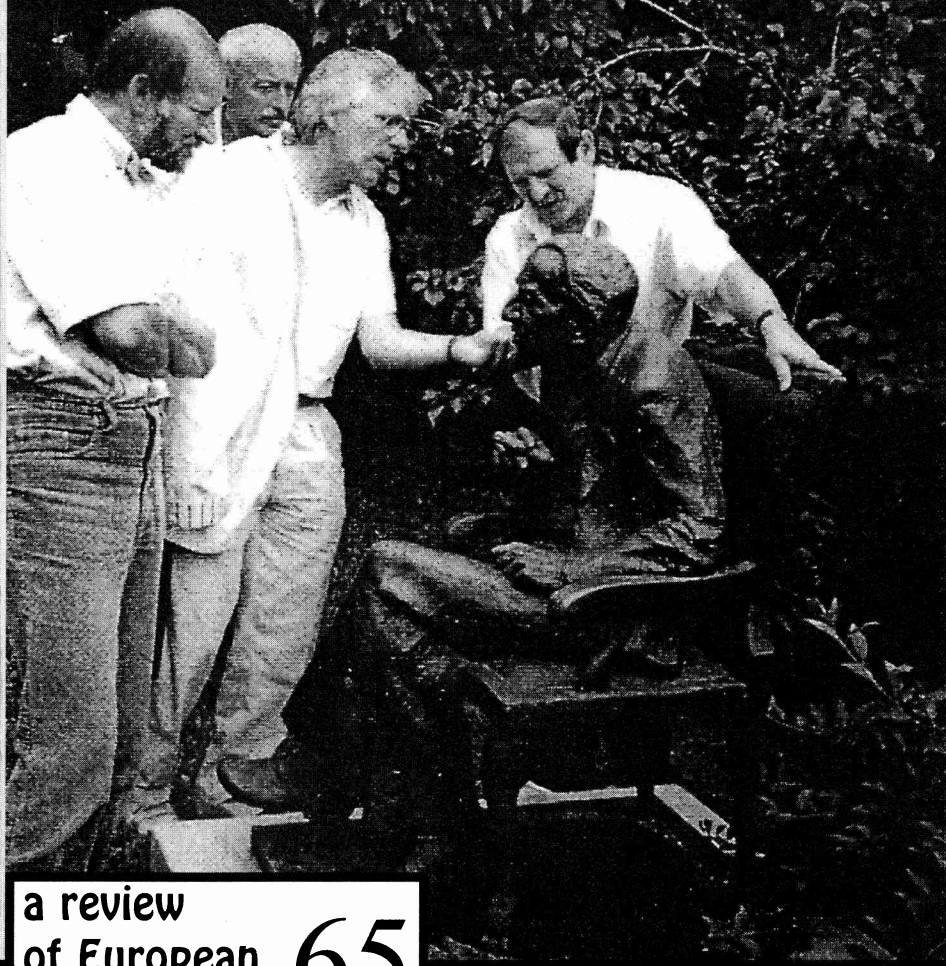


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**Labour Focus on
 Eastern Europe**

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Cover: Tibor Szabó (1st right) with other members of the Lukács Circle in Hungary, examining Lukács statue. Photo: Kenneth McRobbie. See story on page 85.

Conference

**20/21 October 2000, University of North London,
Holloway Road, London**

New Divisions in Europe

Until 1989 it was possible (even if simplistic) to regard the fundamental division in Europe as that between the Soviet and Western dominated blocs. Since then the situation has become so much more complex that there is no agreed way of representing it. However, the hopes of 1989 have not been realised: there is not 'one Europe', but a continent in which many of the most salient divisions still bear the imprint of the Cold War. While there is controversy over the causes of these new divisions, there is some consensus about their existence:

- * Trade divisions between the EU and East Central and Eastern Europe
- * Security divisions between the enlarged NATO and East Central Europe and Eastern Europe
- * Economic inequality between a Western core and an Eastern periphery
- * New state divisions within East Central and Eastern Europe between states
- * A reassertion of ethnic and national conflicts within East Central and Eastern Europe
- * Increased social, economic and gender inequality within East Central and Eastern Europe

This conference has two major aims:

- 1) It analyses the situation since 1989 asking how and why the new divisions emerged.
- 2) It examines possible solutions for some of the key divisions:

Ken Coates

Will This be the Short Millennium?

US and Russian military policy in the 3rd nuclear age

The moral cost of the Nato war on Yugoslavia is only beginning to become plain. The material costs were far from negligible, and have revealed considerable weaknesses in the military preparedness of most Alliance members. More than one thousand aircraft flew more than 38,000 sorties, and cost dozens of billions of dollars. Twenty-eight countries have subsequently deployed 38,000 peace keepers, many of who will be needed to stay in place indefinitely in conditions which are highly insecure.

Endemic ethnic violence rages through Kosovo, and even the most robust optimism blanches in the face of such ungovernable turbulence. Murders are commonplace. Former guerrillas, once subject at least to token disarmament, are now commonly armed again. Nato forces suffer continual attacks, sometimes from minority Serbs and at other times by majority Albanians. The real Government of Kosovo is frequently said to be in the hands of the Kosovo Liberation Army, but its power is not in any way commensurate with the normal tasks of statehood. The Mafia, and the frightening drugs trade, exert their suffocating hold on what passes for civil society in the province.

All this provides the most cursory description of a situation which is full of horror, and a social disintegration which, it seems, remains beyond the capacity of the Alliance and its other allies, to influence, leave alone control. Were hostilities to spread out to embrace Montenegro, or to undermine Macedonia, the military costs would put the European allies to the severest of tests, and create a political crisis in the United States itself.

But of course, it is on the institutional level that the Yugoslav war has produced the most intractable problems of all. The decision to move into war from the posing of the Rambouillet ultimatum completely sidelined United Nations procedures. It was felt by the Americans and the British that recourse to the UN Security Council would invite a veto from the Russian and Chinese permanent members. But that is why the veto was established: to ensure that there must be unanimity between the major powers before this kind of action could be entertained. To smartly step around this inconvenient obstacle was to step around all the carefully established mechanisms which gave institutional shape to great power interrelationships in the whole post-war settlement from 1945 onwards.

The painful result is now apparent. Since the Russians no longer have diplomatic mechanisms through which to deal with international crises, they are pushed into nakedly confrontational power relationships. The result of this decision creates a third phase in post-war history. We had the cold war, and then we had the post-cold war interregnum. Now we have the resumption of forward nuclear deterrence as a primary instrument of military policy, or the post post-cold war period.

This does not simply regress to the cold war. Both of the major powers are weaker for different reasons. Popular gut pacifism in the United States prevents military action which might cost soldiers' lives: nowadays no body bags can be repatriated from the new front lines. The Russian conventional forces, too, meet strong pacifist sentiment, and wars are profoundly unpopular, not least among conscripts. But economic debility has also undermined military capacity, on a serious scale.

US military policy

The Americans had already appreciated the changing balance some years earlier, when they compiled terms of reference (in 1995) for the “Essentials of Post-Cold War Deterrence”. This doctrine was intended to extend nuclear deterrence beyond Russia and China, in order to threaten “rogue” states armed with weapons of mass destruction. It said:

For non-Russian states, the penalty for using Weapons of Mass Destruction (WMD) should not just be military defeat, but the threat of even worse consequences...Deterrence should create fear in an opponent’s mind of extinction - extinction of either the leaders themselves or their national dependence, or both. Yet there must always appear to be a “door to salvation” open to them should they reverse course. The fear should be compelling, but not paralysing.

To accomplish this,

The United States should have available the full range of responses, conventional weapons, special operations, and nuclear weapons. Unlike chemical or biological weapons, the extreme destruction from a nuclear explosion is immediate, with few if any palliatives to reduce its effect. Although we are not likely to use nuclear weapons in less than matters of the greatest national importance, or in less than extreme circumstances, nuclear weapons always cast a shadow over any crisis or conflict in which the US is engaged. Thus, deterrence through the threat of use of nuclear weapons will continue to be our top military strategy.

The document continues:

While it is crucial to explicitly define and communicate the acts or damage that we would find unacceptable, we should not be too specific about our responses. Because of the value that comes from the ambiguity of what the US may do to an adversary if the acts we seek to deter are carried out, it hurts to portray ourselves as too fully rational and cool-headed. The

fact that some elements may appear to be potentially “out of control” can be beneficial to creating and reinforcing fears and doubts within the minds of an adversary’s decision makers. This essential sense of fear is the working force of deterrence.

Regards obligations under international treaties, it says

Putting forward declaratory policies such as the “Negative Security Assurances” under the nuclear Non-Proliferation Treaty (NPT) creates serious difficulties for US deterrence policy in the post-Cold War era. It is a mistake to single out nuclear weapons from the remainder of other WMD and such piece-meal policies are not in the best interest of US long-term security. Likewise, a no first use policy would undermine deterrence in the post-Cold War era because it would limit US nuclear goals without providing equitable returns.

So the Americans see nuclear weapons as the “centerpiece of US strategic deterrence”. It is in the light of this perception that we need to understand the new Nato Jubilee doctrine which converted the Alliance from its historic defensive posture, into an overt instrument of intervention and offensive action.

Russian military policy

Already, the economic difficulties of post-cold war Russia were straining its traditional military organisation. Over the years there had been discussion about the continuing relevance of the Soviet precept that there would be “no first use” of nuclear weapons. This doctrine marked a sharp distinction between American and Soviet nuclear policy. But after the war on Yugoslavia, all this was changed. Now, on the 21 April 2000, we have the formal promulgation of a new military doctrine of the Russian Federation (see Appendix at the end of this article), which now places nuclear weapons within the operational arsenal of the Russian forces.

The new doctrine has been in gestation for several years. Back in November 1993, the Russian Ministry of Defence published “Key Provisions of the Military Doctrine”. In 1997 it was announced that this document was under revision. It is difficult for outsiders to be

certain of the influences which necessitated revision: the collapse of the Soviet Union was undoubtedly very strongly influenced, if not actually precipitated, by unbalanced military spending, in which frightening proportions of Soviet Gross Domestic Product were swallowed up by the arms race. Yet it is difficult to calculate how much of Soviet resources were earmarked for military purposes because planning in Soviet society could mobilise vast resources without needing to account in conventional ways for their costs. Land, for instance, would simply be annexed - allocated on demand, and would not figure as a budgetary expenditure. But prices overall also reflected administrative priorities, much more than the pressure of markets, so that Soviet military expenditures were not at all easily comparable with those on Western programmes.

The result of this severe imbalance left the collapsed planning system with a military sector, which was, in parts, very advanced indeed. But the imbalance in the civilian economy as a whole, with widespread underdevelopment in key sectors, must have made very big demands on the economy, and rendered arms expenditure and production planning very difficult indeed.

This highly skewed development was bound to encourage a revision of nuclear doctrine, which essentially separated “deterrent forces” from day to day operational deployment. More stringent spending limits made this an expensive luxury. Whilst retaining a deterrent function, nuclear weapons came to seem a likely answer to some of the economic problems of the Russian armed forces. An unpublished draft of the new document in 1997 triggered a debate on the toughening of nuclear policies. Initially proposals for a more forward nuclear policy were not accepted: although evidently the debate continued. It was Kosovo which finally tilted the argument.

In 1993, Russian military doctrine formally ruled out the use of nuclear weapons

- against any member-state of the Treaty on the Non-Proliferation of Nuclear Weapons of 1st July 1968 that does not possess nuclear weapons unless such a state, if it has an alliance agreement with a nuclear weapons state, engages in an armed attack against the Russian Federation, its territory,

armed forces and other troops, or its allies; - such a state acts jointly with a nuclear weapons state in carrying out or supporting an invasion or armed attack against the Russian Federation ...

But after Kosovo, the new document

reserves the right to use nuclear weapons in response to the use of nuclear weapons or other weapons of mass destruction ... and also in response to large-scale aggression involving conventional weapons in situations that are critical for the national security of the Russian Federation and its allies.

The Russian Federation will not use nuclear weapons against member-states of the Treaty on the Non-Proliferation of Nuclear Weapons ... except in the case of an invasion or other attack against the Russian Federation ... conducted or supported by such a non-nuclear-weapons state together with or under alliance obligations to a nuclear-weapons state.

In terms of the post Soviet (post cold war) evolution, this doctrine reflects precisely the weakening of Russian conventional forces to the point at which the Russian Government is no longer certain of their capacity to decide any conflict with non-nuclear states. But this new doctrine moves us into the post post-cold war mode already embraced by the United States government in that it faces up to American smart military technology by escalating to the nuclear dimension at any point when there is a perceived threat to the survival of Russian state security.

None of this repeals the earlier presumptions of deterrence. But it does announce the possibility of more restricted nuclear strikes, or "limited nuclear war". In this respect, the post post-cold war returns us to the argument which was frequently iterated in the last fevered convulsions of the cold war itself.

The new Russian Military Doctrine contains three chapters: one on the Military Political Principles, one on Military Strategic Principles, and one on Military Economic Principles. Within the framework of these chapters it is emphasised that the Russian



Putin and the Russian army in Grozny

Federation presumes that the Collective Security Treaty of the Confederation of Independent States will continue “to consolidate the efforts to create a single defence area and safeguard collective military security”.

Side by side, the post post-cold war foundations in both the United States and Russia do show a certain weakening of the bases of military confrontation earlier established during the cold war itself. Both powers are in some respects weaker than they were before, not so much because of agreements on disarmament: but because of the advance of public opinion, which is profoundly reluctant to indulge warlike activities in both states.

It is true that wars can be fomented, but only under the strong pretext of defence of human rights, opposition to terrorism, or direct threat, real or imagined. In this sense, public propaganda has assumed a military role which is vastly greater than was once the case. But military weakness is no guarantee of peaceful evolution. In the days of the cold war we were repeatedly advised that weakness invited aggression. Today, the perceived weakness of Russia has already

invited forward deployment, not only by United States agencies, and by Nato itself and its offshoot, the Partnership for Peace, but by a very wide range of economic concerns. Some of these may indeed be welcome in the Caucasus, or throughout Central Asia: but some of them are clearly not. It is quite clear that the Russian doctrine is concerned to recover effective overall conventional political control over the territories of the Confederation of Independent States, and to render the Confederation, as it says, “a single defence area”.

Third nuclear age

The third age of nuclear confrontation, the post post-cold war, surely invites a renewed movement for peace, nuclear disarmament, and human rights. Human rights must be on our agenda, because they cannot be left to the militarists. Military intervention is the most twisted and partial form of governance, clearly ill-designed to uphold even the most elementary justice. In an age of renewed nuclear confrontation, the nuclear issue is no longer dormant, if ever it was. Today, the military strategy governing both the most important powers explicitly informs us that nuclear weapons are seen as an active part of war-making capacity. These strategies are currently in place, so that the time to challenge them is with us now. And the struggle for peace is clearly an imperative, because we could not have seen the disruption of the post-cold war balance if anything like a just society had been shaping itself. Widely advertised as the end of history, the post-cold war turned out to be the beginning of cut-throat competition and the liberation of ever more avaricious instincts. The poor became poorer, and the rich unimaginably richer. Now political power, already careless of the rights of its subjects, claims to “defend” itself by integrating the ultimate weapon into its front line artillery.

If all this shows us that history has not ended yet, it also shows us a distinct and uncomfortable possibility that it might end soon. That is why we must match the decline into warlike confrontation with a determined resurgence of international humanity, crossing all frontiers to defend and advance human rights, justice, and peace and ending the nuclear threat for the new generation over which today it hangs.

It is time to call on Europeans to reopen the proposal for a

European nuclear-free zone, and to combine to exert every possible pressure on the nuclear powers to begin joint moves towards comprehensive nuclear disarmament. The alternative, to watch and wait while threats and mutually destructive strategic doctrines fester, is to guarantee that we have just entered what will be a very short Millennium indeed.

Appendix

The following is an excerpt from the new Russian Military Doctrine, concerning its "military-political principles":

Military-political situation

The state of and prospects for the development of the present-day military-political situation are determined by the qualitative improvement in the means, forms and methods of military conflict, by the increase in its reach and the severity of its consequences, and by its spread to new spheres. The possibility of achieving military-political goals through indirect, non-close-quarter operations predetermines the particular danger of modern wars and armed conflicts for peoples and states and for preserving international stability and peace, and makes it vitally necessary to take exhaustive measures to prevent them and to achieve a peaceful settlement of differences at early stages of their emergence and development.

The military-political situation is determined by the following main factors:

- a decline in the threat of large-scale war, including nuclear war;
- the shaping and strengthening of regional power centres; the strengthening of national, ethnic and religious extremism; the rise in separatism;
- the spread of local wars and armed conflicts; an increase in the regional arms race;
- the spread of nuclear and other types of weapons of mass destruction

and delivery systems; — the exacerbation of information confrontation.

A destabilising impact on the military-political situation is exerted by:

- attempts to weaken the existing mechanism for safeguarding international security (primarily, the United Nations and the Organisation for Security and Cooperation in Europe {OSCE});
- the use of coercive military actions as a means of “humanitarian intervention” without the sanction of the UN Security Council, in circumvention of the generally accepted principles and norms of international law;
- the violation by certain states of international treaties and agreements in the sphere of arms control and disarmament;
- the utilisation by entities in international relations of information and other (including non-traditional) means and technologies for aggressive (expansionist) purposes;
- the activities of extremist nationalist, religious, separatist and terrorist movements, organisations and structures;
- the expansion of the scale of organised crime, terrorism and weapons and drug trafficking, and the multinational nature of these activities.

The main threats to military security

Under present-day conditions the threat of direct military aggression in the traditional forms against the Russian Federation and its allies has declined thanks to positive changes in the international situation, the implementation of an active peace-loving foreign-policy course by our country and the maintenance of Russia’s military potential, primarily its nuclear deterrent potential, at an adequate level.

At the same time, external and internal threats to the military security of the Russian Federation and its allies persist, and in certain areas are increasing.

The main external threats are:

- territorial claims against the Russian Federation; interference in the Russian Federation’s internal affairs;
- attempts to infringe the Russia Federation’s interests in resolving

international security problems, and to oppose its strengthening as one influential centre in a multipolar world;

- the existence of seats of armed conflict, primarily close to the Russian Federation's state border and the borders of its allies;
- the build-up of groups of troops leading to the violation of the existing balance of forces, close to the Russian Federation's state border and the borders of its allies or on the seas adjoining their territories;
- the expansion of military blocs and alliances to the detriment of the Russian Federation's military security;
- the introduction of foreign troops in violation of the UN Charter on the territory of friendly states adjoining the Russian Federation;
- the creation, equipping and training on other states' territories of armed formations and groups with a view to transferring them for operations on the territory of the Russian Federation and its allies;
- attacks (armed provocations) on Russian Federation military installations located on the territory of foreign states, as well as on installations and facilities on the Russian Federation's state border, the borders of its allies or the high seas;
- actions aimed at undermining global and regional stability, not least by hampering the work of Russian systems of state and military rule, or at disrupting the functioning of strategic nuclear forces, missile-attack early-warning, antimissile defence, and space monitoring systems and systems for ensuring their combat stability, nuclear munitions storage facilities, nuclear power generation, the nuclear and chemical industries and other potentially dangerous installations;
- hostile information (information-technical, information-psychological) operations that damage the military security of the Russian Federation and its allies;
- discrimination and the suppression of the rights, freedoms and legitimate interests of the citizens of the Russian Federation in foreign states;
- international terrorism.

The main internal threats are:

- an attempted violent overthrow of the constitutional order;
- illegal activities by extremist nationalist, religious, separatist and terrorist movements organisations and structures aimed at violating

the unity and territorial integrity of the Russian Federation and destabilising the domestic political situation in the country;

- the planning, preparation and implementation of operations aimed at disrupting the functioning of federal bodies of state power and attacking state economic or military facilities, or facilities related to vital services or the information infrastructure;
- the creation, equipping, training and functioning of illegal armed formations;
- the illegal dissemination (circulation) on Russian Federation territory of weapons, ammunition, explosives and other means which could be used to carry out sabotage, acts of terrorism or other illegal operations;
- organised crime, terrorism, smuggling and other illegal activities on a scale threatening the Russian Federation's military security.

Safeguarding military security

Safeguarding the Russian Federation's military security is the most important area of the state's activity. The main goals of safeguarding military security are to prevent, localise and neutralise military threats to the Russian Federation. The Russian Federation views the safeguarding of its military security within the context of building a democratic law-governed state, implementing socio-economic reform, asserting the principles of equal partnership, mutually advantageous cooperation and good-neighbourliness in international relations, consistently shaping an overall and comprehensive international security system, and preserving and strengthening universal peace.

The Russian Federation:

- proceeds on the basis of the abiding importance of the fundamental principles and norms of international law, which are organically intertwined and supplement each other;
- maintains the status of nuclear power to deter (prevent) aggression against it and (or) its allies;
- implements a joint defence policy together with the Republic of Belarus, co-ordinates with it activities in the sphere of military organisational development, the development of the armed forces of the Union State's {reference to the Union State of Russia and Belarus} member states and the utilisation of military infrastructure, and takes

other measures to maintain the Union State's defence capability;

- attaches priority importance to strengthening the collective security system with the CIS framework on the basis of developing and strengthening the {CIS} Collective Security Treaty;
- views as partners all states whose policies do not damage its national interests and security and do not contravene the UN Charter;
- gives preference to political, diplomatic and other non-military means of preventing localising and neutralising military threats at regional and global levels;
- strictly observes the Russian Federation's international treaties in the sphere of arms control, reduction and disarmament, and promotes their implementation and the safeguarding of the arrangements they define;
- punctiliously implements the Russian Federation's international treaties as regards strategic offensive arms and antimissile defence, and is ready for further reductions in its nuclear weapons, on a bilateral basis with the United States as well as on a multilateral basis with other nuclear states to minimal levels meeting the requirements of strategic stability;
- advocates making universal the regime covering the non-proliferation of nuclear weapons and their delivery systems, resolutely enhancing the effectiveness of that regime through a combination of prohibitive, monitoring and technological measures, and ending and comprehensively banning nuclear testing;
- promotes the expansion of confidence-building measures between states in the military sphere, including reciprocal exchanges of information of a military nature and the co-ordination of military doctrines, plans, military organisational development measures and military activity. ●

Mary Brennan

European Security – Choices, Threats and Opportunities

Europe is faced with a clear choice at the start of the millennium between three quite different political identities and the accompanying security policies. Firstly, the continent may choose to remain a satellite of the US, willing to subject her foreign and security policies to those of the US. Secondly she may try to create a separate European identity, which is both defensive and exploitative. This choice, – Fortress Europe- while distancing itself from the worst excesses of US hegemony, attempts to build its own area of control, by excluding others. The third choice emphasises the unique ability of Europe to develop an international civil society, which would not only challenge existing assumptions but also develop an alternative vision to that presented by rampant economic globalisation. In this role, Europe and the EU would be pivotal in creating a new dynamic internationalism drawn from the best of a whole variety of different political traditions

This paper was presented at the European Conference on Peace and Human Rights held at the European Parliament in Brussels on 11-12 May 2000, organised by the Bertrand Russell Peace Foundation.

I. First Choice – a Europe Subservient to US Interests

The end of the cold war has not put an end to a US foreign policy, which assumes that its hegemony in Europe is a major factor in its search for global power. Spykman, as early as 1942, judged that the USSR was the most likely major power to unite the Euro-Asian land mass.¹ This potential unity, many foreign policy analysts in the US feared, would challenge the possibility of the US achieving and maintaining global hegemony. He thought that the US should attempt to control events by ensuring that this did not arise, arguing very strongly against an isolationist foreign policy, and thereby succeeded in his aim of mobilising the US elite against the Soviet Union. The history of the cold war did nothing to undermine support in the US for this analysis.

Furthermore, during the past five years, events have proven that the aim of preventing unity in the Euro-Asian land mass still remains a key consideration for those who formulate US policy. This strategy can be seen at work now in the decision to expand NATO into the countries of Eastern Europe and some states of the Former Soviet Union thereby de-stabilising Russian- EU relations. These not only include the oil rich countries around the Caspian Sea, such as Azerbaijan and Georgia, which have geo-strategic importance as a possible route for an oil pipeline but also the Baltic States. However, NATO's territorial expansion is not the only consideration, of equal importance is the decision to expand NATO's military activities to other regions outside its members' territories, following its adoption in 1999 of the 'out of area' military doctrine. NATO agreed this following the war in Kosovo, which has rightly been called a watershed.²

Furthermore, having obtained so much hegemony by the promotion of aggressive policies, such as 'First Strike', the US has shown itself to be unwilling to relinquish its ability to escalate conflict globally. In 1999, the US senate refused to ratify the Comprehensive Test Ban Treaty, to the public dismay of senior European politicians. Now the US is attempting to persuade both Europeans and Russians that they should invest in NMD, a missile shield, which exists only in

theory, but it is argued, should eventually protect these countries against rogue missiles. Success is improbable. A more likely consequence is that Russia and Europe will be drawn into a new 'cold war' whose existence will benefit no one but the US.

Expansion of NATO and rejection of OSCE

Eduard Schevardnadze, the former Soviet Foreign Minister during Gorbachev's period of office and presently the President of Georgia, is seeking to make Georgia a member of NATO. The country has been plagued by civil war and conflict ever since the dissolution of the Soviet Union, for the region of Abkazia is trying to gain its autonomy and political opponents of the president have tried to stop him taking the country into the sphere of influence of the US. Further to the East, Azerbaijan's president has also expressed an interest in joining the western alliance. (*Morning Star*, 2 Dec 1999) This is not an unexpected consequence of NATO's involvement in the region of the Caspian Sea, which contains a substantial proportion of the world's supplies of oil. These states are the latest applicants for membership of NATO's nuclear alliance and some are conducting joint military exercises.

During the discussions which led to the end of the cold war, Helmut Kohl, the German Chancellor, James Baker, then the US Secretary of State and John Major, the British Prime Minister, all categorically assured President Gorbachev that NATO would not expand. Therefore, the Warsaw Treaty Organisation was disbanded and the Soviet Union withdrew its troops from East Germany in 1989. At this time, many were predicting an enhanced role for the OSCE and as late as 1992, it would have been possible to extend the role of the OSCE and put in place a co-operative regional security system, which would have included Western Europe, Eastern Europe and Russia. However, the US then announced that it wished to see a continuing role for NATO and the retention of interlocking transatlantic and European institutions to the detriment of the OSCE.³ The promises to President Gorbachev were abandoned because a regional security system would tend to promote the scenario, which US analysts so fear, of co-operation and increasing integration between two large areas of the Euro-Asian land mass. By 1994, therefore,

NATO's Partnership for Peace programme was agreed and 23 countries joined the scheme. However, as many in the peace movement had predicted, this was not a partnership between equals but rather a method of assessing potential recruits to NATO, with full membership only being offered to those states, which were able to demonstrate not only their full commitment to capitalist transformation but also their loyalty to massive privatisation, rigid monetarism and other aspects of neo-liberal economics.

Deploying nuclear weapons again in Eastern Europe?

However, these were not the only policies, which these countries applying for membership were forced to adopt. In 1996, Javier Solana, the Secretary General of NATO was reported to have stated in Prague that any new members of NATO must be prepared, in principle, to accept nuclear weapons on their territories, for some of the leaders of the dissident movements, which had opposed the communist leadership, had stated categorically in 1984 that they were opposed to any nuclear weapons being located in their countries.⁴ President Havel, who had been one of the signatories of the 1984 declaration, immediately abandoned the non-nuclear policy, without a backward glance and initiated the necessary constitutional changes. (*Postmark Praha*, 1 Sept 1996) The Czech Republic, Poland and Hungary were deemed to have fulfilled the criteria and were offered membership in 1997. Writing in the *Economist*, Madeline Albright who had become President Clinton's Secretary of State argued that his administration had 'no higher priority than the expansion of NATO.' The only explanation for this extraordinary statement, which gave global trade, relations with China and the development of the Pacific Rim less importance, was that the US was still intent on dividing Euro-Asia in order to weaken any challenge to the authority of the US. The governments of these new member countries unwisely assumed that membership of NATO would rapidly lead to membership of the EU. However, at the start of the millennium, they still remain outside the Union in a militarised buffer zone.

If Georgia and Azerbaijan are now to be admitted to NATO, the question must be asked as to whether these countries would be expected to agree to the possible deployment of nuclear weapons too.

Furthermore, have human rights been incontrovertibly established in these states, or could NATO members be asked to intervene in favour of governments faced by challenges from an unhappy and disenchanted electorate, whose commitment to democracy and human rights is significantly in question? Although the leaders of these countries of the Former Soviet Union have become rich, the same cannot be said of their peoples. Since the dissolution of the USSR, there has been a precipitous fall in the standard of living of the vast majority. The UN reports that fifteen of these countries are now faced with hunger crises, which are typical of the developing world, with 26 million being undernourished. Infant mortality and disease rates have markedly increased, in almost all these states. In Georgia, for example, UNICEF reports that there has been an 81 per cent drop in female education.⁵

The Baltic States have opened negotiations to join the EU. Russia has not objected to this but has voiced strenuous objections to their proposal to enter NATO simultaneously. This admission would be a most aggressive escalation because these states border northern Russia. Furthermore, these states have denied Russian, and other nationals, citizenship on the grounds of their inability to speak the native language fluently, even when the family have lived there for generations. These governments have already shown the world their true nature. For example, parades by former members attached to the Nazi SS are allowed in the streets in Latvia, while partisans, who fought the Nazi armies are being brought to trial, as war criminals.⁶

In March 1999, NATO published its new strategic concept 'out of area', which allows NATO to intervene anywhere its interests are threatened. Are the strategists of NATO envisaging actions in the former states of the Soviet Union? Are they willing to do this when these states have obtained power by denying some of their citizens any part in political life? If this is so, NATO now cannot be described as anything but an offensive, in both senses of the word, rather than a defensive alliance, governed as it is by the nuclear doctrine of 'first use'.

Questions of energy and the policy of the US

Therefore it is relevant to ask why did NATO establish diplomatic offices in Central Asia and the Caspian Sea states, in the early nineties

and why have NATO staff and US leaders regularly visited these countries to try to win their co-operation? There are several reasons. The US, herself, and to lesser extent European energy trans-nationals are determined that their mutual economic interests in the oil of the region are protected. The oil and gas reserves in the former Soviet Union, in total form one of the largest energy sources in the world and can only be rivalled by the oil reserves of the Middle East. At present, China, Europe and Japan, all receive a substantial part of their gas supply from there. Furthermore, in the future, the US faces shrinking reserves in the western hemisphere which leaves it with three choices, to modify its life style, in order to reduce its dependency on oil, which it shows no sign of doing, to continue to import from the Euro-Asian land mass by developing these sources in a co-operative arrangement with the countries concerned, or alternatively acquire access to them by force.

Therefore, the US hopes to establish either a political presence, or even a military base in the Caspian Sea region, or Central Asia, which will allow it to influence events in Russia, China, Iran and India and last but not least it hopes to exercise a decisive influence on Europe and the EU because much of its energy, in the form of gas, or oil, either comes from Central Asia, or the Russian Federation. Amoco, Exxon, Penzoil and Unocal lead the Azerbaijan International Oil Consortium and an impressive range of US policy maker is involved in the trans-nationals working in the region, including Dick Cheney, President Bush's Secretary of Defence, Zbigniew Brzezinski, a former national security adviser and James Baker, the former Secretary of State. Caspar Weinberg, another former US Defence Secretary, awards control of this scenario more strategic importance than the expansion of NATO into Eastern Europe. ⁷

Therefore, the US and the trans-nationals such as Amoco and BP have tried to ensure that the oil supply route crosses territory that they control. The favoured route has been one that brings oil from the Caspian to the Mediterranean via Georgia and Turkey, in spite of the political instability of Georgia and physical instability in Turkey because the one of the alternatives for the proposed route could pass through an earthquake zone. However, this choice would be expensive, which may rule it out. Other routes through Pakistan and Afghanistan

are clearly not feasible because of political instability. The alternative routes to these, on the other hand, have not been acceptable to the US. The shortest is via Iran, whose government has been inimical to the US. The other route, which avoids the hazards of Georgia and Turkey, is through Russian territory. Initially, this passed through Grozny in Chechnya, where there was a large oil refinery but now following the Chechen wars, there is an alternative route being developed further north. A gas pipeline from Russia to Turkey, which had been agreed, is now under threat.

To underpin support for the route through Turkey, its government has supported the Chechen rebels in the republic since 1991. They were helped too by the actions of the Yeltsin government, who gave the insurgents a large number of arms in the autumn of 1991 and in May 1992.⁸ The reasons for this are obscure but may have been an attempt by Boris Yeltsin administration to ensure the support of the West. The later wars in Chechnia are also rooted in its complex history. However, the importance of the oil pipe route cannot be underestimated, in mobilising support for the rebels in the Middle East and the West. When warlord Basayev Khalab invaded neighbouring Dagestan and hoisted the green flag of the Islamic republic, his armoury even contained Stinger 2 rockets. Islamic rebels in Tadzhikistan have been armed similarly.

Troops of the US have been reported as being stationed in Azerbaijan and its Minister of Defence even asked NATO to become involved in the recent fighting in Chechnia after a suggestion that NATO establish a base there, a request repeated by the Chechen leader Aslan Maskhador. The Azeris are not alone, for the GUUAM grouping of the Ukraine, Uzbekistan, Moldova and Azerbaijan has sought US military support from the US. No doubt this is viewed as a means of consolidating the rule of individual leaders, in the face of mounting opposition at home, as well as a means of countering any Russian hostility. The recent vicious war in Chechnia, which sacrificed both Russians and Chechen civilians in saturation bombing, has not only isolated many of the Chechen rebels but also increased the fears of neighbouring governments. The Russian aim seems to be to curb western ambitions in the region, including those of Turkey. As in Kosovo, conflict resolution would have produced a much better result

for the indigenous people but the Russian elites felt that their future security and even identity were at risk and were prepared to support the 'party of war'.

In Central Asia, on the other hand, Russia has been attempting to create alliances, which will undermine US policy, for the Russian government is planning to build an oil pipeline through Dagestan. In its fifth summit, the 'Group of Shanghai' consisting of China, Russia, Kazakhstan, Kyrgyzstan and Tadjikistan opposed any military intervention in the region and supported instead the concept of a multi-polar world, which challenged US ambitions in the region. By March 2000, Turkmenistan was extending its options and had signed an export deal to use the Russian Gazprom pipeline for its gas reserves, which would give it access to the 'friendship' line, which supplies gas to Western Europe, and was also exploring an alternative route for its oil, through Iran. The CIS, in the next month, organised joint military actions in Central Asia, which were joined by Armenia and Belarus, which has recently merged with Russia. Indeed, the threat, which the NATO and US are to Russian interests in this region, may well accelerate the formal re-integration of these states. China, too, seems to be supporting the Russian suppression of the Chechens because she fears the active presence of the US in Central Asia and that an alliance of western interests and Islamic fundamentalism will de-stabilise her western regions also.

In November 1999 at a meeting of the OSCE, President Clinton signed an accord with Azerbaidzhan, Turkmenistan, Kazakhstan, Georgia and Turkey for an oil pipeline from Baku to Ceyhan in Turkey, even though the Azerbaidzhani International Operating Consortium judges this may be economically unviable. However, other considerations may govern the decision, such as the benefits to the US elite of long-term instability in the region.

European interests in Central Asian oil

This choice for the oil pipeline is contrary to European interests not only because it travels through areas of instability but also because any conflict with the Russians, which are inherent in this choice, would have a serious effect on Europe. At present, a substantial proportion of the energy of Europe and Germany, in particular, is transported by

pipeline from Russia. This includes vast deposits of gas in western Siberia. A war over the distribution of oil from the Caucasus, in which NATO was involved, could cut the EU off from a supply on which she relies and even draw her into a nuclear confrontation with Russia and possibly China. It could also have a devastating effect on the continent's economy. Javier Solana, the former secretary of NATO and now the EU commissioner for foreign and security policy has said that Russia cannot be an actor in the Caspian Sea region, although the Soviet Union first developed the region. In spite of his present appointment, his analysis clearly owes more to the interests of the US than to those of the EU, for in 1997 the US Congress passed a resolution declaring the Caspian and the Caucuses to be a zone vital to North American interests. The US, in contrast to the EU, has something to gain but very little to lose by its policy of encirclement, which owes so much to the doctrine of 'containment' developed just after the second world war, in relation to the USSR. Conflict may even promote its strategic aims, especially if any fighting is prosecuted solely by European troops. For these reasons, any extension of NATO into the Caspian Sea region would enable the US to put a great deal of pressure on the EU, as well as threatening both Russia and China. Yet again, she would be in a position to 'divide and rule'.

The Kosovo war

A model for such an intervention has been provided by the Kosovo war. Therefore, in whose interests was the Kosovan war prosecuted? Certainly, it was not in the interest of most Kosovo Albanians, for although the Serb paramilitaries and police had been harassing and unlawfully attacking the local population in an attempt to control the Kosovo Liberation Army [KLA], the acceleration of ethnic cleansing caused by the war, the high level NATO bombing which destroyed much of the infrastructure, the environmental damage caused by damage to the Danube bridges, the use of thousands of cluster bombs and ten tonnes of depleted uranium have together produced a massive deterioration in the living conditions of the people (*Guardian*, 11, 15 Oct 1999, 13-14 March 2000). A much better resolution could have been achieved by committed conflict resolution but when the US insisted that any peaceful resolution depended on the Serbs agreeing

to the deployment of NATO troops throughout the whole of Serbia, the search for peace inevitably came to nought.

As a result of the war, about 200,000 Serbs and Gypsies have been ethnically cleansed by the KLA and their paramilitaries and the European investment bank calculates that the total cost of reconstruction is over £20 billion (*Guardian*, 15 Oct 1999). Although the KLA did not gain the support of the majority of the Kosovo population before the war, it has gained power, mainly with the support of the US. Although to the unwary the extension of the deutschmark zone in Kosovo and Montenegro may indicate a benefit for the EU and Germany in particular, this is offset by other factors. The US has established bases in Kosovo, including at large base near Urosevac. A Montenegrin liberation army has been established and equipped, which will no doubt result in an escalation of the conflict and a major route for drugs into Europe has been consolidated in the area controlled by the KLA. There are reliable estimates that 4.5-5.0 tonnes of heroin a month are being transported compared with a previous total of 2 tonnes. Recent incursions by Albanian paramilitaries into Serbia should be seen in this light. Conflict there is not always generated by ethnic hatreds.

Now, at the end of the Kosovo war, the EU's relations with Russia are much worse and the political regime in Serbia remains unchanged, although Serb civilians are suffering from the effects of sanctions, a situation, which is reminiscent of that in Iraq. Russia argued at the beginning of the Kosovan war that the emerging conflict could be solved by conflict resolution but her views were ignored. Developments since then have generated hostility in Moscow, which is based not only on empathy for the Serbs but also a fear about the extent to which NATO will push its new 'out of area' doctrine. General Anatoly Kvashin, for example, contends that the military campaigns in Iraq and Kosovo presage possible NATO assaults on Russia. Europe and the EU has been left with a series of problems, while the US, employing a pro-active policy, has demonstrated its ability to use NATO forces 'out of area' and establish bases in the Balkans. Even the arguments in NATO about the use of high level bombing and the deployment of ground troops resulted in a reassertion of US authority and another example of 'divide and rule'.

A whole series of disputes broke out between the European governments and the US about the conduct of the Kosovan war, which included reservations about the military doctrines used in high level bombing and other matters. However NATO clearly exists to support US interests. Its military doctrines are dangerously aggressive and its drive to expand its area of membership could de-stabilise Europe. Furthermore, NATO 's actions undermine both the UN and the International Law. For all these reasons, Bruce Kent, a previous chair of CND, amongst others, maintains that NATO should be dissolved, or put under the authority of the UN.⁹

A new arms race?

The US is also developing a missile defence system, known as 'son of star wars' or NMD, which has global implications. US Space Command has asserted that Kosovo indicated the need for 24 satellites but at the same time, it is also developing anti-satellite systems (*Morning Star*, 15 Dec 1999). Israel is centrally involved with the US project and has conducted tests in the Mediterranean. The formation of a committee in the UN to examine this question has been blocked by the US, who has tried to over-ride Russian objections by offering Russia help with developing its own (*Guardian*, 18 Oct 1999).

The Russians and Chinese oppose this development because it breaks the Anti-Ballistic Missile Treaty [ABM] of 1972 and moreover, can be used both defensively and offensively. General Dvorkin, Head of Russia's Strategic Missile Institute maintains the main reason for development is pressure from the US military-industrial complex and says "Russia will develop asymmetrical responses and build her own."(*Morning Star*, 2 Dec 1999)

Even European leaders have expressed their hostility because this initiative not only undermines the ABM Treaty but also encourages further proliferation of nuclear weapons. They argue that threatened states will try to overwhelm the US system by sheer force of numbers, which will result in an escalation of missile development. In Britain, NMD is opposed by the Foreign Office but Prime Minister Blair has now agreed that Britain's the first stage in the development of a US

missile shield for the US at Fylingdales can go ahead, although the station is designed to benefit the US and not Britain, as UK commentators recognise (*Guardian*, 7 April 2000). Talks have been conducted in great secrecy and even junior ministers in Britain have been denied access to the papers. Reports suggest that the US has already committed £31 billion to the development overall. Certain strategists estimate that this development could break the NATO alliance. It will certainly harm British-European relations.

These perceived threats to Russian security have changed its overall policy. The economy in Russia has collapsed during the administration of President Yeltsin, so that the GDP is now less than half of that in 1990 and corruption and crime are rampant, while the so-called oligarchs are less accountable now than the Communist Central Committee was in 1990.¹⁰ Under the leadership of Vladimir Putin, Russia's new President, who has strong and probably significant links with the 'party of war' which was deeply involved in the prosecution of the previous Chechen conflict, military spending has been scheduled to increase by 57 per cent (*Guardian* 29 Oct 1999). Although this may be an attempt to use the military sector to reflate the economy, arms purchases are scheduled to rise by more than 80 per cent and procurement by 50 per cent and significantly Russia has resumed her sea-launched ballistic missile programme. Russia has also published a new security document, in which the military doctrine governing the use of nuclear weapons is not based on a response to nuclear attack, as in Soviet days, but has a closer resemblance to the NATO doctrine of 'first strike' in that it sanctions their use against conventional attack. Lord Robertson, NATO's Secretary General, in a fine demonstration of hypocrisy, said in November 1999: "the draft moved from the principle of co-operative security, as it paints a darker, more confrontational picture of international relations." (*Morning Star*, 4 Nov 1999)

Russia has also drawn much closer to China, as they both feel increasingly threatened. China, in her turn has made major purchases of advanced weapons from Russia, as tension increases between herself and Taiwan whose arms are being supplied by the US. The new ambassador for China stated at the UN that the organisation should negotiate to stop the testing, deployment and use of NMD and

has co-operated with the Russians in introducing a resolution at the UN calling for renewed efforts to preserve and strengthen the ABM Treaty through full and strict compliance. Indeed a foreign ministry spokesman said the present US policy on NMD 'would tip the global strategic balance, trigger a new arms race and put the world and regional stability in jeopardy' (*Morning Star*, 23 Oct 1999).

II. Second Choice - Fortress Europe

As early as the mid eighties, there were those in Europe and even in the European peace movement, who were pushing the concept of a European Defence Identity. This coincided with Germany's growing economic influence, as she became, in the last phase of the 'cold war', a creditor nation and the US a debtor. Some in the EU even argued that the US was crumbling under the weight of political and financial pressures.¹¹ While Chancellor Kohl of Germany was falsely re-assuring President Gorbachev that NATO would not expand, he was, at the same time, following an agenda common to the right wing in Europe, to increase military spending and establish a European Defence Identity [ESDI]. In the late eighties, the West European Union [WEU], which had been established in 1948, was restructured to provide a base for ESDI and also generate a common Foreign and Security Policy for the European Union. Article V of the Maastricht Treaty, which was signed in 1991, had agreed this and in 1994 this was confirmed by NATO. Mark Santer, the President of the European Commission then announced that a European Defence Commissioner would be appointed but he would not be under the control of the European Parliament;¹² a strange but hardly unexpected position for leaders who continually affirm their commitment to democracy but frequently contravene the rules for its expression. A fuller account of the development of ESDI up to 1997 can be found elsewhere.¹³ In 1997, key European states had called for the incorporation of the WEU into the EU and this has now been achieved.

European Defence Identity or NATO's mercenary force?

In June 1999, smarting after the Kosovan war, European leaders announced that they wished to see autonomous, EU led, military and peacekeeping operations. Overall European defence spending in 1999 was lower in the EU, as a percentage of GDP [NATO-Europe: 2.1 per cent] than it was in the US [3.2 per cent] or Russia [5.2 per cent].¹⁴ The US resents this and has suggested that the EU, and Germany in particular, should increase its arms spending. However, other factors were militating against an effective EU military presence. According to the Institute for Strategic Studies, in the UK, only a miniscule 2 per cent of the personnel under arms in Europe were available in 1999 for deployment in missions, similar to those in Kosovo and Bosnia. Therefore, the European leaders are moving closer towards integrating their armies. Joschka Fischer, the Green Foreign Minister of Germany describes the transformation of the EU into a single state with one army "the critical challenge of our time", and Rudolf Scharping, Germany's defence minister, has called on the EU to set up a joint air transport command. NATO's Secretary General, Lord Robertson, has indicated NATO's approach to ESDI, when he urged the Europeans to develop heavy-lift troop carrying aircraft and to create military doctrines, which would reorganise forces to enable them to operate in distant conflicts (*Morning Star*, 4, 26 Nov, 11 Dec 1999).

Furthermore, Javier Solana is now overseeing the development of ESDI in his role as Foreign and Security Policy Commissioner for the EU, which also seems to indicate that any European force, built on an absorbed WEU [West European Union] may prove to be a subservient operational arm of NATO. By the end of 1999 the EU in principle had agreed to the establishment of Eurocorps, to be fully operational by 2003 and which could only be deployed, with the agreement of Washington and NATO. A majority of NATO, or the EU, however, will be able to trigger its operations and its main role is seen as a rapid reaction force. In practice, therefore, ESDI would be a subsidiary force operating alongside NATO and following NATO's agenda. Furthermore, NATO officials had also stated earlier that Europe should develop its own ballistic missile. This would be a major escalation and would undermine existing disarmament agreements.

However, the Paris declaration in December 1999 by France

and Germany stated that decision making bodies are “indispensable to give the EU an autonomous capability to decide on and, when the Atlantic Alliance is not committed, launch, and carry out its own operations” Therefore, in spite of the constraints which the US thought had been agreed, France and Germany are clearly attempting to create an independent force, which will allow the EU to deploy “rapidly and then sustain combat forces which are militarily self sufficient up to corps level with the necessary command, control and intelligence capabilities, combat support and service support.” Naval and air forces are also envisaged. The fledgling EU army will under the direct control of a political committee meeting in Brussels, with its parallel staff committee and will take over from K-For in Kosova, in April 2000. Moreover, the request by Washington to have a ‘first right of refusal’ was pointedly ignored by the EU text. Furthermore, the Commissioner for External Relations, Chris Patten, reminded the US that Eastern Europe was ‘the EU’s backyard’ (*Morning Star*, 24 Feb 2000).

The European military-industrial complex

The major European powers recognised that without a developed arms firms sector, the achievement of ESDI would remain an unfulfilled aspiration. Therefore, President Chirac of France and Chancellor Kohl of Germany issued a call to European defence firms to create a single European group to be known as Euroco and two years ago, at St Malo, Prime Minister Blair of Britain and President Chirac again requested defence firms to co-operate, for they concluded that Europe needed to “strengthened armed forces that can react rapidly to new risks and which is supported by a strong and competitive European defence industry and technology” (*Guardian*, 3 Nov 1999). The major EU powers, therefore, were already co-operating in building a Eurofighter plane, at great cost and the European defence sector has, also, been developing an air-air missile, known as Meteor. Undeniably, the UK would demonstrate its loyalty to ESDI and the EU, if it bought this. However, the British Royal Air-force and Prime Minister Blair has been put under significant pressure from the US leadership to buy an American rival, from Raytheon, which include being offered substantial attractive inducements. However, the US Congress had thwarted trans-Atlantic moves to link with Europeans, on the grounds

that technology cannot be shared with foreign firms. Furthermore, this deal would veto the export of the Eurofighter and its systems outside Europe. Clearly, the US fears any strengthening of European autonomy and would prefer to safeguard its own long-standing global hegemony. The delayed decision has not yet been announced although press reports in January 2000 indicated the British would eventually choose the Meteor.

The possibility that European defence firms could benefit from the arming of newly admitted EU members has a great deal of appeal for many EU leaders. Lord Robertson, the Secretary General of NATO has urged these East European countries to make economic sacrifices to buy western arms and urged them not to "...shy away from taking tough and painful decisions and they must allocate sufficient resources to achieve their reforms" (*Morning Star*, 1 Feb 2000). Certainly, they certainly could be forgiven for wondering where the peace dividend had gone. Both European and US arms firms are also selling arms to countries with poor records in human rights such as Indonesia and Turkey. Furthermore, development projects, such as the Ilisu dam in Turkey, could result in lucrative arms deals, following the decision to admit Turkey to the EU in December 1999. However, the Ilisu dam may generate resource wars as deprived states in the Middle East fight for a greatly reduced water supply. In Britain, in March 2000, four committees of parliament united to condemn the British government's decision to abandon its own ethical policy declaration and failing to implement the recommendations of the Scott report, which criticised the manner in which government promoted arms sales (*Guardian* 26 Oct 1999). Although the prime motive for the arms firms is profit, for European governments a different motive may be operating. They may wish to develop the necessary base amongst European arms firms to ensure a truly independent European defence identity.

The eurobomb

In Nato's communiqué in December 1995, it was announced that there would be steps taken to integrate the nuclear forces of France and the UK. If such forces were placed at the disposal of the EU, this would, of course, run counter to the Non-proliferation Treaty [NPT] signed

in May 1995. However, some authorities maintain that Germany refused to sign the NPT unless the treaty made provision for a nuclearised European Union.¹⁵ This may indicate, if it is true, that NATO, the US and Germany have a long term strategy to develop a nuclear capability which could operate as an intermediate nuclear force and undermine the achievements of the INF treaty. A significant development could be provided by the French decision to develop an air-cruise missile, which may lead to a euro-missile system.

The US position on ESDI

The US can hardly avoid taking note of these developments. Strobe Talbott, the US deputy Secretary of State reflected US ambivalence about ESDI in November 1999, when he said in London that “ Many Americans are saying never again should the US have to fly the lion’s share of the risky missions in a NATO operation and foot by far the largest bill...We want so see a strong, integrated self confident and militarily capable Europe” (*Guardian*, 8 Oct 1999). This seems a signal for the European right to go ahead with their plans and obviously envisages ESDI as complementary to NATO and therefore a tool of US foreign and security policy.

Nevertheless, some elements in the US are intent on developing a more isolationist and unilateralist position. George Bush, the Republican presidential candidate, has outlined an aggressive foreign and defence policy, which envisages increased military spending and renewed confrontation with Russia and China. Moreover, there are reservations about an independent Europe, which Strobe Talbott also reflected, when he said, “ we do not wish to see a European security and defence identity that comes into being first within NATO but then grows out of NATO and finally grows away from NATO” In January, 2000, General Shelton, Chair of the US military joint chiefs of staff, was of the same mind, when he addressed EU leaders:

... if we look at the most successful alliance in the history of the world, and that is NATO, we want to make sure that, in the process of whatever commitments are made, that nothing detracts from the capabilities of the NATO alliance.

Even opinion leaders in Britain are becoming disenchanted with the dominant US view and have questioned “whether the US remains worth being special with” (Hugo Young in the *Guardian*, 25 Nov 1999). and whether geographical considerations should outweigh historical ties from the cold war period, for the EU is now creating the largest market in the world. In October 1999, Romano Prodi, the President of the Commission announced plans that it could contain up to 500 million people and envisaged special relationships with Russia and the Ukraine. On the development of its foreign and security policies, much will rest. Tragically, at present, those European leaders, who would create another hegemon to rival that of the US, are imitating its aggressive militaristic policies, which could increase confrontation even to the detriment of their own interests. Frequently chosen and modelled by NATO, they still subscribe to the ‘ first use’ of nuclear weapons and have developed plans for a rapid reaction force, whose doctrines are redolent of nineteenth century imperialism. Furthermore, in a continent, which has played a central role in the development of democracy and human rights, these decisions are sometimes taken without oversight by the European parliament and in most cases, national parliaments are not adequately consulted either. European states are turning themselves into mercenaries for the US, neglecting the interests of their own continent and the values that the continent has produced. This trend must be denied. Another path must be followed by Europe.

III. Third Choice – Architect of Internationalism, Defender of Human Rights and Creator of Peace

Europe has given a mixed legacy to the world of liberation and oppression. On the negative side, her peoples developed modern warfare and used their might to plunder and exploit other cultures and continents. On the positive side, Europe has played a major role in the evolution of human rights, participatory democracy and accountability under the law and the recognition of the equality of citizens and peoples. The continent has demonstrated that citizens can unite to create systems, which provide mutual support and collective creativity. This was encapsulated by the slogan of the French

Revolution of ‘Liberty, Equality and Fraternity’. Building on the work of philosophers from a variety of traditions and political perspectives, from Locke to Marx and Paine to Sartre a culture was produced which enabled civil society to be established first in Europe and eventually in other continents. As Gramsci recognised, the progressive nature of civil society is based on the organised involvement of the community as a whole. Civil society experiments with the best expression of that purpose not only by government but also by the participation of voluntary organisations.¹⁶ Furthermore, such work is rooted consciously in common values of justice, participation, and accountability and in developed expressions to peace and equality. Fundamental is the idea that society does not exist mainly to coerce, or constrain, but to liberate and empower.

Unfortunately, the optimism about the possibility that progress could continue to take place was eroded by the conflict of the Second World War and subsequent hostility and fear generated by the cold war. The progressive culture of Europe was imprisoned then by militarism, hatred and repression, as both super powers, in different ways, disregarded her legacy. However, the time has returned for Europe to regain that mission, which she was forced to abandon. However, militarists throughout Europe have consolidated their position and now ESDI is being promoted with military doctrines, which owe much to the age of imperialism. Javier Solana, formally of NATO, is now the high representative of the Council of Ministers and deals with the EU’s foreign and security policy. The European Parliament, on the other hand, finds its authority diminished as decisions on crucial issues are taken in secret. In the name of democracy, oligarchic rule is being promoted and in the name of freedom, accountability is being denied. In the name of peace, a new arms race is being established and in the name of justice the developing world is crippled with debt payments.

We Europeans must return once again to the task of building and defending civil society in each country, based, as always on strong movements and NGOs. However, this civil society cannot be constructed around narrow nationalisms, or even an enclosed fortress view of Europe. Now civil society must be seen as international civil society, which alone can limit the excesses of global capitalism,

promote those values, which are indispensable for human development and security, create and revive international institutions and eventually transcend the social system, which gives war and injustice the central role. Once again, the UN must be viewed as the supreme arbiter of international law and the forum in which the democratic will of all nations can achieve consensus. Its central role in promoting human rights, peace and security need to be re-established.

This will be a major task. Kofi Anan, the Secretary General of the United Nations reminded us at the beginning of April 2000 that nearly half of the world's six billion people were living in extreme poverty on less than \$2 a day and about 1.2 billion were living on less than 1\$, including 500 million in Asia and Africa. As he stated

“... the central challenge we face today is to ensure that globalisation becomes a positive force for all the world's peoples, instead of leaving billions of them behind in squalor”.

UNICEF's recent report showed that more children are living in poverty now than in 1989 and in Europe itself the UN Food and Agricultural Organisation up to one quarter of the population are regularly going hungry (*Guardian* 10 Oct 1999).

Unfortunately, the elite of the US has undermined the UN's function in order to reinforce US hegemony. This has been a deliberate policy as the US has sought to arrogate the powers of the UN to itself. Only the EU is in a position, at present, to halt these hegemonic aspirations. Only Europe can deny the US this role by refusing to become involved in her aggressive militarism. Only the EU can ensure that International Law is developed and strengthened, by refusing to acquiesce, or become involved in actions, which would replace agreed systems of governance for all, with the hegemonic arrogance of one state. However, can Europe rise to this challenge and ensure that once again the values of internationalism defeat the interests of militarism. Can European civil society place these issues at the top of the political agenda? Can Europe, as a whole, build a base from which international civil society can emerge, expressing the unifying values of justice and peace?

International civil society

There are some encouraging signs that international civil society is being developed. The burden of debt, which arose partially from the US budget deficit generated during the military escalation of the eighties, is now crippling development in many countries in the world. However, some countries in Europe have been partially successful in working to have some of this debt cancelled after a very successful campaign by Jubilee 2000, notably, in Scandinavia, the Netherlands and Britain. These governments now are trying to change the policy of the US and Germany. Furthermore, the WTO, in response to pressure, has belatedly recognised the need for environmental safeguards after collective action from environmentalists, and the EU and the US have both agreed that trade cannot ignore labour standards, after the trade unions in the developed world lobbied in Seattle. In the field of peace itself, the prosecution of war crimes, following the Bosnian war leads to the hope that war itself can be removed from the human agenda.

Civil society cannot be built without strong movements, which co-operate internationally to change the political agendas, which give a central place to militarism and are now dominating the world. For example over 1,000 non-governmental organisations from 107 nations met in South Korea and declared "A single minded focus on economic growth, through unfettered free markets, is crippling many national economies, exacerbating poverty, eroding human values and destroying the natural environment." In addition, the Charter for Global Democracy has issued a call for international accountability, equality, justice, sustainable development and true participatory democracy. To quote: -

The first aim is to make the already existing processes of world administration and governance accountable. We want to know what decisions are being taken and why. We want the decision makers to know that they are answerable to the public in every country, which feels the breath of international bodies. Then we want all decisions to be compatible with public criteria of environmental sustainability. We also want the UN to ensure that its core mandate 'to save succeeding generations from the

scourge of war ‘ applies equally to all the peoples of this world. Finally, if most ambitiously, we want global governance to be compatible with the principles of equality, human rights and justice, including social and economic justice. What we want from the Millennium Assembly [of the UN] and Member States is decisive action to put these principles into practice (*Guardian* 24 Oct 1999).

The task before us is to renew the European peace movement and the global movement to build an international civil society. To achieve this we need to develop a programme of action and initially submit our proposals to the appropriate institutions.

A draft peace agenda for European peace movements

Peace movements in Europe should co-operate in submitting evidence to the Millennium Assembly of the UN on agreed areas and also separately to the Parliament of the EU, its commission and the Council of Ministers. This may produce a successful outcome in individual cases and will help us to develop an international civil society. Wherever possible, this should be done in conjunction with other international organisations. The emphasis on participatory democracy and accountability highlighted by the Charter for Global Governance should be supported.

Areas where evidence should be submitted should include the following-

- Disarmament and nuclear free zones

The abolition of weapons of mass destruction including nuclear weapons, biological weapons and others and the need to dissolve nuclear armed alliances; stop the expansion of nuclear armed alliances and prohibit the use of nuclear doctrines which are based on ‘nuclear first use, or first strike’; the elimination of weapons and missile systems from space, including the US missile ‘defence’ shield known as NMD, combined with support for the ABM treaty and NPT and a further programme of disarmament sponsored by the UN; the creation

of more UN guaranteed nuclear free zones e.g. in Europe.

- *European security*

A commitment to a pan-European security structure and improved relations with Russia and the mutual adoption of defensive as opposed to offensive military doctrines, including the rejection of nuclear first use and first strike; a guarantee that Europe will be a nuclear free zone and reject weapons of mass destruction; European support for the ABM Treaty and rejection of NMD, with a negotiated further nuclear disarmament and removal of non-European bases; the dissolution/ reform of NATO to highlight role of the OSCE; the role of the European Parliament – the development of democratic accountability

- *Human rights, international law and war*

Unannounced and unauthorised starts of hostilities and the protection of civilians during war e.g. massive bombing as in the Chechnyan and Kosovan wars, the use of anti-personnel weapons e.g. cluster bombs, and systematic attacks on children and others; the protection of innocent civilians after war e.g. the prolonged use of sanctions and the treatment of refugees before, during and after war; the illegality of Nuclear Weapons; international control of the arms trade by licensing, transparency and prohibition of certain types of weapons, to be confirmed by monitoring; conflict resolution, peace keeping and peace making and human rights, e.g. economic security freedom of belief, and the prevention of war; the development of International Judicial bodies e.g. International Criminal Court and War Crimes Tribunal.

- *Renewing the UN*

The nature of global security; the UN's role in developing international law; the role of the Security Council and a review of the veto; the UN's role in promoting, protecting and monitoring human rights

- *Recommendations for action to be put before conference*

* Papers from this group should be submitted to the European Parliament, with a copy to the appropriate commissioners

- * The drafts should be sent to the Conference for informal amendment
- * A meeting should be arranged between representatives of the Peace movements of Europe, the European Parliament and the relevant commission to initially discuss the policy implications of agreed papers.
- * These meeting should, if possible take place regularly at least once a year.

12 April 2000

Notes

- 1 Spykman N [1942] *America's Strategy in World Politics*, Harcourt Brace, New York and [1944] *The Geography of Peace*, Harcourt Brace, New York
- 2 *Guardian* [2000] NATO in an action unauthorised by the Un flew 10,484 sorties, dropped 23,614 bombs and HMS fired 16 cruise missiles 13th March
- 3 Leatherman J [1996] *Making the Case for Co-operative Security, Cooperation and Conflict*
- 4 Declaration to the European Peace Movement
- 5 UN Food and Agricultural Organisation [1999] reported in *Guardian* 10th October; Georgia-Denny B [1999] *Morning Star* 30th September, also UN Report [1999] *Human Development under Transition*
- 6 *Morning Star* [2000] March 17th
- 7 Koyle K [2000] De-stabilising the Oil Fields, *Morning Star*, 19th Feb.
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- 9 Kent B [2000] preparatory paper for European Conference on Peace and Human Rights, May 2000
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- 11 Sloan S, "Report on NATO in 1990s", in *Committee on NATO in 1990s* [1989]
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- 16 Urry J [1981] *The Anatomy of Capitalist Societies*, Mc Millan , London and Simon R [1982] *Gramsci's Political Thought, An Introduction*, Lawrence Wishart, London

Peter Gowan

The Peripheralisation of Central and Eastern Europe in the 1990s

The transformation of Central and Eastern Europe in the 1990s is surely one of the most dramatic and graphic examples of peripheralisation by core states in the history of modern capitalism, ranking with the British destruction of the Indian productive apparatus in the early 19th century. After a decade of transformation the Central and East European Countries (CEECs) have been pushed back from a condition where they had substantial modern industrial sectors and, in a number of cases, rather productive agricultural sectors, into being dependent suppliers of raw materials and low-skill, low value-added, labour intensive products, integrated into the West European-centred division of labour at the bottom end.

The ‘success story’ of the transformation – Hungary – does have a significant industrial sector, exporting to the West. This sector is overwhelmingly foreign owned and export oriented. It imports a very large part of its inputs from the West and re-exports its output to the West. Although its direct imports are more than paid for by its

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exports, when we add indirect imports (such as energy) and when we add its repatriation of profits its overall contribution to Hungarian development is negative. And the sector is overwhelmingly cut off from the rest of the Hungarian economy, offering no significant positive externalities for its development. And Hungary, along with Slovenia, is presented as a model of successful transformation. Polish growth is also often cited as a success story, yet it exhibits a less sustainable variant of the Hungarian model than Hungary itself, with a chronic and ultimately unsustainable trade deficit and a vulnerable and unstable financial sector.

The purpose of this paper is to explore the mechanisms of this process of peripheralisation. We will argue the following:

- 1) It has been a product of forces both within the CEECs themselves and within the West.
- 2) Within the CEECs the social groups with the prospects of transforming themselves into new capitalist classes were strongly attracted to a 'financialised' path to capitalist class formation, such as that offered by American capitalism.
- 3) This provided a transnational social linkage which could accept the consequences of the EU programme for reorganising the industrial division of labour on the continent.
- 4) No effective social-political coalition was available to challenge the peripheralisation coalition, especially because such a counter-coalition would have had to be transnational and would have needed a base in economic revival in the former USSR.
- 5) The entire process of peripheralisation remains extremely unstable and is very far from being 'hegemonic' in a Gramscian sense.
- 6) Indeed, it has become progressively less 'hegemonic', but no transnational social-political coalition that might set the region on a development path seems available.
- 7) It would be dangerous to extrapolate from the CEEC experience to core-periphery relations in the contemporary world in general.

In advancing this set of arguments, we will concentrate particularly upon the character of social forces within the core emphasising their perceptions of their interests and of the means of pursuing those interests. We will also emphasise that the peripheralisation of the CEECs has been the result of specific

combinations of features in a specific context of time and place. It is, nevertheless, true that these specific features must be set within the general context of American-led transformations of the international political economy, transformations which affect all parts of the world and which began the process of peripheralising transformation in the 1980s. We will therefore begin with this background.

I. Preparing for Peripheralisation: The Atlantic Turn in the 1980s

The process of peripheralising transformation began in the CEECs with the catching of a number of these states in the debt trap in the early 1980s as the US government made its radical turn in international monetary and financial policy (the so-called Volcker turn). This turn trapped Poland, Hungary and Yugoslavia and affected profoundly other countries such as Romania and Bulgaria.

This US turn at the start of the 1980s was followed by the development of new programmes for the IMF and World Bank, programmes which together we call the new Atlantic ‘Regime Goals’ for non-core states. These were in place by 1985 and involved a sweeping programme for re-subordinating non-core political economies. (These regime goals have been far less important for Japanese capitalism than for both the United States and Western Europe: Japan has accepted the Atlantic regime programme mainly for political reasons: to avoid a political confrontation with the USA.)

The main features of these mechanisms of linkage and subordination can be summarised as: debt, export and financial dependence, the new Open Door and consequent restructuring of ownership patterns, financialisation, liberal-democratic state institutions, and the new economic vulnerability. We can very briefly outline each of these similarities.

Debt: This is now a near universal feature of relations between other parts of the world and the core. Its origins lie in the US transformation of the international monetary system into a credit-worthiness rather

than current account-dependent system in the 1970s and the related US government drive to place international financial relations in the hands of private banks and financial markets. This new regime offered states outside the core the opportunity to avoid the domestic political risks of restructuring their economies through austerity drives against labour, by borrowing from Anglo-American banks. With the turn in US monetary policy in 1979, these economies were caught in the debt trap. This applied to Latin America and some CEECs, notably Poland, Hungary and Yugoslavia. These states were then caught in a debt trap from which they have not subsequently escaped.

The debt trap did not affect East and South East Asia in the 1980s and first half of the 1990s. The region, with some notable exceptions – China, Taiwan, Vietnam – was caught in the debt trap only in 1997-98. But they are now heavily debt burdened.

The Russian debt trap was unique in that it was created by the efforts of the IMF to lend and to encourage private capital to lend very large sums to the Russian state while pursuing a Russia policy with Russian oligarchs which ensured the collapse of the Russian productive sector.

Export and financial dependence: To meet the property claims upon them by core creditors, all the debt-trapped states are then faced by three serious problems: an urgent need to achieve one or more of the following:

- 1) to gain substantial trade surpluses through access to core product markets.
- 2) to gain large inflows of core finance to compensate for trade deficits or to use to maintain debt payments.
- 3) to tackle severe fiscal strains by gaining privatisation revenues, cutting state spending etc.

These pressure apply to all three regional peripheries today.

The new open door: Debt, export and financial dependence are then used by the core states, notably the Atlantic states, to pursue what we may call the New Open Door: imposing new internal legal regimes within states, granting core capitals sweeping rights to entry and exit at all points in the circuit of capitalist reproduction - the money capital

phase (entry to financial systems – banks, securities markets etc); the production phase (labour seeking FDI); the product market phase (market-seeking FDI); and profit streams (repatriation of profits). Atlantic efforts in all these areas are proceeding at varying paces across the semi-periphery but have expanded greatly during the 1990s.

Changing ownership structures: The effect of these transformations has been to enable the great expansion of Atlantic MNCs into the semi-periphery during the 1990s, organising a centralisation and concentration of capital on a global scale – a phenomenon often called globalisation. Centralisation – concentrating of ownership rights – produces important new streams of profits into the core from operations in the semi-periphery; concentration – the reduction of numbers of production units – produces big scale economies and raises barriers to entry by competitors.

“Financialisation”: As a result of, but also contributing to, these changes is the transformation of domestic social structures to give social dominance to money capital – those whose property takes the form of liquid assets. The entire structure of economic and social policy is geared towards strengthening the social power of these financial sectors. By converting their property in a rentier direction the propertied classes can make extraordinary gains in semi-periphery countries in alliance with core states and capitals. This is a major positive incentive system used by Atlantic capitalism to carry through all the other changes mentioned above. But the triumph of financialisation comes as a result of domestic political struggles in which domestic groups seek transnational allies: it is not a ‘molecular’ inevitable process.

Liberal democratic state institutions: While during most of the Cold War, the Atlantic powers were little concerned about the political forms of state in the semi-periphery, the drive to install the new political-economies in the semi-periphery since the mid-1980s has been combined with a turn towards liberal democratic institutional forms of state. This has had a number of distinctive features:

a) a concern to establish a separation of the judicial systems from

state executive interference and to ensure that the new internal legal/regulatory regimes of the Open Door are enforced by the judicial systems in predictable, stable ways.

b) An effort to give populations in the semi-periphery a focus upon the responsibilities of their government for the economic outcomes within their state, a focus achieved by the possibility of voting out governments.

c) A more transparent form of public policy process, more easily influenced from outside.

The new vulnerability: The consequence of all these changes is to make the semi-periphery political economies extremely sensitive to changing market signals both in Western financial markets and in Western product markets. They are also extremely vulnerable to such changing market signals. Small changes in American interest rates can dramatically change the financial environment facing these semi-periphery economies and their own performances are heavily dependent upon the business cycles in their main core markets.

There is a final similarity across all parts of the semi-periphery, namely the fact that each of its geographical regions has been mainly affected by the triadic capitalism closest to it and these geographic proximity features have shaped the ways in which each region has felt the impact of these general pressures outlined above and has been able to respond to them.

II. The Transformation Decision by the Social Elites of the State Socialist Countries.

The impact of the debt trap and the reorientation towards dependence on exports to the core unleashed two social processes in the CEECs most affected - disaffection within labour, as state socialism increasingly broke with its own legitimating ideology in austerity drives and economic stagnation, and the rise of new social coalitions pressing to use the crisis to move towards capitalism. These latter, strongly present in the ruling party in countries like Hungary

and Yugoslavia, established linkages with Western governments and international financial institutions, one result of which was joint efforts to create or perpetuate factual frameworks for public policy making networks seeking to pragmatically respond to given conditions. Both labour and the pro-capitalist trends contributed to the crisis of the state socialist state and its normative-institutional basis of legitimacy, even though these two social groups had radically different social interests.

In the late 1980s these radically different social groups combined around programmes for democratic freedoms and an end to Soviet 'domination' on the basis of various political ideologies: liberal market ideologies in Poland, national conservatism in Hungary, nationalist secessionism in Yugoslavia. By 1989 it was clear that the state socialist order was going to rupture in a number of East Central European states.

There were, broadly speaking, two alternative pan-European programmes for responding to this situation. The first alternative was a Franco-German-Soviet axis of co-operation to revive the economies of the CEEC area in a gradual transition to capitalism but with the maintenance of the CEEC regional division of labour and linkages. This was expressed both in the Herrhausen plan and in the Attali Plan. It was captured at a political level also in Gorbachev's slogan of a Single European Home. The maintenance of two separate regional nexuses could have offered an industrial development path towards capitalism in the East.

The other alternative was the American one. It involved shock tactics to wrench some CEECs into a rapid switch to capitalism, the destruction of the Comecon regional nexus and the rapid destabilisation of the whole of the CEECs. All this was to be combined with strenuous efforts to maintain good relations with the Soviet government on the political level. The success of the strategy depended on a major ideological offensive, on a financialisation linkage with the East and on gaining acquiescence from the Federal Republic of Germany.

This latter programme was the one that triumphed, not least through gaining German acquiescence as the German government itself decided to use shock tactics to rapidly annex the GDR.

The initial triumph of the American programme was signalled by the launching of Shock Therapy in Poland and in Yugoslavia on 1 January 1990. That was supplemented by the agreement of the West European states that the IMF should play a lead role in managing the domestic transitions to capitalism (a decision taken in July 1989) and the decision that, while the EC Commission should manage aid programmes linked to the transition to capitalism, it should be under the policy direction not of the EC but of the OECD (i.e. including the USA - the name was changed to G24). This decision was also taken in July 1989.

But the really decisive victory for the American programme was none of these things: it was the break up of the Comecon nexus. This really crucial step, followed by the equally crucial slide into collapse of the Russian economy, was a central shaping factor in the peripheralisation of the CEECs. It has been too little researched. The IMF was vigorously pushing for the Comecon collapse. The Czechoslovakian government also (very foolishly) championed this cause. But the Soviet government, with its insistence on switching Comecon trade over to Western currencies, also played an important role. Once this collapse had occurred, the stage was set for the de-industrialisation of the CEECs.

Collapse of Comecon and financialisation of Russia

While some World System theorists stress the extent to which the Soviet Bloc was a subordinate sub-system strongly integrated within the modern world system, Comecon was in fundamental ways a counter-system in the field of production and production relations, albeit one that was always far weaker than the capitalist world in material strength.

On the basis of Comecon, the economic and social structures of the region were transformed in a substantial industrialisation and modernisation of the productive base, and one dependent upon Comecon's capacity to seal itself off from the capitalist world market. In field after field, Comecon built its own productive apparatus in what could be described as a gigantic import-substitution strategy. No equivalent protective shell for economic development obtained in

other parts of the world.

The decision to break up Comecon laid the basis for a gigantic destruction of productive assets across the entire region since the most advanced industrial sectors of the CEECs lost their regional markets. Their only possible export market was the EU, but the EU was already populated with its own capitals in all these sectors and across most sectors its capitals confronted over-capacity, a point to which we will return.

The combination of debt problems, the still-in-place Cold War blockade systems in the West and the collapse of the Comecon markets – all these elements made the CEECs utterly dependent economically upon decisions about their fate to be taken in the EU. The situation of the former Soviet Republics was somewhat different: there the fragmentation of CIS links remained the dominant international factor.

Even the formal dismantling of Comecon in 1991 need not have been irreversible had it not been for one further decisive step: the decision of the Yeltsin government to back the Gaidar plan for financialisation and effective de-industrialisation of Russia. As Western policy makers knew very well, this Gaidar programme would produce a gigantic industrial decline, thus ensuring that Russia could not become an alternative anchor for CEEC economic recovery in the event of their being treated aggressively by the EU.

Each CEEC state was then on its own with the choice of either being sucked into the Russia vortex of decline, or facing the enormous power of the EU.

The ensuing domestic struggles within the CEECs

Against this background, in each of the CEECs there emerged social polarisations between a financialisation coalition and a labour-industrial coalition. These two poles combined and recombined in different ways in different countries. We can take a few examples.

In Poland the labour-industrial coalition was initially actually allied with the financialisation coalition within Solidarity; then this coalition ruptured as labour sought alternative political perspectives through links with the Communist unions and the Social Democrats. The latter, however, were themselves largely linked to the

financialisation social interest and thus labour was deprived of any effective political vehicle.

In Hungary, labour was initially linked to a conservative, 'national capitalism' social group, but its political representatives quickly abandoned any battle against EU pressure. Labour then aligned itself more with the Socialists and their trade unions, only to discover that the Socialists contained the leading core of the financialisation social interest. Labour was thus again disenfranchised.

In the Czech case, the Klaus government began as a leading champion of financialisation, but faced a strong labour-management coalition in the industrial sector. The Klaus government then attempted a recombination of finance and industrial capital, subordinating labour while resisting EU pressures to gain control of and fragment industrial assets. This effort failed with the Czech financial collapse, leading to the collapse of efforts to construct the basis for maintaining a strong, autonomous Czech industrial capitalism.

In the Russian case, the financialisation social interest around Gaidar was soon faced by a powerful labour-management coalition in the industrial sector, expressed by the Civic Union and by parliamentary resistance to the Yeltsin policy. This set the scene for Yeltsin's coup against the Russian parliament and his move to finesse the resistance through alliance with the energy sector. This new alliance brought the triumph of the financialisation social interest until the rouble collapse in 1998.

In Ukraine there seems to have been a two faced strategy — a 'pays legal' and a 'pays real'. The pays legal involved attempting to maintain the industrial structures, but simultaneously there was a pay real dominated by the financialisation social interest.

In Belarus, the industrial coalition predominated. In Bulgaria there was also an attempt to maintain a labour-management industrial coalition but this was ended brutally by the financial collapse.

Everywhere in the CEECs there were strong molecular pressures towards financialisation, pressures enabled by the combination of the right to use money as a power over productive assets, by the IMF line of 'sound money' and fiercely high interest rates, by the very quick shifts to currency convertibility and the availability of hard currency to the population, and by the de facto

and swift de jure ending of capital controls in the capital account. And this molecular financialisation was enormously strengthened by the institutional collapses, fracturing of social fabrics and all-pervasive insecurities resulting from shock therapy. All these features encouraged the conversion of property into money, then hard currency, then capital flight.

A viable alternative programme and strategy to this financialisation could only have been one with two characteristics: it would have had to rest on social support from labour, pulling industrial managements behind it; and it would have to have had a regional programme and set of alliances. Neither of these two things happened.

III. Explaining the Strategy of the EU towards the CEECs

To understand the specific characteristics of the EU-CEEC linkages that have developed over the last 10 years, we must look at the following issues:

- 1) The peculiarities of EU capitalisms.
- 2) The forms of transformations of EU capitalisms in the 1980s and 1990s.
- 3) The specific roles of the US within Western Europe.
- 4) The characteristic linkages of CEEC emergent capitalist classes with Atlantic capitalism.

The peculiarities of EU capitalisms

The capitalisms of Western Europe are widely recognised to be divided, schematically, into two types. These types have been given different labels but we will distinguish between those in which the financial sector is socially and politically very powerful and those articulated more to place centrality in the productive moment of capitalist reproduction. We will call the first financialised and the second industrial. The financialised group includes Britain, Switzerland (not in the EU) Holland and, of course, Luxembourg. The industrial group includes Germany, France and Italy. (Spain could be considered intermediate between the two groups).

These two groups have not had equal weight within the political economy of Western Europe, institutionalised very largely within the EU. The dominant force within the EU has been German capitalism and since the mid-1980s French capitalism has been closely aligned with Germany, as have a whole host of other capitalisms.

Unlike Japan which has moved from a global accumulation strategy towards a more regionalised orientation, German capitalism has moved in precisely the opposite direction, gaining ascendancy first at a regional level and then expanding its reach across the globe from its regional base.

At the same time, it is important to note two other features of the West European capitalist structure: while the EU opens the economies of Germany's neighbours to German exports, it simultaneously provides these economies with powerful protectionist instruments against outsiders through the EC trade regime. This protectionist trade regime is a very important cement of the whole social organisation of West European capitalism.

The second important feature of the EU is the presence of the big American MNCs within it and the fact that right from the start there has been transatlantic agreement that they will be treated as European companies. As a result, American capital not only has great scope for surplus extraction within Germany and the rest of the EU (something which has not at all applied in the Japanese case), but large and very influential parts of corporate America also have a very big stake in the EU as a regime.

At the same time, economic unification of Europe around a German centre and the unification of market regulation in Europe through the EU institutions has co-existed with the fragmentation of Western Europe, at the political level, into separate nation states with distinctive international accumulation and power projection strategies. States remain the centres of material resources and of political loyalties and political authority within Western Europe. Despite the single market and EMU, Europe remains a collection of national capitalisms, with only incipient signs of a distinctive European, as opposed to German or French capitalism. The EU states have acquired ever greater concerted authority over the EU, pushing the Commission into a subordinate place. States have shifted responsibilities to their

populations for economic outcomes onto EU level institutions thus potentially strengthening their own authority over their populations. And states retain autonomy from the EU over extra-EU export and investment promotion and over power projection.

It is important to recognise that German-centred West European capitalism has been thrown onto the defensive internationally for the last 20 years by two quite different kinds of challenge: one from the Japanese productive sector, supplemented by other East Asian economies, and one from the US financial sector and from US economic statecraft in the field of monetary relations. Both these challenges have been exacerbated by the long stagnation in the West European economies that set in during the 1970s.

To understand the nature of the linkages which have been established between the EU and the CEECs we must understand the ways in which the EU has responded to these twin challenges.

Transformation of EU capitalisms in the 1980s and 1990s

In the face of these twin challenges, the EU states adopted an ambitious strategy to reorganise the entire social structure of West European capitalism in the mid-1980s, the strategy involving the single market and the drive for monetary union.

This strategy has involved the following main components:

- 1) maintaining the political economy unity of a German-led EU in the face of US monetary statecraft through the EMS followed by full monetary union
- 2) responding to triadic competition in the industrial sector through the Single Market Programme, which has two main aspects in this area:
 - a) offering big economies of scale on a regional level to EU big capitals to give them scale advantages vis a vis Japanese capital (US companies could also benefit);
 - b) enormously widening the scale for protectionist public policies through the huge increase in regulatory jurisdiction at the EU level, enabling a very large new area of non-tariff barrier protectionism since the entire market-shaping legal frameworks of the single market could be written in the interests of big EU capitals.
- 3) enabling the West European states to withdraw from a wide range

of their obligations to labour and to other subordinate sections of their societies, dismantling the social liberal structure of these states. This withdrawal could be managed under the banner of strengthening European unity via the disciplines of the EMS/EMU and those of the single market programme.

4) projecting a minimum continuing element of social policy distinguishing EU capitalism from US-style capitalism.

5) accepting a central US demand, namely for the liberalisation of private finance and for free movement of finance within the EU.

6) opening up new fields for capital accumulation both within the EU (via privatising state utilities and other fields of state activity) and through participating with the USA in the drive for what we have called the New Open Door in the semi-periphery.

This programme has profoundly changed the dynamics of EU capitalism in ways that have been extremely important for the CEECs. Point 4 has not been implemented to a significant degree. On the other hand points 5 and 6 have had far more profound effects than many of the EUs political elites probably realised when they introduced these measures.

The consequences of these changes relevant to EU-CEEC linkages can be briefly summarised:

1) The social transformation of EU capitalism has created deep social and political strains within many member states: strains in relations with labour and strains involving also many small businesses and weak sectors. These strains are coped with by a strongly protectionist and mercantilist line towards semi-periphery economies to the EU's East and South across all sectors.

2) A determination to prioritise expanding the global market power of EU big capitals.

3) A great opening for what we have called the financialised capitalisms both within the EU and in the United States.

The goals of the US within Western Europe

A final key issue that must be integrated into any analysis of EU-CEEC linkages is the role and goals of the US in West European affairs. The US has remained by far the most important military power



in Western Europe with effective military control over the EU's Eastern and Southern periphery in the 1980s. It has also retained effective control over Western Europe's energy supplies and many other strategic raw materials during the Cold War. Finally it has successfully claimed leadership control over the foreign and security policies of the EU states during the Cold War, a control that effectively gave the US veto rights over the international accumulation strategies of Western Europe during the Cold War.

The political structure of the Atlantic Alliance has remained, throughout the Cold War, essentially a set of bilateral links between the US and individual West European states: a hub and spokes pattern, with only minimal lateral links between the West European states themselves. This pattern was one increasingly favoured by the US itself.

With the collapse of the Soviet Bloc this set of structures giving the US dominance and veto rights over Western Europe was thrown into doubt and both the Bush and Clinton administrations have devoted great energy towards ensuring that this dominance remains, with a

great deal of success.

We have discussed these issues at great length elsewhere (*The Global Gamble*, Verso, 1999) and will simply summarise here key elements in US European goals:

- 1) Maintaining strong power leverage over the EU states, through resource controls (eg energy) and through controlling militarily its geographical periphery.
- 2) Ensuring its foreign policy leadership over the EU states through maintaining the existing political structure of NATO.
- 3) Using both these instruments to ensure that the US remains the gate-keeper on German-Russian relations
- 4) Bringing EU social structures into line with US social structures as far as possible both to ensure against the cultural basis of an EU challenge to US hegemony and to ensure that the new growth sectors of the US economy - finance and infotainment/internet - permeate Western Europe.

Structural features of West-East linkages in Europe

We are now in a position to examine the combined effects of the collapse of the Comecon regional division of labour and the expansion of EU and US political and economic influence eastwards during the 1990s. We must understand the interactions as involving a double expansion of both the EU and the US, involving a specific combination of aims and methods. We will very briefly sketch the main features of the inter-actions at the level of economic structure, social structure, politics and ideology. We will then turn to the outcomes of these structural linkages.

At the level of states, the three key Western players were the USA, Germany and France. US concern was to maintain its overall leadership and control over the expansion processes. German concern was to maintain the cohesion of the EU political economy under German leadership while assuring German vital political and economic interests in its new Eastern hinterland; French interests were mainly to act as a break upon Germany's eastward expansion and to preserve and strengthen French political influence in the Atlantic world against both Germany and the United States.

The main structural features of East-West linkage are:

(1) *US dominance over systemic transformation in CEEC societies.*

The US's ability to achieve this dominance was a great achievement of the Bush administration but was also the result of German caution in foreign strategy. The main results were threefold:

(a) a deep social shock throughout the region to destabilise and demobilise labour in order to massively weaken its social power and enable the rise of an indigenous capitalist class in the context of a deep depression.

(b) a drive to turn these economies into export-oriented economies focused upon exports to the EU

(c) a leap for these societies straight into financialised structures on US lines, with the dominant social groups gravitating towards the financial systems and holding their property mainly in the form of financial assets, without significant welfare states and with the welfare of the mass of citizens directly dependent upon capital accumulation rather than having that dependence mediated through state obligations/citizens' social rights.

This entire US-led dimension of the strategy was very much along the lines of the US's Latin American restructuring of the 1980s. But there was one crucial difference. The US has a politically very powerful financial sector which wants its credits repaid and knows that this requires rather open access for Latin American debtors to export into the US market. Hence the rationale of an IMF restructuring for export-oriented growth.

But in the EU the strongest capitalisms have had a different social structure, with politically far weaker financial systems and financial social interests (much of the financial systems being in state hands in 1990) and with very powerful domestic groups strongly committed to trade protectionism, assisted by the EC trade regime and the Commission. The US restructuring agenda thus made sense only if combined with a radical reorganisation of the EU and of West European capitalism. This was precisely argued by leading US figures. But it was unacceptable to German or French governments.

(2) EU Dominance over product markets and over the new structure of continental production

The EU states used their trade regime to prevent the inherited high value added industrial enterprises of the CEECs from gaining market access to the EU market. As a result, these industrial sectors largely collapsed. Equally the EU blocked agricultural exports while dumping its own agricultural exports in the CEECs.

At the same time, the EU exploited the slump in the East and consequent fiscal crises facing CEEC governments to encourage the privatisation of state assets of interest to West European MNCs, frequently at very low prices. Inward FDI came in during the first phase largely to gain control of local product markets, but later also to use cheap labour for re-exporting into the EU - so called Maquilladora investment.

These EU industrial policies were supplemented through the economic aspects of the Europe Agreements/ PCAs between the EU and CEECs which involved harmonising the CEEC economies with the rules of the single market except of course for free movement of labour from East to West, while at the same time maintaining a powerful range of protectionist measures against CEEC exports which would not be legitimate within the EU's own single market regime.

(3) The general tendency of the emergent capitalist classes in the CEECs to accept and work within the Euro-Atlantic regimes for the region.

There were initial attempts, as we have indicated above, by a number of governments among the CEECs to resist certain aspects of the new regimes. The Czech and Slovak governments both sought in different ways to protect their industrial bases and their ownership structures from destruction or re-absorption into the international strategies of Western MNCs. There were similar efforts in Romania and Bulgaria initially. But these efforts at resistance collapsed either through financial crises, as in the Czech and Bulgarian cases, or through changes of government, as in Slovakia and Romania. Resistance has been stronger in the former Soviet republics.

On the other hand, everywhere there has been a strong tendency for the emergent leading groups of the capitalist class to respond very

positively to the US-driven inducements towards financialisation: moving out of direct involvement in the industrial sector into financial services and rentier activities, subordinating other sectors to the financial sector and being able to convert property into financial forms that can then be transferred to safety abroad. This field still needs further investigation, but it enables us to explain the otherwise truly remarkable way in which the elites of so many CEECs were able, with equanimity, to surrender control of product markets and productive assets to Western operators.

(4) *US military-political linkage and continuing financial linkage*
While the EU has been the predominant shaper of the new international division of labour in the East, the US has, during the 1990s, successfully extended its military and political influence across the entire region up to Russia's borders. It has done so through the reorganisation of NATO and under the umbrella of the Partnership for Peace as well as through its successful operations in the various Yugoslav wars.

The US has also remained a very important political centre of decision over the handling of the debt problems of countries throughout the entire region.

IV. The Outcome of the Euro-Atlantic Peripheralisation Strategies

Ten years on, we find that the efforts of the Western powers to expand eastwards and consolidate their expansion in a stable and sustainable way across the CEECs remains very far from being completed.

The main structural features of the current situation can be briefly spelt out:

- 1) The very deep expansion of US political military influence and monetary-financial influence across the whole of Central and South East Europe and deep into the former Soviet heartland, including Ukraine and the Caucasus and even across the Caspian, buttressed by US military-political links with Turkey and Israel.
- 2) The beginning of serious efforts on the part of Russia to halt this

expansion of US political-military influence, especially in the Caspian/Caucasus area and if possible to reverse this pattern, rebuilding a Russian political and economic sphere in the ex-USSR providing Russia with an eventual base for re-projecting its political influence into Europe.

3) The success of the EU in imposing a hub-and-spokes industrial division of labour across the CEECs, which subordinates productive activity within the CEECs to an EU-centred set of needs.

4) The failure of this economic regime to provide sustainable frameworks for economic recovery and for social and political stability in most of the CEECs.

5) A critical political tension between the operational goals of EU strategy and the legitimation-basis of this strategy: the former involves a semi-periphery or even periphery status for the region; the latter involves the offer to many CEEC states of eventual membership of the EU as an institutional bastion of the European Core.

We will examine each of these trends briefly in turn.

1. Wide but thin US military-financial expansion eastwards

The extension of US political influence across the region towards the Caspian has been very remarkable but it lacks depth because it is largely confined to influence over state executives and security apparatuses. Consolidation requires the tying together of the states in the region in a viable international division of labour and growth path. The US is incapable of supplying these economic infrastructures. The most it can do is ease financial strains upon these economies and exert pressure on the EU to relax its trade regimes and industrial policies.

Its influence in these areas on the EU is, however, limited. And in so far as the Euro strengthens and expands its influence eastwards, US financial influence would also decline.

There is, however, one option which the US could explore: using its current political influence in the region to encourage a regional bloc to form amongst the CEECs developing a new regional integration amongst them and looking to the US rather than the EU for support in the international political economy. Such a strategy on the part of

the US would involve it in political conflict with the EU states. But it cannot be completely excluded although there is, as yet, no sign of the US having the will to engage in such a strategy and it seems difficult to imagine such a strategy being viable without a powerful involvement on the part of US MNCs, something that they are disinclined to do because of the economic disorganisation of the region.

2. The possibility of a Russian revival

While Western regimes and capitals are not providing a sustainable growth path to most of the CEECs, a Russian economic and political revival could begin to undermine US outposts within the region, drawing these economies and polities back into the orbit of the Russian economy and Russian political influence. Russian capital has shown itself to be able to operate in countries of the former Soviet Bloc where Western MNCs feel unable to operate. Under Putin, the Russia state is giving indications of its determination to prevent the fall of Caspian energy into Anglo-American hands and to rebuild its influence over the CIS. There are finally also signs of industrial revival in both Russia and Ukraine as well as Belarus. It is too early to predict the likely patterns to emerge in this area, but the Eastern frontiers of the European regional periphery could be rolled back Westwards to some degree. And given the economic, social and political instability, not to say disintegration in South East Europe, such a roll-back could even be envisaged there.

A Russian centred economic revival could then begin to offer parts of the CEECs with the partial option for escaping from their hub-and-spokes subordination to the EU-centred division of labour. On the other hand, an alternative variant of development could be a Russian strategy of combining a push to bring the Caspian back under Russian control with a readiness to 'globalise' the Russian economy, accepting the New Open Door regime of the West and thus subordinating Russia's own political economy to the new EU-centred division of labour.

3. *Can an EU-centred division of labour be combined with social and political stability in the CEECs?*

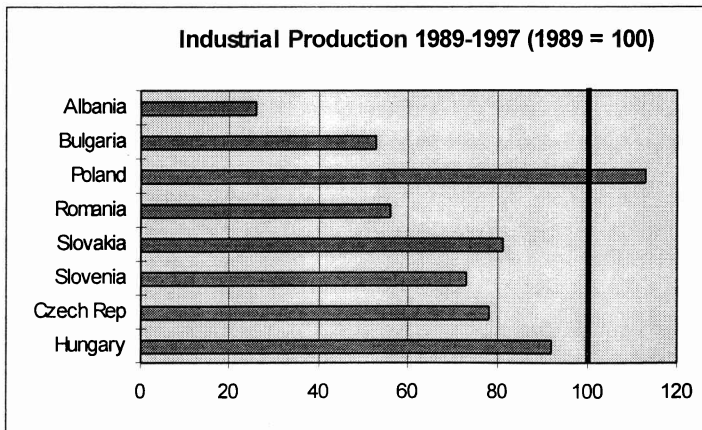
The results of the EU reorganisation of the European division of labour have been to generate chronic economic instability and vulnerability across most of the CEECs. A report this year from the Vienna Institute for International Economic Studies summarises the results as follows:

from a longer-term point of view, only three of the transition countries considered in this report - Hungary, Poland and Slovenia - give the impression of having been relatively successful. They were able to achieve and maintain GDP growth. Other economies started growing substantially at some point of time, only to experience severe setbacks later. The phenomenon of permanent or re-emergent transitional recession has appeared..... In most of the countries related problems are persisting, so that we can expect some temporary upswing for this and the coming year, but no smooth continuation of growth at high rates..... Over the next few years, most of the countries will encounter difficulties in their attempts to secure high GDP growth, while simultaneously limiting their current account deficits.¹

As the Vienna Institute points out, the key task for the economies of the region has been to maintain their capacity as industrial producers. This has been achieved only in Poland and Hungary. At the same time, the whole of the CEECs, apart from Russia, are burdened by more or less serious chronic trade deficits and all of them are burdened by large external debt.

Industrial restructuring requires adequate sources of credit but in the CEECs the costs of credit remain extremely high. Even in Poland and Hungary, real interest rates were 14 per cent and 12 per cent respectively for most of 1999. In other countries they were far higher: Russia has had real interest rates of over 100 per cent! Each downturn in economic activity, such as the generalised 1998 recession,

1. Jozef Posch et al, "Transition Countries Clamber Aboard the Business Boom in Western Europe", *Research Reports*, No 264, February 2000, The Vienna Institute for International Economic Studies



Source: Marvin Jackson, "Transition: Institutioneller und struktureller Wandel", in *Südosteuropa. Ein Handbuch*, ed. by M. Hatschikjan and S. Troebst, Munich 1999, p. 316.

deepens financial vulnerabilities, with banks accumulating bad debts and the corporate sector burdened by heavier debt.

The two relative success stories in the region, Poland and Hungary, indicate the optimal variant of development offered by the West for the whole region. They both involve low-value-added, labour intensive production, geared to the West European export market. The Hungarian example is very much along the lines of Mexican maquiladora operations: foreign multinational corporations using Hungary as a production platform, importing intermediate goods into Hungary from Western Europe so that the more labour intensive aspects of the production process can be completed by cheap Hungarian labour in order to re-export to the West. Such production is not constricted by the high costs of domestic borrowing. Much the same pattern, though with a somewhat smaller role for MNCs, can be found in Poland. The high import intensity of exports ensures that expanded exports do not significantly improve the trade balance.

The Czech republic also appears now to be taking the

Maquilladora road. The severe recession into which the economy was plunged in 1997 became the occasion for a very large influx of FDI. Since this flow can hardly have been market seeking, it can be assumed to be the result of perceptions that the economic crisis makes the Czech state more amenable to the use of its cheap labour for MNC Maquilladora-style operations.

Maquilladora development models make little sense for countries geographically distant from the West European markets. At the same time the traditional sectors of export strength in these economies are typically excluded from the EU market by protectionist measures. The role of these economies in the new European division of labour is thus to export raw materials and some labour intensive products.

This pattern of the region's economic integration through the degradation of its productive weight has brought significant benefits to capitalist groups in the EU member states. And at the same time it has brought benefits to the new dominant social groups in the CEECs, groups centred in the financial-rentier sector, rather than in the industrial economy. The patterns of macro-economic policy for the region reinforce this combination of interests. Since the very start of the 'transition', the policy stress has been on sound money - driving down inflation by squeezing the productive sector and ensuring strong returns for the financial-rentier sector. This policy has been enforced through penally high real interest rates, again favouring the financial-rentier sector and squeezing the productive sector. The high interest rates have attracted speculative flows into the country, pushing up the currency and again favouring internal and external financial-rentier sectors.

At the same time, the domestic productive sector is hit by both the stupidly low tariffs in most of the region against consumer goods imports from the EU and by heavy EU protection against any CEEC industrial exports that may disadvantage EU producers. The strongly deflationary monetary policies, deep recessions and heavy debt servicing burdens all generate very tight fiscal strains, making governments desperate to sell public assets such as utilities to any Western buyer while welcoming any flow of Western finance, however speculative, into the economy to boost reserves and prevent - for the

moment - a currency collapse.

The resulting low-value added, depressed, export-oriented economies are increasingly dependent upon economic conditions within the EU as well as general Western financial conditions. The main influence is the German economy: when it moves into recession, the CEECs follow suit, only more severely. The trade dependence of the Visegrad countries on Germany is striking. In 1999, Germany absorbed between 36 per cent and 42 per cent of all Czech, Hungarian and Polish exports and between 28 per cent and 32 per cent of all Slovak and Slovene exports.² Between 1993 and 1998 German imports from and exports to the CEECs more than doubled. In 1998, imports from that group of countries represented 9 per cent of the Germany's total imports and 10 per cent of its total exports.(See various tables on the following page.)

The collapse of the rouble in the autumn of 1998 was, of course, a severe blow to much of the international social coalition of the transition: the Western speculative bankers, the EU consumer goods exporters to Russia, many Western foreign investors and the Russian speculative banks. It also hit the Russian business professional classes and the countries of the region with strong trade interests in Russia. But it also shattered a framework that had strangled industrial recovery in Russia and Ukraine for most of a decade and thus laid the basis for an industrial revival in both countries which, if it continues, could begin the long road to economic recovery within the immediate Russian sphere. One sign of the new framework has been collapse of real interest rates.

Outside the Visegrad area, bursts of growth followed by precipitate depressions and fragile or shattered financial systems leave states without a framework for absorbing economic activity into a legal framework. Incentives for businesses to evade taxation become ever stronger in such vulnerable and volatile conditions, while incentives for governments to raid the economy for resources to cope

² Jozef Posch et al, "Transition Countries Clamber Aboard the Business Boom in Western Europe", *Research Reports*, No264, February 2000, The Vienna Institute for International Economic Studies.

Trade concentrations in Europe

Export concentration in CEE (1993)

| Country | CEE | N. America | EU |
|-----------|-----|------------|----|
| Hungary | 27 | 4.6 | 60 |
| Czech Rep | 32 | 2.4 | 60 |
| Poland | 20 | 3.1 | 69 |
| Russia | 4 | 6.6 | 66 |
| Bulgaria | 16 | 7.3 | 46 |

Source: EP Task Force Briefing 12, Annex 5

Export concentration US, Germany, EU

| Exporter | Americas | Europe | Pacific rim |
|----------|----------|--------|-------------|
| US | 38.4 | 25.6 | 30.1 |
| Germany | 10.9 | 73.1 | 10.8 |
| EU | 11 | 68.5 | 9.2 |

Source: J. Sperling & E. Kirchner, *Recasting the European Order* (1997) pp. 150-151.

CEE trade with Germany (1997) (%)

| Country | exports | imports |
|----------------|---------|---------|
| Czech Republic | 38.5 | 34.4 |
| Poland | 42 | 51 |

Source: EP, Task Force on Enlargement, *Briefings on Czech Republic, Poland* (1999)

EU exports to CEE 1996 (%)

| | |
|-------------|----|
| Germany | 43 |
| France | 13 |
| Italy | 5 |
| Netherlands | |
| UK | |

Source: A. Mayhew, *Recreating Europe* (1998) p. 78

with debt and fiscal strain become intense. Such antagonist pressures turn what began in the early 1990s as largely informal or grey economies in the direction of mafia-isation: the most powerful economic groups capture parts of the state apparatus to liberate themselves from taxation and to manipulate the state in their economic interests. Other parts of the grey economy are wiped out by depressions or hunted by semi-militarised tax collectors. Very large parts of the population are driven into desperate poverty and a subsistence existence.

4. The issue of EU enlargement

The entire process of peripheralisation of the CEECs has been carried out under the banner of its opposite, namely a process of integrating the CEECs into the institutions of the core. There is thus a chronic and increasingly acute tension between the operational goals of EU policy and the EU's strategy for legitimating those operational goals.

There are obvious partial solutions to this tension, particularly four:

- 1) taking a few small CEECs into the EU while keeping the rest endlessly on hold. Slovenia, Hungary and the Czech republic could easily be absorbed.
- 2) Formally taking Visegrad in but maintaining a long 'transition' period covering virtually all the areas which give the EU problems: free movement of labour, agriculture, financial transfers and some trade protection instruments.
- 3) Constructing a new set of inner core institutions within the EU through 'variable geometry' and a new, stronger 'flexibility clause'
- 4) Using NATO enlargement to anchor CEECs politically to the West without attempting to integrate them into the EU/Core.

No doubt aspects of all these tactics will be used. But the crucial question from a political point of view is that of Polish membership. From a political-security angle Poland is the key country for Germany but it is also by far the most difficult country for Germany to absorb into the EU.

Conclusion

The consequences of ten years of transformation of the CEECs could thus be taken as a paradigm case of World Systems Theory (WST) conceptions of core-periphery linkages and hierarchies, a demonstration that WST grasps better than any other school the dynamics of contemporary capitalism.

Yet at the same time, it is important to build into our understanding of what has happened strong elements of contingency and of time/place specificities. In particular, we need to bear in mind that core capitalism needs both peripheralisation and its opposite: new fields for dynamic capital accumulation. Thus, I would argue that core capitalism is constantly trying to grapple with these contradictory requirements for its own development.

And the fact that Atlantic capitalism has brutally destroyed productive assets in the CEECs during the last decade is not only a good thing for the EU; it is also a bad thing. For it has not produced a sustainable and stable insertion of the region into the world economy. It has potentially stored up enormous challenges for itself for the next decades.

Against some WST writers like Andre Gunder Frank, who stress only one side of core capitalist drives - that of peripheralisation, Marx subscribed to a theory of uneven and combined development and considered that British imperialism not only subordinated the periphery but also generated forces that would lead to 'catch-up' by non-core centres.

The contemporary Indian economist, Patnaik, has persuasively developed this insight of Marx's, producing a more dialectical conception. As he points out, in the 19th century, British imperialism used India and other colonies as a vital strategic resource for the British productive sector (above all textiles) to realise surplus value in the context of strong competition within the core. But at the same time, Patnaik shows how there was a second tendency within British imperialism, namely seeking royalties from new productive sectors in parts of the semi-periphery, where capitalism was growing dynamically, notably in the United States, Canada, Australia, New Zealand etc. Thus India was Gunder Frank and the USA was Warren.

For most of the 1990s, East and South East Asia has been the

functional equivalent of the USA in the late 19th century. In the context of a long stagnation in the Atlantic economies in the 1980s and much of the 1990s East and South East Asia, which were growing strongly, became an enormously powerful magnet for Atlantic capitals hungry for new streams of surplus value. During the first half of the 1990s half of all global growth took place in that region and two thirds of all new fixed capital investment took place there. While it is true that the precondition for its role as a magnet was the fact of its strong economic growth it is also true that the scramble by the core to develop productive activity within the region was a powerful further factor in generating catch-up.

In this context we must bear in mind the differences between Japanese capitalism and its regional periphery in East and South East Asia and the EU operations in the CEECs. While EU capitalism was very much on the defensive within the triad, Japanese capitalism in the 1980s and the early 1990s was demonstrating enormous micro-economic dynamism. As a result it established very different kinds of linkage in its region from those established by the EU.

Its national accumulation strategy since the late 1980s have been governed by its attempts to free itself from too vulnerable relationship with the USA by greatly strengthening its regional links in East and South East Asia. This regionalisation has been partly about seeking to secure its raw materials and energy supplies – Japan's lack of domestic sources of these inputs is a fundamental problem for it. But linked to this has been the Japanese drive to diversify the productive base of Japanese capitalism out of Japan into East and South East Asia. An important motive for this drive has been to cope with American economic statecraft in the monetary field: the US Treasury's penchant for swinging the Dollar-Yen exchange rate wildly. Since most of the East and South East Asian economies are tied to the dollar, not the yen, a diversified productive apparatus partly in the yen area and partly in the dollar area can sustain wild gyrations in the Dollar-Yen rate.

Japan has thus been involved in very large FDI in the form of greenfield investments in South East Asia, boosting the productive base of these economies, strengthening their export capacities and tying them in to Japan as stable sources of raw materials. These

Japanese policies have not depended on the presence of the Atlantic powers' regime goals and have had the effect of giving a powerful boost to growth within the region.

The logic of the Japanese strategy for regional linkages with its semi-periphery became intertwined with and in large measure complementary to the regional rise of the Chinese economy and the linkages established between it and the networks of overseas Chinese capitalists in South East Asia. (Regional economic tensions facing Japanese regionalisation were largely confined to Japanese-South Korean relations).

The spontaneous dynamics of these trends in the 1990s would have been towards a Japanese-led regional economic bloc, anchored in either an institutionalised 'free trade area', a customs union or a monetary bloc. The resolute US hostility to such a trend and Japanese unwillingness to risk US hostility led the Japanese government to draw back from this step before the crisis of 1997. When it did advance a regional bloc solution in the midst of the crisis, the Atlantic powers were able to stop its emergence and some tentative steps in that direction have been made only this spring, with uncertain consequences.

We should also note the specific features of contemporary American capitalism and the kinds of linkage which it also seeks to establish with its periphery - one which has to be understood as a kind of globe-wide periphery rather than a purely regional one. The distinctive characteristics of American capitalism affecting its relationship with its semi-periphery are:

- (a) the political weight of its financial sector within the US state.
- (b) the political weight of its internationally oriented MNCs in the productive sector in US politics.
- (c) the geopolitical and geostrategic interests of the US have also shaped its linkages

The first two characteristics have profoundly affected US relations with the semi-periphery. The interest of the financial sector in gaining debt payments from the semi-periphery gives it a strong incentive to allow indebted economies to have access to the US product markets for their exports. The internationalist MNCs are overwhelmingly concerned to gain access to new markets abroad rather

than protecting their domestic base. The alliance of these two sectors during the 1980s and 1990s has largely defeated the national protectionist sectors, although parts of these sectors have been assisted with US anti-dumping instruments.

The third characteristic of American capitalism shaping its linkages is geopolitics and geostrategy. Since the US is the dominant core state with a world reach and strategy it frequently faces a trade-off between what may be described as its core-periphery regime goals and its geopolitical and geostrategic interests. By regime goals we mean the set of political economy regimes which we have outlined above – debt traps, open door, financialisation, etc. But for certain states of great geopolitical or geostrategic importance for the US, these regime goals may be subordinated to other imperatives. This was a very important factor in the ability of South Korea and Taiwan to engage in catch-up strategies: their geostrategic importance for the US enabled them to maintain domestic political economy regimes which would not otherwise have been tolerated, regimes which entailed closed financial systems and state industrial policies which enabled these states even to challenge US multinational corporations in their own international markets.

Such US geostrategic interests have important consequences also for a number of states in the former Soviet Bloc, notably Ukraine, Azerbaijan, Georgia and until very recently, Turkmenistan, amongst others.

The task, therefore, in attempting to understand possible future trends in pan-European core-periphery linkages and hierarchies must involve detailed specific study of the transformations taking place today in both EU capitalism and US capitalism at an economic, social and political level, as well as an analysis of evolving social relations in the CEECs. The answers to such investigations cannot be given in advance. ●

László Andor

Knocking on Europe's Door

The costs of delay in EU's eastward enlargement

Eastward enlargement is considered to be the greatest challenge for the European Union in the first decade of the new millennium. In 1997, the EU nominated five former socialist countries (FSCs) for entry negotiations, and at the end of 1999 another five governments were invited to start such talks. Looking from the West, Hungary has usually been presented as a most likely nominee for the first round of Eastward enlargement, as one of the best pupils, if not the best one, in market reforms and capitalist restoration. This is, however, just a relative position, that obscures the tendencies of social decline and political degeneration that accompanied the transition from state socialism. Much of the social, political and environmental deficits are expected to cause conflicts when accession to the EU arrives into a practical phase. Without a more progressive Western attitude, however, these deficits can only become bigger, even among the best performing countries of the region.

The fake triumph of neoliberalism

Out of the FSCs of Central and Eastern Europe (CEE), Hungary has been the only one where governments elected since 1989 have always fulfilled their terms in office. This has usually been evaluated as a sign of political stability. However, no government in Hungary in the last ten years managed to get reelected. This must be seen as a sign of

dissatisfaction with all the ruling parties and with the limited opportunities given by the so-called transition to the market economy.

At the last case, in 1998, a Socialist-Liberal coalition government was thrown out, though marginally, by the electorate, despite they had received the highest marks in the subjects of neoliberal restructuring from Western referees like the World Bank (IBRD), the European Bank for Reconstruction and Development (EBRD), or the European Union (EU). They cut real wages by 10 percent in 1995, abolished much of the universal welfare benefits inherited from the state socialist era, introduced tuition fees in higher education, privatized commercial banks and public utilities, and launched a pension reform along the guidelines of the World Bank. These policies brought rewards for the country such as an agreement with the IMF and membership in the OECD in 1996, and two invitations in the Summer of 1997 to join NATO (together with the Czech Republic and Poland) and to start accession talks with the EU.

The Hungarian public did not reward the performance of the Horn administration the same way as the international community. In May 1998, the general disappointment brought the party of Viktor Orbán, the Fidesz-Hungarian Civic Party (Fidesz-MPP), into power (see Andor 1998). A liberal party of the youth ten years before, now Fidesz -MPP triumphed by condemning the policies of the IMF, the tacit alliance between the financial community and the ex-communist nomenclature, and also the multinational corporations that had seized the best segments of the Hungarian industry and markets.

According to the neoliberal discourse that determined the course of the transformation in the 1990s, market reform and transition to representative democracy were supposed to be the road to economic and social revival. The success stories that fill much of the liberal media today focus on the progress in institutional transformation, i.e. the number of private firms, the capitalization of stock markets, the share of the private sector in production or the share of the multinational corporations in exports, instead of actual economic performance or data on living standards. Once we pay attention to the latter, we find that in the experience of the people of CEE, the last decade has been a period of progressive decline, if not collapse, with little signs of recovery at the end. Obviously, this was a regional trend

with roots in the pre-1989 era.

Transition and destruction after 1990

Ten years after the so-called transition began, even the leading politicians and advisors of the early 1990s have admitted that the optimism of the new political elite groups was largely unfounded in Hungary and in the rest of the region alike. Instead of converging to West European income levels and living standards, the relative decline of the region accelerated after 1989. Gross domestic product dropped by some 20 percent even in the most successful FSCs. Poland has been the only one that managed to pass her 1989 GDP level ten years after the transition began, while Hungary, in the company of Slovenia and Slovakia, came very close to the level of 1989 at the end of the 1990s.

Joseph Schumpeter would have been surprised to see how uncreative the destruction of the state socialist system was in CEE. The Council of Mutual Economic Assistance (CMEA or Comecon) was abolished in 1991 because the Central European reformers believed it had no advantages for their economies. However, the disruption of CMEA trade relations left much of their companies without effective demand, and the lack of alternative export markets brought large productive sectors to bankruptcy. In most FSCs, price liberalization took place when monopolistic state companies were still largely intact, which was a major source of inflation. The impact was similar when entire industries were sold to a single foreign owner, like in the case of the Hungarian sugar and seed oil industries. Privatization was supposed to be the magic policy to help revive the ailing post-socialist economies, but most of the advantages of the new private sector derived from lay-offs and tax breaks for new entrepreneurs and multinational investors. A proportional restitution scheme that gave vouchers for former owners and gave way to auctions for the land created an era of uncertainty in the formerly very successful Hungarian agriculture. The lack of solid business perspectives killed investment in this sector and the volume of grain produced, for instance, fell to one third of the previous level as a result.

Innovative thinkers who proposed alternatives to this madness were silenced and stigmatized, including even the very influential

George Soros, who in the 1989-1990 period put forward the idea of a regional payment union and the blueprint of a large-scale debt relief. Two acts in 1991 paralysed and intimidated the major trade union federations of Hungary, whose overall membership declined to one third of the 1989 level. Thus they could not display serious resistance to the repeated austerity throughout the 1990s. It seems the Hungarian people took representative democracy seriously, and did not often express their political discontent in between parliamentary elections. When those came, however, the parties that promised a greater level of social protection won.

In 1990, the question was whether the aggressively anti-Communist and uncompromisingly free-market oriented Alliance of Free Democrats (SZDSZ) or the calm and moderate Hungarian Democratic Forum (MDF) should form a government. The relative majority voted for the latter. Since, however, MDF went along with the World Bank and IMF adjustment programmes and melted down under the unpopularity of those, MSZP won an absolute majority in parliament in 1994. Their voters expected them to maintain at least part of the social protection the working people enjoyed before 1990. Instead of doing that, MSZP and SZDSZ formed a coalition that imposed heavy austerity and were caught in a major corruption scandal too. The 1998 elections were thus won by the untested Fidesz-MPP, which used anti-capitalist and anti-Western demagoguery to appeal to the victims of the transition.

Despite the economic recovery that started after 1996, most of the people felt to be on the losing side of the transition. The core of this group was those who lost their jobs, a group that just marginally existed before 1989. The official average unemployment rate reached its peak in 1993 with 13 percent, and remained stagnant just below 10 percent. Since, however, almost the same amount of people withdrew from the active labour force to early retirement, disability retirement or the household, this figure hides the fact that the actually employed part of the potentially active population fell to an extremely low level, just above 50 percent. The collapse of employment and incomes in the working families gave rise to the new poverty. According to the late sociologist Rudolf Andorka, about 15 percent of the population lived below the poverty line in 1991, and this

indicator was fixed at around 35-40 percent after 1995 (Andorka 1997). Though not so drastically as in Russia, the transition showed in the death toll too. In the early 1990s, life expectancy hit bottom at 64 years for men and at 74 years for women, and showed just some negligible improvement in the subsequent years. Counting the victims of the transition, the first and foremost single group was the Hungarian roma, a minority group amounting to some 6 percent of the population, who live in large families in mainly rural or de-industrialized regions, suffered from the devaluation of social benefits in addition to the loss of jobs and the rise of anti-Gypsy discrimination and atrocities.

The Orbán-government let down the victims of the new capitalism just like all other populist parties who come to power on the shoulder of the nationalist bourgeoisie. Instead of compensating the losers, their policies have favoured those who have been winning but thought should have won even more from the privatization and re-allocation of incomes in the 1990s. They reduced the upper rate of income tax to 40 percent. They introduced tax breaks for families with children but devalued the family allowance (the first benefits only those with medium or high incomes while the second goes to every child including the Roma).

Cultural conservatism in Hungary

Taking much of his former supporters by surprise, Orbán, the second youngest Hungarian prime minister of the century, absorbed and exercised all requisites of Hungarian conservatism. An apropos for that is that in the year 2000 Hungarians celebrate the 1000th anniversary of the foundation of the Hungarian Kingdom by Saint Stephen. Though Hungary was proclaimed to be a republic in 1918, and again in 1946, the nation still considers the year 1000 to be the foundation of the state we live in. In 1990, when the post-communist Hungarian Republic chose new symbols, August 20, i.e. the day of Saint Stephen was made the main national holiday. As a matter of fact, August 20 had been celebrated under the communist regime too, though it was dubbed, with reference to the time of harvest, as the “holiday of the new bread”, or with more political consciousness as the “holiday of the worker-peasant alliance”.

The past decade has already provided a millennial celebration

for the Hungarians. Four years ago the nation was supposed to celebrate the 1100th anniversary (“millecentenarium”) of the conquest, i.e. the arrival of the ancient Hungarian tribes in the Carpathian basin. One hundred years before, in 1896, this was the major cultural and political issue of the time. By remembering the conquest of the country, the rapidly industrializing semi-bourgeois Hungary celebrated itself, and so did Budapest, the capital that started to compare itself to Vienna, Rome and Paris in architecture as well as economic performance.

In 1996, just emerging from an economic shock treatment that eliminated ten percent of real wages in one year, the Hungarians did not feel for celebration. The contrast between 1896 and 1996 could not be sharper. The first saw a massive boom in the construction of Budapest which included the development of the Heroes’ Square, the first underground train of the continent, as well as the house of the parliament. The year 1996, on the contrary, had to witness the cancellation of the World Expo that was first planned first as a joint project of Vienna and Budapest, and later as an extraordinary opportunity for the Hungarian science and industry to seize global attention. Even *The Economist* magazine observed that it was strange to celebrate such a glorious anniversary with so much gloom and ignorance.

The Orbán government wanted the millennium to become much more cheerful than the millecentenarium four years before. A major theme of political discourse in the last two years revolved around the right location of Saint Stephen’s crown, which has been held in the National Museum since its return from the US in 1978. At the end of World War Two, the holy crown was taken out of the country along with other royal jewelry by the Hungarian Nazis and then it was held for three decades in the United States. It was brought back by Secretary of State Cyrus Vance, under the condition that it would rest in the museum with no political function. The millennium commissioner of the Orbán government, however, proposed that in the year 2000 the crown jewelry should be carried around the country in order to get the people see it. Due to the expected costs (transportation, guarding, insurance etc.), an alternative was proposed that the visitors of the crown from the country should be sponsored by the state. The government also proposed that for the millennial year the crown should

be exhibited in the house of the parliament, and later moved to the old royal castle instead of the National Museum.

The revival of the cult of Saint Stephen holds dangerous reminiscences with the interwar years, when the very same ideological context was used by the reactionary ruling classes to oppose the Versailles peace treaties and to reclaim the lands of the Hungarian crown given to Romania, Yugoslavia, Czechoslovakia and to Austria by the Entente. In addition to this crawling irredentism, advisors of the prime minister became involved in an openly anti-Semitic discourse, and even the rehabilitation of some major war criminals became part of the agenda.

East and West

After world war one, the Western powers openly humiliated Hungary and other defeated nations. After the end of the cold war, the expectations and the promises were different. Seemingly, the role of the Western community, including the EU, has been basically supportive, and moments of generosity have received a good deal of attention and media coverage. Indeed, the European Community launched the so-called Phare programme for the assistance of democratization and economic reforms in Poland and Hungary in 1989, before the fall of the Berlin wall. Then association agreements were made with ten FSCs. A thorough screening of potential EU-members followed and eventually talks on accession began in 1998 with Hungary, Estonia, Czech Republic, Poland, Slovenia and Cyprus.

However, assistance and inspiration on one side was coupled with ignorance and exploitation on the other. Even some leading liberal experts of the region, like Timothy Garton Ash and Jeffrey D. Sachs, have been criticizing Western ignorance in relation to CEE countries (see e.g. Sachs 1999). This double faced Western attitude applied to the European Union too, among other organizations.

The EU established free trade agreement with the former socialist countries in the 1991-1993 period when the supply side of their economies just collapsed due to IMF austerity and World Bank structural adjustment. So the EU managed to dump all sorts of consumer goods and financial services on the former CMEA countries, while protecting itself against so-called sensitive products and the

potential inflow of labour. Thus EU countries built up a massive trade surplus vis a vis CEE including Hungary (Inotai 1995), whose chronic current account deficit has only been compensated by the inflow of foreign capital. (Hungary has been the leading recipient of foreign capital flows to CEE in absolute numbers until the mid 1990s and in cumulated value per capita ever since. From the beginning of transition, close to USD 20 billion foreign capital investment arrived to Hungary, a country of ten million people.)

Phare aid has been largely used to prepare and assist the inward march of Western investment, without an assessment of the social needs of the target countries. The destruction of the Hungarian agriculture in the early 1990s was also partly EC inspired, in as much representatives of the French peasantry told the Hungarian government that they would not support Hungary's accession into the EU until they see the country as a potential rival in food and agriculture exports. Thus the right wing government of the time was even more enthusiastic to implement its disastrous rural policy that disrupted the collective and state farm system and thus eliminated a third of the agricultural production of the country just when the Eastern trade problem hit the hardest.

When much of the adjustment was justified by references to EU requirements, the people just saw the date of future EU membership postponed again and again. In 1990 it was officially expected to occur in 1996. At the end of 1999 the 2002 target was peacefully abandoned. While Hungary has been praised as "the best pupil" by the EU and EBRD, the working people of the country did not really notice any improvement in their living standards. Viktor Orbán, however, as chairman of the European integration committee of the Hungarian parliament in 1994-1998, proved to be the only one among the major party leaders to criticize the EU, and promised that his government would represent Hungarian interest in the accession talks (meaning that the Socialist-Liberal coalition did not do that).

Ironically, though the apparent social misery gave rise to a nationalist outburst, it did not severely undermine the general respect for the EU and the West in Hungary. As compared to the Czech Republic where membership in the EU has never been very popular, and to Poland where the popularity of EU accession started to decline

sharply in 1999, more than two thirds of Hungarians are clearly in favour of joining the EU. Despite all the disappointment, EU still represents the promise of a better life and high standards for the Hungarian people. Most of them expect themselves to live as part of a federal European state in the next millennium.

The costs of delay

When a referendum was held on Hungary's membership in NATO in November 1997, the advocates of NATO accession argued that membership in the military organization could accelerate, or even guarantee, membership in the European Union too. In reality, however, NATO membership has contributed to a significant slow down of the enlargement of the EU. First, the countries of the region are not considered to be helpless any longer. Once NATO is here to provide stability, EU officials in Brussels do not feel a great urgency to expand the union for the same function. Second, NATO membership for FSCs means that military expenditures must be increased in a steady way, while the same funds could be used to accelerate structural reform necessary for EU accession. Third, the enlargement of NATO has appreciated the Atlantic military alliance and the geo-strategic role of the US in Central Europe. This appreciation encouraged the US government to impose a violent solution to the Kosovo crisis, as a result of which Central Europe became a zone of conflict with substantial war damage and cross-border hostilities. Apparently, the Yugoslav situation affects all the surrounding countries, including Hungary, in many ways.

Furthermore, in the year 2000 another negative externality emerged for the countries of Central Europe, called Jörg Haider. The Austrian far right leader, whose party became a junior partner in the government of Wolfgang Schüssel, made it clear several times that he opposed the prevailing course of European integration and also the forthcoming enlargement of the EU towards the East. Haider's Freedom Party managed to be the second largest force at the 1999 general elections because of the general anti-immigrant mood in Austria, without suffering any sort of economic crisis or substantial joblessness (in European terms). When the right wing government was formed, Haider claimed that they would not oppose the

enlargement of the EU but to make it acceptable the would-be members should increase their real wages to the EU average. If we take into account that in recent years most of the international European discourse took it for granted that the first enlargement round would take place some time 2002 to 2004, and that Hungary would be in that first round, Haider's message is identical with a straight rejection.

In the meantime, Hungary's right wing government appeared as one of the least unfriendly governments of Europe towards the new administration of Austria. Taking into account that the electorate of Switzerland had already made a shift towards the far right, and that Bavaria has had a solid right wing government under the CSU, we are now witnessing the emergence of a new populism around the Alps. A Stoiber-Schüssel-Orbán axis (Tamás 2000) is emerging, which can easily evolve into an alternative power centre to the internationalist Brussels core. Such a formation can powerfully express xenophobic and anti-enlargement voices within the EU and demonstrate in the same time that Central Europe is not in line with the political criteria of EU accession, and thus the latter should be taken off the agenda.

The costs of delay in Eastward EU enlargement appear now on two fronts. First, they appear as economic repercussions, inasmuch as the applicant countries may not be able to sustain their convergence without the substantial external assistance they have been aspiring for. The economic convergence of the last five years has been achieved on the ruins of the state socialist economy and society, and the short-term results were produced in the late 1990s by accumulating substantial social and environmental deficits. It is often proposed that once the applicants cannot demonstrate full readiness for EU membership, they should spend some more time with preparations outside. This is, however, a mistaken logic. Further delay of enlargement would not facilitate better preparation but the exhaustion of the self-produced convergence instead. And the impossibility of economic consolidation would serve as a case for abandoning enlargement.

The political costs of further delay are equally threatening. In case the EU does not make decisive steps towards enlargement in the foreseeable future, the end result will be the further weakening in the

domestic positions of internationalist forces and finally the exclusion of the FSCs behind a new Iron Curtain á la Schengen. In this case, a new division of Europe would emerge for the following decades, and this time the responsibility of the West for that could not be shared with the Georgian man with the big moustache. ●

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Kenneth McRobbie

György Lukács

From the rubbish heap to just off centre

The stone head of a huge lion rises dripping from the waters of the Danube, in an old black-and-white post-war photograph of the rebuilding of Budapest's Chain Bridge. Centre-page in a recent edition of a Budapest newspaper, it was surrounded by the text of an interview¹ with a scholar responsible for a second salvage operation: that of the century's leading Marxist philosopher and aesthete, György Lukács.

The statue of Hungary's greatest philosopher was a casualty of the post-1989 assault on Marxism. News spread that it had been thrown out of the Budapest university library onto a scrap heap. Again the salvage operation, this time a private one, was successful. So now György Lukács once more inclines attentively forward in his chair, legs crossed, cigar close to his chest in the long fingers of his right hand - in a modest back garden in the eastern city of Szeged.

This must count as a brighter spot during the purging of symbols of the people (of which the closing down of the museum of

1. *Magyar Hirlap*, 22 May 1997, p.10.

the working class, formerly in the Royal Palace, is the greatest loss). Doubly so, for a second Lukács still holds his own in the capital in a large gravelled and treed expanse flanked by old apartment buildings and the Danube. Because here too he is vulnerable, a retired editor (who as a girl used to take the same streetcar in which Bartók went daily to the Conservatory, and possesses the only Oscar in Budapest) goes out with bucket and sponge to clean off paint that is occasionally daubed on the erect bronze figure.

The seated statue was rescued by members of the György Lukács Circle, associated with the University in Szeged, a city long noted for its radical tradition. Initially, news reached members that the marble plaque outside Lukács's apartment (housing the world-famous Archive) on the Danube bank, had been attacked by someone wielding a hammer. Next came the report that the seated statue had disappeared from the university library's entrance hall. Then that it had been located in the courtyard, on a garbage heap surrounded by building materials. Inside a wooden cage tilted to one side, it showed signs of damage, with splashes of white paint around one ear. The official pretext for removing it was that renovations were under way.

In the name of the members of Szeged's Lukács Circle, a letter was sent to the director of the library, offering to find a new home for the statue. Being thus spared the potential embarrassment of having to choose between re-installation and expulsion, he accepted. By this time the sculptor Frigyes Janzer had got wind of events, and expressed his relief that this, his best-known piece which had been created for the Lukács Centenary in 1985, would find a new home.

Accordingly, Tibor Szabó, founder and president of the Circle, with four others — including a female theatre student experienced in moving equipment — turned up with a truck. It was no easy task: the statue weighs 500 kilos, and the dark-red marble base another 600. The 200-kilometer journey was made slowly, with sagging suspension. Journey's end was a modern townhouse on the southern outskirts of Szeged, across the tracks, on Locomotive Street. Another four people were waiting to help unload the statue. It being mid-December 1994, Lukács sat out the rest of the winter in Szabó's garage.

The following May, a local mason put in a tiled patio giving onto the back garden, and helped to choose a place for the statue of



Lukács statue in Szeged (photo: Kenneth McRobbie)

halfway down the garden to one side, backed by colourful bushes close to an interested neighbour's fence. Concrete was poured for a sunken base one meter thick; the mason's brother lent a hand to move the statue on rollers onto its shallow plinth.

On October 6th, 1995, there was a ceremonial unveiling, to which Szabó had invited friends, colleagues from the Circle, artists, a Member of Parliament from the Socialist Party, and a few scholars from Germany and Italy. The local TV station carried news of the event, as did at least one newspaper. The local butcher happened to be passing - "What, György Lukács - *Here?*" Glasses were raised, pictures taken. Lukács was a party man again, for a day. As for the future, his statue would become the Circle's emblem.

The Lukács (originally Reading) Circle of Szeged was founded two decades ago in November 1979 by the young philosophers Tibor Szabó and Peter Karacsony, partly as a response to the changing times. Szabó has written extensively on Gramsci - receiving Italy's Dante prize - but the abolition of Marxist studies in his university in 1989 compelled him to reinvent himself as a teacher (he is now head of the Languages Institute of the Teachers Training College). The Circle had come into existence mainly because younger colleagues - initially seven or eight - from several disciplines in local academic institutions felt the need to devote "free and serious consideration" to Hungary's most important philosopher. For them, Lukács's appeal was due to his having formulated many of the leading problems of the 1960s, the period of their youth, in terms different from those of official Marxism. They viewed Lukács as one who could now be criticised, as one who also provided the tools for criticising new developments which under the banner of "freedom" would otherwise escape criticism.

The Circle's members undertook selected reading, reported on their reactions and findings, and discussed each other's work. The meetings, as Szabó put it, constituted a sort of post-graduate course. The Circle's members became aware that they were seeking a more thorough theoretical foundation for their own views: on philosophy, history, political science, and aesthetics. Looked back on the first decade of meetings, they were equally aware of having benefited intellectually. Szabó related this progression to Lukács's own views

existing society as continually developing: in which, in particular, he looked to the possibility of socialism evolving in a democratic direction.

During the coming years, the Circle expanded its activities, attracting visiting scholars from Canada, Germany, Italy, and the United States. A volume of papers entitled *Studies on the Young Lukács* (1983) appeared in the series "Current Philosophical Problems". For the Lukács Centenary in 1985, the Circle sponsored its first national conference (on "Reading Lukács"), noted in the leading national newspaper and philosophical journal. Members attended conferences in Budapest and Rome; they also published papers in Sweden, Italy, Germany, Yugoslavia, and Hungary. During the next four years, meetings focused on Lukács's *Ontology of Social Being*, resulting in the 1989 conference, at which the eminent academician Ferenc Tökei presented the Circle with a medal on behalf of the Board of Trustees of the György Lukács Foundation, Budapest. Conference papers appeared in the Circle's first publication *Why Lukács?* (1990) on (1) "Lukács and Politics" (with papers referring to Weber, the Frankfurt School, Heidegger, and Stalinism); (2) the "Ontology"; (3) "Lukács and the World" (with perspectives on Brazil, Romania, Yugoslavia, Italy, and the USSR). Vigorous debate followed contributions by two distinguished former pupils of Lukács: Agnes Heller supporting Mihály Vajda who argued for postmodernism, and for Heidegger as Lukács's superior.

The Circle's activities and publications received financial assistance from two quarters: the "Tertium Datur Foundation" (funds provided by a former student of Szabó's who had gone into business), and the Lukács Foundation. Tibor Szabó's *Gramsci's Political Philosophy* (1991) was followed by a conference on "Gramsci and Lukács" resulting in *Into the Wind. Gramsci and Lukács Today* (1993) where the two thinkers are viewed in terms of their emphasis upon the transformation of society by democratic means, the role of the subject, and for their criticism respectively of Croce's idealism and Bukharin's materialism. The volume was widely reviewed and attracted the attention of politicians in Hungary.

Lukács and Modernity (1996) was the Circle's next volume, following a conference focussing on Lukács's approaches to

modernism, classic values, and the avantgarde (together with criticism of post-modernism's relativisation of values). The following year saw the co-publication with a major Budapest publisher of the Circle's *The Mind of Derrida Marx*. In the most recent publication, together with the Institute of Philosophy of the Academy of Sciences, *At the Crossroads of Philosophy: Studies on György Lukács* (1998), it is confidently noted that "Lukács has always been of interest, but in Hungary never so much as today", his concern with "spirituality, culture and ideals" being viewed as a counter to economism. Foreign scholars have continued to be represented, among them authorities of the stature of Zoltan Tarr, author of standard works on the Frankfurt School and on Lukács. Finally, a remarkably ambitious prospectus outlines the Circle's proposed forthcoming activities and publications up to the year 2004.²

Some reasons for the Szeged Circle's commitment to Lukács's legacy were given in Tibor Szabó's newspaper interview. He begins by referring to a growing world-wide interest in Lukács, exemplified by the participation at a Szeged conference of three Hungarian-speaking scholars from Japan, who also undertook research in the Lukács Archive, visited places linked with his life and work, and published their findings in the Tokyo periodical *World Literature*. Reference was also made to the Lukács Institute for Social Research in Paderborn (Germany), and to Lukács scholars in Brasilia (who also publish in the Szeged volumes) with a similar focus. Perhaps in the future the Circle will list recent publications on Lukács, among which should find mention two by Hungarian-Americans: the first large-scale biography of Lukács by Arpad Kadarkay (also his more

2. A collection of articles entitled *The Twenty-Fifth Anniversary of Lukács's Death*; a volume (the first to appear in English) *Lukács and Current Philosophical Trends*; a conference on "Hungarian Social Philosophers: I. József Somogyi", with a volume of conference papers; *A History of the Lukács Circle of Szeged*; in the year 2000, a conference "Summing Up: Lukács in the History of Twentieth-Century Thought"; in 2001 a second conference on "Hungarian Social Philosophers: II. József Halasy-Nagy"; for 2003 a second volume in English, *The Ontology and Twentieth-Century Ontologies*; for 2004 a conference "Twenty-Five Years of the Lukács Circle of Szeged", and a volume of *Studies on Lukács* by members of the Circle.

recent *Lukács Reader*)³, and Eva L. Corredor's *Lukács After Communism*, a very significant survey of the opinions of ten leading intellectuals from five countries.⁴

The all important issue of how Lukács's legacy may be represented in post-communist Hungary was the next point touched on in Szabó's interview, also involving the future of Marxism (though he does not use the term). Szabó limits himself to expressing satisfaction that Lukács's concepts and writings are being taken note of "in society at large", as he put it, irrespective of "every domestic turning-point and change of regime"; with similar caution, he goes on to emphasise that the Circle's studies are not conducted "from a political, party or topical point of view". In order to expand on this and other points made in Szabó's interview, and to set the Lukács Circle's activities in a wider context, in what follows reference will be made to some other views on the changes of 1989 and Lukács's significance, in particular to those of the ten authorities interviewed in *Lukács After Communism*.

The view widely publicised in the West, that the changes in Eastern Europe after 1989 represent the failure of Marxism, is not borne out in the interviews conducted by Corredor. There the consensus is that Marxism remains essential as a means of understanding past and present reality, considered as neither dogma nor doctrine but "first of all a *method*" (Michael Löwy), "integrated with the various sociological conceptualisations"(Jacques Leenhardt). As far as the future is concerned, whether or not Marxism will enrich itself and come to terms with "psychological realities" (Cornel West), the literary critic George Steiner even suggests that "we may have a meta-Marxism

3. Arpad Kadarkay, *Georg Lukács: Life, Thought, and Politics* (Oxford: Blackwell, 1991). It has been criticized by members of the Circle for its inadequate treatment of Lukács's thought and politics.

4. Eva L. Corredor, *Lukács After Communism. Interviews with Contemporary Intellectuals* (Durham & London: Duke University Press, 1997). Following the editor's lengthy Introduction, are interviews (some in translation) with Etienne Balibar (Paris), Peter Bürger (Bremen), Terry Eagleton (Oxford), Frederic Jameson (Duke), Jacques Leenhardt (Paris), Michael Löwy (Paris), Roberto Schwartz (Sao Paulo), George Steiner (Cambridge), Susan L. Suleiman (Harvard), Cornel West (Harvard).

out of Africa or Latin America of enormous dimensions”, which would impact upon Hungary and the region sooner than is thought, where “a certain kind of Latin Americanisation [is already] sweeping across” (Cornel West). The overnight transformation of “communist” leaders and cadres into apologists for the free market and seekers after membership in NATO persuaded even Ralph Dahrendorf that 1989 was not the result of a popular revolution.⁵ Marxist thought may well come to be regarded as “more relevant after the collapse of Communism in the Soviet Union and Eastern Europe than it was before” (Cornel West). On behalf of the Circle, one of the visiting Japanese scholars stated that 1989 had effectively “closed the road” to Lukács’s conception of social democratisation and the democratisation of everyday life “from below and continuously”.⁶

As for Lukács, in Corredor’s view he has emerged “essentially intact”. Under “pseudo-communism” there was no place for the true Marx or the whole Lukács. Between the Marxist spirit of his still relevant *History and Class Consciousness* and the “mummified system” of official Soviet Marxism there is a “total contradiction” (Michael Löwy). For a small country, individual achievement on the world stage is an equaliser. The Lukács Circle’s decade-long project more than compensates for limitations of a recent 2-volume Hungarian “official” work on Lukács.⁷ It will surely be of the greatest importance

5. Ralph Dahrendorf, *After 1989. Morals, Revolution and Civil Society* (London: Macmillan, 1997), pp.10, 11, 12, 56 for “the valley of tears”; p.4 he subscribes to Timothy Garton Ash’s view that what took place was not revolution but “refolution”, change from “above” “rather than successful pressure for change from below”.

6. Hayakawa Hiromichi, “Memorandum on Lukács and Today’s Democracy”, in Tibor Szabó, ed., *Lukács and Modernity* (Szeged: Lukács Circle, 1996), pp.197-204.

7. *Hungarian Studies on György Lukács*, 2 vols. (Budapest: Academy Publishers, 1993) of which Corredor observes (op. cit.) Introduction, p. 2, despite the view there expressed that only Hungarian research could “provide a more reliable image of Lukács’s thought than that currently reflected in the international scholarly literature” (ix) Corredor wryly observes that “little in the volume’s [sic] nearly seven hundred pages would significantly affect the current understanding of Lukács’s work in the West”.

to Hungarians, Frederic Jameson observes, that they produced “a massive figure of this kind.” It was this aspect of Lukács which most engaged George Steiner - the magnitude of his life, which “bore witness” to the times, amid enormous danger such as very few thinkers have had to face - “What I admire supremely is that he lived our century like few men on the planet”. It was a theme taken up by Arpad Kadarkay in his later work.⁸

In his newspaper interview Szabó pointedly avoids mentioning political and economic issues, although the latter are most on the minds of Hungarians. The phenomenon of growing poverty associated with increasingly endemic unemployment - formerly a Third World “problem” - is now becoming an established feature not only of Eastern Europe but of the developed countries too. Marxists has always argued that these are characteristics of capitalism, while apologists for (and even some who criticise) the free market reply that it is in the nature of things.

Still, it is extraordinary that in his richly allusive *After 1989*, consisting of addresses before distinguished gatherings (often acknowledging prestigious prizes), the former head of the London School of Economics could exhibit such poverty of language as to describe the economic hardships of Eastern Europe as a “valley of tears” - not once but three times in the course of a single lecture (appropriately, the “Orwell”). It is through this dark construct of the Old Testament that Hungarians “of necessity” must “trek”!

The phrase is repeated in another lecture on the peoples of the region; for good measure, English readers too are informed that this valley of tears is “all around us”. This term with its implications of passive acceptance comes oddly from one opposed to dogma, whose volume’s subtitle begins with the word “Morals”.

It may come then as a relief for Hungarians concerned about their future to turn to one of Lukács’s earlier works, “The Rule of Morality in Communist Production” (1919) where he argues against

8. Arpad Kadarkay, ed., *The Lukács Reader* (Oxford: Blackwell, 1995), p. viii “We see a mind grappling with the fundamental issues of human existence, centred on love and work, striving to extend the boundaries of thought”; he gives “a deeper understanding of the human condition”, of “life at the limits”.

development by blind economic forces, asserting that “the real history of mankind” will begin through “the power of morality over institutions and economy”.

The classic Marxist theory of class struggle and the increasing immiseration of the working class appears to have been too optimistic. Even Marx did not foresee the appearance of a growing sub-class *beneath* the working class, an “ex-virtual-proletariat” (Robert Schwarz). For them, he observes, exploitation would signify progress; as it is, they are simply left aside. It is in this context that Lukács’s commitment to “protracted struggle” assumes new relevance (Cornel West).

It was Lukács’s outstanding achievement - one increasingly accepted as valid - to have gone beyond Marx, as Etienne Balibar points out, in “inventing” the notion of reification. The value of this chapter in *History and Class Consciousness* (1922) is particularly evident to Cornell West, from his perspective of activism on behalf of the disadvantaged, among whom “commodification and reification completely shattered the institutional buffers for an already devalued, despised, and oppressed people”.

But the anomie which Dahrendorf sees afflicting the population at large, is related by Corredor to her subject: “Lukács locates the most alarming aspect of reification in the inability of individuals to recognise or even comprehend the arbitrariness and inhumanity of their own exploitation”.

The final point made in Szabó’s interview is of far-ranging importance. In Lukács’s early writings he sees awareness not only of the coming breakdown of his socio-cultural world, but of the possible loss of spiritual and intellectual values essential to all mankind. It was at this time, Szabó observes, that Lukács formulated his concept of man as one capable of creating values to live by, of thinking, exercising choice, and overcoming.

Lukács’s concern with ethics is paralleled by the concern of non-Marxists today at the hegemony of economism which leaves the field open to competing fundamentalisms. In his *After 1989*, where a major theme is the spectre of an existence composed of “meaning-starved life chances”, Dahrendorf usefully cites Adam Smith, Adam Ferguson and Immanuel Kant as desiring “to replace ‘desolate

randomness' by the 'moral whole of society'". But such a whole, for Dahrendorf, remains at the level of ideas. When he argues, in his lecture "Citizens in Search of Meaning", for the realisation of such a society of wholeness, he takes a stand against privatisation - not, to be sure, of the planet's economic resources and means of production, but of "deeper structures of meaning".

The Szeged Circle's interest in the early works of Lukács - where "ethics is methodologically superior to the philosophy of history" - is echoed in Eva L. Corredor's observation that there is a "serious need for globally acceptable human ethics" drawing upon the later Lukács. The role of ethical decision-making as the precondition for socio-economic change is affirmed by two contributors. Michael Löwy follows Lukács in insisting that Marxism has "a fundamentally ethical dimension", one now particularly appropriate for Eastern Europe where political crisis has "logically" relaunched the debate on ethics. From the perspective of social activism in the USA, Cornell West views social issues and amelioration as "regulated more by moral ideas than a social dream".

Despite what he experienced, saw, did, and was compelled to do, Lukács never wavered in his youthful conviction that the world was not absurd. Like many of his generation - Karl Polanyi, Karl Mannheim, Max Weber - he was inspired early on by the great Russian novelists, those who had sought to go beyond European individualism, "to overcome it in the depths of one's being", to install a new man and a new world.⁹ During his long, initially even mystical engagement with the writings of Dostoevsky, Lukács encountered repeated references to Claude Lorrain's painting "Acis and Galatea", interpreted as a vision of the golden age, of "genuine and harmonious relations between genuine and harmonious men".

The still perceptible twilight glow from this utopia inspired Lukács to seek the dawn of an equally fulfilling future. At least it introduced the element of competition with that liberal utopia of the self-regulating market, attacked with such passion by the friend of

9. Michael Löwy, *Georg Lukács - From Romanticism to Bolshevism*, (London: New Left Books, 1979).

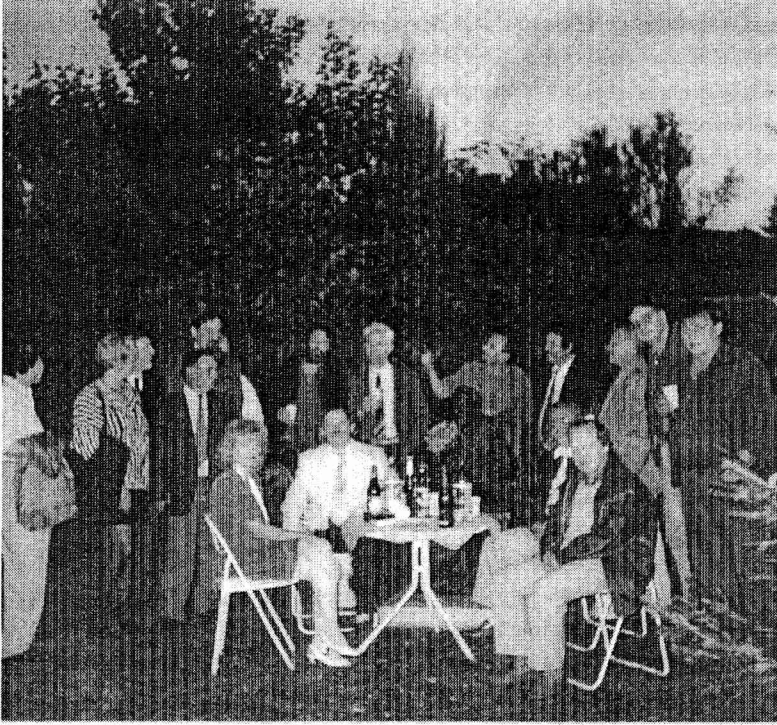
his youth, Karl Polanyi.¹⁰ Some years ago, the eminent Hungarian novelist György Konrád wrote that “Without utopias we would grow stupid”. A utopia represents an attempt to replace what does, with what ought to, exist. Lukács’s ethical idealism is a permanent revolution against what exists. The contributors to *Lukács After Communism* show how Lukács’s seminal importance was to open eyes and minds to a new world, to creative beginnings in regard to the quality of the daily life of the majority sharing fairly in society.

It is a concern for daily life, a free-swinging canvassing of a wide range of topics, which characterise a recent initiative on the Left filling a more practical and political role beside the more theoretical approach of the Szeged Circle. In September 1999 the journal *Eszmélet* (Mind), now a quarterly, one of the few left-wing journals in Hungary, will celebrate its tenth anniversary. It is edited now by László Andor.¹¹ Named as “perhaps the best left-wing magazine in East Central Europe”, it was founded by a group of social scientists who for the most part belong to the generation of 1968. Throughout the 1980s, they developed a progressive, and democratic, critique of state socialism. Each issue focuses on one or two themes drawn from history, philosophy, economics, contemporary politics, and society (including sexuality and sport); usually half of the articles come from abroad. Applying class analysis and the world systems approach to the East European transition, emphasis is on international forces that are shaping developments in the region. The editors state:

It has also been an objective of ours to develop visions of a society that guarantees political and social rights, one that is more democratic than the free market models of the 1990s.

10. Karl Polanyi, *The Great Transformation. The political and economic origins of our time* (Boston: Beacon Press, 1957), p.3 “Our thesis is that the idea of a self-adjusting market implies a stark utopia”; also pp.103ff., 211, 254.

11. László Andor, editor, *Eszmélet*, Múzeum utca 7, Budapest. Hungary 1088. For information on the Lukács Circle: Dr Tibor Szabó, Juhász Gyula Tanárképző Főiskola, Boldogasszony sgt. 6, Szeged, Hungary 6701.



Members of the Lukács Circle in Szeged

The journal received the 1999 “Free Press Prize”.

There is some overlapping of journal personnel with the political “Left Alternative Association” which also grew out of the opposition of the 1980s. And *Eszmélet* also overlaps with the Lukács Foundation, one of the sources of its funding. The editorial committee is chaired by the philosopher and sinologist, Ferenc Tökei, who had presented the medal of the Lukács Foundation to the Szeged Circle. Lukács thus remains a living and facilitating presence among the younger left oppositionists. ●

Disarming the New World Disorder

edited by Ken Coates

Seattle and Beyond by **Michel Chossudovsky**
 Globalism and the Left by **A.Sivanadan**
 Nato and the New World Disorder by **Ken Coates**
 New Dangers for Hungary by **Rezso Banyasz**
 Russia's Security by **Vladimir Putin**
 Stalin and the Atomic Bomb by **Zhores A Medvedev**
 plus **Noam Chomsky** on the Black Book of Communism
 and **Michael Barratt Brown** on Ruskin College, Oxford

Throughout the 1990s, the West pushed the frontiers of Nato towards the East. Then, last year, with the launch of the Balkan war, Nato went a bridge too far. After consternation in Russia, Putin was installed to establish a newly intransigent response. The subsequent war in Chechnya matched and outpaced the ferocity of Nato's own war.

The precarious international balance, which had previously given comfortable illusions of security, has thus come tumbling down. Now, what has been called the "Putin Doctrine" has been proclaimed. We publish here a summary of this crucial text. This is a new nuclear policy, with Russia eschewing the commitment to "no first use". How the various powers will adjust to the mess they have created is difficult to judge. But it is surely time once again to move towards the creation of a new peace movement, with the politics of nuclear-free zones and a dismantling of overarching military alliances.

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A Pollert, *Transformation at Work in the New Market Economies of Eastern Europe* (Sage Publications Ltd. 1999) pp. xii + 260, ISBN 0-7619-5230-6 (hb), 0-7619-5231-4 (pb).

Anna Pollert's previous work will be well known to many readers of *Labour Focus on Eastern Europe*. She has written, from a socialist and feminist viewpoint, on the position of women workers in Britain, basing her account on a detailed ethnographic study of the industrial labour process. She has also been prominent in criticising the exaggerated claims of 'Post-Fordist' theorists about flexibility at work. Her new book looks at the experience of workers in Central and Eastern Europe since 1989, particularly in the Czech Republic. Pollert speaks Czech and has worked on a long-term project on workplace change in that country which has already generated a number of articles, including one in this journal. All these factors will make her book of great interest to those looking for an alternative approach to the analysis of economic transformation from that conveyed by the dominant neo-classical account of the IMF, World Bank and EBRD.

Pollert's book is extremely ambitious, and covers a great deal of ground. It begins with a very interesting methodological introduction, which is refreshingly honest about the difficulties which she faced when carrying out her research. She then moves on to a broad comparative study of four Central European countries, Poland, Hungary, the Czech Republic and Slovakia, looking both at their historical development since the mid-nineteenth century and at the theoretical models which were used to characterise their nature under communist rule, particularly by Marxist observers. The second section of the book provides a general critical account of the four countries since 1989, highlighting the key role of privatisation and of foreign investment. The final third of the book looks at the position of labour. Two comparative chapters cover developments in trade unions and changes in industrial relations, while the final two chapters are devoted to case studies from the Czech Republic. The most extensive of these looks at CKD Electrotechnika, a division of the engineering holding company CKD Praha. There are also accounts of retailing, both the Czech store Kotva and the investment first by Kmart and then by

Tesco in the Czech Republic, and of light industry, looking at the involvement of Nestle and BSN in biscuits and confectionary and of Bass in brewing.

As can be seen from this outline, Pollert's detailed research in the Czech Republic is embedded in a more general argument about the transition process in Central Europe, and is used to support a number of arguments about that process. Pollert is critical of orthodox accounts of the transition both for their assumption of free-market capitalism as a desirable goal for the region and for their specific policy recommendations; in particular she agrees with Peter Gowan in stressing the concerted effort by Western interests to break up economic links within the region and to impose a pattern of bilateral relations between Eastern countries and the West (pp.84-7).

More strikingly, though, Pollert is also critical of a number of those who have themselves raised questions about the neo-classical approach. She raises three main issues here. Firstly, she argues that critiques of orthodoxy fail to grasp the importance of the historical legacy of nineteenth and early twentieth century developments for the particular national contexts in Central Europe. Secondly, she claims that such critiques are too determinist in nature, neglecting the importance of agency and contingency in affecting the outcomes of social processes. Analysing writers like David Stark, who theorise transition through the use of concepts of 'path dependence' and 'networks', Pollert stresses that this approach

can be arbitrary and unclear about how historical legacies are mediated, and over-deterministic in ignoring contemporary processes of both structural constraints and strategic choice of actors which are guided by global competition, rather than building on the past (p.60).

Thirdly, Pollert argues that even critics of conventional analyses have tended to neglect the importance of class relations and working conditions. In particular, such writers have failed to take account of the importance of gender in the shaping of the labour process. Her main target here is the work of Alice Amsden and her collaborators, who she sees as having framed their analysis around the recommendation of the East Asian model of development as an

alternative to the transition path followed by Eastern Europe after 1989. For Pollert such a recommendation is unrealistic since it requires a level of state direction of the economy which is politically infeasible in the Central European context and because the development path followed in East Asia was dependent on drawing on supplies of cheap, rural, female labour which were not available in Eastern Europe. It is also undesirable since it neglects both the question of democratising the state and that of class relations at work.

Pollert thus attempts to provide an account of the last decade in Central Europe which adequately encompasses these three issues. She argues that such an account should use the concept of 'transformation' rather than 'transition' in order to stress the contingency of the final outcome of the process. Her account of transformation stresses the historical causes of the differences between Hungary and Poland on the one hand and the Czech Republic on the other. Two factors seem to have been important here. Firstly, the relative lack of class polarisation and strength of liberal democracy in Czechoslovakia in the inter-war period encouraged a more unified resistance to Nazi occupation in that country than in Hungary or Poland. This resistance was largely under Communist control, without the deep-rooted anti-communist elements which typified much of the resistance in the other two countries, thus strengthening the position of the Communist Party in the post-war period. Secondly, the greater degree of industrial development in Czechoslovakia enabled the post-war Communist regime to achieve a higher degree of legitimacy as a result of material concessions;

Czechoslovakia differed: its industrial development provided the command economy system with the means for making major material concessions so that real wages began to recover in the late 1950s: prosperity was bargained for political conformity (p.37).

These two considerations help to explain why Czechoslovakia did not experience the same kind of upheaval following Stalin's death as did Poland and Hungary. Consequently, economic reform there did not progress nearly as far as in the other two countries. The result of this was that market relationships in Czechoslovakia were much less

developed at the time of the fall of the Communist regime than elsewhere in Central Europe. For Pollert, this decisively affected the approach to economic transformation adopted there. She sums up her analysis by writing that

in Czechoslovakia, the legacy of advanced industrialization and social democracy - themselves formed during the Habsburg years - had the paradoxical outcome of one of the least reconstructed systems of Communist Party central control in Central Europe. In Poland and Hungary, totalitarian inter-war years, themselves the historic consequences of competing power relations after different experiences of imperial domination, ironically led to greater plurality of organized opposition to Communist Party rule, especially large landed and peasant interests, and in Poland, the Catholic Church (p.47).

The lack of pluralist opposition to the Communist regime in Czechoslovakia, and of economic reform, led to the relatively unchallenged dominance of the ODS government under Vaclav Klaus and to the rapid enactment of mass voucher-based privatisation schemes. There were no immediate organised tendencies within the opposition movement to sustain a variety of political parties, and the lack of previous reform had created a particularly acute vacuum when it came to the task of 'making capitalism without capital'. At the same time, the favourable historical legacy of Czech industrialisation encouraged foreign investment, which also speeded up the privatisation process. In this way Pollert argues that developments in the Czech Republic since 1989 have been significantly shaped by past factors which predate the establishment of Communism in the region, and that these factors can explain differences between the trajectory followed there compared with that taken in Poland and Hungary. In turn she claims that the special circumstances of the Czech transformation have given rise to particular structures of labour representation and industrial relations.

Probably the most important difference here concerns the unity of the trade union movement. While both Hungary and Poland had trade unions divided between different federations, and in Poland these divisions took on an overtly political form, the Czech Republic

maintained a single dominant union grouping. Having traced the evolution of industrial relations in the Czech Republic through the 1990s Pollert is cautiously optimistic;

whereas in Poland trade unions appear wedded to a management transformation agenda, and in Hungary a divided trade union movement appears weak, there are signs that Czech union cohesion and political non-alignment have helped the development of a labour movement in which independent class interests are beginning to be expressed, at least in relation to the state as legislator and employer (p.170).

This unity is related directly to the lack of political differentiation in the former Czechoslovakia before 1989;

the evidence of post-Communist differentiation testifies to how the paths of command economy experience shaped diverse labour representation transformation institutions, with division characterizing those countries which had experimented with reform, and greater unification where there had been none (p.173).

Pollert provides an extremely good critical overview of debates around Central European transformation and many of her criticisms of particular approaches such as those of Stark and Amsden are very penetrating. While the contrast between the Czech experience and that of Poland and Hungary is not new, the relation of the differences here to issues concerning labour is important and interesting. The underlying argument of the book is powerful and provides a good basis for further investigation of the current difficulties facing the Czech economy. However, a number of questions are raised by Pollert's analysis.

An initial problem is that the very compressed historical account given by Pollert is not really detailed enough to establish the main hypotheses of the book. Consequently, they remain suggestive rather than compelling for the reader. For example, her account of nineteenth century development concentrates on the differences between Hungary and Czechoslovakia, while Poland is treated very briefly. Yet as she acknowledges the experience of Poland was very different from that

of Hungary. This then raises the question of how Poland and Hungary can have followed rather similar trajectories after 1945, given the varying historical legacies in the two countries. Pollert's stress on the relatively greater legitimacy of the post-war Czechoslovak regime, as compared with elsewhere in Central Europe, makes it difficult for her to explain the developments of 1968, which she passes over rather quickly. Her emphasis on the inter-war strength of Social Democracy in Czechoslovakia, which she sees as linked to the revival of Czech Social Democracy today, demands a deeper analysis of why Social Democracy lost its hegemony in the anti-Nazi resistance so completely to the Communists. None of these problems invalidate Pollert's account. However, they do indicate that more detailed analysis is needed before her historical argument can be accepted in its entirety.

There is also a certain tension between Pollert's stress on agency and her emphasis on history. If the historical context is so important in shaping the opportunities open to contemporary actors then this tends to detract from the emphasis on the role of active agents in shaping the transformation process, particularly in the area of labour relations. It is of course quite possible to envisage an account which combines the two, but Pollert tends to give more weight to history than to choice. This is especially marked in her account of trade union disunity, where there is relatively little analysis of the particular decisions which led to divisions between the various federations as compared to the emphasis on the influence of historical factors.

More seriously though, there is a second underlying argument in the book which is not always integrated with the first. This argument stresses not the internal differences within the Central European region but the homogenising power of external forces, in particular Western capital acting through foreign investment and the international financial institutions. As Pollert concludes

internationally imposed policies have forced similar structural adjustment policies of stabilization and deregulation and privatisation; each country has, in similar ways, been forced to suffer the consequences of privatisation as making capitalism without capital, and when FDI has arrived, accepted this largely on MNCs' conditions (p.227).

She shows how the IMF and other institutions have required privatisation and orthodox economic policies based on budgetary restraint, while foreign investors have generally adopted an aggressive position towards trade unions and have tried to lower wages wherever possible. These twin pressures broke up, for example, the trend of the early 1990s towards 'tripartism' (corporatist structures of representation involving the state, employers and trade unions) in similar ways in Poland, Hungary and the Czech Republic.

Pollert recognises the tension between these two arguments and concludes that the transformation process has embodied both forces resulting from internal differentiation and from external homogenisation;

one of the questions raised about the process of transformation has been the degree to which globalization narrows the choice of individual nation states to intervene in the direction of change, and whether or not it tends towards institutional convergence which minimizes the relevance of political and industrial relations diversity. From the findings of this book, the answer must be: yes and no (p.227).

Clearly, this is so; changes in Central Europe have resulted from both internal and external factors. However, Pollert does not really bring the two modes of explanation together in a sustained way. Consequently, certain phenomena (privatisation strategies, trade union disunity) are analysed using concepts of national diversity arising from history, while others (recession after 1989, patterns of foreign investment, the decline of tripartism) are examined through the prism of external forces.

This issue is especially acute when judging the case studies which conclude the book. These provide an opportunity for combining the two forms of explanation. In fact though, while the material presented is fascinating, it is not clear to what extent it represents a distinctively Czech set of experiences of transformation. The majority of the issues raised - the failure to pursue planned rather than reactive restructuring, the damaging effects of privatisation, the influence of corruption, the aggressive policies of foreign investors towards labour - seem potentially common across the region. Further, while the

workers in the enterprises studied were members of a unitary trade union federation in a way which would not have been the case in Poland or Hungary, this does not seem to have greatly affected the outcomes in each case. The dominant impression of the case studies is of a prevailing demoralisation of the workforce and a generalised scepticism about collective action, with the unions losing membership and credibility. Pollert's analysis of the reasons for this is extremely interesting, if depressing, but it is not necessarily unique to the Czech Republic. The case studies tend to reinforce the second explanation of developments at the expense of the first, highlighting general tendencies resulting from external agents as opposed to specific legacies of Czech history.

The difficulty of integrating these two levels of analysis is accentuated by Pollert's decision to move directly from comparative accounts of Central Europe as a whole to her individual Czech case studies. It would have been interesting to know more about the structural changes which have taken place in the Czech Republic since 1989, in terms of the sectoral distribution of wages, profits and investment, for example, in order to set the workplace experiences in context. Such an account, bridging the general and the particular, would provide a framework within which the competing influences of national institutions and external pressures could be set.

However, such comments should not in any way detract from what Pollert has achieved in this book. She synthesises a great deal of material in the first half of her account to provide one of the best critical overviews of Central Europe since 1989 to have been published so far, while her latter chapters provide a wealth of interesting observations about the role of labour during this period. The book is likely to be of interest to a wide readership and deserves to play a significant role in debates over East European transformation.

Andy Kilmister

Rosalind Marsh, ed., *Women in Russia and Ukraine*, Cambridge University Press, 1996.

“Ever since I wrote a *Week Like Any Other* women in the West have decided I must be some kind of a feminist. I’m not. If some women gain a kind of freedom it will always be at the cost of others...” These words of the veteran Russian writer, Natalya Baranskaya, interviewed in 1988 encapsulate the volatile relationship between Soviet/post Soviet women and women in the West. Westerners have always been fascinated by the idea of the strong Russian/Soviet woman, and have looked for contradictions in the image presented of them by the Soviet State. Soviet women have generally been indifferent, if not hostile, to Western feminist ideas of equality.

Many of the articles in *Women in Russia and Ukraine* examine in more detail the problems and contradictions in both Western and Soviet and post Soviet feminist positions that lie behind this hostility and misunderstanding. Many are on other topics and reveal interesting, sometimes surprising attitudes both from the contributors and the women they write about. All provide fascinating information backed up with a wealth of hard academic research and statistics.

Women in Russia and Ukraine covers subjects ranging from changing images of women during the reign of Peter the Great to a review of the modern feminist movement in Russia from 1979 to 1994. Several themes run through many of the articles. One, as mentioned, is the misunderstanding that exists between Western feminists and those in the post Soviet states. Linda Edmundson in her fascinating article, “Equality and difference...”, examines critically both Western, Russian, Soviet and post Soviet positions:

The re-emergence of an active women’s movement in Russia, following seventy years of denial and repression, has contributed to the dismantling of the phoney Soviet ideology of egalitarianism, already under attack in Brezhnev’s time. But at the same time a strong resistance to western feminism has emerged...a resistance to egalitarianism has been one of the most striking features of the response to western feminism among women in the former Soviet Union and east-central Europe...this derives partly at least from Russian ambivalence

toward the West, toward liberal constitutionalism and the worship of material progress... (pp.94/ 103)

And Rosalind Marsh, the editor, summarises:

By the 1990's...it had become evident that western feminists would have to learn to be careful not to impose their own modes of thinking uncritically on women from the former USSR. Many women in the post-Soviet states are highly suspicious of western feministki who, in their opinion, have an easy life and cannot possibly understand their problems...

Another theme is the worsening situation of women since 1991, both in Russia and in newly independent states like Ukraine. Before perestroika Soviet women had a strong network of friends and relations that acted as mutual support groups to help them in their daily struggle to cope with their demanding life. This was facilitated by cheap housing, virtually free local and cheap inter-city telephone calls and cheap transport. Furthermore, the women's work collective was strengthened by the Soviet habit of going on holiday not with family but with work colleagues, through the mutual trade union. The collective, so valuable to these women, is disintegrating as job security disappears, hours grow longer, wages become devalued, and in order to earn a living wage it is often necessary to do two or three full-time jobs simultaneously.

As conditions for the general population, of whom 50 per cent at least now live below the poverty line, get worse, women suffer the most. In the face of escalating unemployment and deteriorating production the State exploits patriotism, and newly found nationalism to encourage women to return to their "patriotic roots", as full-time wives, mothers, praising their role as the guardians of the hearth.

Lynn Atwood and Elena Stishova looks at this aspect of the post-Communist era as well as the other side of the coin - the increasingly projected image of woman as a sex object and victim of violence. And in her review of the feminine dimension of social reform Anastasia Posadskaia talks about the "mass exploitation of sexuality based on the commercialisation of the female body".(304)

The contributors to this book draw on a wealth of statistics

and research to show that certainly the overwhelming majority of the female half of the population did not want the system that now exists in Russia and the Ukraine. Their conclusions are reinforced by the eminent Russian historian, Roy Medvedev, who, in another recent book draws on the results of surveys and mass questionnaires:

For the average Russian the idea of social justice is higher than that of the idea of democracy... the interests of the collective and the state are higher than the interests of the individual. Collectivism and solidarity are valued more highly than individualism... People are not enthusiastic about the idea of wealth and social inequality. (Roy Medvedev, *Kapitalizm v Rossii?* , 1998, p. 39.)

Roy Medvedev accuses the economists who took over the running of Russia after 1991 of completely ignoring and discarding the existing economic base in their enthusiasm for a new capitalist system. One can draw parallels with the commitment to equality under the Soviet government. The system of universal education, basic free medicine, a job and child-care in the Soviet Union was imperfect, but it was a base which post Soviet women wanted to build on, not discard completely.

The book also shows how the eternal discussion about staying at home versus going out to work for women has been thrown into sharper focus by growing unemployment, closing of child-care facilities and the semi-privatisation of education.

The post-Soviet states are still being governed by conservative men whose policies on women, like those of their predecessors, are largely determined by economic and demographic factors and who, while rejecting some aspects of their Communist past, are now able to articulate with impunity more extreme patriarchal views than those propagated during the "era of stagnation", since they no longer have any reason even to pay lip-service to idealistic Marxist notions of women's equality. As Olga Lipovskaia (a Russian feminist) states, "woman are now losing those small achievements they had before perestroika". According to the TASS information agency, reporting the Supreme Soviet discussion on the social status of women on 25 May, 1992:

The position of women is deteriorating in all spheres of public life. ...with the single exception of the freedom of speech they now enjoy, the disadvantages of the current situation outweigh the advantages.

The suggestion by Western feminists that going into politics might help the women did not get an encouraging response. According to Marsh, "when a woman ran against a man she usually lost" (12). But things may have changed: it is true that Natalya Vitrienko, a member of the Progressive Socialist Party in Ukraine, was doing well in the recent Ukrainian elections until she became agitated at a press conference following an assassination attempt on her. The press then crucified her, accusing her of female hysteria and claimed she was too feminine and subject to nerves for the rough and tumble of politics. She has since, however, gained a lot of ground, and has consolidated her position in the Ukrainian Rada with the acquisition recently of twelve ex-Social Democrats.

In 1988 Natalya Baranskaya said:

In life today there are very few things left of the traditional masculine life. Once, in any small town, men would have fences to mend, gates to fix and countless other physical tasks. In Moscow today a good husband will watch television after work, play with the children, or even, every now and again, help his wife with the housework. But most men will say: "Let her do it. What's it got to do with me? She's got equal rights now, so she can do everything herself." But the woman will think; "We've got equal rights now, we both go out to work, why doesn't he go into the kitchen and make the meatballs himself?" ("Natalya Baranskaya Talking With Pieta Monks", in Mary Chamberlain, (ed) *Writing Lives: Conversations Between Women Writers*, 1988, pp. 34-35)

When ex Soviet men make the meatballs perhaps then ex Soviet women will have achieved their goal. In the meanwhile *Women in Russia and Ukraine* provides plenty of food for thought.

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Jonathan Haslam, *The Vices of Integrity: EH Carr 1892-1982*, Verso, 1999, 306pp.

There haven't been many historians who, having spent most of their career as Foreign Office diplomat, leader writer for *The Times* and Cambridge professor, were roundly reviled by establishment historians for being a dangerous radical, but Edward Hallett Carr was one. The mighty eminences of conventional historiography sought to unmask the traitor in their midst, whose view that the political beliefs of historians coloured their interpretation of the past threatened their self-image of being devoted to the impartial search for truth, rather than being partisans seeking to denounce revolution. Carr's massive opus on the Russian revolution, which was, in the eyes of conservative historians, insufficiently critical of Lenin and Stalin, confirmed their suspicions that Carr's philosophy of history must lead to apologetics for red tyranny.

Jonathan Haslam's biography of EH Carr explores the controversies ignited by Carr. The early signs of a rebellious unorthodoxy weren't promising, as Carr, a model product of a middle class upbringing, "committed to God, King and Country", joined the Foreign Office during World War I. Hostile to the Bolsheviks, he wound up on the Russian desk enforcing the capitalist trade blockade against Lenin's revolutionary government.

After being rewarded with a CBE for his services to the containment of the Bolshevik threat, however, Carr began to find the life of a diplomat unfulfilling. His determination to write soon took over and he produced biographies of Dostoevsky, Bakunin and Marx. Although Carr's biography of Marx (*Karl Marx - a Study in Fanaticism*) was "highly opinionated and ill-informed", his attraction to the biographies of radicals revealed a closet rebel reacting against the conformity of his upbringing and the intellectual impostures of the political status quo.

Whilst he disagreed with Marx that class is the "fundamental division in society", Carr was taken with the insights of both Marx and Freud into the "hidden springs of thought and action", the material interests which influence the behaviour of individuals, classes and

nations.

A mix of authoritarian and social democratic political attitudes marked Carr's middle years. A vocal advocate of appeasement, he believed that Nazi Germany should be allowed its lebensraum, and he looked favourably on the "efficiency" of totalitarian regimes from Hitler to Stalin. His prescription for Britain was a more liberal version of a strong state - Keynesian economic planning and social reform, with controls on profits and "trade union restrictions".

It was Carr's blunt realpolitik about the need to grant the Soviet Union control of eastern Europe in return for Western domination of the rest of the world which made him an object of fury in an anti-Communist Whitehall which could not openly admit to such a deal.

Carr was lagging in the holy crusade against the Soviet devil, and he was to pay for his refusal to enlist in the Cold War by being black-banned from academic appointments at the London School of Economics, Oxford and Cambridge. Rebuffed from the establishment, Carr turned his attention to his *History of Soviet Russia*, which, fourteen volumes and thirty years later, had documented in cool, detached detail the history of the revolution from 1917 to 1929.

Carr's history broke from orthodoxy in two main ways. First, Carr, inspired by Trotsky's history of the revolution, found the revolution to be not a conspiratorial Bolshevik coup but a spontaneous and popular uprising in which the politicised masses constantly drove their hesitant leaders, Bolsheviks included, to a fundamental break with the bourgeois government which had succeeded Tsarism.

Second, Carr antagonised conservative monarchists and moderate social democrats with his conclusion that Tsarism could not have reformed itself and that capitalist democracy had no solutions to satisfy the political and social appetites of the masses. Socialism was the only answer and the Bolsheviks were the legitimate and necessary victors. Carr, increasingly moderating his earlier anti-Marx bias, was unforgiving of Cold War historians of the revolution who had willingly succumbed to the prevailing "anti-Marxist fanaticism". He accused Leonard Schapiro, for example, of "wilful distortion" of the actions of the Bolshevik government, based on "embittered prejudice".

As Carr's fellow outcast and friend the Marxist scholar Isaac

Deutscher pointed out, however, Carr's history had its own deficiencies. Carr, the ex-practitioner of statecraft, was more at ease with Lenin the state-builder than Lenin the subversive who dreamt of the withering away of the state. Carr was a fatalist about how political expediency in the interests of the state compromises revolutionary idealism. This led Carr to focus on the ruling group at the top of the State rather than the social forces below.

As his later collaborator Tamara Deutscher put it, Carr had "an excessive preoccupation with constitutions, resolutions, formal programs, and official pronouncements". Though increasingly critical of Stalin, Carr's admiration for strong statesmen was never far from the surface. "Monumental achievement, monstrous price" was his less than adequate assessment of Stalin's rapid industrialisation and collectivisation of agriculture.

Finally accepted as a professor at Cambridge from 1955, Carr, under fire from anti-Bolshevik historians for his "partisan" view of the revolution, launched a polemical salvo in 1961 against his critics with a lecture series on the practice of history. Published as *What is History*, and still a best-seller, it argued that all historians are consciously or unconsciously biased, their selection of facts, and interpretation of those facts, subjectively influenced by their political beliefs. For the conservative historian, any current social threat to the status quo requires a historical lesson showing that revolution creates despotism and that capitalist democracy is the best of all possible worlds.

Deutscher and other Marxists have been bothered by Carr's relativism, which seems to deny the existence of objective historical truth. Carr, however, was aware that he had bent the stick for the purpose of exposing the hidden bias of conservative historians and he bent it back against the postmodernists by maintaining that history was a science and that truth could be approached providing the historian was aware of their biases.

Carr's views on the role of accident in history were also controversial, seeming to further undermine the possibility of discovering scientific laws of history. For example, he argued, "it surely mattered that Lenin died aged 53 not 73, and that Stalin died aged 73 not 53". If Lenin had been run over by a tram in Zurich in

1915 instead of taking the train to the Finland Station in 1917, there would have been no revolution, and if Stalin had not become dictator, the twentieth century would have hurtled off onto an entirely different path. For Marxists like Trotsky, this gives too much importance to accident and the individual. In Trotsky's illuminating analogy of revolution as steam train, the masses provide the energy whilst the revolutionary party is the piston box. One provides the power, the other the guidance. A leader like Lenin (the driver, perhaps) may play a key role but the individual, or accident, are not decisive. Social forces are.

Whilst Carr never satisfactorily resolved the problems of accident in history, he nevertheless maintained that the social and the economic are the "backbone of history" and he was critical of liberal historians like AJP Taylor, who are "so eager not to be taken for a Hegelian or a Marxist that they disclaim any belief in determining causes or scientifically demonstrable trends".

Carr's last decades were spent coping with failed marriages and a proliferating mass of research. When he emerged from emotional turmoil and documentary minutiae, he was able to lucidly analyse the reasons for Stalin's victory. All the Soviet leadership contenders, he argued, were victims of "the tragedy of the Russian revolution", an internationally isolated socialist (proletarian) experiment in a primitive (peasant) country. All party leaders "turned in the winds" of circumstance. Stalin was "the most adaptable because the least principled".

By the time of his death in 1982, Carr had left a rich deposit for historians of the Soviet Union and for philosophers of history to mine. Carr's ideological adversary, Isaiah Berlin, sought to tarnish Carr by claiming that he "cast a protective mantle over extremists", especially revolutionaries like Marx and Lenin. Though never committed to Marxism, he recognised "Marx's greatness and importance". Though never a revolutionary, he sought to analyse the Russian revolution free from the "hysterical hostility to the non-capitalist world" which prejudiced conservative historians. Though by temperament he found it distasteful, he sought not only to understand but to defend the principle of revolution.

Phil Shannon

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