller union groups on the other, in February 1993, gives workers up to 30% representation on their company's board and a substantial say in how (rather than whether) their enterprise is to be privatised. In return the unions have agreed to accept the liquidation of the workers' councils. The break-away Solidarity '80 union, which has presented a sharply militant profile in the ship-yards, the mines and the car industry, has rejected the pact.

Whilst the Suchocka government has succeeded in obtaining new IMF credits, its attempts to negotiate access for Polish manufactures such as steel to the European Community market are much less likely to yield results. Unemployment meanwhile is rising towards 16% (3m) and the big restructuring - and closures - that privatisation of large enterprises will require will undoubtedly accelerate further rises. Further labour upheavals are therefore likely.

Industrial conflicts in Poland 1991-92

by Kazimierz Kloc

Two years of restructuring of the Polish economic system have now elapsed. The social costs have been very great. How have the workers reacted to changing working conditions, price rises and the relative decline in wages? What kind of response has there been to the increasingly real threat of unemployment and enterprise bankruptcy?

At the end of 1989, despite perceiving the economic situation in a decidedly negative light, the majority approved of the political changes taking place. In the conditions prevailing at the time, this meant acquiescence in swift and radical action in the economic sphere, even at the cost of personal sacrifices and a temporary decline in standards of living. After two years of the implementation of the economic reform programme, public opinion was most concerned with the deteriorating standard of living of the population and the poor political prospects for the future. 70-90% of respondents to public opinion surveys considered that growing social tension was very probable. It is therefore possible to assert that the mood of society has undergone a diametrical change in the course of the last two years.

1990 was the most peaceful of the previous five year period. Considering the scale of the changes carried out in the first twelve months of the reform, the number of conflicts and strikes was relatively small. According to GUS (Chief Statistical Office) data there were 900 strikes in 1989, but only 250 in 1990. Certainly there were more disputes in this period. Not all of them developed into strikes. It is thought that for every strike, there were about ten disputes.

Almost half these strikes - i.e. 120 - took place in one enterprise, the railways, mainly in the course of two months, May and December. In second place for number of strikes by sector was mining (around 40 strikes in the mines in November and December). In third place was municipal transport (about 30). There were almost 20 strikes in trade and the remaining were distributed more or less evenly across various kinds of enterprises.

What did the first three groups, in which the volume of strikes was greatest, have in common? These were the enterprises or sectors in which partial subsidies continued and prices were regulated by the state. Also unfavourable for them was the adoption of September 1989 base lines for estimation of wage costs in January 1990. On the railways for example, wage rises were introduced at the end of 1989, which meant that the enterprise had to bear high taxation for the growth of the payroll at the beginning of 1990. Moreover, the railways, like the mines, demanded

that agreements and labour codes signed earlier should continue to be respected. These provided for wage levels above the national average in the state sector. At the same time, these were the sectors which were accustomed to a privileged position and also enjoyed a monopolistic position on the market, which allowed them to exert strong pressure on the authorities. One may therefore say that in 1990 strikes predominantly took place in sectors which were defending their position in the changing conditions of the economic reform.

Most strike demands related to pay. Often they embraced whole sectors, particularly where workers and trade union representatives could appeal to prior agreements, which the government, as a result of its economic policy, either could not or did not want to honour. They also demanded tax concessions and that wage supplements should be disregarded for payroll tax purposes. Often these arose from demands for outstanding and overdue profit bonuses to be paid out, or generally from the maintenance or acquisition of advantages associated with a particular job.

Directed at government

In practice, the majority of strike demands were essentially directed at the government and had as their goal the relaxation of the framework for implementation of economic policy... The government expected that by laying down the framework within which state enterprises would operate, it would compel them to carry out restructuring. Reduction in production costs, changes in production profile and job cuts would follow. Management had to carry out these changes in co-operation with the trade unions and the workers' self-management bodies. It was thought inevitable that these disputes would be resolved within the enterprise, between the parties involved (the management, the workers' council and the trade unions).

In the great majority of cases however, what happened was that the internal institutions of the enterprise either paralysed one another, or formed a common front against the government and the ministry.

The anticipated conflicts arising from mass redundancies did not take place, because managements avoided any such eventuality. Mass redundancies involved higher costs, which had to be borne by the enterprise. It was easier to carry out gradual redundancies (through abolishing temporary positions, early retirement, making seasonal workers redundant) so avoiding tension and disputes with the unions and the work-force. The workers' fear of mass unemployment from enterprise bankruptcy was so great that they were willing to accept gradual redundancies. It should be emphasised that, contrary to expectations, bankruptcies of large and medium firms did not take place. Disputes over restructuring were also rare. [...]

At the end of the year, the position of a large number of enterprises worsened. Limited demand and competition from foreign imports blocked the possibility of increasing prices as a means for the enterprise to survive without significant internal change. As a result of the maintenance, from the beginning of the year, of stable exchange rate for the zloty, the profitability of export to the western market declined. The conditions in which enterprises that exported to the USSR operated also deteriorated. All this inevitably produced a shock for the whole state economy in 1991. With it came a wave of disputes

and strikes.

The Bielecki government continued with a restrictive anti-inflationary finance policy, aiming at the same time to introduce measures which would encourage enterprises to effect swifter changes. Thus the payroll tax was maintained, but the private sector and privatising enterprises were exempted from it. This was to be a stimulus to take the road to privatisation. This simultaneously weakened the resistance of the workers to change of ownership, because the impression was temporarily created that wage rises would be made possible by privatisation. The intention of the government was also to strengthen the hand of management in state enterprises. This was necessarily linked to the weakening of the position of the workers councils or their abolition. The dissolution of the council followed automatically from what was known as the commercialisation of the enterprise, or its conversion into an individual state treasury enterprise.

According to GUS, there were 305 strikes in 1991, not significantly more than in the preceding year. They were however almost entirely concentrated in the first half of the year, when 271 broke out, whereas only 34 took place in the second half of the year. The diminution in the number of strikes did not mean a reduction of dissatisfaction, only a change in the form of protest.

The first quarter of 1991 was expressly transitional, as regards the causes and types of disputes and strikes. The strikes in the transport enterprises were a direct repetition of the strikes of the previous year. The 23 such strikes in February 1991 were around the same demands voiced previously by these enterprises. They concerned wage increases, increases in subsidies to the enterprises, the determination of the basis of their future activity (status as public utilities). There were protest actions and six hour warning strikes by Solidarity.

The state farms were the next new group of enterprises to begin to protest in the form of long drawn out occupation strikes. These state enterprises in agriculture felt doubly disadvantaged, firstly as agricultural enterprises and secondly as state enterprises. The year before it was the individual farmers who protested, blockading shopping centres, dairies, roads or public buildings. They also demanded the introduction of defensive tariffs, intervention by the Agricultural Market Agency and the introduction of preferential credit for agriculture. The striking state farmers reiterated these demands, adding some more of their own. Because they had previously been supported by subsidies from the budget, the loss of this support left them in an extremely difficult financial position. They were subject to the payroll tax and had to pay a dividend. Moreover, there were no methods or possibilities of changing the ownership of the state farms. The additional demands of the striking agricultural enterprises revolved around these three problems. A feature of the 22 occupation strikes in state farms was their long duration (an average of 12 days).

Strikes in state enterprises

A new phenomenon, which appeared at the beginning of 1991, was a wave of strikes in state industry, in which the chief demand was the abolition of the payroll tax. This was a reaction to the extension of the tax into the new year. The payroll tax was regarded as the chief obstacle to wage increases. More than 20 strikes raised this demand. The government negotiated with the unions nationally

and slightly relaxed the terms of the tax. The great majority of this variety of strikes took place in February. Nearly 60 factories went on strike in this month, contributing to a total of 70 in the quarter, which gave the impression of a large strike wave. The strikes and protests against the payroll tax were separately organised by the two national unions. The OPZZ ('official' trade unions before 'the change' - transl.) had long demanded the abolition of the payroll tax. The leadership of Solidarity, after the President of the union changed, adopted a distinctly more critical posture and placed sharper demands upon the government. Trade union activists called more and more often for the removal of the trade unions' protective umbrella from the government.[...] After two months calm in March and April, the wave of protest broke out with renewed force. In May and June 1991 nearly 100 strikes were recorded. A significant number of these were called by the national or regional leadership of Solidarity. In May a two hour warning strike took place in more than 80 factories against "the mistakes of government policy." By this was understood the deepening recession, rising unemployment and the "mad privatisation programme." Each factory also drew up its own demands. As a rule these were a repetition of calls for wage increases, the payment of overdue bonuses, the abolition of the payroll tax, the sacking of managers, the presentation of a plan for the improvement of the enterprise etc. The local demands were the subject of negotiation with management and were partially met. If wage increases were demanded, then management generally referred to the poor financial situation, caused by the policy pursued by the government.

The May strikes broke out chiefly in Silesia, Krakow, Wroclaw and Bielsko. The mines were heavily involved and the maintenance of pension arrangements and coal allowances featured alongside more general demands. The basic novelty of the May strikes was the direction of such demands at the government, signifying a weakening of its policy.

The immediate stimulus to the similar wave of strikes in June 1991 was the successive increases in gas and electricity prices. These chiefly affected domestic consumers. The manner of their introduction produced protests from both trade union national leaderships. Solidarity called a further two hour warning strike, in which more than fifty factories took part. The strike was called in the Krakow and Lodz regions. In Lodz the situation was particularly tense. Light industry predominated there, which the year before had already cut back production to 40% of capacity. A further decline in production took place, linked to the obstruction of exports to the USSR, the traditional market for a significant part of Lodz industry and continuing competition on the domestic market from private importers. Unemployment in this region rose more quickly than in other parts of the country.

In June a new area became involved in strike activity: education. The state Treasury had to cut back spending owing to the short-fall in tax revenue from industry. This hit schools and cuts programmes produced redundancies. Payment of teachers' wages was also often delayed. It was also announced that there would be no up-grading of pay in the second quarter. Strike action took place in 24 schools as a result, mainly in Bydgoszcz. Guarantees that wages would be paid were demanded, as well as up-grading of salaries and abandonment of the cuts programme. Negotiations with the Ministry of

Education concluded with the gaining of assurances that wages would be paid and that the cuts plans would not be imposed from above.

Transport and municipal enterprises also went on strike in June. For several days the municipal transport system in Warsaw was paralysed and refuse disposal brought to a halt. Similar strikes took place in other towns. The strikers demanded significant wage increases and a special legal status, which would give their enterprises partial tax exemptions.

Strikes in private sector

Strikes in private or privatised enterprises appeared for the first time in 1991. Although they were still few in number, this put paid to the myth entertained by workers in the state sector that privatisation would put an end to the problems of a firm and lead to rises in wages. The bankruptcy or liquidation of private firms (generally with western capital involved), together with a lack of resources for the workers' wages in such firms, demonstrated the problems to be encountered in the future in the private sector. It was characteristic that the strikers in such factories demanded that the state guarantee the payment of the wages due to them.

In the second half of 1991 only 34 strikes broke out. Other forms of protest however intensified. Hunger strikes, strike warnings, occupation of buildings, protest marches and the dispatch of protest letters took place in the health service, the fire service, in education, in individual farming and in the mines. However, a few strikes of a new character took place. These were long drawn out strikes, the basic goal of which was to win pledges that the factory or the whole industrial sector would continue to exist. Examples are the strike in Starz in Starachowski, or the municipal transport enterprise in Bialystok. Vocal protests by workers in the aviation industry also began in this period. It was also characteristic that an ever greater number of workers took part in these disputes. Thus in 1991, protests and strikes grew in scale and in their direct impact on the realisation of the economic programme both for particular enterprises and whole sectors. The immediate threat that particular factories, or whole sectors, would be closed down, with consequent unemployment, removed the psychological barrier restraining workers from strike action. This time they did not strike for wage increases but to defend the work-places themselves.

The first seven months of 1992 witnessed a repetition of the pattern of disputes of the previous year. This repetition however took place in a changed social and political atmosphere. The first two months of 1992 were a replay of the first half of 1991 many times over. The subsequent four months were like an echo of the disputes of the second half of the previous year. The national trade unions demanded the withdrawal of the rises in gas and electricity prices and negotiations in the future with representatives of the workers at a national level. The new Olszewski government pointed out the budgetary limits and that the budget items under discussion were worked out by the preceding administration. It further argued that the increases in gas and electricity were part of the entire budget, agreed with the IMF, which required real prices for energy costs. Increases for teachers were dependent on passage of the education reform and budget.

In February 1992, there was a further warning strike on the railways, organised by Solidarity, on the 19th of the month. It lasted two hours and involve 195 working units of the railways. This action

paralysed communication on 70% of the rail network. The strikers demanded wage rises and reform of the structure of the railways. Particularly important was the demand for the management to withdraw plans for the sacking of 20,000 workers, until agreement had been reached with the unions on the future organisational and employment structure of the concern. Apart from the warning strikes mentioned, the remaining disputes mainly arose from the decline, or collapse, of a particular sector. This was particularly the case in the aviation industry, where a strike lasted almost two months and included plants in Mielec, Swidnik, Rzeszow and Wroclaw. The other sector which found itself in a catastrophic situation was heavy armaments production. Both these sectors demanded payment for products which had been ordered and guarantees for further orders. The question therefore was the securing of conditions for the continued existence of these work-places and the jobs which depended upon them. The government however postponed the resolution of these problems to a later date, dealing only with the most pressing issue - wages.

Strike wave of 1992

If the outset of 1992 saw the largest strike wave since the beginning of the programme to reconstruct the economy on market lines, the following four months were very tranquil. From March to June there were only 23 strikes. This period of several months relative calm may be partially explained by the development of the political situation. The Olszewski government took power with the slogan of introducing anti-recessionary measures and of changes in the economic programme. The failure to realise these goals amidst deepening difficulties worsened the social climate.

In July a series of strikes broke out indicating the impatience of many occupational groups. Their immediate cause was wage rises in the state administration and for teachers. These partially compensated layers which had suffered from the suspension of annual wage indexation. However they simultaneously sparked off new demands. Trade unions and workers in the copper industry began the process and failure to agree through the legal channels led to a general strike. Pay strikes followed in the coal mines. 28 mines were involved, where the management decided to concede increases, regardless of the financial situation. These concessions opened the way for disputes in other sectors (steel, cars, tractors). Mielec went on strike again. Solidarity '80 played a leading role in these outbursts. Solidarity itself displayed a certain moderation - and paid for it with the symbolic wheelbarrows [traditionally used to evict scabs or management narks from Polish factories - transl.].

Two new elements appeared in the July events. The first was that mine managements ignored the financial situation of particular enterprises when they made wage settlements. They were to be managed by abolishing the payroll tax, reducing dividends and generally drawing resources out of the legally enacted budget. This was why the response of the government was that it would not bear responsibility for the wage agreements which had been signed. A second new element was the extremely different behaviour towards the strikes of the trade unions. Solidarity continued its role as a mediator between the workers and the government. Solidarity '80 stood on the opposite extreme, often inspiring and leading the strikes. Somewhere in between stood the unions

led by the OPZZ.

It seems [August 1992] that the wave of strikes has begun to subside. The government is to present a programme of activity designed to cope with the problems of restructuring industry in a systemic manner and struggle against unemployment. However the general financial situation of the state leaves a very narrow margin for manoeuvre. Further increases in the prices of energy and petrol will not make calming the mood of protest and compensatory claims any easier. Even a programme of debt-clearing of enterprises will not produce positive outcomes for all factories. For many it will mean closure, with consequent difficult social problems. We go into the second half of 1992, conscious that many problems are accumulating which can only be resolved through conflict. The extent to which these conflicts can be resolved through negotiation and compromise or by strikes and main force, will depend upon the consciousness on both sides of the emerging character of industrial conflict.

New model of conflict

Amongst journalists and researchers concerning themselves with strikes and conflicts, a thesis has been formulated that at the end of the eighties and the beginning of the nineties we are witnessing the transition from one model of industrial conflict, characteristic of the preceding epoch, to an entirely new model, deriving from the market economy. Political strikes must be replaced by economic ones. This however is a simplification of what is happening, or quite simply a projection of a desired situation onto reality.

In evaluating the strikes of 1990-92, it is important to appreciate that industrial conflict in Poland has not yet manifested itself at all fully. The course of events hitherto is at an early stage of appreciation by the basic sides of the conflict, a fact which is evidenced by the resort to obscuring ideological formulations to interpret its nature. The conflict we are dealing with cannot be explained through resorting to categories derived from the previous epoch, but still less does it conform to the behaviour expected by the adherents of neo-liberalism. It can be most accurately defined as a conflict characteristic of a transitional period between two economic models. In all such periods elements appear which are characteristic of one model and then the other. Most important however are those features deriving from the problems of the transitional period itself. In such a period two elements are the subject of conflict:

- a) the distribution of the costs of the economic transformation,
- b) the question of the division of assets remaining from the preceding epoch, in the context of the new organisation of the economic system.

The development of industrial conflict characteristic of a transitional period goes through a number of phases. The first is characterised by a belief in the effectiveness of the model of transformation and the readiness of a majority of society to make sacrifices. The second stage is distinguished by a growing disenchantment, arising from the costs of introducing change and the consequent social disruption. The subsequent phase consists of the manifestation by particular social groups of their interests and the opening of a struggle for their realisation.

Poland today is on the cusp between the second and third stages. We have behind us the period of illusions in the new systemic model (Winter 1989 and Spring 1990). At that time, owing to the positive

perception of the political changes, the majority of society acquiesced in an economic reform which had high costs attached. The majority of economists attached to the former opposition supported neo-liberalism. Liberal ideas were widely supported by the society. This followed from the rejection of the command system and the conviction that it was necessary to construct a market economic system. Practically everyone was united by the slogan of "the market." Liberal concepts required the swift dismantling of the old system and the immediate creation of market conditions. A programme resting on these principles promised the swift elimination of galloping inflation.

The effectiveness of the first steps in the stabilisation programme was possible thanks to the positive attitude of society to the proposed perspective and consent to the inevitable inconveniences attached. In a different political system sharp price rises, a fall in consumption, connected with the threat of unemployment, would probably give rise to unrest, strikes and demonstrations on an immense scale. In the new political realities no such thing took place. Society swallowed the bitter pill of a decline in the standard of living. Solidarity supported the changes. It considered that short term sacrifices should be made in exchange for future benefits that systemic changes would bring. Even the OPZZ, which was connected with the old communist system, accepted the general slogan of marketisation, whilst emphasising its own role as defender of the workers' interests. It is difficult to imagine a more favourable situation than this, in which one union took on the role of guarantor of the realisation of the reforms, whilst the other, under the pressure of expectations, declared its neutrality towards the programme.

Disenchantment

This situation began to deteriorate in the second half of 1990. The following stage of disenchantment ensued in 1991. This found expression in growing numbers of disputes and strikes arising from the costs of policy implementation. The growing threat of unemployment affected ever greater numbers of workers. That is why wage demands figured more rarely and demands for the preservation of jobs and the existence of factories came to the fore. A huge part of society, employed in state industry and agriculture and sectors dependent on the state budget felt threatened. First there were protests against low wages, focusing on the payroll tax and then there were demands for state intervention to protect jobs. Such disputes were a manifestation of a fundamental social problem, the distribution of the costs of the economic transformation.

The process of privatisation, which had got under way in the meantime, rested upon neoliberal policy options. Disputes and strikes were prompted when the interests of the workers were disregarded.

The second stage of the transitional period was characterised by growing social frustration and an active quest for forms of activity and of resistance which would provide results consonant with the expectations of state sector workers. This explains the sharp decline in strikes, which were not producing the positive results that they had before. A disenchantment with the activity of the trade unions was derived from this, although it was paradoxically associated with a growth in the hopes placed in them for the future. At present we are into the third stage in which an organisation is being sought which is capable of representing the interests of the broad

masses of workers in both the essential areas: spreading the burden of the changes and taking over the assets inherited from the previous epoch.

The future evolution of the situation will depend on the direction of changes and on the conduct of the chief parties to the conflict. Prospects do not look good. The leading political forces do not seem to understand the social effects of the changes. They think that methods taken straight from a developed market economy can and should be applied, taking into account only considerations of economic rationality. They react to growing social resistance with notions of restricting the role of workers' representation, fearing the model of a state run by the trade unions. The government continues to display passive resistance in all negotiations with the trade unions. A mood of struggle is becoming ever more evident amongst the workers. As before, they expect from the government guarantees of jobs and wages.

Role of Solidarity

At the present moment, it is the trade unions, with Solidarity in the most important position, which are playing the most poorly defined role. It has paid a high price for the support which it has given to the reforms. In creating easy conditions for the governmental changes, it has to an ever greater extent lost contact with its rank and file membership. It agreed to take part in many long months of negotiations with the government which produced nothing except the disillusionment of millions of workers, who had hoped that these negotiations would produce some improvement in their situation or the removal of the chief threats to it. In effect Solidarity has weakened and simultaneously its influence over government decisions, as one of the reform forces, has continually declined. At present it is at a turning point. It must make fundamental programmatic decisions in the near future. A continuation of the unclear strategy it has pursued hitherto is undoubtedly in the short term interests of the authorities. For the union however this may be a course leading to its own extinction. The gap Solidarity would leave would undoubtedly be filled by organisations with a more populist approach. It could lead to changes in the Polish political and social scene in, to speak delicately, an authoritarian direction.

The chance for Solidarity is a consistent attempt to realise its programme, the chief goal of which should be the reduction of the costs of the transformation by spreading them out over time (a social contract) and ensuring to the workers a greater share in the privatised assets of the state sector. This would mean strong support for workers' share-ownership and various forms of workers' participation in management. Policy revisions in these two basic areas - distribution of the costs of the economic transformation and the share out of state property could avert extreme social tension and fears.

The first condition of compromise in these areas is the recognition that the period of economic and political reform in Poland will take many years and that further advance will require pragmatism, flexibility and willingness to compromise. Finding our own route to a democratic society, resting on stable economic and social foundations is extremely difficult. It requires that all sides seek solutions for which there is no historical precedent. For this good will and imagination will be needed from all participants in the inevitable conflicts ahead.

The conflict in ex-Yugoslavia

A reply to Catherine Samary

by Branka Magas

In our last issue (no. 43) we published an article by Catherine Samary ("The Yugoslav Crisis: Neither Forced Union nor Ethnically Pure States"). Below we print a reply to this article written by Branka Magas. In our next issue we will continue this debate with a number of contributions from Western Europe and from ex-Yugoslavia which address these issues.

"The Yugoslav Crisis" by Catherine Samary in the previous issue of *Labour Focus on Eastern Europe* (no. 43) is a text constructed to show that "the nationalist regimes in former Yugoslavia" are "jointly responsible for the war", albeit with "certain asymmetries". The charge, it then turns out, is levied not against all the "nationalist regimes", but only those in Slovenia, Croatia and Serbia. Since the arguments offered in support of the thesis of joint responsibility are a good illustration of the bad faith with which a considerable section of the West European left has approached this war, Samary's text warrants a reply.

Joint Responsibility

Before proceeding to examine the validity of her thesis, it is worth recalling that the war (so far) has taken place on the territories of Slovenia, Croatia and Bosnia-Herzegovina - but not Serbia. Slovenia was attacked in June 1991, immediately after its declaration of independence. Croatia, which declared independence at the same time as Slovenia, was attacked soon after (though parts of its territory had been detached over the preceding year by a series of local rebellions organized from Belgrade). The assault on Bosnia-Herzegovina began in March 1992, even before its referendum on independence had been held. In all three cases the aggression was waged by an army receiving orders from Belgrade, aided (in the case of Croatia and Bosnia-Herzegovina) by Serb irregulars trained and equipped by that army. Contrary to what Samary states, it was the Serbian and not the Yugoslav regime that attacked Slovenia, since there was at that time no longer any Yugoslav federal body with constitutional authority to order the deployment of troops, while the rump "Yugoslav Presidency" - which formally directed the operations in the name of Yugoslavia - was Serb. In addition, several units (including those of the airforce) which

fought in Slovenia maintained direct contact with the Serbian police and state-security service. (See Vanja Bulic, "Yugoslavia was once called Yugoslavia", *Duga*, Belgrade, 1-14 January 1993)

All three republics had been previously disarmed by confiscation of their Territorial Defence weapons (though, in the case of Slovenia, the confiscation was only partially successful). In addition, well before the start of the war and before the collapse of the all-Yugoslav Communist order, Serbia had annexed Kosovo and Vojvodina and installed a puppet regime in Montenegro.

By the end of 1992, the balance-sheet of war was as follows. Slovenia had suffered only minor damage. One-quarter of Croatia was under occupation, one-third of its industrial capacity had been either destroyed or looted (i.e. taken to Serbia), most of its cities had been bombed and/or bombarded with heavy artillery (including missile launchers), and some had been completely destroyed. Bosnia-Herzegovina had suffered most: all its main cities - with the exception of occupied Banja Luka - had been badly damaged, while practically all its industrial assets had been either demolished or looted; its Moslem nation had been exposed to genocide (i.e. a deliberate and systematic attempt to destroy it as a nation), with around 30,000 of its women, including quite young children, having been raped as part of a policy of terror.

Altogether more than two million people had become refugees and 200,000 died, as a result of Serbia's onslaught on these two republics. "Reliable evidence shows that in this war conducted during 1991-92 on the territories of Croatia and Bosnia-Herzegovina, 200,000 people, mainly civilians, have died; half a million have been wounded; a million live under siege in inhuman conditions, without water, food or habitation; and around two million have become refugees, leaving behind tens of destroyed cities and hundreds of burnt-down villages. Hundreds of churches and mosques have been destroyed or damaged". (Letter by Bosnian Catholic bishops sent to John Paul II on 18.2.1992). Following international recognition of Bosnia-Herzegovina, the Catholic Church organizations in Croatia and Bosnia-Herzegovina have become independent of each other. These, then, are some of the true "asymmetries" of the war in former Yugoslavia. Yet Samary mentions them not at all.

Separation and war

Wherein lay the responsibility of Slovenia and Croatia for the war waged on their territory?

According to Samary, it was their decision to quit Yugoslavia (although a series of alternative scenarios - from Estonia to Macedonia - is available to show that war does not follow, according to some automatic logic, from the decision to opt for independence). "A current was rising to the top in the wealthier republics, which used nationalism to achieve their separate insertion into the Catholic Europe of the rich and to transform the property structure to its own advantage." More generally, "chauvinist nationalisms asserted themselves" and, after coming to power at the first multi-party elections in 1990, renounced "joint political struggle for a free union of sovereign democratic states". In the case of Croatia, "Serbian aggression drew its strength not from the opposition to Croat self-determination, but from invocation of the real fear of Serbs about being left in that particular Croat state". And how about Bosnia-Herzegovina? Samary offers no explanation, other than that it "could not agree to remain in a Yugoslavia that Slovenia and Croatia had already quit". Slovenia and Croatia are thus responsible not only for Yugoslavia's break-up and the aggression carried out against themselves, but also for Serbia's attack on Bosnia-Herzegovina.

This whole line of argument involves a systematic falsification of what actually happened in Yugoslavia between 1990 and 1992. The newly elected governments in Slovenia and Croatia in fact sought precisely the transformation of Yugoslavia into a "free union of sovereign democratic states". In this they were supported by Bosnia-Herzegovina and Macedonia. Their proposal, however, was rejected by Serbia, which - and this is of crucial importance - had already (1987-9) destroyed the country's whole constitutional arrangement, based on national equality. The decision to leave Yugoslavia unless it were to become such a free union, furthermore, was not some whim of "national-chauvinist regimes" in Slovenia and Croatia, but an expression of popular will. In voting for independence (with the option of future association with the other former Yugoslav states), the population of these two republics simply exercised their right of self-determination - and it was against their exercise of this right that the Serbian regime launched a full-scale war in 1991.

Samary nowhere explores why Serbia (and Montenegro) attacked in the first place. As for Croatia's alleged contribution to the outbreak of war, she writes only about what "assisted" Serbia's aggression against it: i.e. Serb fears of being left in a state run by Croat "national chauvinists". But whereas the documentary evidence on why some Serbs in Croatia collaborated with the aggression does indeed show that fear played a part, it also proves beyond all doubt that what was decisive was the unwillingness of their leaders to stay in any kind of Croatia.

This attitude is well illustrated in an interview which Milan Babic (the former "Krajina" strongman now living in Belgrade) gave in December 1992 to the Belgrade weekly *NIN*: "we have, to this day, remained loyal to our original idea that the Serb nation throughout the territory of former Yugoslavia cannot survive except in a common Serb state". What Babic is referring to here, of course, is the programme for a Greater Serbia, articulated in the notorious Memorandum of the Serbian Academy of Arts and Sciences back in 1986 - i.e. four years before the alleged national chauvinists came to power in Slovenia and Croatia!

During 1990-91 this Great Serb project spawned various "krajina" [borderland] leaders like Milan

Babic in Croatia and Radovan Karadjic in Bosnia-Herzegovina, whose task was to work for such a common state, to be created by incorporation and/or break-up of most of the federal units of former Yugoslavia and, what is more, by expulsion of non-Serbs from this common state. The formal annexation of Vojvodina and Kosova, the de facto annexation of Montenegro and the military assault on Croatia and Bosnia-Herzegovina were simply so many stages in the attempt to create such a "common state" or Greater Serbia.

The nationalism contained in the slogan of "all Serbs in the same state" - which not only brought Milosevic to power in 1987, but is shared by all main political parties in Serbia - thus carries quite different connotations for the peoples of former Yugoslavia from those imparted by the nationalisms emerging in Slovenia or Croatia before or after the elections of 1990. For no equivalent slogan is supported, for instance, by any political party in Croatia. The unambiguous cause of the war in former Yugoslavia is specifically Serbian expansionism: this is the crucial asymmetry. The real or alleged sufferings of Serb minorities in neighbouring republics and provinces were simply used as a pretext, beginning with Kosova.

The Right of Self-Determination

Self-determination, as Marxists since Lenin have understood it, refers to the right of nations to form independent states of their own, as a necessary component of their historic evolution articulated in the concept of "completing the bourgeois revolution". This right, of course, pertains to nations and not automatically to national minorities.

In her discussion of the right to self-determination in former Yugoslavia, Samary disguises the fact that this right was actually exercised by the country's constituent nations in the course of the national liberation wars of 1941-45, when, through an armed struggle waged against foreign invaders, local quislings and Yugoslav Royalist (Great Serb) forces, they won the right to form their own national states within the future Yugoslav federation. As a consequence of this (rather than of what Samary calls "Titoism"), the former Serbian-dominated unitary state was replaced by a federation of six republics (and later two autonomous provinces). To claim, as Samary does, that the break-up of Yugoslavia in 1991 opened the national question anew is to deny the reality of those national-liberation wars and the great contribution which the Yugoslav Communists made to solving the national problem in this part of Europe. The criteria for setting up the Yugoslav republics and provinces, and for delineating the borders between them, were not - as Samary suggests - in any sense vague. It is true that the national settlement embodied in Yugoslavia's federalization left many Croats (25%) outside Croatia, many Serbs (28%) outside Serbia, many Moslems outside Bosnia-Herzegovina, and many Albanians outside Kosova. But this could not be helped.

To be sure, at the time of the formation of the Yugoslav federation there was no reason to believe that Yugoslavia would ever cease to exist. But it is also the case that the union was established on the premise that Yugoslavia would never again become a Serbian-dominated state. When, during 1987-89, that very threat did indeed emerge - not only in an ideological form guiding the consolidation of the Serbian regime under Milosevic, but as a reality in Kosova, Vojvodina, Montenegro and to some extent

also in Croatia - the basic premise of the Yugoslav union was destroyed. The popular majorities for independence in Slovenia, Croatia, Kosova, Bosnia-Herzegovina and Macedonia expressed a historic rejection not of Yugoslavia as such, but of a Serbian-dominated Yugoslavia.

Samary's off-the-cuff statement that the right of Kosova to secede from Serbia implies the right of Knin to secede from Croatia shows a profound ignorance of the national question in former Yugoslavia. Kosova was made an autonomous province and federal unit: a) to compensate for the division of the Albanian nation (in a ratio of 2:3) by the Yugoslav-Albanian borders; b) in recognition of the fact that the majority of the two-million strong Albanian national group within Yugoslavia lived as a compact majority in Kosova. By contrast, only a tiny minority of the Serb nation as a whole, and a modest one even of Croatian Serbs in particular, lives in the Knin "krajina". Even the infamous Cvetkovic-Macek Agreement of 1939, with its partitioning of Bosnia-Herzegovina between Croatia and Serbia, left Knin in Croatia. What is more, any right of Knin to secede from Croatia would lead directly to the disintegration of Bosnia-Herzegovina! For what was granted to that Serb enclave in Croatia could not be denied to many such Serb and Croat enclaves in the neighbouring republic. Samary's professed commitment to the integrity of Bosnia-Herzegovina is thus suspect, to say the least.

The ideology of Greater Serbia

The current war in former Yugoslavia is taking place after more than four decades of European peace and a similar span of peaceful coexistence between its own constituent nations. This peace was broken first of all in Serbia, where national chauvinism became the regime's official ideology well in advance of any nationalist surge in other parts of the country. What is more, the nationalism evoked in support of the Greater Serbia project acquired from the start a racial basis, pitting Serbs against all non-Serbs.

The project of gathering all Serbs into the same state had to be justified on the grounds that they were surrounded on all sides by enemies intent on their biological extermination. Accordingly, throughout the second half of the 1980s the Belgrade press, radio and television was already conducting a propaganda war against all other nations of Yugoslavia. The whole past history of the Balkans was reinterpreted to convey one simple message: that Serbs everywhere were in danger. All Croats and many Montenegrins (!) thus became "Ustashe", all Bosnian and Albanian Moslems "Islamic Fundamentalists", all Slovenes "German stooges" and all Macedonians "Bulgarian irredentists". Determined to destroy the Yugoslav federation, the Great Serb ideologues had to portray it as the handiwork of Serbia's enemies: the product of a Vatican-Comintern conspiracy". Dobrica Cosic's inflammatory dictum that "Serbs win in war but lose in peace" summed up the mentality of a regime bent on a war of Serbs against all. Not just that of the regime, moreover. Even today, after two years of war, the ruling party and opposition in Serbia remain united around the idea of Greater Serbia, differing only on the means of realizing it.

The idea that all Serbs must live together, since they cannot live with others - with Albanians in Kosova, with Croats in Croatia, with Moslems and Croats in Bosnia-Herzegovina, with Hungarians, Croats, Slovaks and others in Vojvodina, with

Albanians and Moslems in Montenegro (Great Serb nationalists have always, of course, denied the existence of any separate Montenegrin nation, just as they deny the existence of the Moslem nation!) - produced, as its logical extension, not only a war against all other Yugoslavs, but also the concept of "ethnic purification": the expulsion, by deployment of mass terror, of all non-Serbs from areas coveted by Greater Serbia. This is why the main targets of Serbia's military aggression in Croatia and Bosnia-Herzegovina became the non-Serb civilian populations and their cultural inheritance.

There was a hope, however slim, that in the elections of December 1992 the Serbian population might vote against the project of Greater Serbia. This, however, did not happen. Instead, "the Serb nation gave legitimacy to Milosevic's criminal policy, voted for isolationism, and lined up behind war criminals, paid killers, destroyers of cities, murderers and fascists". (Stanko Cerovic, "Before Man and God", *Monitor*, Podgorica, 17 Dec 1992)

The Montenegrin opposition weekly *Monitor*, commenting on the success of Vojislav Seselj's fascist Serb Radical Party at the December 1992 elections, summed up the situation as follows: "It is not true that Seselj's electoral success came as a great surprise. [...] One should recall the results of a survey conducted by the Belgrade Institute for Social Sciences one month earlier, according to which nine-tenths of those asked agreed that it would be best for their state [the "Federal Republic of Yugoslavia", in which Serbs form only 62% of the population] to be made up of one nation only. Anybody willing to understand what this means cannot but feel frightened. When in March 1992 Seselj, in one of his xenophobic outbursts in the Serbian Assembly, called for the lynching of, and a pogrom against, all non-Serb peoples in Serbia, everyone - in the Assembly and throughout Serbia - maintained an approving silence. In October 1928, when the Austrian sergeant's party numbered 100,000 members, its leader said that all Germans had to live in the same state; five years later, by January 1933, the number had climbed to 1,400,000. In December 1990, presidential candidate Seselj, after calling for Croat throats to be cut, won 100,000 votes; by the time of the May 1992 elections for the federal parliament, Chetnik leader Seselj won 1,400,000 votes." (*Monitor*, Podgorica, 25 December 1992.) *Monitor's* increasingly desperate warnings against the growth of fascism in Serbia and Montenegro reflect also its fears for the fate of the Montenegrin nation in the so-called Federal Republic of Yugoslavia.

Racism; expansionism; xenophobia; elevation of the Serbs to the status of a nation with a mission (*Svetosavlje*); an ideology of "blood and soil" ("ethnic purification"); the pursuit of revenge for alleged injustices of history (the Kosovo myth); the close collaboration between the squadristi of Arkan, Seselj, Jovic and Dragan and the Serbian state army and police; the growing strength of openly fascist parties in Serbian political life: these elements provide ample grounds for arguing that the Great Serb project is leading Serbia towards fascism.

To speak of the growing danger of fascism in Serbia, of course, is not to suggest that the Serb nation as a whole is fascist. It too is a victim of this war. It can be argued that there are conditions under which every nationalism is liable to produce a messianic exaltation. The question to be answered, therefore, in any investigation of the causes of war in former Yugoslavia, is how and why it came about

that the Serb masses became entrapped by the ideology of Greater Serbia, and why they have voted - for the first time in the history of any former Yugoslav nation - in such large numbers for a fascist option. The impoverished, deluded, cheated and frightened Serb population - pressed into a war that has made them a violent and criminal nation in the eyes of their neighbours, with whom they have to share land, history, culture and language - surely deserves better friends than those who try to justify Serbia's aggression against Croatia and Bosnia-Herzegovina by reference to the Ustashe crimes of fifty years ago or spout phrases about an allegedly unresolved Serb question in the Balkans.



The Croatian syndrome

Samary does not deny that Serbia started the war. As she delicately puts it, Milosevic chose the option of "reliance on relations of strength": the power derived from being in command of the armoury of the former Yugoslav army. Despite this, it is not Serb but Croat nationalism that preoccupies her most. She provides not only a potted (albeit largely inaccurate) historical account of it, but reserves for it by far the strongest moral condemnation. Thus she warns against "fascistic" tendencies in Croatia, which indeed are present and worrying, but neglects to mention such tendencies in Slovenia and, of course, in Serbia - despite the fact that, in the last elections, the extreme right won 10% of the vote in Slovenia, 30% in Serbia, but only 6% in war-torn Croatia.

Similarly, the fact that Croatia has established full diplomatic relations with Bosnia-Herzegovina, that the Bosnian government has never defined Croatia as an aggressor, that Croatia is currently housing almost 400,000 Bosnian refugees, that Croatia and Bosnia-Herzegovina face the same enemy, and that without Croatian help Bosnia-Herzegovina would have succumbed long ago, does not deter Samary from describing Croatia's official policy towards Bosnia-Herzegovina not merely as duplicitous (which it undoubtedly is) but as a "mirror-image": i.e. essentially the same as that of Serbia. Yet, it is perfectly obvious that, unlike Serbia, Croatia has not waged a war designed to destroy the state of Bosnia-Herzegovina, including the essentials of its cultural inheritance.

It is in reference to the systematic destruction of the Bosnian people's historic and cultural identity that one can best illustrate the grotesque nature of Samary's charge. For it is an undeniable, material fact that 70% of the cultural and historic monuments of Bosnia-Herzegovina have been deliberately either destroyed or badly damaged not by Croatian but by Serbian guns and missiles. In the Bosnian northeast about one hundred mosques have been destroyed or damaged. The Hadonija Mosque at Ustikolina, built in the mid-15th century and the oldest in Bosnia, no longer exists. In Zvornik, all three mosques have been destroyed and their foundations bulldozed. In Foca, all seventeen mosques have been wholly or partially destroyed. The Sultan Bayazit mosque (built in 1501)

has been burnt down; the Aladza mosque (1500), probably the most beautiful example of classical Ottoman architecture in the Balkans, and the Dev Suleyman mosque have been badly damaged; the Alipasha mosque (1546) has been mortared. In Brcko, the White and Wooden mosques have been demolished and their grounds turned into a car park. The mosque in Prnjavor was bombed from the air. The mosque in Vlasenice was blown up with 350 kilograms of high explosive and the ground cleared for a new use. The 16th century mosques of Arnadzija and Ferhadpasic in Banja Luka have been blown up.

The same, according to refugees, has happened to the mosques in Trebinje, Nevesinje, Odzaci, Bosanski Brod, Gradacac, Kolibe, Bosanski Samac, Derventa. In Mostar the Hadjimehmetbey (1557), Koski-Mehmetpasha (1618), Ibrahimagina and Hadji-Hassan (late 16th century) mosques have been damaged. The two oldest mosques in Sarajevo (the Imperial and Gazi-Husrevbey), both built in the 16th century, have been badly damaged. Even the ruins of mosques destroyed by Chetniks in World War II (in Bijeljina, Kotezi and Kazanci) have been bombed. In Sarajevo, the building housing the Bosnian Republic's Foundation for the Protection of Monuments has been totally destroyed. The Oriental Institute, one of the five most important such institutes in the world, with its Library containing 50,000 titles and its archives with 7,000 priceless documents has been turned to ashes. *Acta turcica*, the archives of the Bosnian vilayet with its 20,000 documents - has also gone up in flames, and with it an irreplaceable source for the Ottoman presence in the Balkans. A cultural heritage that had survived the 1908 annexation of Bosnia by Austria-Hungary and both World Wars - and which, of course, belonged to all the peoples of Bosnia-Herzegovina - disappeared in the space of a few months under the onslaught of Serbian aircraft and heavy artillery. This too is one of the "asymmetries" of the war which Samary does not bother to mention.

Anti-Croat bias

What explains Samary's anti-Croat bias? To understand this, one must refer to the history of French imperialism in the Balkans. Samary's views mirror

closely those held by a substantial part of the French political establishment, which has traditionally seen Serbia as the primary exponent of French interests in this part of Europe, while in contrast it has deemed Slovenia and Croatia to be part of the German sphere of influence.

This, surely, is why - at the very beginning of her text - "German power" appears as "a disaggregating factor at the level of politics and economics" in former Yugoslavia; and why - in its concluding paragraphs - the European Community is castigated for "falling in behind German policy" by recognizing Slovenia, Croatia and Bosnia-Herzegovina. The right of national self-determination, the will of large majorities expressed in favour of independence, the mortal threat posed to other nations by Great Serb expansionism, and the horrific scale of destruction unleashed by Serbian armies: all this is unimportant and uninteresting in comparison with mystificatory disquisitions about "joint responsibility", the "pivotal role of the Serbian question", "the way in which the national questions interlock in the space of Yugoslavia" - and "German power".

It is this parti pris which explains why Samary's text talks of Croat Ustashe but not Croat Partisans. (The Ustashe regime did not come to power in Croatia in 1941 through elections or an internal putsch, but was brought in from outside by the Nazis. The Anti-fascist resistance in Croatia, made up in its majority of ethnic Croats, played a crucial role in the liberation of Croatia from foreign invaders and their Ustashe collaborators. Thus, at the end of 1943, when new Yugoslavia was proclaimed in Jajce, the partisan army numbered 300,000 people organized in 26 divisions. Eleven divisions were Croatian, seven Bosnian, five Slovene, two Serbian and one Montenegrin. All 26 divisions operated on the territory of Croatia, Bosnia-Herzegovina and Slovenia. It is true that partisan divisions were ethnically mixed, especially in Croatia and Bosnia-Herzegovina, and that they included a greater number of Serbs than the ethnic make-up of the population would warrant. But the great majority of partisans in Croatia were Croats, who chose the anti-fascist side not to escape persecution but because of their political beliefs. It also explains why Chetniks - the shock troops of Great Serb nationalism in the Balkan Wars (see Trotsky!), as in World Wars I and II - appear only in a footnote. Figures are quoted for those killed in World War II, but not for those killed in the current war. The Catholic but not the Orthodox church is charged with collaboration with the Nazis. "Catholic conversions" in Croatia are denounced, but not the close alliance between sections of the Orthodox clergy and fascists in Serbia and Montenegro. All reference to "ethnic purification" and the terrible scale of physical destruction in Croatia, and especially in Bosnia-Herzegovina, is avoided.

Samary endorses the Communist-led Partisan resistance in World War II, but disregards the fact that, unlike her, the Yugoslav Communists did not treat Ustashe leader Pavelic as the emanation of a "political orientation" among the Croats, but as a quisling - on a par with the Serbian General Nedic and the Slovenian "White Guard" Colonel Rupnik. In the historic proclamation of the new Yugoslavia issued on 29 November 1943 at Jajce - a Bosnian city destroyed by Milosevic's forces in December 1992, one year after the destruction of Vukovar, where the Communist Party of Yugoslavia held its founding congress in 1920 - while these quislings were given short and equal shrift, it was specifically Draza

Mihajlovic and his Chetniks (the so-called "Royal Army in the Homeland") who were charged with "organizing civil strife in Yugoslavia" and "mass extermination of Moslem, Croat and Serb patriots, with the aim of creating a Greater Serbia". It all sounds quite contemporary, does it not?

Conclusion

The position that underpins my reply to Samary - in regard to both the causes of the war and to the nature of Great Serb nationalism - is by no means a minority view in the area of former Yugoslavia. On the contrary, it is quite representative of what the majority of former Yugoslavs think. I have deliberately avoided here quoting from Slovenian or Croatian sources (in case these may be dismissed as biased), concentrating instead on views expressed by Albanian, Serbian and Montenegrin intellectuals. Macedonian democratic opinion sees things no differently, while Bosnian intellectuals and fighters on the ground are even harsher in their judgement of the Great Serb project. The thesis of "equal responsibility", on the other hand, although it has been popular among Serb liberal nationalists and Yugoslav unitarists from the very start of the war, has little support outside their ranks.

What should true friends of Serbia and the Serbs argue for? It seems to me that Stojan Cerovic articulated this well in a recent issue of *Vreme*: "Somebody must find sufficient courage to reformulate the so-called Serb national question, which - contrary to what Cosic believes - is deeply undemocratic when posed as a problem of unifying 'all Serb lands'. To be sure, nobody gives up great historical projects without a convincing defeat. Germany used to pose its national question in a similar fashion, but it is to be hoped that Serbia half a century later will require a far less dramatic lesson. Since it now seems that the moment of truth is near, Serbia, its elite - or someone - must define a national minimum. Contrary to the current gradual, destructive, self-defeating surrender of the dream of Greater Serbia bit by bit, it is necessary to initiate an opposite process, voluntary and democratically expansive. One must start with a national minimum, in which there is no place for the Krajinas, Bosnia, Montenegro or even Kosova. In other words, one must open up all possibilities by abandoning the concept of 'holy Serb land' and prepare oneself for long and patient negotiations. Serbia must persuade its neighbours that it is reborn and willing to start again from scratch." (*Vreme*, 11 January 1993.)

What about the Croats and Croatia? The ruling party in Croatia has sought for Croats in Bosnia-Herzegovina what it has denied to the Serb population in Croatia: territorial-political autonomy. Yet the same considerations that apply to Serbs in Croatia apply also to Croats (and to Serbs and Moslems) in Bosnia-Herzegovina: we are dealing with a scattered population, for which the principle of territorial-political autonomy is inapplicable. True friends of Croatia and Croats too must thus argue in favour of an indivisible, integral and sovereign Bosnia-Herzegovina as well as for an indivisible, integral and sovereign Croatia - but one in which there is no national discrimination and where the Serb minority in particular has full freedom to articulate and safeguard its own specific needs and interests.

But in the immediate future, the political fate of Croatia as of Serbia will be decisively shaped by what happens in Bosnia. The Owen-Vance plan for an

internal division of Bosnia-Herzegovina on ethnic lines is a recipe not for peace but for prolongation of the war. The longer the war goes on, the greater the danger of the extreme right growing everywhere - including, of course, in Croatia. If the final outcome of this war were to see a Greater Croatia coming into being, then - by the same logic that we have seen in play in Serbia - the flames of fascism would be fanned in Croatia, and such tendencies would indeed be encouraged throughout the area of former Yugoslavia.

To blame the Milosevic regime for the current cataclysm in Yugoslavia is not to be anti-Serb nor does it mean taking the side of one particular nation against another. It is simply a matter of intellectual honesty and respect for truth. Those on the left who, clinging to the notion of "equal responsibility", refuse to condemn Serbia's aggression against its neighbours risk being seen by the victims (as well as by true internal opponents) of the Milosevic regime as its objective accomplices. They thus do a historical disservice to the cause of socialism in that part of Europe.

Letter from Croatian Women's Group

The following letter from the Zagreb Women's Lobby, a coalition of women's groups in Croatia, to women's groups and the peace movement in the West, was issued on 21 December 1992.

To women's and peace organisations all over the world.

We are impressed by the support of international women and peace movements on the issue of the systematic raping of women in Bosnia and Herzegovina. Demonstrations and support actions organised all over the world have encouraged us and given us hope in our work of supporting the women victims of war. However, we would like to share with you some of our serious concerns.

It seems to us that the aid for raped women is taking a curious turn, insofar as this aid is controlled by government organisations, the health ministries of Croatia and Bosnia-Herzegovina and in particular by male gynecologists. We fear the use of rape cases for propaganda purposes, in order to promote the spirit of hatred and revenge, to provoke further violence against women and new attacks on the survivors.

Up to now, much has been said on this issue but little done. Some women have publicised their tragic experiences, hoping for understanding and help, but in vain. Journalistic sensationalism has merely upset the victims even more. The domestic and international media pressure for the rapid establishment of ad hoc centres is counter productive. Raped women will suffer the consequences of this crime for the rest of their lives; they need appropriate help, not instant solutions. A serious solidarity project with women rape victims requires understanding, patience and time. Otherwise good intentions can be actually harmful and bring relief only to the conscience of the supporters.

This is why women involved in peace initiatives have decided to start to support self-organisation of women in the refugee camps. On the basis of our experience in working with women victims of violence in the Autonomous Women's Centre in Zagreb we believe that the first step is to establish communication among women. We are therefore setting up a women's network to organise systematic visiting of the refugee camps in order to build trust. In order to determine the appropriate kind of support, we have to learn from the women in these camps about their lives and their problems. Only

then will we be able to determine the concrete institutional means of support. Here we simply wish to underline the principles on which our activity should be based:

- * support has to be given by women, because only women can understand the deep crisis suffered by a raped woman.

- * the work must be undertaken by non-governmental organisations to avoid manipulation of the issue for political ends.

- * this support should be on the basis of detailed project proposals and clear selection criteria.

- * solidarity centres must be set up in all the states of former Yugoslavia for raped women live in all these states.

- * the network of such centres must be decentralised and under the control of women.

An exchange of experiences by women active in such work in various countries is needed to build a network of institutions and volunteers as quickly as possible. Support should be planned and organised on a long-term basis.

We are looking forward to future cooperation.

Zagreb Women's Lobby
Zagreb, 21 December 1992.

The Zagreb Women's Lobby and the Centre for the Support of Women Victims of War and Raped Women were established by the following groups: the Independent Alliance of Women of Croatia, the Autonomous Women's Centre, the Women's Information and Documentation Centre and the Antiwar Campaign of Croatia.

The Autonomous Women's Centre can be contacted at: Tkalciceva 38, Zagreb, Croatia, Tel 41 688 278.

Socialist

Alternatives Альтернативы

*An international journal
of debate and analysis*

Socialist Alternatives is a journal of social and political analysis published in Montreal and Moscow in English and Russian-language editions. It is an unprecedented collaborative effort on the part of activists and scholars from Canada and from the former Soviet Union who are engaging in critical analysis of the crisis in the socialist movement.

The journal seeks to examine the short and long-term ramifications for both developed and developing countries of the breakdown of the "command economies" in the East and the erosion of welfare capitalism in the West.

Titles from volumes one and two:

Moscow for Sale by Y. Marenich
The Coup and After by N. Preobrezhenskii
Russian Privatisation by Oleg Pchelintsev
Thatcherism by Colin Leys

Publication is twice yearly.

Subscription rates: Regular: \$26.00
Institutions: \$50.00

Subscribers outside North America please add \$10.00 and make payments by international money order in US or Canadian funds.

Centre for Developing Area Studies
McGill University
3715 rue Peel, Montreal, Canada, H3A 1X1

EUROPEAN

LABOUR

FORUM

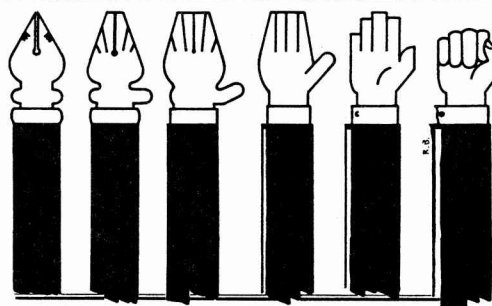


In the current issue of ELF

MICHAEL BARRAT BROWN draws the lessons of the 1930s and 1940s for the global recovery of the 1990s * KEN COATS drafts a recovery programme for Europe * GLYN FORD and DEREK REED make the socialist case for Maastricht * HUGH MACMAHON assesses Community initiatives on human resources * STAN NEWENS reviews a Chartist biography * ANITA POLLACK gives a briefing on women and equality * MARY ROBINSON speaks out for Somalia * JOHN SMITH traces our future in Europe.

A year's subscription to ELF is just £8 for four issues. Individual copies cost £2.50 including postage. Make cheques payable to "Bertrand Russell House". Please write to:

Bertrand Russell House
Gamble Street
Nottingham, NG7 4ET



**LABOUR
INFORMATION
CENTRE**

KAS-KOR

MONTHLY DIGEST

129642 Russia, Moscow, P.O.Box 16

KAS-KOR DIGEST is issued monthly by the Labour Information Centre KAS-KOR, an independent workers' organisation based in Moscow. In our Digest you can find detailed information about the most important events in the workers' movement in the territory of the former Soviet Union. The information provided by KAS-KOR is used by research institutes and trade unions all over the world.

Rates: Individuals: \$30 Institutions: \$50

To subscribe please send money with a note marked "KAS-KOR DIGEST" to:

CREDIT LYONNAIS
739 98HA depots 215 569L
Agence Paris-Daumesnil-546
2, Place Felix-Eboue, 75012 PARIS

Review

C Smith and P Thompson (eds.) *Labour in Transition: The Labour Process in Eastern Europe and China* (Routledge 1992 pp.ix, 266)

Even in writings from the left about Eastern Europe, until very recently, the texture of working class life and the voices of working people have been conspicuous by their absence. The Soviet and East European working class has been analysed either through sociological studies of stratification and data on income distribution, such as the work of David Lane, or through social historical studies, such as the now relatively numerous accounts of workers activity in the post-revolutionary period in Russia or in the 1920s. Increasingly, following work such as that by Don Filtzer, we are getting a clearer picture of the effect of Stalinism on the working class, and the 1980-82 period in Poland has stimulated closer examination of working class activity in Eastern Europe as well as the USSR. However, despite the insights of these accounts we still lack a detailed sense of the nature of work under state socialism, its relationship to other areas of activity and the political and social implications of changes in the workplace. The major exception to this is the pioneering work of Michael Burawoy on Hungary, but this has long been very much an exception to the general rule.

In this context the book under review has some significance, both as one of the first books to collect material on the labour process in Eastern Europe and China, and as representative of a growing body of work in this area. In addition to the papers collected here, further analyses of the transformation of work in Russia at the enterprise level under perestroika by Simon Clarke, Filtzer, Burawoy and various collaborators are either now being published or are promised. There have been a number of articles and interviews with workers from the old USSR by David Mandel. From a somewhat different perspective we have Steven Kottkin's account of life in Magnitogorsk in the late 1980s. Most importantly of course, an increasing amount of material from Eastern Europeans themselves is becoming available on these subjects, and an exciting debate is beginning to open up. Not only is labour itself in transition then in this region, but also the study of labour. The result, probably inevitably, is a rather uncertain book, which faces in several directions and is somewhat unsure of its audience, but which raises important questions which demand further analysis.

The book consists of seven chapters and a lengthy introduction by the editors which attempts to relate the arguments presented to broader questions of economic reform. Only one of the chapters, by David Stark, has been published before, but the majority appear to have been written around 1990 and draw mainly on data and examples from the middle and late 1980s. This does not lessen the interest of the book, but some more considered analysis of the implications of the changes of the last two years for the conclusions drawn in the book would have been welcome.

The chapters fall neatly into three groups. Firstly, Stark and Otfried Mickler compare capitalist and state socialist economies with regard to the role of the

second economy and the nature of the introduction of new technology. These chapters appear to be directed very much at Western students of the labour process and the conclusions drawn with regard to Eastern Europe are not very startling. Jude Howell and Paul Thompson's chapters deal with the management of joint ventures and domestic industry in China, respectively. Again, the conclusions drawn; that economic reform in China has by no means eliminated party influence over enterprises and state-enterprise bargaining, and that this has implications for workers; are not surprising, though much of the detail is interesting. None of these four chapters, however, gives much of a sense of what it is actually like to work in a socialist enterprise, and the style in which they are written is rather dry and academic.

Of most interest to readers of *Labour Focus*, I suspect, will be the middle three chapters, which deal with recent or current transformations in working conditions. Don Filtzer details the failure of the reform process under Gorbachev to alter significantly the labour process in Soviet industry, either with regard to unemployment and labour discipline or incentive systems and work organisation. Consequently, he argues, the regime made a decisive turn to the market in the summer of 1990, abandoning the wages reform and stripping the Councils of Labour Collectives of their powers. He also provides a fascinating account of the gender inequalities in Soviet industry and the conditions of women workers, which is perhaps not totally integrated with the rest of his argument. David Mandel's lengthy interview with a Russian car worker follows, and finally Michael Burawoy uses his experience of participant observation in a Hungarian factory to explain the changes of the late 1980s in Eastern Europe.

All of these chapters are interesting, though Burawoy's account is somewhat schematic and the empirical material does not really bear the analytical weight put upon it. Mandel's interview with Kolya Naumov in particular is powerful and moving. However, they do raise some general questions which are also prompted more indirectly by the book as a whole.

The central message which emerges from the various chapters here is one of the recalcitrance of production relations at the workplace level in the face of economic reform. In several of the chapters a distinctive view of the labour process in state socialist societies is outlined and it is argued or implied that the main features of this are both resistant to market oriented reform and potentially subversive of such reform. These features arise from what has become known, following the work of the Hungarian economist Janos Kornai, as the "shortage economy" under socialism. In conditions of shortage, it is argued, labour hoarding becomes endemic, workers and managers collude in deceiving and bargaining with the central authorities, both become dependent on the second economy - workers for income and managers for supplies, and an implicit "social contract" sets limits to workers' autonomous organisation and to managements' ability to intensify work and raise productivity.

Such a view of the labour process under state

socialism, in at least a significant number of workplaces, is both plausible and illuminating. However, the implications of the analysis need to be more clearly spelled out in a number of areas. Firstly, it is not clear to what extent the various factors identified are specific to state socialism, or to what extent they are incompatible with phenomena familiar from capitalist firms. Part of the interest in Mandel's interview with Naumov lies in the very complex combination of networks of corruption and influence often associated with planned economies together with intense assembly line work. Clearly, the limits placed on managerial prerogatives under socialism do not exclude significant intensification of work. At the same time capitalist hierarchies also allow for lower level managers to form temporary alliances with workers in bargaining with those further up in the structure.

It is important to be clear just how the characteristics of the labour process under state socialism relate to broader questions of social and economic organisation in order to discuss what the implications of wider changes might be for the organisation of work. One, largely unstated but none the less implied, hypothesis in much of this book is that, by dissolving the links which until recently have bound workers to enterprise managers and vice versa, the introduction of market relations may well accentuate class struggle and the development of independent working class organisations in Eastern Europe. In a certain sense this is clearly true, but this thesis to a large extent cuts across the view, mentioned above, that production relations in the enterprise are subverting the introduction of the market. Is the introduction of the market dissolving the existing production relations, or are those relations corroding and negating market incentives and structures ?

Don Filtzer's answer to this appears to be that the market relations introduced under Gorbachev did not

represent a fully fledged market economy, but left the existing system essentially intact. For this reason he sees it as unsurprising that Gorbachev was unable significantly to change the Soviet labour process. However, the marketisation begun in 1990 is fundamentally different. "If the shift to the market succeeds - and the response of the working class will play a significant part in determining the outcome here - then relations between workers and management and the state will take on the more traditional, but no less crisis-ridden forms seen in the West" (page 139). However, this leaves the status of Filtzer's analysis of the negation of Gorbachev's reforms by the nature of the production relations in Soviet industry rather problematic. If these relations have been obdurate enough to frustrate the reforms of the late 1980s then how do we know that they will not frustrate the reforms of the 1990s ? It is this, surely, that has led Simon Clarke to argue that Filtzer's conclusion that either genuine socialism or capitalist restoration are the only alternatives for Russia is contradicted by the main body of his argument.

In order to resolve these issues one would need a clearer conception of just how relations in the enterprise are dependent on wider social relations. Work by Clarke and others on the current changes in Russia and elsewhere is opening up a debate that potentially will yield such a conception and will enable us to see to what extent the characteristics of the labour process can determine the broader process of social change and to what extent such change and the introduction of market relations and privatisation will restructure the labour process. This book represents very much a starting point in that debate, but it is a useful starting point which raises many of the questions which will be the focus of discussion amongst socialists looking at Eastern Europe in the coming years.

Andy Kilmister

*From Charter 77 to Yeltsin...
keeping up with the transition.*

Back Issues



Individual issues
1977-1986: £5.00 (\$10.00)
from 1986: £3.50 (\$7.00)

Complete set
1977-1993: £250 (\$500)

Complete list available. Prices include postage. Air-mail extra.

Cover: "Which one will give you a better life?" IKEA billboard in Budapest. Photo: *Hugo Radice*.