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The Russian Left



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Labour Focus on Eastern Europe

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The Post-Soviet Left

For the left in Russia as in many other countries, the early 1990s were a time of great hopes and enormous disappointments. After 1989 socialists believed that the new era that was opening up would give rise to a new left movement, vital, dynamic and free from the vices of the old parties. The events that followed disabused the hopes of both left and right. Despite the permanent crisis of the post-Soviet order in Russia, there was no new rise of the left movement.

The informal youth movement

After the fall of the Soviet Union, a number of left organisations that had arisen from the milieu of the informal youth movements were active in Russia. Their ideological spectrum was quite broad, ranging from super-revolutionary Marxists to admirers of Swedish social democracy. On their extreme left flank were the Confederation of Anarcho-Syndicalists, which had emerged from the Student left club, Obshchina (“Community”), and the Marxist Workers Party - Party of the Dictatorship of the Proletariat (MRP-PDP). More moderate socialists, and Marxists who were not attracted by the MRP-PDP’s dogmatic

The present article will appear as a chapter in Boris Kagarlitsky, *Neoliberal Autocracy: Russia under Yeltsin and Putin*, to be published by Pluto Press, 2001.

positions, found a place for themselves in the ranks of the Socialist Party. The most right-wing of these groups was the Social Democratic Party of the Russian Federation. This organisation was quite heterogeneous, embracing numerous factions and groups which in effect reproduced the whole spectrum of the left. Except for a few months in 1993, however, the party's leadership remained in the hands of the right wing.

The left parties absorbed a large proportion of the active membership of the informal groups of the "Perestroika epoch" from 1986 to 1990. It should be remembered that most of the "ecological unions", "popular fronts" and public discussion clubs that preceded the rise of real political organisations were left-wing in character. The key slogan of the informal movement was not the call for a market economy, but the demand for public participation in decision-making. "There was a shift from reactive and defensive forms of participation to creative involvement," scholars later noted, "and passive responses gave way to active campaigning." The supporters of the environmental groups in those years "were motivated primarily by non-economic and moral criteria."¹ Supporters of the environmental movement declared in a manifesto that for them, "turning this work into a fashionable amusement, a political enticement or a means of enrichment" was intolerable.²

For some of the people who took part in such movements, left-wing positions were simply a mask to be donned during the "transition period". But most of the activists took a thoroughly serious attitude to the ideas they espoused, and it was this which determined the political evolution which these people would later undergo. In October 1993 many of the people who had been involved in the Moscow informal movement met up again, defending the barricades around the parliament.

The activists of the 1980s were stunned and appalled to find that in the changed circumstances of the 1990s, without money, office space

1. *Cities of Europe*, p. 371

2. "Manifest Dvizheniya Druzhin po okhrane prirody", published in a special issue of the bulletin, *Okhrana dikoy prirody*, Dec. 1996, no. 11, p. 13

or paid staff, and denied access to television and the press, they were transformed in the space of a few months from a real political force into isolated and ineffective grouplets.

No role for mass parties

It was not only the left parties that turned out to be weak. All party-type organisations proved unviable in the “new Russia”. This was only to be expected. Contrary to a widespread misconception, political parties were not born along with parliamentarism and democracy. The word “party” was already in use in ancient Rome, but the modern multi-party system arose only at the very end of the nineteenth century. Prior to this parliaments, as in present-day Russia, were made up mainly of “independent” politicians who received their mandates thanks to their wealth or ability to control the situation in their constituencies. The parliamentary fractions were untroubled by their lack of any links to the masses, and even while in opposition they retained their links with the ruling authorities.

This “pluralism of elites” allowed capitalism during its phase of primitive accumulation to maintain liberal ruling institutions while blocking participation by the masses in politics. The cooperation of harsh, authoritarian structures of executive power with a parliamentary elite provided the ideal recipe for the oligarchic rule that characterised the “pure” nineteenth-century forms of liberal market capitalism

From 1990, the Russian reformers made a conscious, deliberate attempt to resurrect this system. A liberal-authoritarian regime was also ideal for the corrupt Russian bureaucracy that was seeking to appropriate the former “property of all the people”, and for the Western elites that wanted a harsh system of rule able to crush any popular opposition to the reforms, but which were reluctant to accept responsibility for the “excesses” of an open, Latin American-style dictatorship. Finally, such a regime was in line with Russian traditions. The germs of liberal institutions have always been present in the Russian authoritarian state, whether in the epoch of Tsarism or in the late Soviet period. But these institutions and relationships have never been more than adjuncts to a system which has never been democratic.

In Europe, mass parties have played a huge role precisely because they have been able to undermine the principles of the liberal order,

forcing restrictions on the freedoms and prerogatives of the ruling groups and strengthening the position of the masses. These parties emerged in an epoch when the values of liberal capitalism had been placed in doubt. In most countries, the first modern-style mass parties arose on the basis of workers' organisations or of petty-bourgeois "popular" movements.

Mass parties arise when a significant sector of the population at last realises that the "elite" politicians in the parliament do not represent the voters, but are their bitterest enemies. To paraphrase Lenin, the parties have to make it possible for ordinary, non-professional people to control the state, taking part in the day-to-day work of political organising, influencing decision-making, calling politicians to account, and if necessary removing them. Party politics also differs from the parliamentary variety in this respect: in party politics, the interdependence between the popular base and the parliamentarians is not limited to the once-in-a-blue-moon dropping of voting papers in a ballot-box.

For ruling elites, the founding of mass parties has always been a forced response to pressure "from the left and from below". For a pluralism of those at the top, the existence of parliamentary fractions and of various clubs and bureaucratic groupings has always been enough. These people already wield power, and as they see it, the less they have to account for their actions, and the less the participation of "outsiders" in decision-making, the better. Hence despite all the talk about establishing a "democratic" or "presidential" party in Russia, no-one who has held power has set up such a party, or has had any intention of doing so. The parliament could suffice for carrying through privatisation and dividing up property, if it obediently adopted laws confirming the "sacred rights" of the new property owners. But parties were unnecessary.

Among the supporters of "liberal reforms", talk of parties was no more than a concession to Western stereotypes. Thus Yegor Gaidar and his group tried to establish a party only in 1994, when they sensed that they were being sidelined from real power.

The Socialist Party

The socialists have been different. For any socialist project, the party as a mechanism linking the politicians with the masses is crucial. All the

crises and splits in the history of the socialist movement have been accompanied by changes in the attitude to the party (it was on this question that the Bolsheviks and Mensheviks parted ways in 1903, and in the 1960s the same issues played a significant role in determining the divisions between Western communists, social democrats and “new leftists”).

In Russia, socialists, social democrats and communists who were dissatisfied with the internal regime of the CPSU set out to create separate parties long before such formations were officially permitted. Organising a party was considered far more important than fighting to secure official posts and deputies' mandates, the task to which most of the “democrats” devoted themselves. In 1990 most of the leaders and activists of the left did not stand for election as people's deputies of Russia. Some became deputies in city and regional soviets, hoping that this would help unite their supporters at the local level.

In the existing circumstances, however, neither the Social Democratic Party nor the Socialist Party could become mass forces. The Social Democrats tried to follow in the wake of the presidential team, and increasingly lost their distinctive identity. When the party's left wing in 1993 came out against privatisation, the disbanding of the soviets and the super-presidential constitution, a split took place; this reproduced in striking detail all the parameters of the “classic” RSDRP split of 1903.

Meanwhile, the Socialist Party, from the time of its founding, waged a war on two fronts against the “old and new nomenklaturas”. As a result, access for the socialists to any of the mass media was tightly blocked. The radio and television were full of propaganda for privatisation, while the newspapers argued either that everything should be divided up, or that it should be left as before; no-one was prepared to give a hearing to people who urged that other variants be discussed. All the gloomy prognoses that had been made by the socialists between 1989 and 1991 were confirmed (the documents issued by the socialists at that time now read like “memories of the future”). But the position of the socialists themselves did not improve as a result.

The failures of the socialists and social democrats could not, of course, be explained solely as the result of their political mistakes or of the media boycott. In the years from 1989 to 1993 civil society in Russia

suffered a defeat. In the late 1980s the growth of informal groups and the mass participation in “grass-roots politics”, where the topics of debate were the installing of anti-pollution equipment, the need to stop the felling of trees in parks, or the setting aside of land for children’s playgrounds, signified that civil society was coming into being. These groups were purely organic, arising from below without prompting from the television, without propaganda campaigns and without the intervention of an army of paid officials. The history of the period from 1989 to 1991 is usually seen as the history of a fight for power between “democrats” and “communists”, but there is another history of these years: that of a struggle by bureaucratic elites to control the mass movements. Victory for any of the rival forces meant the end of civil society. From 1990, as the “democrats” approached real power, the popular initiatives weakened and died out. The attempts to create a broad left party “from below” failed along with them.

In this sense, the failure of the socialists stands as a symbol. It signifies the failure of the democratic process in Russia. The irony lies in the fact that throughout the whole period from 1989 to 1994, despite all the talk of a “transition to democracy”, the basic conditions for democratic development were not being strengthened, but on the contrary were being destroyed. Where the self-organisation of citizens is lacking, parliamentarism turns into farce, elections become contests between corrupt office-seekers, and laws reflect the arbitrariness of the lawmakers.

Amid the collapse of civil society, traditionalist ideas have had a particular attractiveness. Following the liquidation of the CPSU several new communist organisations arose, seeking either to “return to first principles” or to develop more up-to-date doctrines. All of them, however, set out primarily to appeal to the old party membership.

The Socialist Party of Workers

The Socialist Party of Workers (SPT) occupied a distinctive place. After the dissolution and banning of the Communist Party in 1991, this organisation laid claim to the role of its official successor. The SPT’s membership reached a figure of 80,000, most of them former Communists.

Seizing as an initial weapon a draft CPSU programme that had

been drawn up under Gorbachev but not adopted, the party leaders tried to retrace the path of the Eastern European Communists who had established social democratic parties on the basis of the old structures. The leadership of the SPT was assumed by Lyudmila Vartazarova, one of the people who came to prominence in the CPSU apparatus during the final years of Perestroika, but the ideologues of the party also included the well-known dissident Roy Medvedev.

On the ideological level, the party failed to establish a distinctive identity for itself. Nevertheless, the party in its early period enjoyed an important strategic advantage, since it was able to act as a sort of bridge between the moderate wing of the Communists and the non-Communist left. The SPT also possessed certain material resources. Although the party's members - unlike the erstwhile "informals" - were not very active, the party had an effective apparatus. The potential thus existed for a broad bloc of left forces to coalesce around the SPT. The first step in this direction was taken in the autumn of 1992, when the Congress of Democratic Left Forces was held. This initiative, however, was not pursued because of attempts by the SPT leadership to establish control over the other participants in the congress.

The claims by the SPT to a dominant role in the Russian left were enhanced by the fact that at that time no other left organisation had a fully functioning party bureaucracy. But this fact also doomed the SPT to failure.

Having placed their stake on apparatus methods of work, the SPT leaders could not offer their partners any clear strategic perspective. The SPT itself continually vacillated between a readiness to work with "moderate forces" in the government on the one hand, and forming a bloc with nationalists, Cossacks and monarchists from the "Union of Rebirth" on the other. Because other leftists refused categorically to duplicate these political zigzags, the tensions between the SPT and the rest of the left steadily increased, until the SPT was totally isolated.

Vartazarova's party was also having to compete with the Communists. After a decision of the Constitutional Court cleared the way for the Communist Party to be re-established "from below", whole branches of the SPT began transferring their membership. Failing either to declare themselves distinct from the Communists, or to fuse with them, the leaders of the SPT took an ambiguous position: while

participating in the restoration of the Communist Party, they refused to join it. This made the collapse of the SPT's base-level organisations inevitable.

While making one error after another, the leaders of the SPT constantly insisted that theirs were the only correct and conceivable policies at each stage. Vartazarova and her colleagues refused even to discuss the reasons for the setbacks they suffered. The results were predictable. In the space of two years the party was transformed from a serious political force into a largely inactive group with no influence on the course of events in the country. In 1995 Vartazarova herself joined the leadership of the Congress of Russian Communities, which even in the wildest fantasy could not be termed a left organisation. For practical purposes, this marked the end of the SPT as an independent left party.

The Party of Labour

The most serious attempt by Russia's new left to create a mass political organisation has been the Party of Labour project. The idea of a party of the "labourist type" was already being discussed in 1989 and 1990; its supporters drew their inspiration not from the British or Canadian experience, but from the successes of the Workers Party in Brazil. For the successful implementation of such a concept, however, one small element was lacking: politically active trade unions.

In 1991 the Socialist Party, which had joined with part of the Confederation of Anarcho-Syndicalists and the group Marxism XXI, which had earlier been active within the ranks of the CPSU, transformed itself into the Party of Labour. The new party united several ideological currents, ranging from left social democrats to revolutionary Marxists, but the differences between the ideological platforms within the Party of Labour were less important than the diversity of views on questions of current policy. Unlike the Socialist Party in 1990 and 1991, the Party of Labour was closely interlinked with the traditional trade unions, and sought to become the political expression of their interests. But there was no agreement within the trade unions that such a party was necessary.

As the social cost of the reforms grew more and more obvious, the Russian Trade Union Federation (FNPR) became radicalised. From a position of "critical support" for the Russian government, the federation gradually became a bitter critic of the authorities. Trying to put an end

to the domination of Communist ideology in the trade union movement, the FNPR leaders unrelentingly stressed that the trade unions needed to keep their distance from political parties. The sharpened conflict with the government demonstrated, however, that staying out of politics would be impossible.

The most radical renewal took place in the Moscow Federation of Trade Unions (MFP), headed at that time by Mikhail Shmakov. The MFP leaders tried to break with the past of the “official” trade unions as quickly as possible. They brought with them a new style and new ideas. Shmakov was the first prominent figure in the Russian trade union movement to enter into dialogue with the young radicals from the informal organisations. Left activists who only a short time before had been fiercely attacking the “old trade union bureaucracy” now figured among his consultants. Optimists hoped that the new people and new ideas would transform the old structures, while pessimists forecast that these structures would “digest” everything, corrupting and co-opting the leftists. The experience of the next two years showed that both predictions were in a sense borne out. The structures changed, but so did the people.

One of the first people to make the shift to working in the trade unions was Andrey Isaev, who earlier had been a key figure among the Moscow anarchists, acting as an ideologue of the Confederation of Anarcho-Syndicalists and helping to organise the first opposition meetings of 1987 and 1988. Exchanging the red and black banner for the armchair of the editor-in-chief of the trade union newspaper, *Solidarnost'*, Isaev, in the course of several months, changed the paper from a dull official newsheet into a lively and original publication.

In the first half of 1992 the young, talented writers - members of the “unorthodox left” - who were drawn into working for *Solidarnost'* transformed the paper from a virtually unknown in-house trade union journal into a noted opposition organ that provided insightful commentaries not only on trade union matters, but also on questions of the economy, politics, culture and international life. The print run increased from 5000 in August 1991 to 25-30,000 in 1993, while the readers came to include not only trade union officials and activists, but also young members of the intelligentsia. *Solidarnost'* became a prestigious place for leftists to have their writings published. Although

the MFP subsidised the paper, financial problems caused the print run to fall to around 5000 after 1993, and to keep publishing going the editor-in-chief was forced to sell part of the publishing equipment and to take out bank loans in his own name. The staff worked out of ideological commitment, satisfying themselves with miserly wages. Among the writers for *Solidarnost'*, however, were journalists who also worked for *Nezavisimaya Gazeta*, *Pravda* and other newspapers.

Meanwhile the FNPR, which in formal terms had two national newspapers (*Trud* and *Rabochaya Tribuna*) at its disposal, to a large degree lost its control over them. From being trade union publications, these papers were turned into “publications for home reading”. *Trud*, which had held the record in the Soviet Union for the print run of a daily newspaper (in 1989 and 1990 it was produced in editions of 20 million copies), paid virtually no heed to the FNPR, and ignored trade union topics. *Rabochaya Tribuna* (“Workers Tribune”), a joint publication of the trade unions and of Russia’s main organisation of enterprise directors, became a mouthpiece for the latter despite its “proletarian” name. For all the interests shared by the trade unions and the “red directors”, the evolution of *Rabochaya Tribuna* aroused discontent in some sections of trade union officialdom

To justify the position taken by the trade unions, Isaev advanced the thesis that a “left conservatism” was required. Analysing the consequences of neo-liberal reform in Russia and Britain, the former ideologue of anarchism came to the conclusion that the left could no longer be a revolutionary force.

The collapse of the system of ‘state Communism’ on the one hand and of the Communist Movement on the other, together with the victorious progress of neo-liberalism, destroying social guarantees and the principles of social solidarity in the name of effective industrial production, have brought about a situation in which leftists throughout the world (and not only in Russia and Britain) have finished up playing the role of conservatives, defending little islands of socialism that have long since become part of world civilisation.

For leftists, the role of conservatives is obligatory. It is associated with the defensive position occupied by the left. There is nowhere

for them to go on the offensive, since their own social ideals have been discredited. The state has not proven to be particularly effective as a regulator of all the processes of life, while the projects of the anarchists, 'new leftists' and greens have remained exotica for the time being. However, 'left' values - social security for the population, the existence of a public sector of the economy, and freedom of labour - have not only found embodiment in a multitude of social institutions, but have also become part of world culture. As becomes conservatives, leftists have stood for the defence of cultural values against the technocratic approach of the new 'progressives'.³

Throughout the 1990s, the desire to combine socialist ideology and conservative values has taken an increasing hold on leftists in the former Soviet Union. Vladimir Shilov wrote in *Svobodnaya Mysl'* about "a broad spectrum of forces that can be characterised as socialist reformist conservatism", stressing that conservative values need to have "no less strong a presence in society than the liberal values of freedom and self-expression."⁴ The leaders of the trade unions have found "left conservatism" thoroughly to their liking, and to a degree, this ideology has reflected the moods of the masses.

However, the champion of "left conservatism" in Russian politics has not been the trade unions, but the resurrected Communist Party. The trade unions have been too closely connected to the state and to the enterprise directors to be able to develop their own ideology. The Communists have been much more honest and consistent in their conservatism. But in the final accounting the ideology of "left conservatism", reduced to minimalist and defensive demands, has condemned the movement to failure.

In the conditions of Russia in the 1990s the task of "maintaining existing conquests" has increasingly given way to that of implementing a new process of radical transformation. The Yeltsin regime has quickly destroyed not only the "social conquests of the working people", but has also undermined the elementary bases of civilised life for the bulk

3. A. Isaev and A. Shubin, *Demokraticheskiy sotsializm - budushchee Rossii*, Moscow, 1995, p. 57

4. *Svobodnaya mysl'*, 1995, no. 3, pp. 74, 77

of the population. As a result, everything now has to be created anew. Logically, the concept of “left conservatism” needs to be refashioned into a strategy for a social fight-back by workers.

The trade unions and party politics

The radicalisation of the trade unions has simultaneously forced them into the opposition camp and linked their fate closely with that of the Russian left. But the huge inertia of the trade union system has caused it to lag continually behind the development of events. Trying to make up this lag, the FNPR leaders have made tough declarations, but have not been able to back up their threats with mass actions. This is not because the rank and file trade union members have failed to support the concept of labour action. The demands by the trade unions have reflected the mood of the bulk of their members; this is shown not only by the many resolutions coming from factory and workshop meetings, but also by sociological surveys. The problem has been that the inefficient FNPR bureaucracy has been incapable of organising the masses, let alone of providing leadership for them

FNPR leader Igor Klochkov and his associates first declared their support for the centrist Civic Union, and then became more and more inclined to give their backing to the Party of Labour. But the Party of Labour was weak, and there was no decisive will in the FNPR to address the task of creating a political organisation. The trade union of agricultural workers was the only one to take a firm decision and to begin acting independently. As a result, the Agrarian Party of Russia took fourth place in the elections of 1993.

Yeltsin’s coup of September-October 1993 not only resulted in a defeat for the opposition forces, but also marked the beginning of an acute crisis for the FNPR. This crisis inevitably affected the Party of Labour, along with other leftists involved in the “labourist project”. After the order to the parliament to disperse, Klochkov was faced with a choice. If the trade unions did not threaten strikes in defence of the constitution, no-one would take their declarations seriously. But if the unions were to call for strikes, they would be unable to organise them successfully. As a result, an ambiguous formula was adopted, calling for protests of various forms including strikes. This did not bind anyone to anything, and frightened nobody. Seeing the helplessness of the FNPR,

the authorities threatened to dissolve it. After the shelling of the White House, a genuine panic set in among the trade union leaders. Under pressure from people who sought before all else to “save the organisation”, Klochkov was forced to resign.

In October 1993 an extraordinary congress was called, and Shmakov became chairperson of the FNPR. He took over the helm of an organisation torn by contradictions and without clear perspectives or faith in itself. By this time, Shmakov himself was no longer the militant radical he had been in the late 1980s.

During the summer and autumn of 1992, when the leaders of the FNPR were shifting slowly to the left, the leadership of the Moscow trade unions moved rightward. After the scandal-ridden Professor Gavriil Popov had quit the post of Moscow mayor and been replaced by the professional administrator, Yury Luzhkov, the trade unions increasingly became part of the city’s system of rule. Subsequently, this trend acquired a sort of material embodiment; in 1994 the leadership of the Moscow Federation of Trade Unions shifted into the building of the Moscow mayor’s office.

This turnabout was made possible by the improving social situation in the capital. The relations between Moscow and other regions of Russia came to correspond to the classical scheme of “centre - periphery”. Government bodies were concentrated in Moscow, and the head offices of private banks and other corporations sprang up there like mushrooms; significant numbers of the employees of these entities remained in the trade unions. About 80 per cent of the country’s financial capital was located in Moscow. The gap between the incomes of hired workers in the national capital and in the provinces grew rapidly. The highly paid Moscow workers became increasingly moderate, at the same time as discontent in the provinces was quickly mounting.⁵ As the new leaders of the FNPR saw it, the time for strikes and barricades had

5. See *Nedelya*, 1997, no. 19. According to data from Yury Luzhkov, of \$4.8 billion of foreign investment in 1996, \$4.29 billion came to Moscow. Of 89 regions of Russia there were only 12, including Moscow, which did not receive subsidies from the federal budget. In reality, Moscow was able to finance the federal budget only because it was itself sucking financial resources out of all Russia

come to an end.

The newspaper *Solidarnost* ' began defending the idea of "social democracy with Russian characteristics", and the more radical writers gradually quit the publication. *Solidarnost* ' began losing the distinctive style that had once ensured its success. The paper grew dull, and disputes began breaking out among the editors. The crisis came to a head when a group of the paper's staff tried to set up an independent trade union. Showing unexpected firmness, the *Solidarnost* ' management crushed the revolt. Both sides emerged from this conflict in a poor light, having long since lost their initial idealism and sense of solidarity. The radical ardour of the 1980s had yielded to a desire for respectability. The print run of the newspaper again fell to 5000, the volunteer distributors gave up their activity, and *Solidarnost* ' finally disappeared from the streets and workplaces, to become reading matter only for the trade union bureaucracy.

Most of the activists of the Party of Labour no longer hid their disappointment with Shmakov's policies. This alienation increased when the Second Congress of the Party of Labour elected Oleg Smolin as the party's chairperson. Smolin, a deputy to the Council of the Federation, was known for his independence and firmness. The FNPR leadership's turn toward reconciliation with the authorities also repelled the United Social Democrats, who from 1992 had actively collaborated with the Party of Labour. In May 1994, with Shmakov present, Smolin declared to trade union activists in his native city of Omsk that if the policies of the FNPR were not changed, it would be necessary to begin a struggle to replace the union leaders. A conflict that had ripened over several months now burst to the surface.

While the leaders of the traditional trade unions were trying to be respectable and cautious, a dramatic upsurge of the strike movement in the spring of 1994 showed that the masses, despite their weak capacity for self-organisation, were not ready to passively reconcile themselves to their fate. However much the FNPR leaders might appeal for moderation, the lower-level trade union bodies, reacting to the demands of their members, were more and more often voicing political demands. The more the leaders of the trade unions sought to pacify their followers, the more they themselves became the targets of the discontent.

In the elections of December 1993 the FNPR leadership did not

present a separate trade union slate, and refused to support any of the lists. In practice, the local and sectoral trade union structures finished up supporting the electoral blocs toward which they had gravitated by virtue of their corporatist links, in the first instance the Civic Union. But the Civic Union suffered a crushing electoral defeat. The Trade Union of Workers of the Agro-Industrial Complex enjoyed more success; supporting the Agrarian Party of Russia (APR), this union had three of its representatives (including the chairperson of its Central Committee, A. Davydov) elected to the State Duma. Deposed FNPR leader Igor Klochkov also won election on the APR's slate. Because the APR was in essence "the rural wing of the KPRF", the position taken by the Trade Union of Workers of the Agro-Industrial Complex appeared as a show of opposition to the Shmakov leadership of the FNPR.

The December 1993 elections symbolised the break between the "Shmakov team" and the Party of Labour. Along with many other opposition organisations, the Party of Labour boycotted the elections. It did not, however, succeed in becoming a serious force in the extraparliamentary opposition. By the early months of 1994 it had finally disintegrated. A section of the party activists remained grouped around the journal *Alternativy*, and in a support group for Oleg Smolin, who in 1995 was elected to the State Duma .

This outcome was bitter, but predictable. The collapse of the informal movement and the dramatic changes to the "rules of the game" that occurred in 1991 and 1992 had left no possibility for the successful founding of political parties. Without its own organisational resources, the radical left was the hostage of the trade union bureaucracy. Moreover, the social base of the new leftists, who sought to express the moods of the most modernised layers of workers in large cities, proved substantially more narrow than that of the traditionalists, who for some time represented the only serious left opposition.

The work of the central FNPR structures was paralysed for an extended period by a struggle between followers of Klochkov and those of Shmakov. The staff in the central apparatus concentrated on fighting for armchairs and offices. The old cadres openly sabotaged orders which Shmakov issued. This struggle went on for more than a year. In the end the "Shmakov team" completely overwhelmed the "Klochkov team", and a large number of the old officials were expelled from the apparatus.

In a number of cases this process was accompanied by well-publicised scandals, and even by court suits.

The Union of Labour

The parliamentary and presidential elections of 1995 and 1996 provided the trade union hierarchs with a new chance to make their presence felt. The FNPR leadership could not be accused of failing to prepare for the elections. But because of its own inconsistency, the FNPR was forced each time to renounce its gains and begin everything afresh. In 1994 talks had been held with social democratic groups on the formation of a Union of Labour, but the FNPR lacked the resolve to make a decision. In 1995 Shmakov urged that a new effort be made to create a political bloc around the trade unions.

On 17 February 1995, the Executive Committee of the General Council of the FNPR voted to create the movement "Trade Unions of Russia - to the Elections". What was essentially involved was an effort to consolidate the trade union elite. Through drawing up the trade union electoral list, the FNPR leaders were trying to prevent the member organisations from being divided up among various blocs. Maintaining unity, however, proved impossible. The Independent Union of Coal Industry Employees set up its own organisation under the name Miners of Russia, which also received backing from coal industry managers. In analogous fashion, the trade unions of road builders and even of communal service workers began drawing up their own lists. The trade union of the agro-industrial complex stayed true to the Agrarian Party of Russia, which is not surprising in view of the fact that the leadership bodies of the party were two-thirds identical to those of the union. A number of regional trade union federations were represented on the list of the Congress of Russian Communities. The Executive Committee of the FNPR was forced to adopt a resolution stating that trade unions at the local level had the right to choose their partners independently.

Fear of the growing influence of the Communist Party provided one of the main motives guiding the trade union elite in its subsequent decision-making. But faced with the contradictory policies of the FNPR, the leaders of the affiliated unions did not counterpose to these policies their own positions, more consistent, more competently framed, and closer to the mood of the masses. Instead, the union leaders were more

concerned with convincing the government of their “moderation”. The FNPR formed an electoral bloc with the name “Trade Unions and Industrialists of Russia - the Union of Labour”. In this, the trade union federation was joined by the Russian Union of Industrialists and Entrepreneurs and by the United Industrial Party. Talks were initially held with State Duma Speaker, Ivan Rybkin, whom Yeltsin had assigned the task of establishing a pro-government “left” bloc. The talks were broken off because of a disagreement over the number of trade union officials on the list. Although the participants in the Union of Labour criticised Rybkin in December 1995 for being insufficiently left-wing and oppositional, a year later Rybkin, the Union of Industrialists and Entrepreneurs, and the leaders of the Moscow trade unions joined in supporting Yeltsin’s re-election as president.

The election campaign waged by the Union of Labour was a model of incompetence. To raise funds, trade union assets such as holiday camps and sanatoriums were sold off; then no proper check was kept on how the money raised in this way was spent. Trade union sociologists published “survey results” according to which 43.3 per cent of trade union members (who still made up the bulk of Russia’s working population) were firmly resolved to support the Union of Labour; a further 37.9 per cent were wavering, but might in principle vote for the bloc, while only 9.4 per cent intended to vote for other party lists. The actual voting tallies confounded these forecasts. In the elections, the “Trade Unions and Industrialists of Russia - Union of Labour” received only 1.55 per cent of the votes. This was a devastating defeat, if one takes into account that the FNPR unions had 46 million members, while only 69 million voters took part in the 1995 elections

Many people expected that the defeat at the polls would mark the beginning of changes in the trade unions, but no-one in the FNPR, despite sharp disagreements within the organisation, dared to “rock the boat”. The leaders of the federation declared: “There was no defeat in December 1995!”⁶ The election results were assessed as excellent. At the same time, the failure at the polls was used as a pretext for launching a campaign to tighten centralism in the FNPR structures, and above all,

6. *Rabochaya politika*, 1996, no. 4, p. 42

to subordinate all trade union finances to the central apparatus in Moscow. The Executive Committee of the FNPR adopted a resolution on trade union unity which dramatically restricted the rights of member organisations. On 14 March 1996, the General Council of the FNPR backed this resolution by 77 votes to 21.

Simultaneously, a decision was made to transform the movement "Trade Unions of Russia - to the Elections" into the political movement "Union of Labour". Shmakov's place at the head of the movement was taken by the FNPR's first deputy president, Vyacheslav Goncharov. In the months that followed, the Union of Labour was not particularly active, which was quite understandable; the presidential elections were drawing near, and the leaders of the FNPR had not decided either to come out against Yeltsin, or to openly declare an alliance with him.

Shmakov had triumphed. Although the internal opposition had not resolved to mount a serious fight, the FNPR leaders warned that any show of dissent would be harshly punished. "Anyone who has raised the sword of division must know that their own trade union federation will die by this sword."⁷ The Third Congress of the FNPR in December 1996 strengthened the position of the leadership. At the same time, the exodus of workers from the "traditional" trade unions quickened.

The "alternative" unions

By this time, the "alternative" trade unions had split into a number of groups. In 1995, several federations declared that they would not take part in the elections. NPG leader Aleksandr Sergeev entered the "Ivan Rybkin Bloc". Considering the NPG's past, this amounted to a considerable shift to the left by the union. Until that time, the NPG had been viewed not just as pro-Yeltsin, but also as a "liberal trade union". SOTSPROF, meanwhile, gave its backing to V. Polevanov's electoral bloc "For the Homeland!"

The elections of 1995 also represented a historic victory for the parties over the trade unions. Despite the difficulties they faced in establishing themselves, the political parties turned out to be far better able to express the moods of society than the trade union organisations

7. *Nezavisimaya gazeta*, 16 March 1996

that had survived from the past. The elections also revealed that although corporatism remained a social reality of post-Soviet society, it had not become the dominant political factor.

The failure of the FNPR's campaign in the parliamentary elections of 1995 guaranteed that the trade unions would have little impact on the presidential elections the following year. The regional FNPR organisations that had supported the Congress of Russian Communities (KRO) in 1995 were demoralised and did not campaign actively in support of Aleksandr Lebed. Their position was complicated by the fact that the KRO's trade union wing was oriented more toward Yury Skokov than toward Lebed. After these two split, the trade union officials finished up effectively on the sidelines.

Supporters of the Communist Party of the Russian Federation did not show a particularly high level of activity, and the party did not display great interest in the trade unions. The only political force to carry out serious work with the trade unions was the Yeltsin administration. As a result, the alternative unions unofficially urged their members to vote for the existing authorities. At the same time, they avoided direct declarations of support; it was too obvious that the authorities could not solve the problems of wage payments and social crisis. The FNPR leadership as well preferred not to issue any official declarations, but its sympathies too were completely with the regime. The FNPR was bound more and more tightly to the authorities by the mechanism of "social partnership", which had gradually been transformed into a new version of the Communist "transmission belt".

The Union of Labour called on all its candidates to sign a declaration acknowledging a number of general conditions and requirements. Not one of the candidates got around to signing the undertaking, or even replied formally to the request.

Unwilling to give open support to Yeltsin, the leaders of the FNPR expressed their backing for him through the Moscow Federation of Trade Unions. In 1996, for the first time since the Soviet period, the May Day meeting in Moscow was turned from a meeting of protest and solidarity into a meeting in support of the municipal and national rulers.

The fate of the official "left" opposition in the state Duma proved similar to that of the traditional trade unions, despite the emergence after the 1995 elections of a "left parliamentary majority". After its

defeat in the presidential elections of 1996, the opposition more and more often acted as a prop for the government.

The Communist Party of the Russian Federation

Having experienced the delights of reform, ordinary voters now recall with nostalgia their much more prosperous life under the “Communist regime”. They also recollect that in many countries of the former Soviet bloc, the Communist parties were still in power when democratic freedoms were introduced. More and more people would like to turn the clock back. Not to Stalin’s times, but to the almost ideal “intervening” (or “normal”) period in which censorship and secret police surveillance no longer existed, and privatisation and economic collapse had still not begun. To such people, reformed post-Communist parties seem like an almost ideal choice. But in fact, these parties have neither a strategy for restoring the system of social guarantees, nor any wish to restore it.

In Hungary, Lithuania and Poland the post-Communist parties did not offer any real alternative, but they were at least able to make use of the changed mood of voters and to return to power on the crest of the “left wave”. Inevitably, at least a few left activists who were prepared to raise more radical demands entered the parliament along with them. In Russia, the largest left force has remained the Communist Party of the Russian Federation. Unlike other Communist parties, the KPRF has not managed either to renovate itself, or to split, or even to preserve its traditions. As the political scientist Pavel Kudyukin justly notes, the party is a “political centaur”.

In its political essence the KPRF is a right-wing nationalist conservative formation, expressing the interests of the most hidebound layers of bureaucratic capital. But ideologically it claims to be leftist, and it draws genuine support both from the traditionalist left and to some degree even from the democratic left electorate (in the latter case for lack of anything better). While becoming exclusively parliamentarist, the Communist Party has preserved all the traits of a bureaucratic organisation; as a result, it has “not only failed to take on the guise of a civilised opposition, but has been totally absorbed into the system.”⁸

8. *Pantinter*, Jan. 1997, no. 2, p. 3

These and similar contradictions have been reflected in the zigzags of the “party line”. The KPRF’s attitude to Stalin provides an example. On the one hand, the party leaders have remained faithful to the decisions of the Twentieth Congress of the CPSU and to the resolution of the CPSU Central Committee of 30 June 1956, condemning Stalin’s repression. But on the other hand, they have seen these repressions as stemming from “tragic errors and the struggle for power”, while paying homage to Stalin’s role as “a great statesman”.⁹ Seeking to explain the reasons behind the collapse of the Communist system in the Soviet Union, they have maintained that, within the CPSU, “two wings, and in essence two currents, came into being.”¹⁰ One, the bad one, was responsible for the bureaucratisation and inefficiency of the economy, and for the anti-democratic practices and repression. The other, the good one, made possible the great successes of the Soviet people (industrialisation, victory in the war, and the development of education and social welfare). The KPRF, naturally, represents the continuation of the traditions of the good wing

This “two in one” concept has allowed the KPRF to take its distance from the past while not condemning it. General references to the contradictory nature of the historical process have made it possible to satisfy Stalinists and anti-Stalinists, Communist reformers and dogmatists, while at the same time avoiding a serious analysis of history. As a result, the programmatic positions and practice of the KPRF itself have become extremely contradictory. Rhetoric aside, the party embraces two or more currents with quite different ideas as to its perspectives and tasks.

Gennady Zyuganov, who was elected leader at the refounding conference, has tried to combine moderate politics, in the spirit of his Polish and Hungarian colleagues, with nationalist rhetoric. In the process he has repelled both radical leftists and moderate voters alarmed by his friendship with Russian chauvinists.

The turn by a section of the Communist leadership toward

9. *60 voprosov k Kompartii Rossiyskoy Federatsii*. Voronezh, 1995, pp. 25, 26

10. *III S’ezd KPRF 21-22 yanvarya 1995 g. (materialy i dokumenty)*. Moscow, 1995, p. 106

chauvinism is perfectly understandable within the context of the collapse of the World Communist Movement. As KPRF ideologues openly acknowledge, the Communist Party in Russia can no longer present itself as the core of an international political current. Asked at one point why the slogan “Proletarians of all lands, unite!” had been removed from the party programme, they replied that this slogan no longer reflected “a real preparedness on the part of the international workers’ and communist movement for mass solidarity.”¹¹ It has been easier for the KPRF ideologues to draw inspiration from “the Russian character”. But the KPRF’s successes have not, in fact, stemmed from the peculiarities of the “mysterious Russian soul”, regarded as inimical to bourgeois progress, but from the failure of the neo-liberal model of capitalism. This model has failed wherever attempts have been made to apply it. The need has thus arisen for joint actions by leftists in different countries, for a new internationalism. This is a need which the leadership of the Communist Party has been unable and unwilling to satisfy.

The ideologues of the Communist Party’s right wing have united around the organisation, Spiritual Inheritance. As the journalist, Anatoly Baranov, has noted ironically, this grouping

has received its inheritance in the form of money, and these funds have their roots not so much in ‘party gold’ as in a group of Moscow banks.¹²

Spiritual Inheritance has declared itself the heir of “age-old Russian civilisation”.¹³ In the view of the movement’s leader, Aleksey Podberezkin, patriotism is “a biological defence mechanism - the natural state of any individual.”¹⁴ According to Podberezkin’s theory, a consolidation of elites needs to occur on the basis of patriotism, with the left opposition integrating itself with the authorities in order to avoid a “spontaneous revolt” by the hungry population, in the course of which “the mob would create its own leaders.” When the economy and society are in a state of collapse, Podberezkin considers, to be a radical is “very

11. *60 voprosov k Kompartii Rossiyskoy Federatsii*, p. 56

12. *Ekonomika i zhizn'*, Feb. 1996, no. 5, p. 5

13. *Dukhovnoe nasledie*, 1996, no. 5, p. 3

14. *Dukhovnoe nasledie*, 1996, no. 4, p. 1

short-sighted".¹⁵ From Zyuganov's point of view, the formula for the rebirth of Russia had to be "economic freedom plus strong state authority."¹⁶ Slogans and ideas from the traditional lexicon of the right came to occupy a central place in the ideology of the KPRF.

The consolidation of elites, as the National-Communists would have it, does not by any means necessitate doing away with capitalism. The problem, according to this way of thinking, is not capitalism, but oppression by foreigners:

We defend a private apartment against burglars, and a street stall against racketeers. We defend a Russian commercial bank against the foreign Chase Manhattan Bank or Bavarian Bank.¹⁷

If the alliance between Zyuganov and Podberezkin might have seemed at first to be merely tactical, a new strategic line has gradually begun to appear. The KPRF leadership has stated that under the conditions of globalisation, "the main thing is not the contradiction between labour and capital," but "the broader contradiction between the forces of cosmopolitanism and patriotism."¹⁸ Cosmopolitanism has not yet been reduced by the party ideologues to a banal Jewish conspiracy. Zyuganov and his colleagues have begun speaking of "world-wide behind-the-scenes forces"; inspired by the ideals of "mondialism", these supposedly have been working for centuries to thwart Russia. The Jewish-Masonic conspiracy, Bolshevik "extremism" (incarnate above all in Trotsky), and neo-liberal "reforms" are all no more than different manifestations of the subversive work of "world-wide behind-the-scenes forces".

Extolling the Russian Empire as an exceptionally democratic, peaceful and inoffensive state, Zyuganov maintains that in Tsarist times "access to any social estate was open to members of all nationalities," and that the government never encroached upon the beliefs and traditions of foreigners.¹⁹ The campaigns by the Tsarist army were not aimed at

15. *Nezavisimaya gazeta*, 28 Dec. 1996

16. *Dukhovnoe nasledie*, 1996, no. 5, p. 4

17. G. Ziuganov. *Drama vlasti*. M. 1993, s. 64

18. *Vek*, 1997, no. 4, p. 4

19. *NG-stsenarii*, 1997, N 3

conquering foreign territories, but at “attaining the country’s natural boundaries; they were dictated by a desire for great-power peace-making.”²⁰

The Russian revolution of 1917 was, on the one hand, the consequence of an international conspiracy against Russia, and on the other, it is not hard to work out, a tragedy for the country.

The struggle against Russia became a priority for all Western politics. Initially, the most serious hopes in this struggle were placed on a revolutionary explosion, which according to calculations by strategists of the world’s covert agencies, would destroy the Russian state.²¹

In the view of Zyuganov,

the preconditions for the Russian Revolution were to an equal degree the result of errors by the Russian government in its domestic policies and of the external, corrupting significance of Western civilisation.²²

In sum, the revolution plunged Russia into “the chaos and confusion of bitter fratricide”.²³ This was “a terrible, appalling division of the country”, as a result of which “the national-state elite, whose profession was serving the Fatherland, finished up outlawed.”²⁴ It is not hard to see that Zyuganov depicts the revolution, as well as other epochs in Russian history, in practically the same terms as supporters of the monarchy and the White movement.

As the well-known trade union activist, Oleg Sheyn, notes,

Zyuganov can be quoted endlessly, for the reason that, obsessed with the imperial slogans of the Romanov dynasty, he is capable of carrying on about geopolitics for as long as the reader can

20. Quoted in O.Shein. *KPRF na zapasnom puti rossiyskogo kapitalizma* Astrahan’, 1998, p. 64

21. Ibid., p. 66

22. Ibid., p. 67

23. G.Ziuganov. *Drama vlasti*, s.73

24. Ibid., p. 89

stand, and longer.²⁵

Zyuganov's ideology is not left-nationalist, and not social democratic, but "right-conservative". The party that has assembled beneath such slogans, writes Sheyn,

represents the interests of broad layers: from marginalised pensioners, former bosses, chauvinists of all social backgrounds, members of the rural intelligentsia sidelined by events, a section of the nomenklatura who failed to attach themselves to the capitalist reforms, and certain workers, to directors of large joint-stock companies, state bureaucrats, and bosses in the banking industry. The worker component, however, is very small, and did not exceed 20 per cent even at the time of the 1996 presidential elections, when the KPRF was a rising force.

In sum, we are confronted with an organisation which "lacks a clearly expressed orientation", and amounts to "the usual hodge-podge typical of bourgeois parties."²⁶ For all their precision, Sheyn's observations need some correcting - the uniting of diverse ideological and social groups with the help of social-authoritarian and nationalist demagoguery is not typical of bourgeois parties but of fascist movements.

On the other hand, the KPRF has managed to draw behind itself a loyal mass of the "left" electorate, appropriating traditional symbols of the left, while at the same time diverging radically from the left's policies, ideology and even rhetoric. In this sense, however paradoxical it might seem at first glance, the Zyuganov leadership of the KPRF has affinities with the Western "new realism", and with New Labour in Britain.

The policies of Zyuganov and Podberezkin have encountered the same problem as "new realism" in Western Europe. The left might receive some small morsel of power, but when the system is not working, compromise with the ruling authorities cannot bring any serious social reforms. The resources for this do not exist. The old elites will not make sacrifices, especially if the opposition does not pose a real threat. In sum, the leftists who are in power, or rather in the anterooms of

25. O.Shein. Op. cit., p. 58

26. Ibid. p. 168

power, are forced to follow the course prescribed by the right. The difference between Russian “realism” and the British or French variety lies, however, in the fact that in Russia the “realistic” course followed by the left opposition has not only objectively aided the growth of fascistoid nationalism, but has also been organically linked to it.

Zyuganov’s ideological line has not just been in clear contradiction to the tasks of the united left; it has also violated the historic traditions of the Communist Party itself. The KPRF leader recognised this in practice when he named as his theoretical sources the works of “the representatives of the so-called conservative-defensist camp, N. Ya. Danilevsky and K. N. Leontyev,” as well as V. Solvyev, N. Berdyayev, S. Bulgakov and other turn-of-the-century religious philosophers.²⁷ As well as listing pre-revolutionary Russian thinkers among the sources of his ideology, Zyuganov also names a number of Western ones. The first of these is Oswald Spengler, but there are others too.

In our view, it is necessary to pay close attention to the key positions of Arnold Toynbee’s internationally renowned theory of the historical development of humanity, and also to Francis Fukuyama’s concept of the ‘end of history’.²⁸

Among writers from the Soviet era, Zyuganov notes only the ideologue of the new right, Lev Gumilev.²⁹ Most of the thinkers listed above have been openly hostile to Marxism and socialism, not to speak of Bolshevism. Meanwhile, it is impossible to find in Zyuganov’s published works any trace of familiarity with the writings of Western Marxists, Eastern European revisionists or representatives of the anti-dogmatic tradition in Soviet Marxism. A concern for philosophy, however, was characteristic only of the “early” Zyuganov. Since 1995 his key idea has been the struggle against the “world-wide behind-the-

27. G.A. Zyuganov, *Rossiia i sovremennyi mir*. Moscow, 1995, p. 16

28. *ibid.*, p. 18.

29. For a discussion of the views of Lev Gumilev and their links with the racist theories of fascism, see B. Kagarlitsky, *The Thinking Reed*, London, 1988.

scenes forces” which are supposedly responsible for all the ills of Russia and of humanity.

In essence, these forces are a kind of social Satan, elusive but omnipresent. Capitalism as such ceases to be a serious problem, and even the Jewish-Masonic conspiracy is perceived as merely a partial manifestation of the universal evil. Only the Russian people are defending goodness and light, and are thus subjected to constant oppressions and taunts.

The turn away from the socialist tradition and toward national-conservatism has also required the rejection of the concept of class struggle. In Russia and the other former Soviet republics, Zyuganov considers, the fundamental struggle is not between the main classes and social layers, but

between the ruling regimes, resting on a narrow layer of comprador or nationalist ‘kleptocrats’ who are trying to destroy Eurasian civilisation as embodied by Russia, and the rest of the population; between the unifying tendencies of development of Russia and the subjective, voluntarist endeavours of the narrow corporatist group that has seized power in the country.³⁰

For numerous party members, this has been too much. A KPRF activist, hiding his identity behind the pseudonym P. Aleev, wrote in the journal *Al'ternativy* that Zyuganov should not be criticised for abandoning Marxism, since “he has never been a Marxist, and hence has never betrayed Marxism.”³¹ At the Third Congress of the KPRF, the leader of the Moscow Communists, Aleksandr Shabanov, noted that rank and file members were demanding “an analysis of the main contradictions of the modern epoch, of the contradictions between labour and capital, of the present-day relationship of class forces.”³²

Programmatic documents that were adopted in January 1995 reflect the party’s political and ideological contradictions. On the one hand, the KPRF’s programme borrows heavily from documents of non-

30. G. A. Zyuganov, op. cit., p. 23

31. *Al'ternativy*, 1994, no. 1, p. 79

32. *III S'ezd KPRF 21-22 yanvarya 1995 g. (materialy i dokumenty)*, Moscow, 1995, p. 47

orthodox leftists of the years from 1989 to 1992. Society's socialist future is linked not only with the historic mission of the working class, but also with humanity's environmental tasks and with the emergence of new productive forces and new layers of workers. On the other hand, we also find here Zyuganov's accustomed positions on Russia's special path, on the "strong state", and on the country's "spiritual character". In criticising the Yeltsin regime, the KPRF leaders argue that the essential goals must be the restoration of the old autocratic state and the creation of a "law-abiding" parliament.³³

But at the same time the KPRF leaders themselves call for the revival of the tradition of the old (pre-October) state system, and predict that "democracy" in its present form will "inevitably be replaced by a socio-economic and political system corresponding to the national spirit of the people." The essence of this system will be "statehood, the national character, patriotism and internationalism."³⁴ Concepts such as freedom, self-management and the power of elected representatives find no place in Zyuganov's lexicon.

The KPRF's practical politics have been just as contradictory, veering from agreeing to pass the budget in 1994 to demanding the resignation of the government in 1995, from calling for a union of left forces to seeking a bloc with the "patriotic bourgeoisie". After the conservative-nationalist layer within the Russian establishment finally grouped itself politically around the Congress of Russian Communities, the position of the Communist Party became still more ambiguous. The KRO in effect borrowed a substantial part of the ideology and programme of the KPRF, but gave these borrowings a consistent pro-capitalist slant. The slogan of unity with the "national bourgeoisie" naturally pushed the KPRF into the camp of the KRO, while traditional obligations and the moods of the KPRF's own activists dictated that the party's actions should be the precise opposite. The KRO's top leaders, who understood very well how weak their partner-adversary really was, used the help of the Communist Party in solving their own problems, while giving nothing in return. When the KRO was defeated in the parliamentary elections of 1995, the problem became less acute for a time.

33. *ibid.*, p. 49

34. *ibid.*, p. 54

The miserable results scored by the champions of “patriotic capital” should have impressed on the party leaders how little their vision of life corresponded to the reality. But the KPRF’s position was too solid for the party leaders to feel the need for self-criticism.

The growth in the KPRF’s influence between 1993 and 1996 was accompanied by attempts to revive centrism. One after another, discussions and conferences were held on the need to create a strong social democracy in Russia. Unexpectedly, the speakers included not only the leaders and ideologues of social democratic groups, but also people who earlier had had nothing to do with them: the ideologue of Perestroika, A.N. Yakovlev, the “grey cardinal” of the Yeltsin regime, Gennady Burbulis, former Moscow Mayor, Gavriil Popov, and later Mikhail Gorbachev himself.

The interest which these people showed in social democratic slogans was no accident. Social democratic formulations had already been used in Russia early in the “epoch of reform” as a cover for the party-state nomenklatura as it sought to free itself peacefully and painlessly from its past and from its ideological commitments. Few people were agitated by the question of whether it was possible to use in Russia the methods of “market regulation” as practised in Sweden or Austria, since no-one intended to use them. The less this experience was fit for practical application the better, since this meant it would be easier to take the next step in the direction of openly capitalist ideology and politics.

The revival of interest in social democracy in 1994 was already linked to the failure of reform. Now that dissatisfaction had increased, and the bankruptcy of the chosen course had become obvious to every thinking individual, the ruling group sought a way out of the crisis - but again on the level of a change of slogans. In 1991 social democratic rhetoric had been intended to conceal a turn to a neo-liberal course, but now the switch from liberal to social democratic slogans was essential first for creating the illusion of change, and then for avoiding an abrupt re-examination of economic policy, for hoodwinking the population, and at the same time for saving particular politicians and their clients.

In both cases, the impossibility in practice of implementing the ideas of social democracy on Russian soil made these ideas especially attractive. The slogan of “social democracy with specific Russian

features” is fundamentally utopian. Not only are the conditions that gave rise to Western social democracy absent in Russia (for that matter, the conditions no longer exist in the West either in the second half of the 1990s), but in Russia the conditions that do exist are the direct opposite. The policy of regulating and redistributing incomes is possible only in an efficiently functioning market economy. Social democratic parties arose in countries with stable political systems, and with more or less durable democratic institutions and traditions. Many of these parties have had to survive periods of acute social conflict, but they were always established in epochs of stability.

The only social democrats in Russia remained small groups of intellectuals, while the role of a moderate reformist party fell to the KPRF. The party leaders were delighted to acknowledge themselves as the only “genuine” social democrats, provided they remained the only “genuine” Communists and patriots. The slogan of modernisation and social partnership was mechanically combined in the party programme with calls to struggle for the “Russian idea” and for the defence of the Leninist tradition.

The KPRF in the presidential elections 1996

The presidential elections of 1996 marked a turning-point. While Zyuganov and the Communist Party ran an extremely tepid, cautious election campaign, seeking to prove their acceptability to the new elites, the Yeltsin administration served notice from the first that a change of presidents would not be allowed. Russia did not yet have an established ruling class that could permit itself an experiment with a change of government.

The members of the nomenklatura caste who held sway both in the government and the opposition understood perfectly that a change of regime was fraught with unpredictable consequences even given the opposition’s extreme moderateness. “In Warsaw a not very distinguished former Communist defeated a former electrician from the Hansa shipyards,” Anatoly Baranov commented ironically, “whereas we still haven’t seen either a worker or even an average member of the nomenklatura make it to the top.”³⁵ Unwilling to experiment with power,

35. *Ekonomika i zhizn'*, Feb. 1996, no. 5, p. 5

the ruling groups closed ranks around Yeltsin. All the might of the state propaganda machine was arrayed against Zyuganov. The left wing of the opposition and the rank and file activists of the Communist Party were quite unprepared for such a turn of events. "The line of not putting anyone out, of not doing any harm, hurt the opposition candidate more than anyone else," complained an observer for the newspaper, *Sovetskaya Rossiya*, which is close to the KPRF.

It is clear that Zyuganov's status as a candidate of the left was not established well enough either. He quite consciously presented himself not as a narrow party figure, but as one representing the nation as a whole - oriented, unlike Yeltsin, not toward division but toward unifying, centripetal social tendencies. On the whole, this was entirely correct. The problem lay elsewhere - in the question of how such a unifying, all-national idea should be understood in our time. Is this an averaging-out of views and moods that appear on the surface, or is it the particular world-view of quite specific social layers, whose interests most fully reflect the objective needs of the country and of society as a whole?³⁶

Zyuganov and his party could not and did not come up with an answer. KPRF activists complained of "the irreducible readiness of people to trust those at the top," and spoke of half-starved old women voting for Yeltsin.

This is almost a paradox; many of the people who have received from the present regime only a worsening of their position, who would not seem to have any basis for being reconciled to the present order, are supporting Yeltsin.³⁷

Meanwhile, the party did nothing to unite these people by giving them an understanding of their own interests, and made no effort to create new traditions of solidarity, citizenship and mutual aid. The results of the 1995 and 1996 elections overturned both vulgar "Marxist" ideas about the electorate of the left and also liberal myths about the supposed

36. *Pantinter*, Jan. 1997, no. 2, p. 3

37. *Nezavisimaya gazeta*, 1 July 1996

social bases of the “Communist revanche” and the “party of reform”.

The KPRF received more support in the countryside than in urban areas, and more support in small cities than in large ones. At the same time, the liberal *Moskovskie Novosti* stated perplexedly:

The people who voted for Boris Yeltsin were those whose life expectancy was lower, while death rates, money incomes and crime rates in their regions were higher.³⁸

In regions where the social situation was relatively favourable, people were more inclined to vote for the left than in provinces where the ruin was total.

The exceptions included the capital cities, Moscow and St Petersburg, where there were big concentrations of state bureaucrats, of “new Russians” and of managerial workers for big firms; these cities were also home to the most modernised sectors of the middle layers, the people who had been alarmed by the propaganda in favour of the “national idea”. The Communist candidate was ahead among people aged between thirty and fifty years, and the countryside voted for him as well. Yeltsin led among young people, but not very convincingly - most young citizens did not go to the polls at all, which was entirely natural.

But the older generation voted in a way that was quite different from what the KPRF leaders had anticipated. “It seems improbable, but it’s true,” the Communist leadership stated in horror. “The majority of veterans supported the existing president.”³⁹ The KPRF, which is at once both a conservative and a left party, has not taken account of the fact that the more conservative various layers of the population are, the more hostile they are to any change (including even a return to the past which is so dear to them), and the readier they are to support the present regime and the existing social order. Surveys conducted in the mid-1990s record a rapidly increasing “demand for social patronage”.

Sociologists have observed “a notable strengthening in mass consciousness of ‘authoritarian’ (derzhavnicheskie) tendencies, of caution with relation to the West, and of nostalgia for pre-revolutionary

38. *Moskovskie novosti*, 1997, no. 7, p. 6

39. *Dialog*, 1996, no. 10, p. 34

times.” Sixty-five per cent of those surveyed in 1996 considered that “the attitude which the authorities take to people has become worse,” and only four per cent saw changes for the better. Sociologists also note that the most important criterion used for evaluating the authorities has been “the intensiveness and effectiveness of state paternalism.”⁴⁰

Contrary to the expectations of the Communist Party leaders, this nostalgia impelled people not into the camp of the opposition, but into that of the government. Opposition was never among the traditions of Soviet political culture. The more the masses needed support from the state, the more they put their hopes on the existing authorities, which were supposed to recognise their own mistakes, change their nature, turn their faces to the people, and so forth. It was in vain for intellectuals to note ironically that if the present authorities were to turn their faces to the people, the sight would be even more chilling. An orientation to paternalism was psychologically incompatible with a struggle against the authorities, even if most people were dissatisfied with their situation.

The “conciliatory” line of the KPRF

The more Zyuganov’s Communist Party came to recognise itself as a conservative-traditionalist force, the more it sought accord with the authorities. After their failure in the presidential elections, the KPRF chiefs no longer spoke of changing the country’s leadership, but of a “consolidation of elites”. The opposition wing of the nomenklatura made a clear choice in favour of an “austere peace” that would be better than a “good quarrel” with the comprador groups.

Meanwhile, the party leaders were sincerely convinced that such a policy would benefit their social base; once in power, the former oppositionists would be able to ensure that paternalist measures were implemented. The ideas of Podberezkin became the official party line. The Communist fraction in the Duma voted to express confidence in Prime Minister Chernomyrdin, and later, voted for the neo-liberal budget as well. In elections for regional governors, candidates from the popular-patriotic bloc headed by the Communists invariably stressed their moderation and professionalism. Other leftists, with neither their own organisation nor mass support, could only watch in dismay as Zyuganov and his associates carried out their march to the right.

40. *Polis*, 1996, no. 4, p. 68

“It is difficult to regard the Communist Party as an opposition,” the newspaper *Nezavisimaya Gazeta* stated late in 1996. The party’s policies were aimed not at bringing about a change of regime, but at improving the way the existing regime exercised power.

A sector of the old bureaucracy, forcibly consigned to so-called opposition, evidently feels that many of its former comrades who are part of the executive power are dispirited at the lack of the prospects for growth to which they were once accustomed, and that they are aggrieved at the quality of the new officials, who are stealing more and more. This is creating the possibility of unifying all the members of what was once a single whole.⁴¹

Meanwhile, the hopes of the population for a more effective paternalism were clearly ill-founded. One of the peculiarities of the new capitalism in Russia is that class compromises based upon it are simply impossible. Even if the Russian bourgeoisie did not consist mainly of criminals and scoundrels, it would still be unable to make concessions to the masses, since the resources for this do not exist.

Antonio Gramsci in his *Prison Notebooks* wrote of parties that are founded in one epoch, but which are later forced to confront the problems of another. If a party cannot find answers to new questions and organise itself to deal with new tasks, it becomes “mummified”. The party bureaucracy turns into

a compact body which stands on its own and which feels itself to be independent of the mass of members, while the party itself ultimately becomes an anachronism and in periods of acute crisis is voided of its social content and left as though suspended in mid-air.⁴²

Such a mummified organisation, however, can exist for years, and can even retain mass support until its “moment of truth” arrives. In Russia the KPRF, which has neither politics nor strategy, has remained the country’s largest party simply because society has not been able to

41. *Nezavisimaya gazeta*, 21 Dec. 1996

42. A. Gramsci. *Izbrannyye proizvedeniya*, v. 3, p. 176. In *Selections from the Prison Notebooks*, Lawrence & Wishart, 1971, p. 211

come up with an alternative to it, while the authorities have been prepared to tolerate it as an “intrasystemic opposition”.

In essence, the history of the KPRF is not unique. Is it not true that the same has happened with Western social democracy in the 1990s? “We need to take a critical look at ourselves,” one of the members of the Duma has stated. “Today we are taking care of the fate of the nation in an imposing hall, in favourable conditions. The opposition is not suffering at all; it is threatened neither by prison nor by police persecution.” While the position of the bulk of the country’s population is becoming unbearable, “the leaders of the opposition are perfectly content with the situation in which they find themselves.”⁴³

Parliamentary practice in Yeltsin’s Russia was distinguished by its extraordinary corruptness, and in this regard the KPRF deputies were no exception. In the State Duma bribe-taking, with the deputies selling their votes for money, was quite normal. As former KPRF deputy Vladimir Semago observed, in an interview with *Novaya Gazeta*, opposition deputies would support any government proposal for a few thousand dollars.

In the last Duma, the only thing you couldn’t have got by lobbying was the reburial of Lenin, or something in this spirit. Or to have the Communists vote against the red flag, or the anthem and coat of arms of the USSR. This would have meant physical death for the entire Communist fraction. But everything else was imperceptible to the electorate.⁴⁴

In assessing the naivety of the electorate, it should be said, Semago was guilty of a certain exaggeration

The parliamentary cretinism of the KPRF has aroused growing irritation in society. The newspaper *Vek* writes:

The gap between the radicalizing masses, who are demanding prompt improvements in their lives, and the moderate, ineffective actions of the KPRF leadership points to a profound crisis of the left opposition. So long as the protest by the population has had

43. *Moment istiny*, 1996, no. 2, p. 1

44. *Novaia gazeta*, 2000, N 30, p. 5

a passive character, the KPRF's turn to parliamentarism has seemed perfectly justified. But the situation in the country is now changing dramatically

The strike movement is on the rise, and its demands are becoming more radical. Why then is the KPRF persisting with its conciliationist line?"

Fear that the State Duma will be dissolved has paralysed the political will of the party leaders, who have reached agreement with the government on all important questions. This has caused a fall in the party's popularity, and as a result the fear of early elections has become even greater. The truth, *Vek* continues, is that

the party apparatchiks are no longer a corps of professional revolutionaries. They are just as scared of mass protest movements as are the members of today's ruling elite. In the view of the KPRF's present-day chiefs, as of their predecessors in the CPSU, 'columns of workers' have only one role to play - that of the crowd of extras before the reviewing-stands of the leadership. There is no need for these columns anywhere else.⁴⁵

The generation gap

The Communist movement is also marked by a clear generation gap. The party leadership has been able to trust only its loyal pensioners, who do not ask awkward questions or launch unwanted initiatives. As one KPRF official observed,

At the level of its base organisations, the party now has two main methods of work: meetings and demonstrations. But party meetings have grown boring even for the oldest party activists, and you couldn't drag younger people along to them even with a rope. The demonstrations are even worse - often the party members have to be brought to the scene of the struggle on stretchers, and then dosed with validol.⁴⁶

45. *Vek*, 1997, no. 11

46. *Pravda-5*, 1997, no. 15, p. 2

A decision was taken to draft all members who were younger than fifty into youth sections of the party. In the spring of 1997 this policy led to an open revolt by the Russian Communist Union of Youth, known familiarly as the Komsomol. "The party leaders want to have youth, but youth in their own image," complains Komsomol secretary Igor Malyarov:

On the one side we see young people who've been brought up in post-Soviet times (and have become left-wing precisely because of this), while on the other side there are party functionaries who look on a computer as a dangerous monster, and who regard Coca-Cola as a symbol of bourgeois decadence. How are they going to find a common language?⁴⁷

Zyuganov's nationalist politics also aroused the sharp disapproval of Komsomol members. As representatives of the youth organisation noted, pensioners might simultaneously be anti-semites and Communists, but if a young person becomes steeped in nationalist ideas, he or she does not head for the Communists but for the fascists. The slogan of a "consolidation of elites" also stirred a hostile response. On the eve of the Fourth Congress of the KPRF, the Komsomol leadership published an open letter to the party chiefs in the newspaper *Pravda-5*, under the title "The time of 'transmission belts' has come to an end." The letter stated:

On the threshold of the conference, the party is faced with a choice: whether to support the real, existing Komsomol, or to continue to have imaginary youth formations in party sections, youth commissions, and organisational committees that represent no-one. Will the party have a real ally and youth reserve, or will it be content with fictions? The choice is up to the delegates.⁴⁸

Malyarov, like other oppositionists, was not even allowed to speak at the congress. The result of the obstruction by the party leadership was that the break between the KPRF and the Komsomol became open.

47. In English in *Green Left Weekly* (Australia), 23 April 1997, p. 19

48. *Pravda-5*, 1997, no. 15, p. 6

This break allows one to hope that a “New Wave” left will appear in Russia as well. But this depends to a significant degree on our ability to draw political, organisational and moral lessons from the preceding defeats. We have to combine politics that express the needs of the modernist “new middle layers” with active defence of the interests of the “corporatist” and “marginal” masses.

The subsequent political course followed by the Komsomol, meanwhile, has not been encouraging. Since breaking with the KPRF apparatus, the Communist youth movement has failed to establish its own identity and to organise itself as an independent political force, vacillating constantly between positions that have been either ultraleft or social democratic, depending on its prospective coalition partners.

Trying to explain the reasons for their own failures, the ideologues of the left have referred to the informational terror which the government has unleashed against them. Aleksandr Buzgalin considers the root of the evil to be “the conformism of the majority of the country’s population”. This conformism, “shaped by decades of stagnation and barely shaken by the years of Perestroika,” has changed its form only slightly in the conditions of capitalist restoration. In order to resist it, leftists must act as “gardeners”, cultivating new individuals, capable of self-organisation, in the “garden” of the mass democratic movement.⁴⁹

This approach, which is very close to Western post-modernist Marxism, could not fail to achieve currency among leftists, demoralised not only by the events of the years from 1989 to 1991, but also by the series of defeats from 1993 to 1996. However paradoxical it might seem, this approach is fully in line with the enlightening traditions of the Russian intelligentsia. However, the “conformism” of post-Soviet society has arisen out of particular social conditions which cannot simply be overcome by education. The problem lies in uniting and organising people as they are, proceeding from their actual problems and needs. This is a task which the Russian left of the mid-1990s was incapable of carrying out.

The mass protests of 1998

Nevertheless, the ideological and social crisis of the regime of capitalist

49. A. Buzgalin. *Belaya vorona*. Moscow, 1993, pp. 174, 204

restoration is opening up certain prospects for the left. A change of generations is taking place, new political experience is accumulating, and most importantly, new group and class interests are being consolidated. This process is going ahead extremely slowly, creating little islands of new politicisation. But however small these islands might be, they represent the only real chance not only for the revival of the left movement, but also for the country's democratic development.

In a certain sense, the mass actions by workers in May and June 1998 constituted a turning-point. The psychological impact of these protests on Russian society has been comparable to that which the French strike of December 1995 had on Western Europe. Blocking major railway lines and highways, rebellious miners forced unexpected concessions out of the government, but the disturbances did not end even after long-delayed wages began to be paid. The protesters were no longer demanding only their money, but also that the president resign. So overwhelming was the hatred for the authorities that even the moderate leaders of the Independent Union of Miners were forced to endorse this call.

The 1998 protests were of course more like spontaneous peasant revolts than the organised actions of a revolutionary proletariat. As the well known left-wing commentator, Vadim Belotserkovsky, observed in *Nezavisimaya Gazeta*, "you cannot demand simultaneously that the authorities both resign and pay wages." The miners' movement cannot attract "genuine solidarity" from other contingents of workers, since it remains corporatist in nature, and does not recognise that it has responsibilities to working people as a whole.⁵⁰ Nevertheless the miners' revolts, coinciding with the student unrest, have provoked a wave of solidarity actions - in the defence industry, among vehicle workers, and among researchers in the institutes of the Academy of Sciences. Even if the authentic class unity of which leftists dream has been absent, a common mood has arisen among workers.

As Belotserkovsky acknowledges, the processes under way among various social groups have set up a broad resonance and have created a new situation. Despite the limited incidence of "real solidarity", the resistance that began during May has

50. *Nezavisimaya Gazeta*, 26 June 1998 51. *ibid*

nevertheless brought serious changes to the psychological climate in the country, changes which can have far-reaching consequences. Compared to previous waves of protest, the May upsurge reached a significantly higher peak, and was more powerful, more persistent and better organised. It therefore shook the confidence of the authorities and of capital that the impact of the old and new regimes has robbed the Russian people of their ability to rise up and defend themselves, and that as a result, it is possible to do to them anything that monetarist theory, the IMF, and the forced-draft construction of capitalism might require.⁵¹

The masses have learnt to resist. Meanwhile the miners, in coming out onto the rails under red banners, have chased away representatives of the KPRF and of other parties. The students also have driven off representatives of the “official” parties; the only political groups with any influence among their ranks are Igor Malyarov’s Komsomol and the picturesque National Bolsheviks of “Eddie” Limonov. The propaganda of the latter features a strange combination of left and right-wing radicalism. The official “left-wing” politicians have been discredited, and are no longer perceived by the masses as “their own”; at best, they are accepted as allies. The new situation necessitates changes within the camp of the left itself. But the changes are occurring slowly, and in the final accounting, the future of the left depends on the masses themselves, on their capacity for consistent struggle, and on the emergence of new leaders.

Prospects

The crisis of 1989-91 forced many socialists to renounce their earlier ideas and values. A painful search then began, with the aim of finding new reference-points for the left movement. In psychological terms, this has been like blundering about in the darkness. But we have been blundering about in a place that we know well. The collapse of the Communist states of Eastern Europe has not so much created a new world system, as it has restored the old state of affairs that existed before 1917, when capitalism was a unified world system. The capitalism of the 1990s is far more traditional and primitive than the system that

51. *ibid.*

existed in the 1960s or 1970s. Nor is the “North-South” conflict anything new for socialists, who are well versed in the discussions during the early years of the century on the “colonial and Eastern question”. Nor is there anything new for Russia about the situation in which the development of capitalism is combined with the survival of pre-capitalist forms, and in which the modernised layers are unhappy at the protests of “collectivist-minded” workers.

Every situation requires its own distinctive approaches and methods. Where tweezers are needed, a spanner is the wrong tool, and the reverse is true as well. The irony of history is that the people who were waving the spanner throughout the 1970s and 1980s now stubbornly urge the use of tweezers. Meanwhile, brute force has to be answered with brute force, and policies of privatisation with policies of expropriation. Is it possible to act otherwise? Perhaps. But anyone who does has to be prepared in advance for an inevitable defeat.

The people who now hold power in Russia can be glad that despite all the regime’s economic failures, an attractive left opposition has not arisen in the country. But this situation can scarcely last for long. Where democratic alternatives do not arise, changes will take place anyway. In the form of enormous convulsions. ●

Jane Hardy

East-West Integration, Inequality and Value Chains in Poland: Rethinking the Core-Periphery

Core and periphery or place, gender and class

The relationship between countries in the European Union and the transforming economies of East and Central Europe (ECE) has been posited as that of a core-periphery. The peripheral economies of ECE have been characterised as continuing to face a long process of restructuring, which is reflected in lagging technologies, the continuing problem of 'old industries' and standards of living which are significantly lower than those in the West. However, taking a wider view it is difficult to discern how we should demarcate the 'core' and the 'periphery', and whether indeed it is a useful guide to the cleavages that are opening up in the process of transformation.

It could be argued that within the ECE there is an emerging core and periphery in that there have been marked differences in the progress and performance of transforming economies. Economies such as Hungary, the Czech Republic and Poland have made sufficient progress in the stabilisation and marketisation of their economies that they are deemed to be eligible for entry to the European Union. In the face of rapid liberalisation in international markets in the last ten years, other countries, however, have faced much more severe problems in readjusting their economies, which has resulted in slow or negative

growth rates, falling standards of living, widening disparities and growing poverty.

Among all these countries Poland has been hailed as the 'tiger economy' of ECE. After the initial negative impact of shock therapy on demand, investment and employment, the macro economic variables would suggest a success story. The growth rate of the Polish economy, 6.1 per cent, was significantly ahead of those of comparable economies such as Hungary (1.3 per cent) and the Czech Republic (3.9 per cent) (EBRD, 1998). Inflation and unemployment have been falling, and privatisation and institutional reforms are deemed to have made rapid progress.

Although it is possible to broadly identify core and peripheral regions within ECE, this still masks differentiation and inequalities within individual economies. In Poland, for example, there are marked disparities between the performance of different regions (OECD, 1997: 98). The Dolnoslaskie region (Lower Silesia) in the West of Poland is regarded as relatively successful along with other areas, such as Gdańsk, Poznań and Kraków, in that they have already demonstrated the highest potential for restructuring and relatively quick adaptation to the new conditions (Szlachta, 1995; Gorzelak, 1998). It has been suggested that they are the leaders of Polish transformation with relatively low unemployment, a well educated workforce and developed infrastructure, and a concentration of academic and scientific potential. Privatisation processes are the most progressed, foreign capital is the greatest and the growth of the service sector the fastest in these regions. Gorzelak (1996) points to a central European boomerang delimited by the following areas: Gdańsk, Poznań-Wrocław-Prague-Brno-Bratislava-Vienna-Budapest with the eastern wall becoming the dead end of Europe (OECD 1996: 98).

The focus of policy makers has been on how to reduce the disparities between East and West Europe, and between and within different economies in ECE. Initiatives have come from within these economies mainly reflected in their policies towards foreign investment and the creation of Special Economics Zones (SEZs). Financial help has come from EU programmes such as PHARE, particularly regarding regions with high structural unemployment. Furthermore, initiatives from individual Western countries have identified weak or ambiguous

local governance as a primary reason why some economies remain peripheral and have made slow progress with transformation.

This paper, however, argues that the notion of core and periphery posits a crude dualism which does not capture the form of emerging divisions and inequalities in ECE and is therefore an inadequate guide to policy making. First, this analysis sees inequalities as forming a part of a much more complex mosaic. Second, it is argued that in order to understand this mosaic it is necessary to look at the extent to which regions and social groups are included or excluded from the value chains of firms.¹

In order to explore this argument, this article begins by deconstructing the notion of Dolnoslaskie as a successful region. Dolnoslaskie (Lower Silesia) lies to the West of Poland and forms the border with the Czech Republic and is one of the twelve new Voivode created in January 1999. It contains four sub-regions: Walbrzych, an area dominated by now closed coal mines; Legnica, also a monoculture based on copper mining; Jelenia Góra, a more mixed economy with textile and chemical firms; and Wrocław (formerly Breslau) the largest and most industrial area with firms which were national icons, significant foreign investment and a highly diversified economy.

Selected local statistics illustrate the uneven impact of transformation. Table 1 indicates that unemployment has disproportionately affected people in terms of educational background and age. It can be seen that those with only basic vocational qualifications make up a significant percentage of the unemployed. This is partly because employers prefer to recruit those with a higher education, but also because there is a lag in the education system whereby training may be unsuited to new jobs in the labour market. The statistics on age, however, need to be treated with some caution in that although they show young people as comprising the largest group of unemployed,

1. This theoretical framework is drawn from a collaborative paper authored by A. Smith, A. Rainnie, M. Dunfird, J. Hardy, R. Hudson and D. Sadler entitled 'Networks of value, commodities and region: reworking divisions of labour in the New Europe' which is currently under consideration for publication.

older workers are also disproportionately effected. Figures on the unemployment of older workers are understated because in this age range they are likely to have been given either early or sickness retirement.

Table 1. Percentage of unemployed by education and age in Dolnoslaskie, 1998-2000

education	tertiary	secondary vocational	general secondary	basic vocational
1998	1.4	20.9	5.8	37.1
1999	1.7	20.9	5.4	37.4
2000	1.7	21.3	5.7	35.9

age	under 24	25-34	35-44	45-54	55 & above
1998	28.1	25	27.8	16.9	2.2
1999	28.5	24.3	26.8	18.3	1.86
2000	26.9	24.6	26.2	20.1	1.92

Source: Adapted by author from Statistical Bulletin of the Dolnoslaskie Voivodship, the Statistical Office in Wroclaw: 33, August 2000

Further, Table 2 shows wide variations between sub-regions. Contrast an unemployment rate of 6.2 per cent in the Wroclaw municipality with 19.6 per cent in that of Walbryzch. A further distinction is between the Wroclaw municipality, the capital of the region, which has a rate of 6.2 per cent, and the powiat (sub-region) as a whole, which has a rate of 11.6 per cent. This suggests little 'trickle down' between the capital of the region and the small towns in the outlying areas.

Figures relating to gender were not included in the official statistical bulletin of the new region from 1999, but figures from 1997

Table 2. Unemployment by voivode (region) and powiat (sub-region).

Geographical unit	Unemployment rate
Dolnoslaskie Voivodship	16.6
Cities with the status of powiat	
Jelenia Gora	11.9
Legnica	17.1
Walbrzych	19.6
Wroclaw	6.2
Selected Powiats	
Wroclawski (lowest unemployment)	11.1
Polkowicki	15.4
Walbrzyski	28.3

Source: Adapted by author from the Statistical Bulletin of the Dolnoslaskie Voivodship, the Statistical Office, Wroclaw: 116, August 2000

shown in Table 3 indicate that women are comprising a growing proportion of the unemployed. This is consistent with other research in ECE which shows that women are disproportionately unemployed and encountering difficulties in finding new work. (Einhorn, 1993; Hubner, 1993; Czerny, 1998, Ruminska-Zimny, 1999)

Therefore although Dolnoslaskie can be regarded as a success story at the level of the voivode, the figures indicate very different employment opportunities depending on age, class and gender.

Value chains and circuits of capital

It has been suggested, then, that the notion of core and periphery can be taken only as a very rough guide to the emerging divisions in the transforming economies. The statistics in the previous section illustrate

Table 3. Unemployment by Gender, Wroclaw, 1997

	Year	Total	% of total unemployed
Total	1995	54893	
	1996	46393	
	1997	35833	
Men	1995	21654	39.9
	1996	15718	33.9
	1997	10891	30.4
Women	1995	33239	60.1
	1996	30675	66.1
	1997	24942	69.6

Source: adapted by author.

the way in which disparities relate to the micro-spatial, gender, age and class impacts of transformation. In explaining these disparities the analysis accords a central role to foreign direct investment and western producer networks in determining how far and in what ways firms in particular sectors may be integrated with European or global networks of firms. Foreign investment is vested with talismanic powers in terms of bringing jobs, income, local multiplier effect on localities and raising the technological and managerial know-how in individual firms, thus adding to the stock of local human capital. The figures suggest a positive correlation between the level of foreign investment and the level of progress and developmental potential, with those economies and regions deemed to be 'peripheral' in the East of Poland largely excluded from the circuits of foreign capital. However, the impact of foreign investment and the way that firms are locked into wider networks is often treated uncritically.

The present article takes as its starting point the need to understand the unequal value flows associated with different forms of economic activities in different localities that underpin these mosaics of regional inequality. Critical engagement with the notion of commodity chains and commodity networks provides a way of thinking about the disorganisation and reorganisation of economic activity and value creation. It is the organisation of the production, appropriation and realisation of value flows and the various forces that impinge upon this process, such as state governance, labour organisation and corporate practices, that are fundamental to understanding the (re)configuration of economic activity in an increasingly integrated Europe. An analysis of value chains gives some insights into the reorganisation of production systems and processes of regional development and integration and disintegration.

Gereffi et al (1994) have described global commodity chains as 'sets of inter-organisational networks clustered around one commodity or product, linking households, enterprises and states to one another within the world economy'. In particular, the focus on value creating activities within chains of commodity production, distribution, sales and consumption enable us to link the place of firms within such chains to the fortunes of regional economies and the different groups within them.

This analysis is one that reads commodity chains as embodying value created through the labour process and realised through exchange (Appadurai, 1986). The chain of commodity production and selling thus becomes one in which the organisation of such chains enable increases in productivity, reduction in the value of labour power and reductions in the turnover time for capital to enhance the extraction of surplus value. The next section² looks at how Polish firms in Dolnoslaskie have been integrated with the commodity chains and

2. The empirical material in this section was gathered as part of a project funded by the ESRC 'One Europe' Initiative (with the Universities of Sussex and Durham). The material on working in foreign owned food retailers was gathered as part of a Nuffield-funded project on work and gender in Poland (with Alison Stenning, University of Birmingham).

production networks of foreign firms. The sectors on which the analysis draws are the three leading sectors which are locked into the networks of Western producers of goods and services, either by direct investment in the case of vehicles and food retailing or subcontracting in the case of textiles.

A tale of three sectors

1) *Textiles*. The pattern to emerge in Polish textile firms in Dolnoslaskie was consistent with the restructuring of textile production in Western European economies through the outsourcing of parts of the production process to relatively low cost wage areas in ECE (see Pavlinek, 1998; Begg and Pickles, 2000; Smith et al, 2000). This outward processing regime is characterised by the western producer overseeing the design and specification, marketing, retailing and overall management of the production of clothing. Western producers co-ordinated the import of all the materials from the fabric to the buttons into Dolnoslaskie and then organised the export of the commodity back to Western Europe. These arrangements have transformed the relations between EU and ECE countries. For example, EU countries imported 18 per cent of their total non-EU clothing imports from ECE countries, and this is reflected in the fact that textiles account for 10.7 per cent of Polish exports in 1999 (GUS: 353). Regions of the ECE have provided western producers and distributors with ready access to production sites with much lower costs than those in Western Europe and the EU. For example, Scheffer has argued that labour costs account for 60 per cent of total costs in the clothing sector and countries in ECE were able to produce such commodities at a rate of under 0.25 DM per standard minute, compared with at least 0.35 DM in the UK and 0.75 DM in Germany, (Dicken, 1998).

Since 1945 there have been a large number of clothing firms in the Dolnoslaskie region but from 1990 onwards they faced problems with a declining domestic market and raising capital for even limited modernisation or updating. There are two markets for clothing in Poland, reflecting the increasing polarisation of income and standards of living. First, the high price, high quality and designer goods market, which is highly competitive and dominated by imports, and second the market for inferior cheap goods which is supplying the grey, illegal economy.

Nine out of eighteen of the firms in the survey subcontracted between 80 and 100 per cent of their production to the European Union. This did not reflect any historically established arrangements, rather most of the relationships had been established in the early to mid 1990s. However, winning contracts on a permanent basis was extremely competitive. German customers (or in one case a Polish trade firm) in the first instance placed orders with several firms to see how far they could deliver on price, quality and flexibility. While all firms could deliver a low price, customers demanded a high level of flexibility and speed in terms of turnover time for orders, and while runs of 3,000 were considered to be long, orders of twelve items in four colours and three sizes for example were common.

All firms had experienced fluctuations in orders and, in order to deal with this uneven workload and keep their firm running at full capacity, the more simple tasks and longer runs were subcontracted to other firms in the locality with whom they had cooperative arrangements. Similarly, they would take work from other firms if they had spare capacity. Therefore there was another layer of even smaller firms, some based in people's homes, even lower down the value chain which took up the slack. All firms claimed to be working on very low profit margins which was the reason given for the low wages earned by the women seamstresses, which averages at 900 zloty (£160) per month. The work was very intensive and had become more so.

Not only were firms highly dependent on the German market but they were also tied into one customer and were therefore actively trying to diversify markets. However, despite upgrading the marketing and sales functions within the firms by employing more qualified people, none of them had succeeded in expanding into other markets to more than 20 per cent of their output. All firms interviewed knew about ISO 2000, and some were 'working towards it'. However, none of them could afford the consultants fees necessary to achieve the certificate.

These companies provided an example of firms that, from the mid 1990s onwards, had become locked into a highly dependent relationship on (almost) the lowest point of the value chain on the basis of unskilled, low paid and highly exploited women workers. In order to survive, firms had to be locked into the networks of western producer and it is doubtful that those outside these commodity chains will be

able to successfully restructure and survive, given their lack of access to markets and finance for investment.

What do these emerging sets of relations in the European clothing sector mean for our understanding of the production and allocation of value? Following Smith et al (2000), clothing firms in Dolnoslaskie (along with other regions in ECE) are locked into outsourcing arrangements with low-wage oriented production resulting in low levels of local value appropriation. Network organisers, who are producers from the western economies, appropriated the largest share of surplus value, with little control over production by Polish firms and a high degree of dependency on the western partner. The high value design, marketing and retailing activities remained in Western Europe with no evidence of transfer of design knowledge. The centrality of low wage costs meant that there was constant pressure on firm to intensify work, in response to the constant threat of being undercut by competitors in the region.

2) *Vehicles*: Value chains in the vehicle industry were more complex. Within Poland there has been major foreign investment in both the assembly and production of vehicles, which includes the presence of Fiat, Daewoo, General Motors and Volvo. In 1999 one third of Poland's 155 large enterprises manufacturing automotive components were owned by foreign investors, including GKN, Michelin, Goodyear, Bosch and Toyota .

Within the Dolnoslaskie region we can point to examples of three different ways in which firms are locked into value chains. First, the case of a foreign company stripping out a State Owned Enterprise (SOE) to produce one low value metal component for brake shoes for the foreign investors global network. In this case the firm became specialised but highly dependent with regard to its customer. The problem facing Polish component producers has to be seen in the context of the new relationship between car makers and co-operating firms that has emerged over the last three years. The search to reduce costs at every stage of manufacturing a car has resulted in the concept of the assembly of modules (complete dashboards, seats, doors). One of the weak points of the firms from the Polish sector supplying components to the automotive industry is the relatively small scale of production which

prevents them achieving high production runs and which results in higher unit costs. Problems include the absence of vertical ties and the possibilities of specialisation with products being made by several competing firms and minimal participation in sales on international markets. High demands were made upon suppliers which needed to demonstrate good financial conditions, a clear ownership structure, quality measures (ISO 9000 and VDA 6) and an ability to supply just-in-time. The problem of 'catching-up' for Polish firms is illustrated by the fact that in 1999 only 25 per cent of large domestic suppliers had ISO 9000 certificates.

Second, there is the case of VW, which has relocated production with a high technological content in producing engines in Polkowice, a Special Economic Zone near Legnica, in order to lower costs. All components were imported and the finished products were exported to the nineteen VW plants throughout the world via Germany. The third case is Volvo, which is regarded as a flagship investment in the region, because while they started with the simple assembly of trucks and buses in the early 1990s, in 1997 a decision was taken to locate all European bus building in the Dolnoslaskie region of Poland. This has generated significant employment with the creation of 2,000 jobs over a seven year period. Furthermore, it provides 'quality jobs' in wide number of areas, ranging from production to sourcing, logistics and finance. Multiplier effects emanate from Volvo's policy of sourcing bottleneck components (seats, mirrors) within a 100 km radius. Nevertheless it should be noted that the processes which embody the highest degree of technology (i.e. the production of engines) still takes place in the home country.

These three investments have differential effects. In the first case, the firm is locked into global networks producing a component at the bottom end of the value chain and in a highly dependent position. In the case of VW, the investment is likely to have a strong demonstration effect as other suppliers look to relocate in order to reduce costs. Volvo relocated large parts of its value chain in the locality which has had beneficial effects in terms of direct and indirect job creation and upgrading human capital. However, this investment is a zero sum game in two senses. Set in the context of restructuring of Volvo's global network, the corollary of relocating production in Wrocław has been

the closure of five plants in the rest of Europe. Furthermore, the entry of foreign investors into the Polish bus and truck market has implications for domestic producers. Thirty kilometres from the Volvo plant is Jelcz, the former giant producer of buses and trucks and a national icon. This firm faces severe difficulties in competing with firms that are global players, in that they lack the accrued advantages and economies of scale of foreign competitors, by not having the networks of maintenance and distribution centres necessary for selling into Western European markets. Further, Volvo are better able to realise surplus value and win contracts by providing additional services such as finance and complete transport planning for cities and towns.

Poland, and particularly its western regions, is emerging as new territory on which automotive firms are operating to reduce costs and to insert production into their global networks, with adverse competition effect for indigenous firms and job losses as a result of the relocation of production from high cost centres in Europe.

3) *Food retailing*: Changes in the food retailing sector within Poland and in the Dolnoslaskie region have to be understood in the wider context of the restructuring of the European food retailing industry. This has been characterised by a series of mergers leading to higher concentration, internationalisation and diversification in the face of intensified competition. In the late 1980s and early 1990s Southern Europe was the target for acquisitions, followed by ECE from the mid 1990s onwards, with PAIZ reporting foreign investment in the Polish trade sector as exceeding 2.1 billion USD by 1999. Although acquisitions by foreign retailers in Poland started in 1991, 1995 saw an acceleration of the pace of development of foreign food retailers, in particular French, German and British investments in supermarkets and hypermarkets. By 2000 it was estimated that their share of sales of foodstuffs exceeded 40 per cent of the market. Within the Dolnoslaskie region these developments have been concentrated in or near the Wrocław municipality. Since 1996 three large supermarkets/ hypermarkets have opened within the city (Carrefour, Leclerc and Hit) with two large out of town developments with British and French supermarkets at their apex. From the point of view of this debate, there are three implications for inequality, integration and exclusion.

First, there is the impact on smaller shops - as many as 91 per cent of Polish shops are small outlets with a floor area of up to 50 metres. The experience of the growth of supermarkets in all other European economies has been the parallel decline of small and medium sized shops that cannot compete in terms of the price or the range of goods. Low levels of car ownership and rising levels of poverty may have the impact of excluding or at least reducing the access of sections of the population to purchasing cheap and varied food.

Secondly, restructuring has had a profound impact on supply chains. In particular, the big multiples centralised their buying function from the mid 1980s, which fundamentally altered the balance of power between retailers, their suppliers and producers. Large retailers not only negotiate volume discounts from suppliers but also obtain other benefits from manufactures of branded goods, including charging them slotting allowances for access to prime space, and 'market development funds' to pay for local advertising and in-store displays. Arms-length buyer-supplier relationships have given way to powerful retailers using preferred suppliers who may in turn subcontract, creating a supplier hierarchy. The retailer exercises detailed control over the production process such as dictating the technology required and providing exact and exacting product specifications.

In Dolnoslaskie, Foodco was one of twelve stores in Poland. The firm operated a system of different tiers of suppliers, ranging from those goods that were sourced internationally, through those goods where one or two national firms supplied all stores, to those goods such as fresh produce that were sourced from local suppliers. Foodco aimed to develop special and closer relationships with particular suppliers with whom they would develop long term contracts and work with to increase the quality of organisation and production. The likely outcome on local suppliers is a decrease in the number of suppliers and the emergence of a smaller number of preferred suppliers. The extent to which the emergence of buyer-driven supply chains will impact on local suppliers and indigenous producers is ambiguous. The losers may be branded Polish manufacturers and suppliers of fresh produce, excluded from partnership and long-term supply relationships, along with the reduction of wholesale markets.

A third, less ambiguous impact of the arrival of foreign food

retailers, however, is on the nature of work and employment. The intensification of competition has forced firms to focus on their largest single item in their operating costs, namely wages (Bares et al, 1999). In Western Europe, the rise of service sector employment in areas such as retailing has created new opportunities for women to work. Whereas in ECE and Poland work was generally full-time, investment by foreign food retailers has brought changes in employment practices by introducing part-time, flexible work. It is argued by some that this new type of work offers better opportunity for combining work and household responsibilities and part time work is an active choice (Walsh, 1998). A cross-European study of women in the food retailing sector (Perrons, 1998), however, argues that this represents a new form of precariousness, while flexibility is in the interests of the employer. The greenfield investment in the foreign-owned retail sector offered the possibility of introducing western European work practices from the beginning, without having to negotiate with unions or change long established routines. Access to managers or workers in foreign-owned Polish food retailers was almost impossible because their employment practices have been highly controversial and the subject of much public criticism. Foodco had introduced flexible work patterns and staff were brought in and out of the store as demand dictated and attitudes to flexibility, particularly with regard to unsocial hours, were a central part of the interview and appointment process. After opening in 1998 a number of staff were given permanent contracts which were then retracted.

Apart from managers and department managers, all workers were on fractional contracts. The Polish Labour code states that a full time contract is 176 hours per month and any additional hours worked have to be paid at an overtime rate which is 50 per cent higher than the normal hourly rate. Foodco gave workers contracts which were 50 or 75 per cent of a full time contract, and they could then be asked to work additional hours but at normal rates of pay which kept labour costs down and maintained a high degree of flexibility. Schedules and rotas were changed every month to fit with the expected level of demand and the number of hours and times worked on a daily and monthly basis varied considerably from one month to the next. Hours worked varied daily from four to twelve hour shifts. There is no regular pattern within the shift system and one woman complained of working 88 hours one

month and 130 hours the next. This flexibility and variation was not driven by the employees, but by the employers, taking little or no account of the women's desire, need or availability for work. Part time work was not an active choice but the only contract on offer for the majority of workers. No account was taken of the distance travelled for work, such that one woman travelled 40km for a four hour shift whilst another who lives in close proximity to the store was allocated longer six hour shifts.

The management structure offered opportunities for educated women (and men) on company training schemes. However, there was an upper age limit of twenty-nine which precluded educated but older women and entry was highly competitive. In 1998/99 there were six hundred applicants to become management trainees, fifty were tested at the Polish headquarters and six were eventually selected. Jobs in firms with foreign investment were especially attractive for men and women with higher education. For them, companies offer good career prospects, including higher wages and also training opportunities and the possibility of learning western style management techniques. This labour segment is, however, narrow and competitive and the best jobs specify young people between 25 and 30, most often with degrees in economics or law and fluent in a foreign language.

Contesting value chains

A major limitation of the commodity chain literature concerns the role of processes external to the particular chain under analysis but internal to the site of production. A first concern is that the state is treated as no more than a contextual backdrop, the aggregate of a set of specific institutional features which characterise a particular capitalism. However, at the national level the state is a vital player as an agent of value chain governance, particularly through industrial and regional policies and specifically those relating to foreign direct investment. States are active in the formation and restructuring of capital and resolving conflicts between different fractions of capital.

Second, there is also a significant lack of attention to labour process dynamics, workers and conditions of work within the sites of production. Organised labour has an important impact, at least potentially, on the locational decisions within and between countries,

thereby determining in part the geography of activities within the value chain. Thus a more systemic analysis of the relations between capital, the state and labour in production, circulation and the realisation of commodities is required.

A third concern about value chain analysis is that it has little to say about regional and sub-national processes because of the focus on international dimensions of chains. For example, Appelbaum et al (1994) examines the geographical structure of the world's economy and argues that 'the crucial discussion between rich and poor countries is in the relative value of commodities produced in each area'. Koreniewicz and Martin (1994) examine the distribution and production of range of commodities across three zones within the world economy – periphery, semi- periphery and core – and find divergent distributions contributing to underlying patterns of cross-national economic inequality. However, this is a rather crude typology and there is no reason why commodity chains should not have a national or even local constitution.

The approach of the state in Poland has been highly variable in relation to different sectors, and while it has actively attempted to intervene in and restructure value chains in some industries, others have been left to the chill winds of competition. The Polish Government has been active in attempting to restructure the Polish vehicle industry by launching a long-term programme for the automotive sector. This programme was initially designed to save domestic manufacturers of vehicles: the FSM car factory in Bielsko-Biała, the FSO factory in Warsaw, the Star factory manufacturing lorries in Starachowice and the car factory in Lublin. The programme was also intended to ensure the survival of the components industry, which was an ambitious aim given the huge debts and problem of overproduction. The system offered tax relief for investments launched within Special Economic Zones, customs protection and duty free quota on car parts and components. Foreign investors in return were required to increase the share of Polish-made parts in manufactured cars to 60 per cent. The implementation of the second stage, supervised by the Ministry of the Economy, offered a similar round of incentives, the effect of which was to increase the entry of foreign investors and intensify competition faced by domestic producers. The Polish government has tried to negotiate local content but this has amounted to exhortation rather than constituting a pre

condition of entry.

Despite the large influx of foreign investment in food retailing from 1996 onwards, this sector has attracted little interest at the national level. Negotiations for entry and location have been primarily at the local level which has been the main institutional focus. Within the Wrocław municipality in Dolnoslaskie, the location of super- hyper markets has been controversial, with concerns by the municipality that communities will be undermined and access to food purchases restricted by the closure of small shops. However, a lack of consensus and cohesion in local governance meant that other agents in the locality, in particular those that owned or controlled SOEs, were willing to sell land for development. By 1999 there were concerns at a national level that the introduction of flexible practices in food retailing has contravened the spirit if not the letter of the Labour Code and that employees were working in poor and exploitative working conditions.

The clothing and textile industry has also attracted little attention at national level. In the early 1990s, while large subsidies were given to heavy industries with political clout such as mining and steel, less prestigious sectors such as textiles were exposed to the full rigours of market forces. Female employment in Łódź, for example, was devastated as a result of the collapse of the textile industry. As we saw earlier, clothing firms in Dolnoslaskie were either isolated and struggling to find new markets or were locked into the value chains of German producers. There was evidence of attempts at a local level to promote the industry, with the development agency in Jelenia Gore actively encouraging firms to attend trade fairs. However, there was no evidence that this produced tangible results in terms of new contracts. Further, small and medium-sized clothing firms were precluded in practice from accessing funds from the EU. For example, they were unable to take advantage of PHARE funding that was available in the area because they did not have the necessary financial resources to match the EU funding or to employ the consultants who were part of the package.

Workers have also been an important factor in acquiescing with or contesting value chains. In the case of VW, for example, the decision to relocate from Germany to Poland was delayed by lengthy negotiations with unions in Germany who secured an undertaking that there would be no reduction in employment. The unions in the five plants closed by

Volvo elsewhere in Europe, however, were insufficiently strong to prevent the relocation of production, while in the home country a long tradition of corporatism has at least contributed to high value added operations remaining in Sweden. Both food retailing and textile firms in western producer networks were based on employing women workers in low paid and intensive work, where there were no trade unions to take up individual or collective grievances. Managers in both sectors expressed concerns that the presence of trade unions would interfere with their 'right to manage', and in the food retailing sector hostility to trade unions was evidenced by the fact that Solidarity had taken one firm to court for sacking an employee for joining a union.

Conclusion

The research suggests no obvious blueprints or sets of policies to reduce the emerging inequalities both between or within ECE economies. What it does argue is that the core-periphery distinction is a clumsy tool for understanding the complex mosaic of inequalities that are emerging as a result of economic disintegration and reintegration. By examining a region that is deemed to be successful, it has been argued that integration with global networks can have highly differentiated effects within the same geographical region. There is no doubt that the relocation of all or part of the value chains of Volvo and VW have brought permanent full-time jobs paying at least an average industrial salary for Poland. The main beneficiaries of this new employment have been skilled men under thirty. The multiplier effect, with the relocation of more suppliers in the region, is likely to bring more employment for the same group of people. However, this offers few opportunities for either less skilled or older workers laid off from SOEs who are disproportionately facing unemployment as we saw in Table 1.

Employment offered in food retailing is the only new opportunity that has opened up for older women, or young women without higher education, and these are low paid, part-time jobs where flexibility is in the interests of the employer. Clothing firms are competing to be locked into the networks of western producers, on the basis of the price, quality and flexibility of their product, which translates into low and stagnating wages and an intensification of work for the women who work in these small firms.

Addressing these issues presents a formidable challenge for policy makers at all levels and for trade unions. The main conclusion is that a more nuanced approach is necessary to devise appropriate measures to reduce inequalities and which takes more account of the impact of differential distributional effects brought about by integration with the networks of western producers. It is clear that Special Economic Zones and foreign investment are not a panacea for reducing inequalities or an automatic engine for local development.

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Peter Gowan

The EU and the Unsettled Future of the East

The aim of this article is to explore the underlying dynamics of change in what used to be called Eastern Europe and the roles which the EU is playing and could play in shaping these dynamics. We will focus upon the emergence and evolution of two zones: the five states bordering Germany and Austria – Poland, the Czech Republic, Slovakia, Hungary and Slovenia – which we will call the *frontier belt*; and the states of South East Europe (SEE) – the republics of former Yugoslavia (except Slovenia) and Albania, known now together as the Western Balkans and Romania and Bulgaria. We will treat the Former Soviet Union states as context. Although our concern in examining Western actors is with the EU and its main member states, the United States plays such a central role in the political shaping of contemporary European affairs that we must also examine its goals and behaviour.

The EU member states and institutional instruments and the United States have not been external spectators in relation to the dynamics of change in the East. They have both constructed much of the policy agenda for actors within the region – in both politics and economics – and been able to influence the balance of conflicting

forces within the region.

We will therefore begin by very briefly characterising what we may call the programmatic concerns (as opposed to more transient tactical objectives and moves) of the main Western actors in the region since the retreat of Soviet/Russian power and the collapse of single party Communist rule. The basic programmatic goals of both the EU states and the US have, we consider, remained fairly constant within the region over the last decade. We will then briefly trace the evolution of the two regions in the East, before looking in more depth at the structural dynamics in each region. Then, after scanning the wider context we will be in a position to examine the policy dilemmas facing the West European states and the EU as they address the major challenges in the region in the next decade.

Part 1. Western Strategies and the Bifurcation of Eastern Europe

The Atlantic powers and Soviet Bloc collapse

Most of the policy of the Western states towards the East is processed through multilateral organisations whose deliberative bodies conduct their business in more or less total secrecy. As a result we remain ignorant of a great deal concerning the key concerns and conflicts of policy and interest amongst the main Western powers. But certain broad programmatic themes can still be detected. We will schematically sketch out their main lines as well as the main policy instruments available to each of the main Western actors.

The United States

The US does not have major national economic objectives in either the frontier belt states or SEE, except that of ensuring that its capitals are given a 'fair share' of opportunities there by the EC and local states. It does have major economic objectives in the former Soviet Union, especially its 'vital strategic interest' in gaining preponderant political influence over the Caspian oil region and over energy routes from there.

It would also have major national economic objectives within Russia insofar as Russia opened its economic assets up widely to Western interests.

The overwhelming American programmatic goal vis a vis the former Soviet Bloc lies in the geopolitical field. The collapse of the Soviet Bloc destroyed the main (though by no means the only) material basis for US political dominance over Western Europe, namely, Western Europe's strategic dependence on the US nuclear arsenal in the context of a possible European conventional war which the USSR could win. The collapse of that strategic dependence effectively undermined the international political system of Western Europe.¹ We may call that system the Atlantic framework. It was a hub-and-spokes system of US dominance in which each of the main West European states' most important political relationship was that of subordinate alliance with the US.

The collapse backwards of Soviet/Russian power has placed at the top of the pan-European political agenda the task of constructing a new European international political system – a new international power structure replacing the bi-polar, two-bloc structure. The shape of that new power structure depends upon what happens in the land between Germany and Russia and between the Baltic and the Black Sea.² Will that space be filled at least partially by a newly constructed autonomous West European political centre, projecting its own power eastward into the former Soviet zone of influence?³ Or will the United States use its assets effectively to rebuild its European political hegemony by dominating the whole Western expansion eastwards and preventing a politically unified West European force from challenging it? This has been the overriding concern of both the Bush and Clinton administrations and it has played a fundamental guiding role in the US's strategy and tactics in the East.⁴

The US has a whole range of assets which it has been able to use to further this campaign: its overwhelming military capacity, dominating the Mediterranean, SEE and the Black Sea as well as Western Europe, with huge associated bases, logistic and intelligence assets; its institutional power through the NATO unified command, its powers over the debt problems of the Eastern states, its ability to play upon a long history of divisions and rivalries and jealousies amongst the West

European states, its huge media capacity and its ability to give or deny access to markets under its control to major West European companies. Finally and very importantly, the US has a formidable executive apparatus with a trained and extremely sophisticated cadre of dedicated public officials, with a cohesiveness, capacity for manoeuvre, élan and energy in an entirely different league from those of the West European states, not to speak of the Commission. This cadre is also able to co-ordinate its campaigns easily with the major US business, media and financial leaders.

The main West European states

When the Soviet Bloc collapsed the main West European states were unified as a political-economic bloc but not as a political-military centre. They were deeply preoccupied at the start of the 1990s with a twin-track reorganisation of the West European political economy and at the end of the 1990s they remain deeply pre-occupied with this twin-track reorganisation. The major West European powers, *including Germany*, have had an economic programme for the East which has been a *subordinate effect of and adjunct to* the goals of their twin reorganisation project within Western Europe.⁵

We must then understand this twin-track project to understand these states' economic objectives in the East. The project was provoked first by the crisis of the Atlantic economies that began in the 1970s and then by the drive by the United States to construct a new international economic regime marked by the ending of capital controls, the rise to dominance of American-centred international private finance and a dollar-based international monetary system.

In response to this challenge the West European states decided to cooperate using the EC/EU to carry through two deep transformations: first to both adapt to the new American-led international regime and to shield Western Europe from its dangers through a drive for a single market and monetary union; and second, to engage in a fairly drastic reorganisation of class relations and state forms in Western Europe to enable the capitalisms of the EC to compete with the US and the Pacific Rim. These changes within the EC, involving a withdrawal of economic security for large parts of the population, rising unemployment and the erosion of social and welfare rights has involved

great internal social strains and conflicts and these continue.

There were fears among some that Germany might drastically modify its commitment to the twin-track project and develop a major new accumulation strategy accented towards the East. This might have happened if the Soviet Union had stayed together, if there hadn't been a gigantic slump in Eastern Europe, and if the costs of Germany's own shock unification had not been so severe. But it did not happen. From early 1990 Chancellor Kohl made very clear his continuing dedication to the twin-track project as the governing accumulation strategy.⁶

What did also happen was that both East and South East Asia and then also the American economies great with enormous dynamism (in contrast to Western Europe) during the 1990s, acting like magnets on the biggest internationally oriented West European capitals, making them turn feverishly towards attempting to gain strong bases in these two regional value-streams.

These factors, then, guided the EU states' economic programme for the East. In other words the programmatic question has been: how can the economic resources of the East serve and further the twin-track project for making Western Europe the most dynamic centre of capital accumulation in the world? The second question was: how to ensure that economic relations with the East do not in any way exacerbate both the economic costs and the social (and political) tensions involved in the twin-track project?

The answers to these questions can be summarised briefly:

- 1) The East should be opened to EU exports and market-seeking FDI, and to some extent as a production platform for export-oriented, labour-seeking FDI by European capitals. It could also be a useful supplier of raw materials imports. But Eastern economies should not be allowed to impose any restructuring whatever on West European industry or agriculture through competitive intervention in the EU market. The whole restructuring effort and burden should be placed on the East.
- 2) Western Europe should be shielded from migration and refugee pressures from the East and should not face a heavy drain on budgetary resources eastwards.

In the political field the objectives of the West European states were far more modest, of course, than those of the Americans. There was no hint of a West European inclination to challenge the United

States as a global political bloc. But the following programmatic political goals can be distinguished:

1) For Germany, there has been a fundamental political goal of constructing a belt of friendly and stable states along the Eastern borders of Germany and Austria. These should, at the very least, act as shock absorbers in the event of disturbances or threats to the East and South East. And at best they could become a fairly prosperous Eastern periphery.⁷

2) France, faced with German unification, was determined to assert itself as a major European power by using its substantial (in European terms) military assets and its seat on the UN Security Council, but to use these assets in close alliance with Germany and in leading the rest of the EU states. This French concern dovetailed with a German desire to lock in its Western neighbours politically as well as economically with its own orientation as tightly as possible and to do so through its link with France.⁸

3) There was also a desire within many of the West European states to end their often extremely humiliating external subordination to the United States on a regional level and to acquire the capacity to shape their own external environment by means of power projection, if not in the Mediterranean, then at least in the new Eastern periphery. This laid the basis for something almost entirely new in post-war Western Europe: the construction of direct political linkages amongst the EU states not passing through Washington and even to attempts at external political initiatives. The construction of the Euro has greatly strengthened this tendency to turn at least Euroland into a genuine political caucus.

4) A number of events during the 1990s have led to a growing perception in Western Europe that giving the United States an entirely free, hegemonic hand for its pan-European political operations can also generate security risks for Western Europe: the Bush administration's playing of the Bosnia card in 1992, the Clinton administration's sabotage of the Vance-Owen Plan in 1993, the manipulation of Western Europe in the run-up to the NATO Kosovo war and the hair-raising US tactics in that war, aspects of US behaviour towards Russia, the US's adventurist drive in the Caspian, the current project for a strategic missile defence etc. All these are causing concerns in Western Europe with implications

for policy towards the East.

Overwhelmingly the most important ensemble of instruments for pursuing all these West European economic and political objectives has been the EU. In the economic field it is no longer just a goods trade regime: since the Single Market it can exert a powerful pressure on external states on its perimeter to reorganise their entire pattern of accumulation or face wholesale exclusion by the EU. It has also rapidly developed collective instruments for controlling population movements, for developing a quite sophisticated collective economic statecraft and for engaging in what may be called human-rights-and-democracy statecraft. It has a substantial aid instrument and since 1989 it has developed a whole range of conditionality tactics. The EU has, however, failed to build a cohesive political centre (either in a federal form or as a security bloc) which can engage in manoeuvres in the political-military field, involving the threat or use of military coercion. This is not a technical/ administrative failing but a political one, resulting from both US hostility and internal political rivalries and suspicions within the EU. The military deficits of the EU states have a similar political source. The EU has remained overwhelmingly not only an instrument of economic statecraft (based mainly on its capacity to control access to its market) but one geared only to collective mercantilist interests rather than distinctive (as opposed to US driven) political goals.

The bifurcation of Eastern Europe into two zones

We can now turn to a summary survey of the transformations in the frontier belt and in SEE, examining how these two regions have diverged dramatically during the last decade.

What came to be called 'Eastern Europe' during the Cold War was never a genuinely homogeneous area - far less so, in many respects, even than Western Europe. The experience of Communism had exerted some homogenising influence though less than formal institutional labels might suggest. But it would be wrong to consider that the deep split that has opened up between the two zones since 1989 was some kind of natural reversion to earlier patterns of difference: the result of some deep cultural/historical division of a quasi-natural character. The contemporary split is rather the product of certain specific inter-actions both within the East and between Western actors and the East. We will

briefly outline these.

The origin of the contemporary split lay in the clash between the US-led Western campaign across the region as a whole for a rapid turn to a particular kind of capitalist regime (open to Western capitals) and the configuration of local political forces that emerged from the first elections in the region. Further factors were the intersection of local forces, international strategies, and the orientations within the region of various European powers.

The American activist campaign for what was called 'Shock Therapy' was the product more of US political concerns than economic ones. The Bush administration feared a Soviet-German entente built around the concept of 'A Common European Home' and its answer was a wrenching realignment of Eastern societies from state socialism and the Comecon regional framework to an American-style capitalism under the slogan of a Europe 'Whole and Free'.⁹

The realignment campaign was driven forward from July 1989 and became a massive media effort over the next year. It involved tough pressure from the IMF and, most cleverly, the co-opting of the Commission of the European Communities to the whole operation, as the official co-ordinator of Western aid, though curiously accountable to the US via the so-called G24.¹⁰ The flagships of shock therapy were Poland and Yugoslavia, both launching their shock at the start of January 1990. Specific commitments to a rapid transition to capitalism was demanded as a condition of future Western loans, market opening and aid. American policy-makers were aware that the drive would lead to a substantial recession or slump and that there could be serious social and economic dislocation. But they declared that the German government would provide financial aid just as the US had aided Germany after the Second World War.¹¹

The Western drive for realignment seemed to offer new prosperity and an entry into the club of rich states in Western Europe and it invigorated and legitimised all those social groups who could hope to form part of a new propertied class. But in all countries of the East there were also groups which did not subscribe to the Western message either on ideological grounds or on instrumental-policy grounds. There was thus a political polarisation within the East in response to the realignment campaign. And this polarisation quickly acquired a

geographical character.

The first obvious evidence of the polarisation at a popular level was provided by the election results across the region in 1990. Although the Soviet single-party model of political system was utterly discredited throughout the region by 1989, state socialism still enjoyed significant support, through to very varied degrees, both at a popular level and within the nomenklatura groups.

In those parts of the East which bordered directly on Germany and Austria the first democratic elections showed Communist or 'Post-Communist' Parties as being in a small minority - the votes of such forces ranging from about 10 per cent to about 16 per cent. Such parties were also initially minoritarian in the Baltic states. But elsewhere in the region, the parties of the left were much stronger. They were majoritarian in Romania, Bulgaria, Serbia and Montenegro and strong in Macedonia and Croatia.¹²

Following these election results, the second polarisation occurred at governmental level. The governments of Poland, Czechoslovakia, Hungary and Yugoslavia accepted the shock programme (with Hungary's MDF government being the most reluctant). But the Romanian and Bulgarian governments elected in 1990 did not: they prioritised economic revival over social system change. They also privileged economic links with the USSR - a pivotal economic partner for Bulgaria in particular. These policies brought hostile Western pressure. Although the 1990 elections in Romania and Bulgaria were judged fair by international observers, the Western powers declared the new governments undemocratic and not eligible for Western endorsement and aid.¹³ This generated intense domestic political conflict as coalitions of assorted anti-Communist groups and parties turned for Western support to overthrow the dominant parties.

This negative Western stance towards these two states was, however, not only derived from the realignment campaign - the latter being above all American-driven. Also important was the fact that Germany from very early on was signalling a distinctive geopolitics in the region: prioritising concern for the frontier belt and showing little interest in what happened in Romania and Bulgaria.

The third polarisation involved the domestic backlash against the induced slumps, which were of awesome scope (see Table 1): in

Poland industrial production dropped by a staggering 45 per cent in two years; the Yugoslav industrial crisis was even more severe.

Domestic groups, particularly in the industrial sectors, fought desperately to defend themselves. Poland and Hungary had effective political shock absorbers to manage the backlash: people turned back to the post-Communist parties in these two countries, but these parties were themselves committed to the realignment drive.

Table 1. Industrial Production

Country	1989	1990	1991	1992
Poland	-0.5	-24.2	-11.9	4.2
Hungary	-1	-9.2	-21.5	-11
CSFR	0.7	-3.5	-24.7	-10.4

Source: H. Schmieding, "From Plan to Market"

Weltwirtschaftliches Archiv, 1993, No. 2.

But in Czechoslovakia and Yugoslavia state cohesion could not be maintained. In the Czech lands, the government very skilfully maintained job security and the cohesion of the industrial sector during the slump, but in Slovakia there was mounting resistance to Prague's policies not only from labour but also from important managerial groups and there was deep (and well justified) suspicion that the EU was intent on destroying Slovakia's powerful steel industry as well as other Slovakian industrial sectors closely linked to the Soviet economy (not least in the military field). This Slovak resistance was articulated through nationalism, while Prague responded with a readiness to cut loose from Slovakia in its drive to the West. As a result, Czecho-Slovakia split.

But in Yugoslavia the 1990 IMF shock therapy programme interacted with the domestic socio-political configuration of forces to produce the collapse first of the IMF programme then of the Markovic government, then of the state. The IMF/WB shock programme in Yugoslavia - the first in the region - was particularly draconian since it involved not only slump but massive plant closures - a tactic not repeated elsewhere later. Although Prime Minister Markovic was far more popular than any other political leadership in the country, *and in*

every republic, his programme produced mounting popular resistance and he was prevented from turning his personal support into a democratic mandate: the first elections were instead organised on a purely republican basis. And the various anti-Markovic political parties at republican level used opposition to the IMF-Markovic programme very effectively to get elected.

In Slovenia and Croatia, nationalist leaderships opposed it to gain support for their separatist goals. In the Southern republics, which were most severely hit by the factory closure programme, the dominant political forces – Communist ones – opposed it while seeking to maintain Yugoslav unity. Thus the Yugoslavist pro-Western realignment forces were destroyed and the battle became one between Yugoslavist anti-Western leftism, led by the Serbian Socialist Party, and pro-Western separatists seeking the destruction of Yugoslavia and gaining strong early support from Austria and the Vatican, soon followed by Italy and then Germany.

Thus did Eastern Europe begin to separate into a frontier belt, soon to include Slovenia, and an SEE made up of an excluded Romania and Bulgaria and a disintegrating Yugoslavia.

Part II. The Dynamics of Change in the Two Zones

The Yugoslav wars and the endemic crisis in SEE

The entire evolution of SEE since 1991 has been shaped by the succession of wars in the former Yugoslavia. But these wars themselves have been shaped in very important ways by Western policies. And Western policies have, in crucial respects, been driven by factors and goals which have nothing whatever to do with local, Balkan conditions but are rather about West-West conflicts over the new international political system for Europe as a whole and about Western powers' plans for their roles in that new international system. This applies most crucially to United States policy in South East Europe since 1991. And these extraneous drivers of Western policy in the region are continuing to operate, making political solutions, political stabilisation and political and economic development there extremely difficult, if not impossible.

We must therefore review the main features of these wider driving forces, however briefly.

West-West rivalries in the Croatian and Bosnian wars

As was mentioned above, the Soviet Bloc collapse undermined the main basis of US hegemony over Western Europe. Both the Bush and Clinton administrations have been determined to rebuild the basis for this hegemony. Their success depended upon an enlargement of NATO's reach eastwards and an enlargement of its military roles to make central the role of striking militarily 'out of area'. As American policy-makers would repeat in the early 1990s, for NATO the choice was 'Out of area or out of business'.

Many in Western Europe did not agree with this American line. They wanted a Franco-German led Western Europe to acquire some autonomy in the political-military field at least in East Central Europe, on the EU's periphery. And France wanted to use its military assets to acquire more political weight in Europe after German unification by playing a key role in such peripheral policing. For Germany, a belt of friendly, stable states along its Eastern periphery was fundamental. Here was a basis for Franco-German cooperation in political-military affairs that would also enhance the EU's status and profile not only abroad but, no less important, within its own borders. But the United States did not agree. From 1989 the US was deeply and increasingly pre-occupied by what it saw as a threat to its European hegemony from Franco-German efforts to construct a new political centre of power projection into Eastern Europe outside NATO (i.e. US) direction and control.¹⁴

This West-West conflict became evident in 1990 and intensified in 1991. The Gulf War, one of whose main functions from a US point of view was to decisively stamp its authority over its allies, did not end this rivalry: it even exacerbated it.¹⁵ The US was driven even to publicly warning the French and German governments to cease their challenge in February 1991. This rebuke, known as the Dobbins Demarche, was a response to West European plans to send a military division to Yugoslavia under the WEU to prevent a Yugoslav slide to civil war. The US vetoed this as a threat to NATO.¹⁶ But the rivalry continued: Anglo-American efforts to turn NATO into an out of area strike force from the spring of

1991 were countered in the autumn by a Franco-German project for a European corps to do the same thing. The Franco-German draft for the Maastricht Treaty called for the EU to work towards its own military strike force. President Bush challenged the Europeans at NATO's December 1991 NAC meeting to state bluntly whether they wanted to scrap US control over their political-military affairs. But the Franco-German wording got into the Maastricht Treaty.

The tragedy for the people of the Western Balkans was that this West-West rivalry spilled over into the Yugoslav conflict with disastrous consequences. At first it did not seem that this was happening. In stark contrast to its general stance towards a Franco-German-led EU leading role, the Bush administration was eager for the EU to take the lead on Yugoslavia in June 1999.¹⁷ Some, perhaps all, in Western Europe misunderstood why. The reason may lie in the fact that the Bush administration already knew that the German Foreign Office was strongly supporting Croatian and Slovenian separatism while France (and Britain) supported Yugoslav unity: the Yugoslav crisis would destroy Franco-German credentials for political leadership in East Central Europe.

But if this was the Scowcroft-Eagleburger prediction, it proved wrong in December 1991. Germany united the EU around its political line. A protective belt on Germany's east was perceived in Bonn to be a vital German interest. Slovenia and preferably also Croatia must be recognised. For France a leadership role was more important than Yugoslavia and could only be played in a link with Germany and with a continuing EU. The British gained their opt out from the Single Currency. The EU united for an independent Slovenia and Croatia and for the rest of ex-Yugoslavia to stay together, including Bosnia, unless all three Bosnian nations agreed to a separation.

This sent alarm bells ringing in Washington, where the German success was seen as a direct challenge to American hegemony in Western Europe. Deputy Secretary of State Eagleburger (in charge of European Affairs) saw this as the loss of any US leverage over the situation in Yugoslavia and as Germany 'getting out ahead of the US'.¹⁸ The US responded with a campaign for a unitary independent Bosnia, refusing to recognise Slovenia and Croatia unless the EC states first recognised the creation of an independent, unitary Bosnian state. And at the same

time a draft of its new strategic doctrine was leaked, presumably by the administration itself, to the New York Times. This stated that *the major global threat* to US security now came from its allies attempting to construct regional hegemonies in Europe and the Pacific Rim.

The Izetbegovic government in Bosnia was evidently reluctant to follow the US line, knowing that this step would lead to civil war in Bosnia. In March 1992 the EU brokered a deal between the three national groupings in Bosnia to prevent such a civil war. But the US administration persuaded the Izetbegovic government subsequently to repudiate the deal – no doubt assuring it of sufficient material and political support to face a civil war - and therefore in April, as the EU recognised Bosnian independence, the civil war began.

The EU then worked for a year to broker a new Bosnian peace through the so-called Vance-Owen Plan. But its diplomacy was completely derailed early in 1993 by the US government's rejection of the plan, precisely on the grounds that it was not prepared to support an initiative that gave the impression that the EU states could solve problems in the Balkans without the central involvement of the US. This stance by the US led to the most serious crisis within the Atlantic Alliance since its foundation in the late 1940s.¹⁹ The United States emerged from the crisis victorious. But the cost was a continuing and increasingly barbaric civil war in Bosnia which could have been avoided.

The appalling atrocities committed in the Bosnian civil war, especially by the Bosnian Serbs, need to be placed in this political context. There was no Bosnian nation, the Bosnian Muslims were a minority of the population, and the Bosnian Serbs believed that had the right to veto Bosnian independence and live in a single state with the rest of the Serb nation as they had done since 1918. Their right of veto on independence was endorsed not only by the Yugoslav Constitution but also by the Badinter Commission of eminent international jurists established by the EU to rule on such matters in 1991. US European strategy needed leverage on Yugoslavia and the Bosnian card gave it truly gigantic leverage over the West European states, providing by far the most important instrument for restoring a US-led NATO to dominance over European politics. The slaughter in Bosnia was, from the angle of US European strategy, collateral damage. But this has had catastrophic consequences throughout the Western Balkans and has put

in place the main political drivers of crisis in the region.

Post-Dayton regional contradictions and the US-led war against Serbia

When France abandoned any hope of an EU/UN solution in Bosnia and accepted US plans on the future of NATO in Europe (with background reservations) the Bosnian war was brought to an end, using Croatia's armed forces and the Dayton Agreement. But the strains of war on the region, coupled with destructive Western interventions, quickly produced new crises in SEE: a very grave financial blow-out in Bulgaria and the complete collapse of the Albanian state, which then fed back into the Yugoslav theatre.

During the Bosnian war, the US government was concerned to maintain stability in Bulgaria and was suspicious of the anti-Communist opposition coalition which contained groups harbouring irredentist claims on Macedonia, claims repudiated by the Bulgarian Socialist Party. Despite its very heavy debt burden and very fragile banking system, the Bulgarian economy began to revive in the mid-1990s, on the basis of a still overwhelmingly nationalised industrial structure. But after Dayton, the IMF increased pressure on Bulgaria to privatise its industrial sector rapidly, freezing funding to the country in the summer of 1996 on these grounds. This action precipitated a currency crisis followed by a banking collapse and the overthrow of the Bulgarian Socialist Party government. This crisis wiped about 20 per cent off Bulgarian GDP and the economy has not yet recovered.

In Albania, a corrupt but Western-backed government encouraged the formation of financial pyramids from which it profited but when these collapsed in 1997, a popular uprising completely destroyed the Albanian state. Despite international military intervention led by Italy, the recreation of a state with minimal control over its territory and borders is a continuing and uncompleted task. This collapse gave an opening for radical, ethnicist Kosovar Albanian nationalists to use northern Albania as a base for an irredentist struggle in Kosovo and Macedonia to unite all Albanians in a single state.

For the West European states, the overriding priority was to restabilise the region politically (especially to prevent large population movements westwards). The Kohl government was deeply alarmed by

the Bulgarian collapse. There were acute worries about mass migration from Albania (especially in Italy and Greece), about the destabilisation of Macedonia and the very difficult conditions facing the Western powers in the Bosnian Protectorate, especially in the Srpska Republika 'entity' within it.

One lever for political restabilisation was the Yugoslav state, led by Slobodan Milosevic. Milosevic had played a central role in the gaining of the Dayton Agreement and he continued to prove very co-operative in relation to the Srpska Republika. And Yugoslavia could be the key to stabilising the borders of Macedonia and Albania. But there were three major problems with such a Western tactic: first, there was the denial of national rights to the Kosovar Albanians; secondly, there was the fact that Milosevic and the Bulgarian Socialists were not pro-capitalist and Yugoslavia, like Belarus, was still a state socialist society; and thirdly, the American Bosnian campaign had involved a (very successful) propaganda campaign in the NATO area, presenting Milosevic as a quasi-Hitlerian ultra-nationalist expansionist with genocidal tendencies.

The Kosovar Albanian demand for independence was, of course, a fundamental Yugoslav political problem: the Kosovar Albanians had never been politically integrated into the post-war Yugoslav state - the aspiration towards independence had been consistent. The Serbian Socialists were not, in fact, the most bitter opponents in Serbia of Kosovo independence, but in any case, the Western powers did not support Kosovo independence. And the EU wanted some form of agreement between the tactically moderate Rugova leadership in Kosovo and Belgrade, something that seemed possible, provided that KLA activity could be managed. The fact that Yugoslavia remained state socialist was, of course, a fundamental problem for the US, but it was far less of a pressing issue for most of the EU, especially after the defeat of the Communists in Russia in the summer of 1996 and the collapse of the Bulgarian Socialists the following winter. But the most difficult issue by far was reconciling co-operation with Belgrade with the very effective US propaganda presentation of Milosevic in the NATO zone.

But in early 1998 Washington sent a clear signal that a link between the Western powers and Belgrade was to develop. On 23

February 1998, the US's special ambassador to the region, Gelbard, flew into Pristina and made a speech not only lavishing praise upon Milosevic for his constructive role in the Balkans but also, most crucially, declaring the KLA to be terrorists. This was taken internationally and in Belgrade as a signal for Belgrade to crack down on the KLA, and Belgrade responded with a military crackdown on 5 March 1998 on one of the main KLA clans in Banitsar. But this brought a call for preparations for NATO military action against Yugoslavia on 7 March from US Secretary of State Madeleine Albright, suggesting that Milosevic was a genocidal killer bent upon repeating Bosnia in Kosovo.

Albright's call set in motion the long campaign by Washington for a war against Yugoslavia. One interpretation is that the whole incident was the result of an extraordinary lack of co-ordination over the programmatic fundamentals of Balkan policy in the US State Department. But another is that the US was setting a trap for Milosevic. There is an intriguing parallel here with the Bush administration's tactics towards Iraq in the summer of 1990. Just before the invasion of Kuwait, while US military intelligence was warning of its likelihood, US Ambassador to Iraq, April Glaspie, told Saddam Hussein that the US had 'no opinion' on the Iraq-Kuwait dispute. At that moment Saddam Hussein knew that the US had been watching his military build-up to strike at Kuwait for a full 9 days. She added that, 'I have direct instructions from the President to seek better relations with Iraq.'²⁰ On the eve of the NATO air war against Yugoslavia, *The Washington Post* reported that the US administration had indeed drawn upon US tactics on Iraq in the build up towards the Yugoslav war. It reported:

Some critics have seen a lack of resolve [in the US build-up towards war]...But what critics see as vacillation is described by policy makers in Washington as orchestration of international backing for military force, much as they said they accomplished in Iraq.²¹

As over Iraq, the US spent a full year pulling the main West European governments towards war, while the West Europeans dragged their feet. At Rambouillet the French government believed it could gain a deal with Belgrade. But the American government, as the military leadership of NATO, controlled the supposedly technical-military

arrangements for the projected peace keeping force for Kosovo, arrangements contained in an annex to the Rambouillet agreement. This contained the deal-breaking ultimatum which Belgrade could never accept. It included, among other things, the same point which the Austro-Hungarian government had used in its ultimatum provoking war with Serbia in 1914: the right of security forces to operate across the whole territory of Serbia.

The NATO war offered the prospect not only of controlling the post-Dayton regional contradictions of US policy, but also of decisively consolidating in practice US political-military hegemony over Western Europe through NATO. The entire US conduct of the war was a humiliating demonstration to the entire international community of states of just how subordinate the West European states were.

Current dynamics in the Western Balkans

The outcome of the NATO-Yugoslav war has been a major transformation of the configuration of political forces in the Western Balkans. In the first place, American political-military dominance over the entire region has been greatly strengthened. In the second place, West European public opinion has been pulled over to a US perspective on the region since all the governments and mainstream political leaders in Western Europe were obliged to support the entire US line for 12 weeks of NATO bombing war.

In the third place, the EU states have been drawn into ever deeper commitments and vulnerabilities in the region: they are currently committed against popular political forces in three territories: in the Srpska Republika, where they are ranged against a popular demand for self-determination; in the Kosovo Protectorate, where they are ranged against an overwhelming demand for self-determination and against an extremely threatening ethnicist terroristic KLA; and in Serbia where the EU is committed to a trial of Milosevic for war crimes during the NATO attack on Yugoslavia, while the overwhelming bulk of the Serb population consider that NATO's attack on Yugoslavia was a flagrantly criminal act.

US military dominance is exercised through the 6th Fleet and airforce bases to the East, North and West. And if the Bush administration does pull US troops out of the two protectorates, this will enhance the

US's range of political and military options while increasing EU vulnerability: the US will no longer be constrained by concerns over its troops on the ground. The task of the EU is to supply the military and police forces, the bulk of the funding and the titular civilian authorities. But the political framework and leadership is supplied by the US. In these conditions there is no prospect of short-term stabilisation of the political and economic life of the Western Balkans, leave alone constructive political development. We will briefly survey the main, current tension-centres.

The Bosnian Protectorate

In Bosnia, 5 years of mainly EU efforts to building a unified Bosnian state and a headline figure of \$5 billion in Western aid has achieved a Central Bank and currency, a single number-plates system for cars and some partial elements of an official customs regime. But that is about all.

The overwhelming NATO political goal has been to destroy support for Serbian national political identity in the Srpska Republica (SR), breaking their will to live in the same state as other Serbs, as they have done since 1918. This goal has entailed destroying significant support for the Serbian nationalist party, the SDS. Between 1995 and 1997 the SR was denied all Western aid. When this was relaxed the so-called High Representative (HR) was given dictatorial powers to rule by decree without parliamentary, legal or constitutional constraints, and to dismiss elected and other officials at will without the regard for the rule of law.²² Thus in 1997, the HR gave the SR president (considered relatively sympathetic) the right to dismiss the parliament. But when a hostile president was then elected and sought to use this established power to dissolve the Parliament, the HR dismissed the president and ruled that the Parliament could pass laws without presidential approval. On this basis, the HR buttressed the blatantly corrupt rule of Milorad Dodik because Dodik was hostile to the nationalist SDS. In 1998 the HR stepped up its pressure on the SDS dismissing from the Parliament its deputy leader, Dragan Cavic, in October 1998 for warning of the possibility of a NATO bombing campaign against Yugoslavia. Cavic appealed to the Human Rights Court on the grounds that his freedom of speech had been violated, but the

Court found that the HR's decisions were outside its jurisdiction. The result of 5 years of such efforts was a resounding victory for the SDS in the autumn 2000 elections.

In the Croatian areas of Bosnia the HR and EU tactics have been different: there, the EU has poured in more aid than has gone to any other part of Bosnia. But the result has been the same. Croatian popular commitment to a Croatian political identity and to the Croatian nationalist party remains overwhelming. Most Western analysis tends to assume that there was once a Bosnian national political identity but that this was somehow forcibly crushed by extremist political forces or external manipulators ('Milosevic'). Yet no such Bosnian national political identity existed, though a Yugoslav identity underpinning tolerance of *different* nationalities in Bosnia *did exist*. This is true also of the Bosnian Muslims. For them, Bosnia as a territory was and is their homeland and they did overwhelmingly accept an overarching Yugoslav political identity in the post-war years. But in abstraction from Yugoslavia they did not accept Bosnian Serbs or Croats as having the same national identity as themselves. In the absence of a Yugoslavist (Communist) political identity they constructed a Bosnian Muslim (Bosniak) political identity.

In the field of political-economy, what all three nationalities in Bosnia seem united upon is opposition to the World Bank and USAID-led drive for an American-style free market system, despite 5 years of effort. The Bosnian economy itself remains unviable and completely dependent on Western aid.

The Kosovo Protectorate

The Kosovo Protectorate presents a more immediately dangerous challenge to the NATO powers. The US's work in building up KLA to use it as a pawn against Belgrade has had major consequences: a very successful terrorist ethnicist campaign to drive out Serbs, Roma, Turks and others; KLA intimidation by assassination and other methods against Kosovar political opponents; a KLA guerrilla war in South Eastern Serbia, and mechanisms for independent KLA funding through smuggling heroin and other contraband. NATO has sought to minimise publicity about these KLA activities to preserve the credibility of its highly politicised War Crimes Tribunal campaign against Milosevic. It

must also fear confronting the KLA because of the NATO casualties that could result.

The EU states are politically paralysed over Kosovo: they are legally committed by the UNSC resolution against Kosovar independence, the clear will of the Kosovar people; they are incapable of even securing elementary civil rights within Kosovo, where they are at the mercy of facts created by a KLA that is increasingly suspicious of a West European deal with the new government in Belgrade.

Serbia

The removal of Milosevic from power in Serbia may increase rather than diminish the problems faced by the EU. The new government is committed to a turn towards Western style capitalism, but such a turn requires strong state political authority and cohesiveness above all of two kinds:

- 1) a clear national mission to which the overwhelming majority of the population can be won and which requires a capitalist system. The new government wants this mission to be the turn to Europe.
- 2) a robust party system which includes a shock-absorber on the left in preparation for the social backlash that accompanies the transition. The parties initiating the transition are usually removed or fragment in the backlash phase and the centre-left shock-absorber can restabilise the state within the framework of continuity of the national mission.

But Western, especially US, policy seems set on destroying this path to Serbian stabilisation and development. It is insisting that before there can be any Serbian national mission towards European integration, the Serbian state must accept the American version of the Bosnian war and the American attack on Serbia, by putting Milosevic on trial in the Hague. If this demand is dropped, there is the danger that the entire American version of the history will unravel permanently. At the same time, the West seems incapable of offering a new path forward for the Serbs of Bosnia and Kosovo while simultaneously respecting the desires of the Bosnian Muslims and Kosovar Albanians to have states of their own and tackling the dangers from the KLA. These issues can easily derail political development in Serbia.

And all positive movement would entail, if not a frank Western recognition that the West has perpetrated wrongs against the Serbian

Table 2. Western 'Regional Co-operation Initiatives'

Name	Driving force
Central European Initiative (1989)	Italy and Austria (Secretariat in Trieste)
Black Sea Economic Cooperation	Turkey (Secretariat in Istanbul)
Royaumont Process (1995)	Greece, claiming special influence on the EBRD.
South East European Co-operation Initiative (1996)	USA (Secretariat in Vienna)
Foreign Ministers of S. E. Europe (1988)	Belgrade
Balkan Stability Pact (1999)	EU

nation, at least a Western step towards a fresh start, rather than a continued drive for a flagrant victor's 'justice'.

There are, additionally, the questions of what stance the NATO powers take towards the future of Montenegro and on the inclusion/exclusion of Croatia in the 'Western Balkans' region. They encouraged the Montenegrin leadership to draw away when Milosevic was in power, but it is not clear what their stance will be in the future. Croatia's new government is determined to break free from inclusion within the 'Western Balkans' region and move as fast as possible towards EU membership. But this will increase tensions within the region in the absence of some new political direction there on the part of the Western powers.

The EU does, of course, present itself as having an activist programme for tackling and solving the political and economic problems of the region. It claims that its Stability Pact is playing this role. But this seems to be overwhelmingly a bluff. The Stability Pact is a forum for declaratory conferences and a mechanism for various kinds of 'aid' and co-operation projects. This makes it similar to other such 'regional cooperation' initiatives that have been running in the region for years and which seem to have either symbolic functions or a strongly clientelist undertone or both: efforts by one particular power or group of powers

to acquire influence but with no credible claims to be transforming the region. What seems to distinguish the EU's Stability Pact seems to be its size, not its possession of a serious political and economic programme.

The creation and 'Europeanisation' of the Frontier Belt

If the bifurcation of Eastern Europe into two starkly different zones began with the launch of the US-led shock therapy programme from 1989, the active socio-economic and political integration of the frontier belt was only launched when the EU revealed its draft 'Europe Agreements' in early 1991, when the frontier belt was in the depths of its realignment slump.

The shock therapy tactics had, in principle, won the support of many in the new elites of what became the frontier belt states because it gave strong support for their domestic drive to construct new capitalist societies. At the same time, these local elites hoped that by complying with the programme they would rapidly gain full access to the EC market. This had, indeed, been the Latin American experience with its American shock therapy drive in the 1980s.

But the trade aspects of the Latin American package did not apply to Eastern Europe. In the United States the financial sector was extremely powerful and dependent on Latin American debt servicing. That required the opening of the US product market to Latin American goods. But Western Europe was led by Germany's export-oriented industrial capitalism and it was undergoing a deep and stressful internal restructuring. The agenda for Eastern Europe from the angle of West European policy-makers was therefore very different.

The EU was, in the first place, determined to resist any opening of its domestic market that could result in any additional restructuring within the EU. The task of the East, therefore, was not to compete in the EU market but to contribute to enhancing the profitability of existing EU capitals. This meant a massive restructuring of the productive apparatus of the East, not to become a 'market economy', but to fit in with the distinctive needs of West European capitalism. Such needs could include enabling EU capitals to capture control of product markets in the East, to knock out competitors in the east through take-overs, and to use the East as a production platform for re-export into the EU market. It could also include supplying products to Western Europe that Western

Europe did not wish to supply itself. These moves in the productive sector have been combined with pressure to open financial markets to West European banks and other financial operators.

This EU programme for the East was unveiled early in 1991 in the form of the draft Europe Agreements (EAs) offered to the frontier-belt states (except, of course, for Slovenia). This was just at the point of maximum economic dependence of these states on the EC market, since they were in the depths of slump. The draft Europe Agreements came as a big shock to the governments of the region, placing even the states most enthusiastic for realignment in an acute dilemma.

The EAs included the following:

- the blocking of significant agricultural exports to the EU while allowing the EU to engage in dumping agricultural products in the region;
- tough non-tariff barriers against the main regional export industries products coming into the EU in significant quantities: steel, chemicals, textiles, clothing etc.
- the systematic use of Western export subsidies for industrial products to enter the regions product markets;
- tight national controls on migration into the EU, making it impossible for the region's economic operators to establish undertakings in the EU, while opening up the region to EU economic operators;
- a mass of complex rules of origin to block inward investment by capitals from centres other than the EU for the purpose of exporting into the EU market;
- a battery of trade protection instruments in the hands of the EU, violating the spirit and often also the letter of the GATT, and a refusal to designate these economies as 'market economies' thus enabling the EU to take protectionist measures against them regardless of GATT rules.

The plan contained absolutely no reference whatever to possible eventual membership of the EU. As an INSEAD study at the time pointed out, the agreements were designed to peripheralise the economies of the East, not to provide a framework through which they could catch up with the West European economies.

The governments of the frontier belt states seriously considered breaking off the negotiations with the EU and denouncing the whole the EC package as a mercantilist outrage. In April 1991 Commissioner

Andriessen, in charge of implementing the EC's policy towards the East, reported to the Council of Ministers that the negotiations were deadlocked and on the point of collapse.²³ But in exchange for very minor EU concessions, the frontier belt states decided to accept the terms of their integration path.

If they had denounced the Europe Agreements, the frontier belt governments were guaranteed strong support from the United States. The Bush administration publicly attacked the EU's economic terms. But there was one overwhelming argument for acceptance: the potentially disastrous domestic political consequences of denouncing them. The emerging propertied groups and their political representatives had all been justifying the turn to capitalism as a necessary means for entering 'Europe', a necessary sacrifice to 'return to the West'. If they were then to denounce the West's terms they would have undermined the legitimacy of their entire domestic drive. And there was also a second argument for acceptance: the strong, clear evidence that Germany had a strong vital national political interest in drawing the frontier belt into close political relations that would include eventual membership of the EU. This did not in the least mean that Germany was a force for watering down the political-economy terms in the Europe Agreements. On the contrary, the German government was as tough as the French government on the economic terms. But the political side of German policy was a powerful argument for accepting the terms in the Europe Agreements.

The economic evolution of the Frontier Belt

In quantitative terms, as Table 3 illustrates, the frontier belt states have experienced a general trend towards economic divergence from West European GDP levels since 1989, except in the case of Poland which is statistically fractionally closer to Western European average GDP now than it was in 1989. The ideological hope that changing mechanisms from central planning to capitalist market would produce a sudden leap in allocative efficiency are thus proven false. The statistical patterns of divergence are a reflection not only of the systemic transformation slump of 1990-1993, but continue in the 1993-1999 period.²⁴

This pattern of economic peripheralisation, in the sense in which that term has been used by World System theorists, may not be a

Table 3. The Pattern of Divergence in the Frontier Belt

Country	1999 as % of 1989	Per cap. GDP as % of EU 1989	Per cap. GDP as % of EU 2000 (projection)
Czech Republic	95	64.9	56.3
Hungary	99	56.7	52.9
Poland	121	38	39.9
Slovakia	101	56.7	56.3
Slovenia	107	-	-

Source: UNECE, "Catching Up and Falling Behind: Economic Convergence in Europe", *Economic Survey of Europe*, 2000, No. 1, Ivan T Berend, "From Plan to Market, From Regime Change to Sustained Growth in Central and Eastern Europe".

permanent condition for the frontier-belt states. But two interlinked problems, apart from the realignment slump, have made their road to catch-up growth very difficult: first, the political-legal shaping of their forms of integration embodied in the Europe Agreements discussed above and the institutions deriving from them; and second, a series of economic dependencies and vulnerabilities of the frontier belt economies deriving in large part from the realignment slump, the European Agreement terms, and the new forms of the international monetary and financial systems, but acquiring, so to speak, an independent, structural existence of their own.

The political-legal parameters laid down by the EU have generated some obvious general patterns across the frontier belt states, notably the following:

- agricultural decline, with agriculture's share in total value added dropping substantially;²⁵
- de-industrialisation, although these economies remain significantly more industrialised than the EU South (Greece, Portugal and Spain) and have a stronger industrial product profile in their exports than either

Table 4. Economic Indicators 1999

State	GDP 1990=100	GDP 1995=100	Indust. prod 1990=100	Trade deficit 1999(\$bn)	Gross ext. debt 1999(\$bn)
Czech Republic	96.3	101.1	81.3	2.6	22.5
Hungary	102.4	15.6	126.5	3.3	28.3
Poland	137.7	123.5	163.3	20.5	57.4
Slovakia	104.3	120.9	83.7	0.8	10.4
Slovenia	113.3	116.6	84	1.2	4.9
Bulgaria	74.9	88.7	50.4	0.7	9.7
Romania	79	88	52.1	1.9	8.1
Croatia	82.2	113.4	63.1	3.6	8.5
Macedonia	92.5	108.5	51.4		1.4
Yugoslavia	45.1	94.1	39.9		11.5*
Estonia	85.8	118.9			
Latvia	56.8	114.7			
Lithuania	65	112.2			
Russia	58.7	94.6	49.7	27surplus	145.0*
Ukraine	40.8	85.4	50.3	0.5	11.5*

* figures for 1998

Source: *WIIW Database*

Greece or Portugal;

- a competitive advantage focused strongly on very low labour unit costs, and a production structure shaped by openings in the EU market;
- a chronic weakness in export capacity.

To these political-legal pressures from the EU states were added the following four main kinds of economic dependence/vulnerability vis a vis the EU:

- 1) *Trade dependence*: All the economies have become heavily dependent

upon the EU product market and in particular on Germany. This trade dependence has been made a central feature of their economies as all of them have become more export-oriented with small mass domestic markets as a result of the proletarianisation of labour in these countries. This trade dependence gives the EU states an immensely powerful lever for exerting political influence over these states requiring them to change their internal market regimes in line with EU requirements. But it also seems to act as a basic macro-economic constraint on growth within the frontier belt: their rates of growth seem to depend to a great degree on macro-economic conditions within the EU. Insofar as this constraint continues it will place a severe brake on catch-up strategies.

2) *Current Account strains*: All the region's economies suffer from chronic and often dangerously acute trade deficits with the EU. They are generated in large part by the EU's trade restrictions, imports of consumption goods and of inputs for Western-owned plants operating in the East as well as by the trade policies of the EU, both blocking exports in key sectors of the Eastern economies and also subsidising and promoting exports from EU states into the region. When we add debt-servicing obligations, which are heavy for many of these states, their current accounts as a whole are chronically under strain.

3) *Fragile banking systems*: A third source of vulnerability lies in the fragile banking systems of the region. This has been largely the result of governments (rightly) seeking to preserve industrial assets during the slump of the early 1990s by transferring their economic problems into the banking system in the form of non-performing loans. But the consequence of this has been both a long (and expensive) effort to restore the financial health of the banks and extreme difficulties for industrial companies to find cheap sources of domestic banking finance for their efforts to restructure and raise productivity.

4) *International financial vulnerability*: Current account strains push these states towards ending capital controls to gain inflows of funds of all kinds on their capital accounts. The Western states have also pushed for capital controls to be removed. A further pressure to attract fresh funds from abroad comes from the rising outflow of repatriated profits

from Western-owned companies within the frontier belt. These pressures have produced a further vulnerability from surges of hot money into their financial markets. Insofar as governments in the region have dismantled controls, there have been inward surges of funds pushing up their exchange rates, generating domestic inflation and thus both compensating for current trade deficits while tending to generate higher trade deficits in the future. Such surges of hot money, benefiting from high interest rates within these economies (rates which are nominal for domestic consumers but real for Western financial operators) and from rising exchange rates of local currencies, can then be suddenly reversed with devastating local consequences.

The effect of this pattern, so familiar from Mexico in 1994 and from South East Asia in 1997, has been to threaten blow-outs of financial systems as a result of sudden changes in international financial and monetary conditions or negative signals about domestic policies in the Eastern states.

The frontier-belt states have not, of course, been equally affected by these economic dependencies/vulnerabilities and the extent to which they have had to accept pressures from the EU states depended upon their domestic capacities. By vigorous and effective domestic restructuring which at the same time maintained elite cohesion and domestic mass control they could if they could enlarge their international room for manoeuvre. Luck and policy tactics could also be extremely important.

National accumulation strategies in the Frontier States

The national accumulation strategies of the various frontier-belt states have varied between two models which can be considered polar opposites: Slovenia and Hungary.

Slovenia: national integration and control

The Slovene economy seems to be the most successful example of effective restructuring for sustainable growth. It has maintained a strong trade balance, macro-economic stability and a fairly robust financial system. At the same time it has sought effectively to resist Western pressures to 'globalise' its economy. It has maintained a very large part

of its industrial structure in public ownership, including its utilities and those enterprises that have been 'privatised' have been, in the main, placed under employee ownership. It has not encouraged foreign buy-outs of its productive sector and it imposed effective capital controls over surges of hot money into its financial system. The whole transformation of the economy has been managed in a strongly consensual way. The labour market has been highly centralised with national tripartite bargaining between unions, employers and government.

But the Slovene example is the exception that proves the rule: unlike all the other states it did not have to restructure to find space in the EU market: it had already spent a quarter of a century gaining its place in that market as part of Yugoslavia, the one country of the region with fairly stable access to the EU market since the 1960s. And with only 8 per cent of Yugoslavia's population, Slovenia was responsible for one third of Yugoslavia's exports. It thus began with distribution networks and products already established in EU markets. Secondly, although Yugoslavia was the most heavily indebted state in the region (except for Hungary, in per capita terms), Slovenia was, for political reasons, allowed to emerge as an independent state with very few debt obligations. Thirdly, the Yugoslav wars created a political environment in which the Western powers did not wish to take tough globalising measures against Slovenia which might have destabilised a state on the edge of the war zone.

Hungary: a foreign ownership strategy

As Table 5 shows, Hungary is the paradigm of the foreign-owned, export-oriented economy. The Hungarian model conforms strongly to the EU programme for the region, a paradigm of EU-globalisation. Uniquely, Hungary decided to privatise into Western hands not only its industrial sector but its public utilities as well. It has also led the way in being ready to hand its banks over to Western ownership.

There are evident strengths. A number of the foreign-owned companies are exporting high quality, high tech products back into Western Europe. In short, Hungary has become an important production platform for Western companies producing high and medium-tech products. There is every reason to believe that it can continue to play

this role and indeed enhance it as Hungary joins the EU.

Table 5. Foreign Ownership in Different Sectors

Country	Foreign owned share of GDP 1999	Foreign owned share of sales 1997	Foreign owned share of exports 1997
	%	%	%
Bulgaria	15.5		
Czech Rep	32	26.3	42
Hungary	40	66.7	75.4
Poland	18	30.3	33.8
Romania	16		
Slovenia	15.5	21.6	
Slovakia	10.5	19.6	25.8
Russia	9.8		

On the other hand, there are problems with the Hungarian model. The foreign-owned export-oriented sector is mainly involved in processing inputs which are themselves imported from the EU. While the foreign sector's net export sales (export sales minus direct import costs) are significant, this calculation of net gain leaves out two important costs: first the cost of indirect imports used by the foreign owned sector, such as energy imports; and secondly, the flow of repatriated profits deriving from foreign ownership. When these items are added, the net gain of this structure seems much more dubious.

Furthermore, the impact of the foreign-owned sector on the rest of the economy seems to be minimal, with few gains from local subcontracting and other such effects. There is thus strong evidence of an enclave type of export sector and the emergence of a dual economy.

It is also important to note that a strategy of placing a country as a production platform for export-oriented Western multinationals is, to a degree, a regionally competitive one: the fact that Hungary has positioned itself as the prime site for such inward investment makes it more difficult for the Czech, Slovak and Polish economies to compete

in this area.

The Czech example: a national integration strategy broken by financial collapse

The Klaus government's tactics in the realignment crisis had cleverly managed to combine a rapid privatisation of the Czech industrial economy with an effort to preserve the industrial base within Czech ownership. The strategy had also maintained a strong degree of political cohesion, including low levels of unemployment. As the economy emerged from slump, it could therefore hope to begin serious restructuring to improve productivity and the Czech economy was seen widely as the most advanced system evolving towards integration within the EU.

But like the rest of the region its financial system was weak as a result of the slump and the Czech authorities did not understand the perils of rapidly ending controls on international capital movements. They opened their financial system more widely and more rapidly to movements of hot money and by 1996 they had entered what might be called the Mexican trap: large inflows of funds pushed up the exchange rate and stimulated domestic inflation. Attempts by the Czech authorities to let the currency float downwards in 1997 produced a sudden outflow of funds and a currency collapse that quickly turned into a full-scale domestic financial crisis after May 1997.

As always in such financial blow-outs, Western institutions and governments find plenty to criticise and blame for the crisis within the local political economy, ignoring the structural features of the international system which have been generating such blow-outs systematically all over the world for two decades. But the consequence was that the Czech authorities had to seek Western buyers for Czech industrial assets and banks, turning the economy towards the Hungarian model of a production platform for an export-oriented foreign-owned industrial sector. FDI has flowed in to buy such assets, either to gain control of the local market or to knock out competitor firms in regional markets or to turn these assets towards export-oriented production for the EU market.

Poland

Poland represents a half-way house between the Slovene and Hungarian examples. Poland is heavily dependent on exports to maintain current account sustainability, but its growth is also driven to a significant extent by domestic demand. The key structural flaw in the Polish economy is its dangerous, ultimately unsustainable trade deficit, combined with heavy debt servicing obligations. The government's response of attracting large inflows of hot money has threatened the Mexican/Czech syndrome: the inflows push up the exchange rate and domestic inflation, exacerbating the current account deficit and eventually leading to financial flight, zloty collapse and a financial blow-out. To avoid such consequences the Polish currency will require strong international support.

There is no sign, as yet, that these states as a group are launched on a catch-up growth path involving sustained growth at significantly higher levels than the EU average. But they do have the possibility of growing more steadily in the future with certain real advantages. Their geographical location near the heart of the EU market makes them a prime location for maquiladora types of FDI. In the Czech Republic and Slovakia unit labour costs were only 20-25 per cent of Austria in 1997. In Hungary wage levels are strikingly low at 10 per cent -15 per cent of those in Austria. In Slovenia wage levels are about 30 per cent of Austria.²⁶

Secondly, in their industrial sectors, productivity has recovered and risen in the second half of the 1990s. In 1998 productivity across manufacturing as a whole in these countries taken together amounted to 50 per cent of Austrian levels, with Hungarian industry leading on 65 per cent.²⁷ And these states remain much less dependent on labour intensive exports than are Turkey, Portugal and Greece.

The most rapid productivity gains have been in medium to high tech sectors; there have also been rapid gains in the resource and raw materials industries. Low tech sectors had the highest initial level of productivity vis a vis Austria but they have caught up more slowly. But wage levels have risen in similar increases across all sectors.

Political system integration in the Frontier States

Considering the enormous strains which the populations of this region have undergone, the political systems of these states have proved remarkably stable and robust. From an EU point of view, the main risks within them come from nationalist backlashes against perceived West European mercantilism or imperialism. If these states are denied short-term entry into the EU, such currents will strengthen, perhaps even dramatically.

While some of these nationalist currents could be described as Centre-Right or Centre-Left, others are on the extreme right. This is most evidently a problem in Hungary, linked, no doubt, to perceptions that the country's assets have been sold cheap to Westerners, but also tied in to xenophobia against weak or powerless groups. In the Hungarian case, the Nationalist Right also has some irridentist hopes, focused in the recent past, for obvious reasons, on acquiring a slice of Serbia - the Voivodina.

As in Western Europe, and for the same basic reasons related to the social consequences of contemporary forms of European capitalism, xenophobia is a problem in the frontier belt states, particularly in relation to the Roma and Gypsies. This is a serious problem for the EU states because they do not want to have the Roma coming towards them for their own xenophobic reasons. But the EU has developed a rather ingenious form of Human Rights statecraft for handling this problem: a mechanism for judging how good the frontier belt states are supposed to be in protecting the human rights of the Roma and other minorities. The mechanism can both declare that conditions for the Roma are not so bad as to justify political asylum in the West and simultaneously threaten frontier belt governments with being pushed towards the back of the queue for EU membership unless they devote large resources to improving conditions for the Roma.

Part III. Russia, the US and the Wider Eastern Context

The changes in the frontier belt and SEE have taken place against the background of an extraordinary collapse eastwards of Soviet then Russian power. By 1998, there were serious questions about whether the Russian federation itself could hold together. But if Russia does revive economically and politically it will certainly seek to rebuild its influence in East European and indeed European affairs as a whole. There are indeed signs that such a revival may be underway under President Putin.

But during the Russian collapse, the United States has vigorously projected its power eastwards both in the Northern zone and along a southern axis, seeking to reshape political allegiances in these areas in order to consolidate the expansion of its sphere of influence. In the North, the main American step has been a particular form of NATO enlargement into Poland, one which gives the US the right to deploy nuclear weapons and construct US bases in Eastern Poland. The US has also prioritised Poland as a key US ally in more general political and economic matters. And the US's military link with Poland must also be seen in the context of NATO's new doctrine giving it the right to strike militarily out of area eastwards.

On the Southern axis, the US has launched a major push towards the Caspian, declaring its goal of acquiring control over the oil resources of that region to be a vital US national interest. The key state here for the United States is Azerbaijan, but Georgia is also extremely important. Turkey has been America's main partner in this campaign and American bases in Turkey are supplemented by a strong US naval presence in the Black Sea.

The pivotal state linking together the United States' northern and southern advances is Ukraine. As long as Ukraine is politically linked to the US rather than to Russia, the United States controls a thick Polish-Ukrainian corridor between Russia and Germany from the Baltic to the Black Sea, a formidable barrier not only to some future German-Russian rapprochement but also to a strong return of Russian influence into East Central and South East Europe.

But Ukraine also links in with the American drive for the Caspian. Under Washington's tutelage, the Ukrainian government has built an

alliance stretching from Moldova through the Caucasus and Caspian area into Central Asia: GUUAM - Georgia, Ukraine, Azerbaijan, Uzbekistan and Moldova. Although this alliance is weak, it blocks Russia from asserting its leadership over the CIS. And despite the fact that Russia maintains its naval base in Sevastopol, Ukraine's link with the United States may, in the future, transform the Black Sea into a zone as fully dominated by the US as the Mediterranean is. And although Romania and Bulgaria are often viewed in Western Europe as principally oriented west towards the EU, they are, in fact, deeply affected by the new, American-centred military-political operation in the Black Sea.

It is also the case that both the NATO enlargement and above all the NATO war against Serbia have dramatically strengthened US political influence upon state executives in the region between Poland's Baltic coast and Greece and Turkey.

Russia's political elites are universally hostile to this US drang nach osten. And if a Russian revival is under way, it will be geared, without any doubt, towards structurally modifying these American attempts to consolidate its new spheres of influence around Russia's borders. The second Chechnya war was a clear indication of this Russian determination to reassert itself in the Caucasus. The NATO war against Yugoslavia has unleashed a growing, if still covert, struggle between Russia and the United States in Ukraine. And Russia could equally exert pressure in the Baltic region and seek to rebuild its support in South East Europe.

The problem for the United States is that although its military capacity reach and its power in the IFIs can play a large role in shaping political relationships with state executives, it lacks the resources to build solid foundations for its new zones of influence in the political economies of these states. Russian capital and economic statecraft seems far more able to extend its influence at this level, at least in a country like Ukraine.

The EU and its main member states play a very minor role in these American-Russian manoeuvres to the East, but their outcome can have enormous importance for EU interests. A destabilisation and collapse of the Ukrainian state, for example, could make the Bosnian war seem trivial from the angle of its impact on the EU. EU plans to incorporate Estonia and also the other two Baltic States will make the

EU much more dependent upon the US-Russian relationship. And at the same time, many of the Eastern states hoping for EU membership are likely to be more closely bound to the United States internationally than to any EU state, for obvious political/security reasons. They may also find common ground with the US against the EU on a number of international trade issues.

It is important also to bear in mind that neither the EU nor its member states have predominant political influence or even much policy autonomy within the Western Balkans. The US is, more than ever, the predominant political influence within that zone. The EU's role is to take principal political and financial responsibility for what happens in that zone, but control rests with the US. Indeed, this US political dominance will be enhanced insofar as the Bush administration pulls US troops out of the two protectorates, since the US will be freed from the consequences on the ground of any policy initiatives it may wish to take or to try to block.

The US will continue to entirely dominate the area militarily with its neighbouring bases, fleet and air-power, it will control the most important international organisations (the IMF/WB) and it will retain its intelligence assets and clients across the region. The EU's influence is much reduced since its main weapon - denying access to its market - is hardly relevant. The EU lacks cohesive military and political leadership, is dependent on American moves, and therefore its representatives in the protectorate take their orders from the United States on all fundamental issues, if not indeed on a weekly or daily basis. Insofar as the EU attempted to take a position of its own on, say, independence for Kosovo or self-determination for Srpska Republika, or abandoning the goal of putting Milosevic on trial in the Hague, it would probably split and the US could mount a formidable political challenge to such an initiative if it wished, not only in the zone but in Western Europe as well. Knowledge of these realities only strengthens US political dominance in the region.

Paradoxically, the EU, in these conditions, may share a wide range of common interests with Russia. The latter could offer the EU greater freedom from dependence on US controlled energy sources and supply routes. It could offer the EU substantial support in strengthening its military capacities and filling gaps in its military repertoire. And

both Russia and the EU could make very substantial joint gains through qualitatively economic and technological co-operation. The two sides also share hostility to the US's moves towards a missile defence shield. And, with the possible exception of the British and Dutch oil companies, the EU has no interest in the US drive to capture control of the Caspian. The EU can also have much to gain, as has been shown in the past, from involving Russia in a management-mediating role in the Western Balkans. But these complementarities between Russia and the EU are more likely to encourage a new US-Russian polarisation rather than to diminish it.

Part IV. The EU and the Future Dynamics in the East

Our analysis suggests that the following tendencies predominate in the two regions we have examined:

- 1) the frontier belt states have been strongly integrated economically into the Western-centred division of labour and are oriented towards EU membership. But they have not been provided with an adequate international framework for sustained, catch-up growth (i.e. growth consistently higher than the EU average).
- 2) the economies of SEE have been deeply destabilised and on present trends they are not likely to enjoy steady growth of any sort. Their economic problems will be exacerbated by the accession of the frontier belt to the EU.
- 3) the existing political arrangements in the Western Balkans are unstable and, more importantly, breed further instability. A new political approach towards a new settlement there is needed.
- 4) in the context of a Russian power revival and search for an extension of its influence to modify the post-Cold War arrangements imposed upon Russia's environment, Russia will find a large number of states linked to the US politically at an executive level but with extremely fragile and disorganised political economies and political systems. This is above all the case in Ukraine, Moldova and SEE, as well as in the Caspian and Transcaucasus. The EU can exert no significant influence since the basis of such influence is its ability to deny market access and offer eventual membership and neither of these instruments cut much ice in the regions concerned.

5) the West European states and the EU as a whole are now largely dependent upon the Russian-American relationship to the East of the frontier belt and are also heavily subordinate to the US in SEE at a political level.

Against this background, we can very schematically map out four possible broad strategic options for the EU and its main member states in policy towards the East over the next 10 years:

1) *More of the same*. This implies a continuation of the political-economic strategy of treating the East as a subordinate support to strengthen existing EU capitals while preventing any disruption from the East. This implies that recruitment terms for the entry of frontier belt states will be control-oriented, designed to prevent disruption (for example in agriculture and population movement) and implying threats to suspend membership if they get out of line politically. There will be no effort to generate catch-up growth in the belt. It also implies a basic stance of 'insulationism' towards SEE and the former Soviet Union, in other words, no serious attempt to rebuild SEE and solve the political problems of the region, but a very serious drive to insulate the EU from the effects of crisis and conflict there. This stance could be enhanced by placing police forces or the so-called European Defence Force not only in the protectorates but elsewhere in this zone. Structures like the 'Stability Pact' in the Balkans would continue, largely to persuade EU opinion that the EU was being constructive. All of this would be combined with a readiness to accept political dependence on the US-Russia relationship and political-military subordination of the EU to the US via NATO.

2) *The EU as a politically expansionist bloc*. This implies seeking to consolidate an autonomous sphere of influence not only in the frontier belt but also in SEE with an at least partially autonomous and distinctive orientation towards Russia. This would imply a determination, on the part of the EU, to consolidate a security zone under its own control, not only in the frontier belt but also in SEE, and to achieve this, it would also have to take priority, to a considerable degree, over the hitherto treasured EU economic regime for the East, for it would imply radical new approaches to gain rapid economic growth in the frontier

belt and real development in SEE. Concomitantly, the EU would have to develop a new approach to the political problems of the Western Balkans, tackling head on the difficult political problems such as independence for Kosovo, the failure of the attempt to build a united Bosnia and the War Crimes Tribunal tactic vis a vis Milosevic. The EU would actually have to produce its own positive political programme, strategy and tactics for a new form of economic and political/security integration in the Western Balkans. The European Defence Force would have to be a strong, cohesive instrument, with strong, autonomous command and, most fundamentally, the EU would have to be united on a common political-military strategy for the East and a common stance towards the US on such questions.

3) *The EU as a political federation with a fresh political and economic framework for the East.* This implies the EU becoming a genuine federal-style state uniting in the external and defence policy field and ending its existing basis for unity, namely as a mercantilist bloc externally and as a vehicle for neo-liberal restructuring internally. This would imply a dramatic shift of the political base of the EU from one in which strong commitment is largely confined to big capital to one gaining strong commitment on the part of the broad population of Western Europe and the consequent capacity to mobilise internal political support for strategic political and economic action abroad. If such a federation were led by genuine Christian Democratic/ Social Democratic forces it could easily mobilise resources for dramatic development efforts in not only SEE but also Russia, Ukraine and other parts of the FSU. The need for crisis management military interventions could be replaced by development strategies for states in the East which would not need to be subordinated to a mercantilist drive to strengthen EU capitals and their market reach.

4) *Political gridlock and internal regionalisation within the EU, combined with a stronger direct US role.* A final variant would imply an actual decline of EU external political capacity as a result of increasing gridlock within EU institutions and a tendency towards initiatives by West European states towards the East to bypass EU institutional frameworks altogether. There could be the growth of regional operations and unilateral moves as well as a shift towards an expanded range of

NATO initiatives under US direction. The EU would be reduced to the (still not completed) single market and perhaps the Euro zone as a purely 'domestic' currency.

When we survey these four options, the first seems, of course, to be by far the most likely one to be adopted. It corresponds to the existing accumulation strategy of the EU states - one geared to promoting the global reach of their biggest capitals towards the US market and the Pacific Rim, geared also to their lack of political unity as graphically illustrated at Nice and to their existing subordination to the USA.

There are clearly pressures towards the second option. It fits well with French conceptions of France's leadership role and if there were either a grave deterioration in SEE or further US manoeuvres in that region, perceived by the main EU states to be destabilising as far as they were concerned, such pressures for option 2 could rapidly mount. The pattern of events on the European Defence Force after the US's NATO-Serbia ploy of 1999, illustrates this potential - one which has even drawn in the UK (however nervously). If the US became distracted from energetic activism in Eastern Europe by internal problems and divisions, the West European states might in any case advance this agenda. But the great obstacle to its positive role would be the likelihood that military-political activism would not be combined with a new economic programme for SEE.

The third option would undoubtedly be the most favourable one both for the citizens of the EU and also potentially for the populations of the East. But Nice suggests that this option is very distant and indeed probably less likely than political gridlock or possibly even political disintegration processes within the EU as popular consent became harder to achieve for the existing arrangements.

The final variant is, on the other hand, a very plausible one. Nice could enhance its likelihood if Nice's ramshackle complexity does form the basis for enlargement to the frontier belt states. Elements of this variant have, of course, continued to exist during the last decade and could be accentuated. The tendency would then be for what unity of purpose existed in Western Europe vis a vis the East to be established through US-German co-operation. ●

Notes

- 1 See Peter Gowan, *The Twisted Road to Kosovo (Labour Focus on Eastern Europe, No. 62, 1999)*.
2. See Paul Nitze, Forward to W. R. Smyser, *Restive Partners. Washington and Bonn Diverge* (Westview Press, 1990)
3. See Paul Wolfowitz: 'Remembering the Future', *The National Interest*, Number 59, Spring 2000
4. This point has often been misunderstood by commentators who have thought that France has had a much more restrictive policy towards economic relations between the EU and East Central Europe than the German government. The record suggests otherwise.
5. Although some have argued that Mitterrand had to persuade Kohl to prioritise Economic and Monetary Union, Pond demonstrates that this was not the case. See Elizabeth Pond, *The Rebirth of Europe* (Brookings Institution Press, Washington D.C.1999)
6. See S.Bulmer, C. Jeffery and W. E. Patterson, *Germany's European Diplomacy* (Manchester University Press, 2000).
7. See P. H. Gordon, *France, Germany and the Western Alliance* (Westview,1995)
8. Bush strongly articulated this line in his 17 April 1989 speech in Hamtramck, Michigan. During 1989 the Bush administration had entertained the possibility of a managed return to the two-bloc bipolar structure through collaboration with the Soviet leadership, but the Kohl government's move to swift German unification ended that option and led the US to redouble its activist drive for realignment. See Michael R. Beschloss & Strobe Talbott, *At the Highest Levels. The Inside Story of the End of the Cold War* (Warner Books,1993)
9. On the origins of the strategy in the US, see Michael R. Beschloss & Strobe Talbott, *At the Highest Levels. The Inside Story of the End of the Cold War* (Warner Books,1993). On the 1989 negotiations in the West leading to this campaign see Gilles Merritt, *Eastern Europe and the USSR: The Challenge of Freedom* (Kogan Page, London, 1993)
10. See Jeffrey Sachs, 'What is to be done?' *The Economist*, London, 3 January 1990. This programmatic article by the American official adviser to Poland and Yugoslavia at this time, had all the hallmarks of an officially endorsed, carefully crafted American political line.

11. For a detailed survey of the post-Communist Parties' electoral performance, see Peter Gowan, 'The Post-Communist Parties in the East' in Donald Sassoon (ed.), *Looking Left* (I.B.Tauris, London, 1997); Kate Hudson, *European Communism Since 1989* (Macmillan 2000).

12. For a detailed survey of the Bulgarian elections, see Jonathan Sunley, 'Bulgaria: the Election' in *East European Reporter*, Autumn/Winter, 1990

13. For a valuable overview of these West-West conflicts, see Paul Cornish, *Partnership in Crisis* (Royal Institute for International Affairs, London, 1997). See also, Peter Gowan, *The Twisted Road to Kosovo* (*Labour Focus on Eastern Europe*, No. 62, 1999)

14. See P. H. Gordon, *France, Germany and the Western Alliance* (Westview, 1995). As he explains, '...the very experience of the [Gulf] war probably tended to push French and German thinking closer together on security policy issues than to pull them apart. Many observers in both countries concluded that if Europe was to have any influence in international politics, it would have to co-ordinate its foreign and security policies better than in the past.'

15. On this, see Catherine Kellaher, *The Future of European Security* (The Brookings Institution, Washington, 1995). As Kellaher explains, the West European initiative clashed with the Bush administration's 'clear goal of preventing an independent European security organisation that would undermine NATO'.

16. The US did take the lead on Macedonia, ensuring its independence and underwriting it with a token US military presence. This was to prevent a disintegration there which could have drawn Bulgaria and Albania, followed by Greece and Turkey into military conflict in that part of the region.

17. Susan L. Woodward, *The Balkan Tragedy* (The Brookings Institution, Washington, 1995), page 196.

18. This is the judgement of Fraser Cameron. See his *The Foreign and Security Policy of the European Union. Past Present and Future* (Sheffield Academic Press, 1999) page 31.

19. The Iraqi government subsequently released a transcript of the interview causing great embarrassment in Washington. The US military establishment had been pressing the Bush-Scowcroft-Baker team for weeks before the Iraqi invasion that only a stern threat would deter

Iraq. As the Chair of the US Joint Chiefs of Staff later commented, 'We had Arab states saying nothing was going to happen, and the United States saying that if anything did, it was not our concern.' But the military did not understand the political side of US global strategy. See Bob Woodward, *The Commanders* (Simon and Schuster, 1991) and Colin Powell, *My American Journey* (Random House, New York, 1995) on the Gaspie incident and US tactics at that time.

20. Barton Gellman, 'Allies See No Credible Alternative', *Washington Post*, 23 March 1999, p.A12

21. These dictatorial powers were granted to the HR by the so-called Peace Implementation Council at its Bonn meeting in December 1997 and were expanded in 1998

22. See Gilles Merritt, *The USSR and Eastern Europe. The Challenge of Freedom* (Kogan Page, London, 1993) page 41.

23. UNECE, 'Catching up and Falling Behind: Economic Convergence in Europe', *Economic Survey of Europe*, 2000, No 1, page 181

24. Michael Landesmann, 'Structural Change in the Transition Economies since 1989', page 3. The Bulgarian exception results from the enormous scale of de-industrialisation in Bulgaria.

25. Landesmann, op. Cit., page 11; see also, Nigel Swain, "Decollectivising Agriculture in the Visegrad Countries of Central Europe", *Labour Focus on Eastern Europe*, No. 51, 1995.

26. Landesmann, op. cit., page 12.

Reviews

Kate Hudson, *European Communism since 1989. Towards a New European Left?* (London and New York: Macmillan) 245pp, ISBN 0-333-77342

Kate Hudson has provides us here with a much-needed introduction to those new party formations to the left of social democracy that have emerged in a number of European countries since the collapse of Communism in Eastern Europe in 1989. This is something which, as she says quite rightly in her Introduction, “has received little sustained attention from the serious media or even from academic observers”. (p.6) Hence the subtitle of her book, *Towards a New European Left?*. It is a balanced and critical account but it also expresses an optimism that comes from the authors own commitment.

What these other writers have ignored, says Hudson, especially Donald Sassoon in his monumental account, *One Hundred Years of Socialism*, is that there is a new converging left-wing political current in Europe that was formed out of the left wings of the old Communist parties, both east and west, which is beginning to play “an increasingly pivotal role in the politics of a series of European states” (p.6). 1989 was, she claims, a real turning point for the European Communist left - its re-emergence as a Europe-wide force and its political renewal following the collapse of state socialism.

The most obvious examples of this new left in Western Europe are Rifondazione Comunista in Italy, the United Left in Spain and the Party of Democratic Socialism (PDS) in Germany. They are all to the left of the main social democratic parties in their respective countries and they all have a significant electoral support which has allowed them, at times, to play an important role in national politics. This is particularly true of Rifondazione Comunista, which posed a threat to the Prodi

government in 1998.

In identifying this new left, in both Eastern and Western Europe, Hudson casts her net rather widely. In Western Europe it includes not only the new formations just mentioned, but also current Communist parties (in France, for instance) and former Communist parties (for instance, the Swedish Left Party). In Eastern Europe, it includes those Communist Parties that have not become “social-democratised”. This would embrace not only the Czech Communists, now the Communist Party of Bohemia and Moravia (CPBM), but crucially, and controversially, the Russian Communists - now the Communist Party of the Russian Federation (CPRF), led by Gennady Zyuganov.

There is a sense, then, in which this left is not entirely “new”. At the founding conference of the German PDS in 1989, the 2700 delegates voted unanimously against the dissolution of the old East German party, the SED, and called the new party the SED-PDS. (The “SED” was later dropped.) The Italian Rifondazione was a left-wing breakaway from the Italian Communist party (PCI) in 1991, when that party signalled its thorough social-democratisation by adopting a new name - PDS. But the breakaway group wanted to signal its own continuity with the old PCI, hence the name - Refounded Communism. And there are indeed some striking instances of “backward looking” in the policies and images of the Russian party.

But Kate Hudson is right to point to the emergence of something new and important in this development. These new Communist formations, especially in Western Europe, certainly adopt a more consistent critical left posture than the old pre-1989 Communist parties, which exhibited various degrees of subservience to Soviet state priorities. And, unlike the old Communist parties, they are generally willing to work and indeed unite with other radical left currents. Trotskyist currents are important components of both Rifondazione and Spain’s United Left.

The scope of the book, bringing together developments in France, Italy, Germany and Spain in the West, and, in the East, Russia, Poland, Hungary, Bulgaria and Romania, as well as the analytic framework which attempts to link those developments together around a dynamic created by the crisis of neo-liberal transformation in the East and the dissatisfaction with Blairite or “Third Way” social democracy in the

West, makes it a very ambitious project indeed and very comprehensive in its scope.

The book has three sections. The first provides a general introduction to the situation in Western and Eastern Europe before 1989. This is very general indeed, covering the effects of the division of Europe, the anti-Vietnam protests and the peace movements in the West, and, in the East, the Soviet occupation, the economic decline, the effects of the Cold War and the attempts at economic reform. It then goes on in the second section to give an account of developments on the West European left, concentrating on the 1990s in the cases of Italy and Germany, but going back to the 1970s in the cases of France and Spain. The focus, of course, is on the development of these former (and sometimes still) Communist parties and the account is mainly a descriptive one rather than strategic or policy-oriented.

The final section on Eastern Europe provides a general account, with some background information, on the transition from Communist rule in these countries. Some attention is given to social and economic problems and to popular protests, where they existed, but the main focus is on the process of party formation and political history during the 1990s. Since it does cast its view, in however introductory a fashion, over the entire pre-89 period (section heading: "The achievements of the Communist Parties"), it is unfortunate that no assessment is made of the lack of democracy under Communist rule, the sometimes brutal suppression of dissent and the monolithic nature of the Communist parties, a legacy which is not without its effect on the character and problems of the successor parties today.

For the reader wanting a general overview of these Communist or "new left" parties and currents in both Western and Eastern Europe since 1989, this is essential reading. Although, as has been said, it avoids the big questions of strategy and policy, it gives a comprehensive and informative picture of the state of these parties as they have developed over the past decade. The book also gives some insight into the kinds of problems these new formations confront, especially in Western Europe where, because of their size relative to social democratic parties, their role is mostly to be "sources of pressure from the left on the majority parties of their respective labour movements" (p.12). However, with coalition governments being the norm in so many countries, a role in

government beckons and threatens.

The best example here is the divisions in Rifondazione over its links with the former Communist PDS in the Italian government. Similar divisions emerged in the Spanish United Left over its links with the PSOE when the Spanish socialists were no longer in government. The German PDS is currently in the throes of an intense battle over the adaptations that its leadership would like to make in order to make the party capable of coalition with the SPD. In addition, playing a "pivotal role" in the politics of these states would necessitate at least a presence in parliament and the PDS, like a number of other such parties, hovers around the electoral threshold (in Germany 5 per cent).

The comprehensive nature of the book means that the author was unable to address, in any detailed way, any of the major strategic and policy issues confronting the post-89 left, especially in Western Europe - the role and model of the party, the relationship with social democracy, the question of participation in government, as well as practical policies on major issues of the day, ranging from pension reform (a big issue in Germany) to membership in the EU (on which the new left is divided) or EU expansion (on which this new left is divided generally on east-west lines).

The general policy profile of most of these parties, certainly in Western Europe, emerges from the account: anti-militarism (opposition to NATO and foreign military intervention), against privatisation and cuts in social expenditure, for full employment and an extension of workplace democracy, anti-Maastricht (for a different EU), support for greater gender equality and environmental protection.

Her account of the development of left politics in Eastern Europe after 1989 gives a sympathetic account of the problems confronting the social-democratising former Communist parties, while taking a critical distance from the anti-social measures and the concessions to neo-liberal free-market ideology common to most of them. She also recognises the limitations of some of the former Communist currents and groups that have not joined the mainstream social democracy. She is quite sympathetic to the Left Platform inside the Hungarian Socialist Party but acknowledges that it does not have "a very powerful impact on Hungarian politics", nor was it united in opposition to NATO at the time of the Hungarian referendum on this issue.

Nonetheless, she is more optimistic than most others who have written on the subject. For instance, she is quite positive about the Czech Communists (CPBM) who have a respectable share of the vote and who share “some political features with the new left parties in Western Europe” (p.148). Boris Kagarlitsky, on the other hand, is more pessimistic. In a recent publication, he describes the CPBM as “dogmatic and nostalgic”. In general, Kagarlitsky speaks categorically about “the failure of the socialist left in Eastern Europe”, a failure which he attributes to “wrong policies, lack of experience, absence of a political tradition and cultural contradictions”.¹

Kate Hudson’s ambitious undertaking, written just a decade after the momentous turn of 1989, provides the best account yet of the state of those European currents and parties to the left of social democracy in both halves of the continent. The focus of the work is on the “Communist” currents that retained some identity out of the debacle of 1989, so there is no analysis of the significance of the non-Communist left or of what could be described as the “Seattle phenomenon” - that broad, radical, young and generally unorganised anti-capitalist movement that made its appearance towards the end of the 1990s, nor of the disparate “green left” currents (although the Left Party in Sweden and other Scandinavian left parties have a strong environmental profile). There probably would be very little support in general in the radical “anti-capitalist” movements of the 1990s for the view that the old Communist or Communist-type parties, however renewed, could be a suitable vehicle for any emancipatory strategy in the future.

On one very concrete issue, there are many who would disagree with her, in both Western Europe and in Russia itself, namely, her endorsement (in a chapter written jointly with Redmond O’Neill) of specific policies of the Communist Party of the Russian Federation (CPRF), in particular that party’s policy of a “patriotic” alliance.

Clearly, Zyuganov emerged as the most significant leader of the CPRF because of the strategic decision that the CPRF should lead the opposition to Yeltsin on the patriotic basis that integration into the world capitalist economy on IMF terms would destroy

1. Boris Kagarlitsky, *The Return of Radicalism, Reshaping the Left Institutions* (Pluto Press: 2000) p. 132

Russia. Although this, contrary to the views of much of the west European left, is clearly the correct strategy for opposing the restoration of capitalism, Zyuganov is also criticised harshly for his theoretical justification of this strategic step. (p.57)

It is certainly the case that most of the new European left that Kate Hudson writes about would at least question whether an alliance with patriotic nationalist forces is the best strategy for fighting capitalism in Russia. Similar sentiments existed on the rest of the Russian left and meant that there was what Jeremy Lester described as “only very lukewarm support [...] from other forces on the Communist and non-Communist left” for the CPRF candidate in the presidential elections of 1996. According to Lester,

as the electoral bloc behind Zyuganov was far more nationalist and patriotic than it was socialist or communist, the lack of support from other left-wing forces was not perceived as a major problem. ... The bulk of Zyuganov’s vote came from the over-50s, with only 10-15 per cent of the youth vote going to him. Equally significant perhaps was the fact that the two largest groups of abstainers (who rejected both Yeltsin and Zyuganov) were people from professional backgrounds and non-ethnic Russians.²

The Russian left-wing analyst, Boris Kagarlitsky, has been a consistent critic of the policy:

The CPRF’s nationalist rhetoric has not consolidated the Russian left but divided and demoralised it. The conservative idea of “great power patriotism” is not organic to a left party; it reflects the moods only of a narrow layer of party apparatchiks who have never grasped even the most elementary points of Marxism and socialism.³

2. Jeremy Lester, “The Defeat of Zyuganov and the Communists in Russia’s Presidential Elections”, *Labour Focus on Eastern Europe*, No. 55, 1996, pp. 84-85.

3. Boris Kagarlitsky, “Russian Communists Ignore Looming Debacle”, *Green Left Weekly* (Australia), 29 September 1999, p. 20.

The issue for many on the left, especially in Russia, is not just the nature of the alliances and the rhetoric of the CPRF, but the fact that it has so consistently given its support, at crucial junctures, to a strongly anti-working class government. Their votes were crucial in passing anti-social budgets. This is a feature remarked on not just by the left. In a recent article in the *Financial Times* assessing the prospects for the Putin regime, Robert Cottrell wrote:

Mr Putin faces little or no opposition from the Duma, the lower house of parliament. The main potential source of it, the Communist party, has opted instead for a “constructive” relationship with the Kremlin.⁴

Such differences notwithstanding, Kate Hudson’s book is an extremely valuable overview of the state of the European Communist left at the end of the twentieth century. It deserves a wide readership and should play a significant part in the debates about the future of the post-89 “new European left”.

Gus Fagan

4. Robert Cottrell, “Russia’s cold warrior”, *Financial Times*, 4 Jan 2001, p. 18.