

# Labour Focus on Eastern Europe



## Dayton: The Western Powers in Bosnia

Catherine Samary Ex-Yugoslavia: A View from the Left Michel Chossudovsky The West and Bosnia Anna Pollert The Revival of Czech Social Democracy Kate Hudson Social Democracy in Hungary László Andor Hungarian Trade Unions Christine Engel Literature in Eastern Europe after the Turn to the Market

**Plus: The Dayton Agreement: The Key Texts**

a review  
of European  
affairs

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a review of European affairs

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**Catherine Samary**

## **The Yugoslav Crisis and the War in Bosnia: A View from the Left**

In the present paper I will look at the four issues that are at the heart of the political debate about the violent break-up of the Yugoslav federation. These issues are: the causes of the crisis; the causes of the war; the nature of the war; and finally, the identification of progressive causes or progressive forces that could be supported in this war. The interpretation that I offer is at odds with what has become the mainstream or dominant view.

### **The causes of the crisis**

I will turn first to the causes of the crisis that led to the break-up of Yugoslavia. The dominant view sees the crisis as the result of a centuries-old inter-ethnic hatred that did not disappear during the decades of Tito's Yugoslavia. This dominant view argues that the Yugoslav project and the multi-ethnic Yugoslav state was an artificial state, held together only by force and dictatorship. If this were true then, of course, the solution and the way to peace was separation.

This is a view that I reject and there is an abundance of evidence from the decades of peace in the multi-ethnic Yugoslav federation to disprove this simplistic and convenient argument. I propose instead to find the main causes of the crisis in social and economic factors and what we find there is a combination of two types of factors - those having to do with the internal dynamics of Yugoslav society and the Titoist regime and those, especially during the 1980s, that had to do with the

international context.

With respect to the Titoist regime, I disagree with those who say that the Titoist regime could function and survive only on the basis of repression. There were at least four powerful elements of cohesion in Titoist Yugoslavia, elements that cemented this society together.

The first such cement was the international position of Yugoslavia, more precisely the need to resist a foreign enemy. Of course the first such international element to provide strong legitimation for Titoist Yugoslavia was the anti-fascist war. It was during this war that the Yugoslav Communist Party went from being a small party of some 10,000 members to being a very strong force in society. The resistance to fascism combined an internal and external fight for social and national liberation. In the late 1940s it was the Kremlin that became the foreign enemy - Stalin's attempt to control all the CPs of the region. Tito used this resistance to Stalin to legitimate his own power. He was able to do this because his regime was not based on a superficial movement but on a very deep popular mobilisation. Once again in 1968 Tito was able to use the risk (though not a real one) of foreign intervention at the time of the Soviet invasion of Czechoslovakia to develop a system of popular defense - distribution of arms to citizens, decentralisation of the resistance movement. The existence of this foreign threat was a very important and very real element in providing cohesion to the Yugoslav federation.

The second cohesive element was the socio-economic development of the country, in sharp contrast to the first Yugoslavia of the inter-war period. The first Yugoslavia had been a typical example of the capitalist periphery, dominated by the market, totally dependent on foreign investment, with a distorted development. The northern part, previously part of the Austro-Hungarian Empire, was industrially developed to some extent while the southern part, once part of the Ottoman Empire, was completely under-developed. The Tito regime was able to achieve a certain level of industrialisation - before the second world war, 80 per cent of Yugoslavia was rural agricultural but by the end of the 1980s the figure was 30 per cent. What was important here was not just the statistic but the very real social, economic and cultural development that took place throughout all the regions. In a country where there are all kinds of differences - ethnic, linguistic, cultural, religious - people live better together if they live better. And this happened in Yugoslavia. The material

improvements in social, economic and cultural life were a major cement of Yugoslav society.

The third element of cohesion was the economic system of self-management. This is a very large topic which I can not develop here. It was introduced by the regime in a very bureaucratic manner but it was a right that the workers had in the social sectors (health, education, childcare, etc.) that gave them a certain dignity. All studies of the self-management system show that this was the case. It gave a certain popularity to the regime among the workers up to the end of the 1970s in spite of the fact that there was no real power of self-management.<sup>1</sup>

The fourth and final element of cohesion had to do with the national question. Tito and the Communist Party underwent a very pragmatic evolution on this question. It drew lessons from the collapse of the first Yugoslavia which had been a dictatorship under the Great Serbian dynasty, denying national differences and imposing, after 1929, a unitarist dictatorship over all the different peoples living in the Yugoslav space. The first Yugoslavia had been a “prison of the peoples”. Tito’s Yugoslavia stood in direct contrast to this unitarist state.

It was also in sharp contrast to the ideas of ethnic hatred and exclusion that were so prevalent in the second world war period. Croatia in this period pursued the policy of a Greater Croatia and was dominated by the fascist Ustashe, who practised ethnic cleansing against the Serbs, Roma and Jews. The Serbian Chetniks, supposedly an anti-fascist resistance movement, also used ethnic hatred and historical revanchism to support its Great Serbian orientation. Tito’s Communist Party opposed both of these movements with a very different political line and was victorious. That other line was to combine unity with a recognition of differences.

Of course the main question for the Titoist regime was the question of power and it knew how to rule by division. On the national question it combined the recognition of rights with repression - repression of “nationalism” and of independent movements, especially the repression of what were considered “dangerous” nationalisms (Croatian and Serbian). But it also recognised all the nations and peoples with their different languages, people who had previously experienced only repression. Tito’s Yugoslavia made a distinction between citizenship (belonging to a particular state) and nationality (a subjective, cultural

and historical dimension). The Muslims were also recognised not just as a religious but as a national community.

Yugoslavia was a multi-national state and each of its constituent republics was also multi-national. Croatia, for instance, was constitutionally a republic of the Croats and Serbs living in that republic. Bosnia was also defined as a republic of its three peoples - Serbs, Croats and Muslims. In Serbia the Albanians in Kosovo were repressed during the 1960s. But during the 1970s, as the whole system became more confederalised, the two provinces of Serbia (Kosovo and Vojvodina) acquired the status of quasi-republics. Eventually each of the republics and provinces had the right to be recognised as equal in the presidency with a right of veto.

The one fragile element in this system was the fact that the split with Stalin was only a partial split. On the central question of single party rule there was no split. To differentiate itself from the Stalinist system, therefore, it had to introduce other elements, for instance, more markets. But politically the maintenance of the single party system meant the continuation of systematic repression of independent movements, including Marxist and socialist movements. In 1968 the intelligentsia formed a very important movement that was socialist, anti-imperialist, against the "red bourgeoisie", against privilege, in favour of self-management from top to bottom, and so on. But this movement of the intellectuals was repressed, as were independent trade unions, nationalist movements, attempts to build political parties, etc. This lack of political democracy perverted all the other aspects of the system in the long run.

By the 1980s a lot had changed. There was no longer any external enemy. In the northern republics, for instance, Germany was now seen as an attractive country. German social democracy was also attractive to many among the reformist Communists. The historical links with Austria were also used in the north to develop trade links and greater cooperation. With the coming to power of Gorbachev in the Soviet Union, it was also clear that the Kremlin could no longer be regarded as hostile to Yugoslavia. The external cement therefore fell away.

This made the internal cohesion even more important. But, for the reasons I have already mentioned, i.e. the lack of political democracy, the internal cohesion itself began to disintegrate. At the economic level, this manifested itself in the shape of an inefficient bureaucracy at all

levels, no transparency, no possibility of real control. The differences between the richer and poorer republics increased. Self-management, at one time an important element of cohesion, could not function in the absence of pluralism, of the right and possibility to develop different and alternative strategies, to defend these publicly and so on. In fact the general economic crisis, while it led to strikes and protests, did not lead to an increase in solidarity among the workers. The national gains of the previous period now transformed themselves into the “nationalisms” of the different bureaucracies. Formally, there was still a single party system but in reality there were as many single party systems as you had republics and provinces, each one fighting for its own privilege, power and advantage.

These were then the internal social, economic and political causes of the crisis. None of this had anything to do with inter-ethnic hatred.

### **The international dimension**

Now we come to the international causes of the crisis and to the 1980s. The international dynamic of the 1980s was not towards a new or alternative Balkan federation, freely negotiated. The dynamic was towards privatisation, towards IMF-imposed austerity in order to repay the foreign debt of \$20 billion (in a country of only 20 million people). The result was a decade of crisis and paralysis, a collapse of living standards, an increasing gap between the richer and poorer regions and a disintegration of the socio-economic cohesion of the federation. In Kosovo in 1990 unemployment was over 20 per cent while in Slovenia it was only 2 per cent. Average income in Slovenia was seven to ten times higher than in Kosovo. The republican veto meant that, throughout this whole decade of the 1980s, there was paralysis on all the key issues. The economic crisis intensified, with inflation around 1,000 per cent at the end of the decade. Privatisation meant increasing conflict among the different parts of the bureaucracy. Conflict also intensified between the Yugoslav government of Markovic, which was supported by the IMF and the West because they wanted a strong central state, and the various republican governments. These international aspects of the crisis have been dealt with in my book on the Yugoslav crisis<sup>2</sup> and also by Michel Chossudovsky (see his article in the present issue).

These then were, in summary, the causes of the crisis - a breakdown



of the internal socio-economic and political cohesion of the federation in the international context of liberalism, privatisation and increasing foreign debt. But crisis does not necessarily mean war and to understand the causes of the war we have to look more closely at other factors.

## **The causes of the war**

Here there are two dominant interpretations that I disagree with. According to one popular view, the only cause of the war is the Milosevic policy of a Greater Serbia. This Serbian policy led to aggression and to the collapse of the Yugoslav system, beginning in Kosovo in the 1980s. A second popular view sees the cause of the war in the development of nationalism in all of the different republics and provinces.

With regard to this second view, it is clear that the social and economic crisis that I have already described meant that the leadership in republics such as Bosnia and Macedonia were in fact very opposed to the collapse of the Yugoslav system. These were economically and politically very fragile republics that felt threatened by the break-up of the federation. There was no intention or desire in these republics to build independent states. The break-up and the subsequent war were in fact imposed on these other republics by Croatia, Slovenia and Serbia. Neither Bosnia nor Macedonia had the means to launch any kind of war. The same is true of the Albanians of Kosovo. So any explanation that puts all of these republics and nationalities on the same level is historically wrong. This did not happen.

The three dominant republics, Serbia, Croatia and Slovenia, at the end of the 1980s, did indeed have a project of creating national states on an exclusively ethnic basis. This was not an example of ethnic hatred but of an explicitly political project. Slovenia was in a position to build its own national state as an ethnically homogenous state but this was not the case for Croatia and Serbia.

Chronologically, the first break came with the repression of the autonomous provinces in Serbia, the provinces of Kosovo and Vojvodina. But chronology is not, of course, a sufficient basis on which to form an analysis. The Kosovo question was a Serbian question and it was not inevitable that the Kosovo problem would lead to the collapse of the federation and to war. If all the other republics, including Croatia and Slovenia had formed a coalition to oppose Serb nationalism, this would

have been a powerful block on Serbia. The Yugoslav army also supported the maintenance of the federation. What was decisive was the attitude of Croatia and Slovenia, and these two republics used the Kosovo crisis to advance their own secessionist aims.

Croatia and Slovenia were the richer republics and they had an interest in breaking from the federation in the hope that they would be able to establish, as a result, closer ties with the European Community. It was very similar, in fact, to what happened in Czechoslovakia, where the Czech Republic had the same reasons for wanting to rid itself of Slovakia. The Slovenes and Croats, like the Czechs, were the “good Europeans”, unlike the “backward” Albanians, Macedonians and Slovaks. They didn’t want to share the Kosovo problem, didn’t want to have to help pay for the solution.

In this context, the Yugoslav army, with its 60 per cent of Serbian officers, having initially opposed the break-up of Yugoslavia, transformed itself then into a pro-Serbian army. Serbia, which had its own anti-Communist, nationalist paramilitary forces, now formed an alliance with the Yugoslav army and this alliance was crucial in the steps leading to the war.

## **The nature of the war**

What kind of war is it that then engulfed the disintegrating Yugoslav federation? It is sometimes described as a war of aggression, sometimes as a civil war. The issue of national self determination is also involved in this war. My argument is that it is a combination, an articulation of these different elements. It requires a very careful and very specific analysis to properly clarify the nature of this war and its evolution.

It is absolutely clear that the war, first in Croatia and then in Bosnia, is linked with the project of a Greater Serbia. Serbia manipulated the Serb populations in Croatia and Bosnia in order to achieve, violently and on the field of battle, its political project of Greater Serbia.

But this aggression on the part of Serbia combined with a very real civil war in Croatia, a genuine revolt of the Serb population of Croatia. And this was not simply the product of manipulation. The media in Belgrade helped to prepare this war, with its propaganda that any independent Croatian state would be an Ustashe state. They deliberately used the memory of the second world war to frighten the Serbs in Croatia.

And it worked. But the key question is: why did it work? It worked because the Serbs in Croatia had a reason to fear the intentions of the new Croatian state.

This was demonstrated very clearly in the case of the new Croatian constitution which removed the Serbian people as a legitimate element of the new state. The new state was no longer a state of the two peoples but a Croat state. This was aggression. This move was, in fact, very similar to the earlier move by Serbia to deprive the Albanians of Kosovo of their rights. The fact that the Serbs in Croatia had good reasons for fear was further confirmed this year, in a most violent manner, with the military attack on the Serb communities by the Croatian army, newly armed by the United States and Germany.

According to Croat propaganda, Serb nationalism alone is aggressive - all other nationalities are victims. And there are unfortunately many on the left who have gone along with this propaganda claim. If we look back at Tudjman's political campaign in 1990, we see that it was not really an anti-Milosevic or anti-Serb campaign as much as it was an anti-Yugoslav campaign. It was a campaign against the multi-national and multi-ethnic state as such. The attack on the "secessionist Serbs" in 1995 was in fact part of Tudjman's project right from the beginning, not just Tudjman's project but the project of the extreme right in Croatia, the minister of defense, and the leadership of the Croatian army. The Croatian leadership around Tudjman wanted the Kosovo question to remain an "internal" question for Serbia because they wanted the Croatian Serb question to be an "internal" question for Croatia. The conflict between the Croats and Serbs in Croatia is therefore a civil war and not just an example of Serbian aggression.

What we find in Bosnia is very similar - a combination of aggression and civil war. Aggression from whom? Here I must say I disagree entirely with those who say that the war in Bosnia has been simply a war against Great Serb aggression. It is no secret and everyone who has studied the situation knows that there was an agreement between Tudjman and Milosevic before the war to divide Bosnia. The plan was agreed at a meeting in Graz in Austria. Milosevic and Tudjman, Karadzic and Boban were all part of this plan to divide Bosnian territory. But to divide up Bosnia on an ethnic basis could only mean violence, ethnic cleansing and war. A simple glance at the Bosnian map and the ethnic

mix in this republic makes it clear that any political project to create ethnically pure territory for Croats and Serbs could only mean violence. This war and violence in Bosnia therefore is not the product of Serb aggression alone but of a definite political project on the part of both Croatia and Serbia.

To carry out this political project they needed the support of political forces inside Bosnia. And these were the nationalist parties that came to power in the election in Bosnia in 1990. The Serb and Croat nationalist parties in Bosnia have been part of this policy of dividing Bosnia along ethnic lines.

It is important, in other words, to look also at the effect of the break-up of Yugoslavia inside Bosnia itself. The Yugoslav crisis, the collapse, produced an internal crisis of Bosnian society that took the form of a social and ethnic differentiation, a conflict between the urban centres (with their strong concentrations of Muslims, pluralism, mixed marriages, "Bosnian" identity) and the countryside (juxtaposition of more nationally homogenous villages). The new Bosnian government, with its Muslim majority, was not regarded by the Serb and Croat population as "their" government. The government acted as a Muslim government, with a very dubious language about a Muslim state. So there was a definite failure of the new government to mobilise across Bosnian society against the threat to its multi-ethnic and pluralist character. Of course this political failure can not be put on the same level as the policy of the two other nationalist parties. The Greater Serbian and Greater Croatian projects needed violence and war in order to be implemented, whereas the Muslim government was committed to maintaining Bosnia as a multi-ethnic state.

### **Progressive forces?**

In this whole conflict are there any progressive forces that one could support, with which one could identify? I think that one of the main reasons why the left has been so divided over Yugoslavia, with so many different political lines and slogans, is the weakness of progressive forces inside Yugoslavia itself. It is absolutely clear that not a single government, including the government of Bosnia, represented a progressive alternative in this conflict. This is certainly true of the Milosevic government, in spite of its socialist rhetoric. As far as the Bosnian government is concerned, its only policy to defend the multi-ethnic and pluralist character

of Bosnian society was to call on the military forces of the imperialist powers. It made no attempt to mobilise the population, to build on and strengthen the practice of living together, to appeal to the defenders of multi-ethnic society in Croatia and Serbia.

On the socio-economic level, all of these governments are involved in the process of marketisation, privatisation, and the dismantling of social guarantees. Progressive forces in Bosnia and elsewhere are very small and very weak. They have been unable to link together at the Yugoslav level to oppose the dominant trends. There was and is a progressive cause to be defended. This was not the cause of independence, of secession, of breaking away from an oppressive Yugoslav state. On the contrary, what was needed and what was progressive in this situation was to resist the disintegration, to resist the war of one community against another encouraged by the nationalist leaders in power, to resist the Great Croatian and Great Serbian projects but to do so independently of the Bosnian government. The progressive cause is that of a multi-ethnic Bosnia. It is not a cause that is being defended by strong forces. On the contrary, the people resisting ethnic cleansing and exclusive nationalist policies are very weak.

The Bosnian state can not survive by means of ethnic division. It can not survive if there is a Great Croatia and a Great Serbia. Of course many people have said that Yugoslavia is finished and therefore Bosnia is also finished. But we can reverse this argument. If you resist at the level of Bosnia you have to link yourself with people who are resisting the Great Serb policy in Serbia and people who are resisting the Great Croatia policy in Croatia. There is no future for Bosnia if there is no link with all these progressive forces.

With respect to the role of international forces, although I can not develop this here, I would say that all Western governments have pursued reactionary policies in Yugoslavia. But this is hardly astonishing. The Western states have pursued their own interests in Yugoslavia and in Bosnia. They are more interested in defending their own institutions, the EU, NATO, the IMF and the World Bank, than in defending any principled values in Yugoslavia. Their line has always been to support the dominant forces as a way of trying to contain the war. All the various plans that have been elaborated internationally have this in common, and this includes the Dayton Agreement. They try to combine a recognition of

Bosnia with the project of dividing it on an ethnic basis in keeping with the policies of Greater Serbia and Greater Croatia. What lies behind Dayton is the consolidation of Milosevic and Tudjman. There is nothing progressive in any of these foreign policies.

The alternative is admittedly very weak. What exists now is a reactionary utopia - the belief that dividing these territories on an ethnic basis will bring peace. The only thing we can oppose to that is a progressive utopia. Firstly, there is the need to deal with the national question in a non-exclusionary democratic manner, combining the rights of citizens with the collective rights of the different peoples. The different peoples in Bosnia and in the rest of ex-Yugoslavia have the right to choose what they want to be, from the point of view of their national cultural identity, and they must have the means to control their collective rights. The solution is rights for national communities in multi-national states. Secondly, we have to address the socio-economic question, one of the key elements of cohesion in the second Yugoslavia. Marketisation and privatisation mean an increase in the gap between the rich and poor, a decline of solidarity and social disintegration. You can not build a viable democratic Balkan society on the basis of neo-liberal policies, any more than you can construct a viable European Union on the neo-liberal austerity policies of Maastricht.

1. For a more detailed account of my views on the question of Yugoslav self-management, see my *Plan, Market and Democracy* (Amsterdam 1988).
2. Catherine Samary, *The Dismemberment of Yugoslavia* (Monthly Review Press, 1996).

**Michel Chossudovsky**

## **Dismantling Former Yugoslavia, Recolonising Bosnia**

As heavily-armed NATO troops enforce the peace in Bosnia, the press and politicians alike portray Western intervention in the former Yugoslavia as a noble, if agonisingly belated, response to an outbreak of ethnic massacres and human rights violations. In the wake of the November 1995 Dayton Peace Accords, the West is eager to touch up its self-portrait as saviour of the Southern Slavs and get on with “the work of rebuilding” the newly sovereign states.

But following a pattern set since the onslaught of the civil war, Western public opinion has been misled. The conventional wisdom, exemplified by the writings of former US Ambassador to Yugoslavia Robert Zimmermann, is that the plight of the Balkans is the outcome of an “aggressive nationalism”, the inevitable result of deep-seated ethnic and religious tensions rooted in history.<sup>1</sup> Likewise, much has been made of the “Balkans power-play” and the clash of political personalities: “Tudjman and Milosevic are tearing Bosnia-Herzegovina to pieces”.<sup>2</sup>

### **Economic and social causes of the conflict**

Drowned in the barrage of images and self-serving analyses are the economic and social causes of the conflict. The deep-seated economic crisis which preceded the civil war has long been forgotten. The strategic interests of Germany and the US in laying the groundwork for the

disintegration of Yugoslavia go unmentioned, as does the role of external creditors and international financial institutions. In the eyes of the global media, Western powers bear no responsibility for the impoverishment and destruction of a nation of 24 million people.

But through their domination of the global financial system, the Western powers, pursuing their collective and individual “strategic interests” helped from the beginning of the 1980s to bring the Yugoslav economy to its knees, contributing to stirring simmering ethnic and social conflicts. Now the efforts of the international financial community are channelled towards “helping Yugoslavia’s war-ravaged successor states”. Yet while the World’s attention is focused on troop movements and cease fires, creditors and international financial institutions are busy at work collecting former Yugoslavia’s external debt, while transforming the Balkans into a safe-haven for free enterprise.

Adopted in several stages since the early 1980s, the reforms imposed by Belgrade’s creditors wreaked economic and political havoc leading to disintegration of the industrial sector and the piece-meal dismantling of the Yugoslav welfare state. Despite Belgrade’s political non-alignment and extensive trading relations with the US and the European Community, the Reagan administration had targeted the Yugoslav economy in a “Secret Sensitive” 1984 National Security Decision Directive (NSDD 133) entitled “United States Policy towards Yugoslavia”. A censored version of this document declassified in 1990 largely conformed to a previous National Security Decision Directive (NSDD 54) on Eastern Europe issued in 1982. Its objectives included “expanded efforts to promote a ‘quiet revolution’ to overthrow Communist governments and parties”... while reintegrating the countries of Eastern Europe into the orbit of the World market.<sup>3</sup>

Secessionist tendencies, feeding on social and ethnic divisions, gained impetus precisely during this period of brutal impoverishment of the Yugoslav population. The first phase of macro-economic reform initiated in 1980 shortly before the death of Marshall Tito “wreaked economic and political havoc... Slower growth, the accumulation of foreign debt and especially the cost of servicing it as well as devaluation led to a fall in the standard of living of the average Yugoslav... The economic crisis threatened political stability ... it also threatened to aggravate simmering ethnic tensions”.<sup>4</sup> These reforms accompanied by



the signing of debt restructuring agreements with the official and commercial creditors also served to weaken the institutions of the federal state, creating political divisions between Belgrade and the governments of the republics and autonomous provinces. "The Prime Minister Milka Planinc, who was supposed to carry out the programme, had to promise the IMF an immediate increase in the discount rates and much more from the Reaganomics arsenal of measures..."<sup>5</sup>

Following the initial phase of macro-economic reform in 1980, industrial growth plummeted to 2.8 percent in the 1980-87 period, plunging to zero in 1987-88 and to -10.6 percent in 1990.<sup>6</sup> The economic reforms reached their climax under the pro-US government of Prime Minister Ante Markovic. In the autumn of 1989 just prior to the collapse of the Berlin Wall, the federal premier had travelled to Washington to meet President George Bush. A "financial aid package" had been promised in exchange for sweeping economic reforms including a new devalued currency, the freeze of wages, a drastic curtailment of government expenditure and the abrogation of the socially owned enterprises under self-management.<sup>7</sup>

The "economic therapy" (launched in January 1990) contributed to crippling the federal state system. State revenues which should have gone as transfer payments to the republics and autonomous provinces were instead funnelled towards servicing Belgrade's debt with the Paris and London clubs. The republics were largely left to their own devices thereby exacerbating the process of political fracturing. In one fell swoop, the reformers had engineered the demise of the federal fiscal structure and mortally wounded its federal political institutions. The IMF-induced budgetary crisis created an economic "fait accompli" which in part paved the way for Croatia's and Slovenia's formal secession in June 1991.

### **The agreement with the IMF**

The economic package was launched in January 1990 under an IMF Stand-by Arrangement (SBA) and a World Bank Structural Adjustment Loan (SAL II). The budget cuts requiring the redirection of federal revenues towards debt servicing were conducive to the suspension of transfer payments by Belgrade to the governments of the republics and autonomous provinces, thereby fuelling the process of political balcanisation and secessionism. The government of Serbia rejected

Markovic's austerity programme outright leading to a walk-out protest of some 650,000 Serbian workers directed against the Federal government.<sup>8</sup> The trade union movement was united in this struggle: "worker resistance crossed ethnic lines, as Serbs, Croats, Bosnians and Slovenians mobilised (...) shoulder to shoulder with their fellow workers (...)."<sup>9</sup>

### **The 1989 enterprise reforms**

The 1989 enterprise reforms adopted under premier Ante Markovic played a central role in steering the industrial sector into bankruptcy. By 1990, the annual rate of growth of GDP had collapsed to -7.5 percent.<sup>10</sup> In 1991, GDP declined by a further 15 percent, industrial output collapsed by 21 percent.<sup>11</sup> The restructuring programme demanded by Belgrade's creditors was intended to abrogate the system of socially owned enterprises.

The Enterprise Law of 1989 required abolishing the "Basic Organisations of Associated Labour (BAOL)".<sup>12</sup> The latter were socially-owned productive units under self-management with the Workers' Council constituting the main decision making body. The 1989 Enterprise Law required the transformation of the BOALs into private capitalist enterprises with the Worker's Council replaced by a so-called "Social Board" under the control of the enterprise's owners including its creditors.<sup>13</sup> "The objective was to subject the Yugoslav economy to massive privatisation and the dismantling of the public sector. Who was to carry it out? The Communist Party bureaucracy, most notably its military and intelligence sector, was canvassed specifically and offered political and economic backing on the condition that wholesale scuttling of social protections for Yugoslavia's workforce was imposed..."<sup>14</sup>

### **Overhauling the legal framework**

A number of supporting pieces of legislation were put in place in a hurry with the assistance of Western lawyers and consultants. A new Banking Law was enacted with a view to triggering the liquidation of the socially owned "Associated Banks". More than half the country's banks were dismantled, the emphasis was on the formation of "independent profit oriented institutions".<sup>15</sup> By 1990, the entire "three-tier banking system" consisting of the National Bank of Yugoslavia, the national banks of the

eight Republics and autonomous provinces and the commercial banks had been dismantled under the guidance of the World Bank.<sup>16</sup> A World Bank Financial Sector Adjustment Loan was being negotiated in 1990. It was to be adopted by the Belgrade government in 1991.

### **The Bankruptcy Programme**

Industrial enterprises had been carefully categorised. Under the IMF-World Bank sponsored reforms, credit to the industrial sector had been frozen with a view to speeding up the bankruptcy process. So-called “exit mechanisms” had been established under the provisions of the 1989 Financial Operations Act.<sup>17</sup> The latter stipulated that if an enterprise were to remain insolvent for 30 days running, or for 30 days within a 45 day period, it must hold a meeting within the next 15 days with its creditors in view of arriving at a settlement. This mechanism allowed creditors (including national and foreign banks) to routinely convert their loans into a controlling equity in the insolvent enterprise. Under the Act, the government was not authorised to intervene. In case a settlement was not reached, bankruptcy procedures would be initiated in which case workers would not normally receive severance payments.<sup>18</sup>

In 1989, according to official sources, 248 firms were steered into bankruptcy or were liquidated and 89,400 workers had been laid off.<sup>19</sup> During the first nine months of 1990 directly following the adoption of the IMF programme, another 889 enterprises with a combined workforce of 525,000 workers were subjected to bankruptcy procedures.<sup>20</sup> In other words, in less than two years “the trigger mechanism” (under the Financial Operations Act) had led to the lay off of more than 600,000 workers (out of a total industrial workforce of the order of 2.7 million).

The largest concentrations of bankrupt firms and lay-offs were in Serbia, Bosnia-Herzegovina, Macedonia and Kosovo.<sup>21</sup> Many socially owned enterprises attempted to avoid bankruptcy through the non payment of wages. Half a million workers representing some 20 percent of the industrial labour force were not paid during the early months of 1990, in order to meet the demands of creditors under the “settlement” procedures stipulated in the Law on Financial Organisations. Real earnings were in a free fall, social programmes had collapsed, with the bankruptcies of industrial enterprises unemployment had become rampant, creating within the population an atmosphere of social despair and hopelessness. “When

Mr. Markovic finally started his ‘programmed privatisation’, the republican oligarchies, who all had visions of a ‘national renaissance’ of their own, instead of choosing between a genuine Yugoslav market and hyperinflation, opted for war which would disguise the real causes of the economic catastrophe”.<sup>22</sup>

The January 1990 IMF sponsored package contributed unequivocally to increasing enterprise losses while precipitating many of the large electric, petroleum refinery, machinery, engineering and chemical enterprises into bankruptcy. Moreover, with the deregulation of the trade regime in January 1990, a flood of imported commodities contributed to further destabilising domestic production. These imports were financed with borrowed money granted under the IMF package (i.e. the various “quick disbursing loans” granted by the IMF, the World Bank and bilateral donors in support of the economic reforms). While the import bonanza was fuelling the build-up of Yugoslavia’s external debt, the abrupt hikes in interest rates and input prices imposed on national enterprises had expedited the displacement and exclusion of domestic producers from their own national market.

### **“Shedding Surplus Workers”**

The situation prevailing in the months preceding the Secession of Croatia and Slovenia (June 1991) (confirmed by the 1989-90 bankruptcy figures) points to the sheer magnitude and brutality of the process of industrial dismantling. The figures, however, provide but a partial picture, depicting the situation at the outset of the “bankruptcy programme”. The latter has continued unabated throughout the period of the civil war and its aftermath.

Similar industrial restructuring programmes were imposed by external creditors on Yugoslavia’s successor states. The World Bank had estimated that there were still in September 1990, 2,435 “loss-making” enterprises out of a remaining total of 7,531.<sup>23</sup> In other words, these 2,435 firms with a combined work-force of more than 1,3 million workers had been categorised as “insolvent” under the provisions of the Financial Operations Act, requiring the immediate implementation of bankruptcy procedures. Bearing in mind that 600,000 workers had already been laid off by bankrupt firms prior to September 1990, these figures suggest that some 1.9 million workers (out of a total of 2.7 million) had

been classified as “redundant”. The “insolvent” firms concentrated in the energy, heavy industry, metal processing, forestry and textiles sectors were among the largest industrial enterprises in the country representing (in September 1990) 49.7 percent of the total (remaining and employed) industrial work-force.<sup>24</sup>

### **Political disintegration**

Supporting broad strategic interests, the austerity measures had laid the basis for “the recolonisation” of the Balkans. In the multi-party elections in 1990, economic policy was at the centre of the political debate, the separatist coalitions ousted the Communists in Croatia, Bosnia-Herzegovina and Slovenia.

Following the decisive victory in Croatia of the rightist Democratic Union in May 1990 under the leadership of Franjo Tudjman, the separation of Croatia received the formal assent of the German Foreign Minister Mr. Hans Dietrich Genscher who was in almost daily contact with his Croatian counterpart in Zagreb.<sup>25</sup> Germany not only favoured secession, it was also “forcing the pace of international diplomacy” and pressuring its Western allies to grant recognition to Slovenia and Croatia. The borders of Yugoslavia are reminiscent of World War II when Croatia (including the territories of Bosnia-Herzegovina) was an Axis satellite under the fascist Ustashi regime: “German expansion has been accompanied by a rising tide of nationalism and xenophobia... Germany has been seeking a free hand among its allies to pursue economic dominance in the whole of Mitteleuropa...”<sup>26</sup> Washington on the other hand, favoured “a loose unity while encouraging democratic development... [the US Secretary of State] Baker told [Croatia’s President] Franjo Tudjman and [Slovenia’s President] Milan Kucan that the United States would not encourage or support unilateral secession ... but if they had to leave, he urged them to leave by a negotiated agreement”.<sup>27</sup>

### **Post-war reconstruction**

The economic reforms now being imposed on the “successor states” are a natural extension and continuation of those previously implemented in federal Yugoslavia. In the tragic aftermath of a brutal and destructive war, the prospects for rebuilding the newly independent republics appear bleak. Despite a virtual press blackout on the subject, debt rescheduling

is an integral part of the peace process. The former Yugoslavia has been carved up under the close scrutiny of its external creditors, its foreign debt has been carefully divided and allocated to the republics. The privatisation programmes implemented under the supervision of the donors have contributed to a further stage of economic dislocation and impoverishment of the population. GDP had declined by as much as 50 percent in four years (1990-93).<sup>28</sup>

Moreover, the leaders of the newly sovereign states have fully collaborated with the creditors: "All the current leaders of the former Yugoslav republics were Communist Party functionaries and each in turn vied to meet the demands of the World Bank and the International Monetary Fund, the better to qualify for investment loans and substantial perks for the leadership... State industry and machinery were looted by functionaries. Equipment showed up in 'private companies' run by family members of the nomenklatura".<sup>29</sup> Even as the fighting raged, Croatia, Slovenia and Macedonia had entered into separate loan negotiations with the Bretton Woods institutions.

In Croatia, the government of President Franjo Tudjman signed in 1993 an agreement with the IMF. Massive budget cuts mandated under the agreement thwarted Croatia's efforts to mobilise its own productive resources, thus jeopardising post-war reconstruction. The cost of rebuilding Croatia's war-torn economy was estimated at some \$23 billion, requiring an influx of fresh foreign loans. In the absence of "debt forgiveness", Zagreb's debt burden will be fuelled well into the 21st century. In return for foreign loans, the government of President Franjo Tudjman had agreed to reform measures conducive to further plant closures and bankruptcies, driving wages to abysmally low levels. The official unemployment rate increased from 15.5 percent in 1991 to 19.1 percent in 1994.<sup>30</sup>

Zagreb has also instituted a far more stringent bankruptcy law, together with procedures for "the dismemberment" of large state-owned public utility companies. According to its "Letter of Intent" to the Bretton Woods institutions, the Croatian government had promised to restructure and fully privatise the banking sector with the assistance of the European Bank for Reconstruction and Development (EBRD) and the World Bank. The latter have also demanded a Croatian capital market structured to heighten the penetration of Western institutional investors and brokerage

firms.

Macedonia has also followed a similar economic path. In December 1993, the Skopje government agreed to compress real wages and freeze credit in order to obtain a loan under the IMF's Systemic Transformation Facility (STF). In an unusual twist, multi-billionaire business tycoon George Soros participated in the International Support Group composed of the government of the Netherlands and the Basel-based Bank of International Settlements. The money provided by the Support Group, however, was not intended for "reconstruction" but rather to enable Skopje to pay back debt arrears owed the World Bank.<sup>31</sup>

Moreover, in return for debt rescheduling, the government of Macedonian Prime Minister Branko Crvenkovski had to agree to the liquidation of remaining "insolvent" enterprises and the lay off of "redundant" workers, which included the employees of half the industrial enterprises in the country. As Deputy Finance Minister Hari Kostov soberly noted, with interest rates at astronomical levels because of donor-sponsored banking reforms, "it was literally impossible to find a company in the country which would be able to (...) to cover [its] costs (...)."<sup>32</sup> Overall, the IMF economic therapy for Macedonia constitutes a continuation of the "bankruptcy programme" launched in 1989 under federal Yugoslavia. The most profitable assets are now on sale on the year-old Macedonian stock market, but this auction of socially owned enterprises has led to industrial collapse and rampant unemployment.

Yet despite the decimation of the economy and the disintegration of schools and health centres under the austerity measures, Finance Minister Ljube Trpevski proudly informed the press that "the World Bank and the IMF place Macedonia among the most successful countries in regard to current transition reforms". The head of the IMF mission to Macedonia, Mr. Paul Thomsen, concurs that "the results of the stabilisation program [under the STF] were impressive" giving particular credit and appreciation to "the efficient wages policy" adopted by the Skopje government.<sup>33</sup>

## **Rebuilding Bosnia and Herzegovina**

With a Bosnian peace settlement apparently holding under NATO guns, the West has unveiled a "reconstruction" programme which fully strips Bosnia-Herzegovina of its economic and political sovereignty. This

programme largely consists in developing Bosnia-Herzegovina as a divided territory under NATO military occupation and Western administration.

Resting on the November 1995 Dayton accords, the US and the European Union have installed a full-fledged colonial administration in Bosnia. At its head is their appointed High Representative (HR), Mr. Carl Bildt, a former Swedish Prime Minister and European Representative in the Bosnian Peace negotiations. The HR has full executive powers in all civilian matters, with the right to overrule the governments of both the Bosnian Federation and the Bosnian-Serb Republika Srpska. The HR is to act in close liaison with the IFOR Military High Command as well with donors agencies.

An international civilian police force is under the custody of an expatriate Commissioner appointed by the United Nations Secretary General Mr. Boutros Boutros Ghali. Some 1,700 policemen from fifteen countries, most of whom have never set foot in the Balkans, were dispatched to Bosnia after a five days training programme in Zagreb.

While the West has underscored its support for democracy, the Parliamentary Assembly set up under the "Constitution" finalised under the Dayton Accords largely acts as a "rubber stamp". Behind the democratic facade, actual political power rests in the hands of a "parallel government" headed by the High Representative and staffed by expatriate advisors.

The Constitution agreed in Dayton hands over the reins of economic policy to the Bretton Woods institutions and the London based European Bank for Reconstruction and Development (EBRD). Article VII stipulates that the first Governor of the Central Bank of Bosnia and Herzegovina is to be appointed by the IMF and "shall not be a citizen of Bosnia and Herzegovina or a neighbouring State..." Just as the Governor of the Central Bank is an IMF appointee, the Central Bank will not be allowed under the Constitution to function as a Central Bank: "For the first six years (...) it may not extend credit by creating money, operating in this respect as a currency board" (Article VII). Neither will the new "sovereign" successor state be allowed to have its own currency (issuing paper money only when there is full foreign exchange backing), nor permitted to mobilise its internal resources. As in the other successor republics, its ability to self-finance its reconstruction (without massively



increasing its external debt) is blunted from the outset. [See the relevant sections of the Dayton Agreement, printed in the present issue, pages 32 to 54.]

The tasks of managing the Bosnian economy have been carefully divided among donor agencies: while the Central Bank is under IMF custody, the European Bank for Reconstruction and Development (EBRD) heads the Commission on Public Corporations which supervises operations of all public sector enterprises including energy, water, postal services, roads, railways, etc. The President of the EBRD appoints the Chairman of the Commission which also oversees public sector restructuring, meaning primarily the sell-off of state and socially owned assets and the procurement of long term investment funds.

One cannot side-step a fundamental question: is the Bosnian Constitution formally agreed between heads of State at Dayton really a constitution? A sombre and dangerous precedent has been set in the history of international relations: Western creditors have embedded their interests in a constitution hastily written on their behalf, executive positions within the Bosnian State system are to be held by non-citizens who are appointees of Western financial institutions. No constitutional assembly, no consultations with citizens' organisations in Bosnia and Herzegovina, no "constitutional amendments".

The Bosnian government estimates that reconstruction costs will reach \$47 billion. Western donors have pledged \$3 billion in reconstruction loans, yet only a meagre \$518 million dollars were granted in December 1995, part of which is tagged (under the terms of the Dayton Peace Accords) to finance some of the local civilian costs of the Implementation Force's (IFOR) military deployment as well as repay debt arrears with international creditors. In a familiar twist, "fresh loans" have been devised to pay back "old debt". The Central Bank of the Netherlands has generously provided "bridge financing" of 37 million dollars. The money, however, is earmarked to allow Bosnia to pay back its arrears with the IMF, a condition without which the IMF will not lend it fresh money.<sup>35</sup>

But it is a cruel and absurd paradox: the sought after loan from the IMF's newly created "Emergency Window" for so-called "post-conflict countries" will not be used for post-war reconstruction. Instead it will to be applied to reimburse the Central Bank of the Netherlands which had

coughed up the money to settle IMF arrears in the first place. While debt is building up, no new financial resources are flowing into Bosnia to rebuild its war-torn economy.

### **Multinationals have an eye on Bosnia's oil fields**

Western governments and corporations show greater interest in gaining access to potential strategic natural resources than committing resources for rebuilding Bosnia. Documents in the hands of Croatia and the Bosnian Serbs indicate that coal and oil deposits have been identified on the eastern slope of the Dinarides Thrust, a region retaken from rebel Bosnian Krajina Serbs by the Croatian army in the final offensives before the Dayton Peace accords. Bosnian officials report that Chicago-based Amoco was among several foreign firms that subsequently initiated exploratory surveys in Bosnia. The West is anxious to develop these regions: "The World Bank - and the multinationals that conducted operations - are [August 1995] reluctant to divulge their latest exploration reports to the combatant governments while the war continues".<sup>36</sup>

There are also "substantial petroleum fields in the Serb-held part of Croatia just across the Sava river from the Tuzla region".<sup>37</sup> The latter, under the Dayton Agreement, is part of the US Military Division with headquarters in Tuzla.

The territorial partition of Bosnia between the Federation of Bosnia-Herzegovina and the Bosnian-Serb Republika Srpska under the Dayton Accords thus takes on strategic importance. The 60,000 NATO troops on hand to "enforce the peace" will administer the territorial partition of Bosnia-Herzegovina in accordance with Western economic interests. National sovereignty is derogated, the future of Bosnia will be decided upon in Washington, Bonn and Brussels rather than in Sarajevo.

The process of "reconstruction" based on debt rescheduling is more likely to plunge Bosnia-Herzegovina (as well as the other remnant republics of former Yugoslavia) into the status of a Third World country. While local leaders and Western interests share the spoils of the former Yugoslav economy, the fragmentation of the national territory and the entrenching of socio-ethnic divisions in the structure of partition serve as a bulwark blocking a united resistance of Yugoslavs of all ethnic origins against the re-colonisation of their homeland.

## Concluding remarks

Macro-economic restructuring applied in Yugoslavia under the neoliberal policy agenda has unequivocally contributed to the destruction of an entire country. Yet since the onset of war in 1991, the central role of macro-economic reform has been carefully overlooked and denied by the global media. The “free market” has been presented as the solution, the basis for rebuilding a war-shattered economy. A detailed diary of the war and of the “peace-making” process has been presented by the mainstream press. The social and political impact of economic restructuring in Yugoslavia has been carefully erased from our social consciousness and collective understanding of “what actually happened”. Cultural, ethnic and religious divisions are highlighted, presented dogmatically as the sole cause of the crisis when in reality they are the consequence of a much deeper process of economic and political fracturing.

This “false consciousness” has invaded all spheres of critical debate and discussion. It not only masks the truth, it also prevents us from acknowledging precise historical occurrences. Ultimately it distorts the true sources of social conflict. The unity, solidarity and identity of the Southern Slavs have their foundation in history, yet this identity has been thwarted, manipulated and destroyed. The ruin of an economic system, including the take-over of productive assets, the extension of markets and “the scramble for territory” in the Balkans constitute the real cause of conflict.

What is at stake in Yugoslavia are the lives of millions of people. Macro-economic reform destroys their livelihood, derogates their right to work, their food and shelter, their culture and national identity. Borders are redefined, the entire legal system is overhauled, the socially owned enterprises are steered into bankruptcy, the financial and banking system is dismantled, social programmes and institutions are torn down.

In retrospect, it is worth recalling Yugoslavia’s economic and social achievements in the post-war period (prior to 1980): the growth of GDP was on average 6.1 per annum over a twenty year period (1960-1980), there was free medical care with one doctor per 550 population, the literacy rate was of the order of 91 percent, life expectancy was 72 years.<sup>37</sup>

Yugoslavia is a “mirror” of similar economic restructuring

programmes applied not only in the developing World but also in recent years in the US, Canada and Western Europe. “Strong economic medicine” is the answer, throughout the World, people are led to believe that there is no other solution: enterprises must be closed down, workers must be laid off and social programmes must be slashed. It is in the foregoing context that the economic crisis in Yugoslavia should be understood. Pushed to the extreme, the reforms in Yugoslavia are the cruel reflection of a destructive “economic model” imposed under the neoliberal agenda on national societies throughout the World.

## Notes

1. See the account of Warren Zimmermann (former US Ambassador to Yugoslavia), “The Last Ambassador, A Memoir of the Collapse of Yugoslavia”, *Foreign Affairs*, Vol. 74, Number 2, 1995.
2. Milos Vasic et al, “War Against Bosnia”, *Vreme News Digest Agency*, No. 29, 13 April 1992.
3. Sean Gervasi, “Germany, US and the Yugoslav Crisis”, *Covert Action Quarterly*, No. 43, Winter 1992-93.
4. Ibid
5. Dimitrije Boarov, “A Brief Review of Anti-inflation Programs, the Curse of Dead Programs”, *Vreme New Digest Agency*, No. 29, 13 April 1992.
6. World Bank, *Industrial Restructuring Study, Overview, Issues and Strategy for Restructuring*, Washington DC, June 1991, pp. 10 and 14.
7. Sean Gervasi, op cit.,
8. Ibid.
9. Ralph Schoenman, “Divide and Rule Schemes in The Balkans”, *The Organiser*, 11 September 1995.
10. World Bank, op cit., p. 10. The term GDP is used for simplicity, yet the concept used in Yugoslavia and Eastern Europe to measure national product is not equivalent to the GDP concept under the (Western) system of national accounts.
11. See Judit Kiss, “Debt Management in Eastern Europe”, *Eastern European Economics*, May-June 1994, p. 59.
12. World Bank, op cit
13. Ibid, p. viii.
14. Ralph Schoenman, “Divide and Rule Schemes in The Balkans”, *The Organiser*, 11 September 1995.
15. For further details see World Bank, *Yugoslavia, Industrial Restructuring*, p. 38.
16. Ibid., p. 38.
17. Ibid., p. 33.
18. Ibid., p. 33
19. Ibid, p. 34. “Data of the Federal Secretariat for Industry and Energy”: Of the total number of firms, 222 went bankrupt and 26 were liquidated.

20. *Ibid.*, p. 33. These figures include bankruptcy and liquidation.
21. *Ibid.*, p. 34.
22. Dimitrije Boarov, *op. cit.*
23. World Bank, *Industrial Restructuring* p. 13. Annex 1, p. 1.
24. "Surplus labour" in industry had been assessed by the World Bank mission to be of the order of 20 percent of the total labour force of 8.9 million, i.e. approximately 1.8 million. This figure seems, however, to grossly underestimate the actual number of redundant workers based on the categorisation of "insolvent" enterprises. Solely in the industrial sector, there were 1.9 million workers (September 1990) out of 2.7 million employed in enterprises classified as insolvent. See World Bank, *Yugoslavia, Industrial Restructuring*, Annex 1.
25. Sean Gervasi, *op. cit.*, p. 65.
26. *Ibid.*, p. 45
27. Zimmermann, *op. cit.*
28. Figure for Macedonia: *Enterprise, Banking and Social Safety Net*, World Bank Public information Centre, 28 November 1994.
29. Ralph Schoenman, "Divide and Rule Schemes in The Balkans", *The Organiser*, 11 September 1995.
30. "Zagreb's About Turn", *The Banker*, January 1995, p. 38.
31. See World Bank, *Macedonia Financial and Enterprise Sector*, Public Information Department, November 28, 1995.
32. Statement of Macedonia's Deputy Minister of Finance Mr. Hari Kostov, reported in *MAK News*, April 18, 1995.
33. Macedonian Information and Liaison Service, *MILS News*, 11 April 1995.
34. See International Monetary Fund, "Bosnia and Herzegovina becomes a Member of the IMF", *Press Release No. 97/70*, Washington, December 20, 1995.
35. Frank Viviano and Kenneth Howe, "Bosnia Leaders Say Nation Sit Atop Oil Fields", *The San Francisco Chronicle*, 28 August 1995. See also Scott Cooper, "Western Aims in Ex-Yugoslavia Unmasked", *The Organizer*, 24 September 1995.
36. Viviano and Howe, *op. cit.*,
37. World Bank, *World Development Report 1991*, Statistical Annex, tables 1 and 2, Washington DC, 1991.

## Document

*(We reproduce below those sections of the Dayton Agreement that deal with the constitutional, political, civilian and judicial organisation of Bosnia. Following the General Framework Agreement these are: Annex 3 (elections), Annex 4 (constitution), Annex 9 (public corporations), Annex 10 (civilian implementation) and Annex 11 (international police task force).*

## The Dayton Peace Agreement

*Text of Dayton Peace Agreement Documents Initialed in Dayton, Ohio on November 21, 1995*

### **General Framework Agreement for Peace in Bosnia and Herzegovina**

The Republic of Bosnia and Herzegovina, the Republic of Croatia and the Federal Republic of Yugoslavia (the "Parties"),  
Recognizing the need for a comprehensive settlement to bring an end to the tragic conflict in the region, Desiring to contribute toward that end and to promote an enduring peace and stability, Affirming their commitment to the Agreed Basic Principles issued on September 8, 1995, the Further Agreed Basic Principles issued on September 26, 1995, and the cease-fire agreements of September 14 and October 5, 1995, Noting the agreement of August 29, 1995, which authorized the delegation of the Federal Republic of Yugoslavia to sign, on behalf of the Republika Srpska, the parts of the peace plan concerning it, with the obligation to implement the agreement that is reached strictly and consequently, Have agreed as follows:

*[The parties then state their willingness to abide by the agreements set out in Annexes I-II.]*

Annex 1-A: Agreement on Military Aspects of the Peace Settlement

Annex 1-B: Agreement on Regional Stabilization

Annex 2: Agreement on Inter-Entity Boundary Line and Related Issues

Annex 3: Agreement on Elections

Annex 4: Constitution

Annex 5: Agreement on Arbitration

Annex 6: Agreement on Human Rights

Annex 7: Agreement on Refugees and Displaced Persons

Annex 8: Agreement on the Commission to Preserve National Monuments

Annex 9: Agreement on Bosnia and Herzegovina Public Corporations

Annex 10: Agreement on Civilian Implementation

Annex 11: Agreement on International Police Task Force

## **Annex 3: Elections**

In order to promote free, fair, and democratic elections and to lay the foundation for representative government and ensure the progressive achievement of democratic goals throughout Bosnia and Herzegovina, in accordance with relevant documents of the Organization for Security and Cooperation in Europe (OSCE), the Republic of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina and the Republika Srpska (“the Parties”) have agreed as follows:

### **Article I. Conditions for Democratic Elections**

1. The Parties shall ensure that conditions exist for the organization of free and fair elections, in particular a politically neutral environment; shall protect and enforce the right to vote in secret without fear or intimidation; shall ensure freedom of expression and of the press; shall allow and encourage freedom of association (including of political parties); and shall ensure freedom of movement.
2. The Parties request the OSCE to certify whether elections can be effective under current social conditions in both Entities and, if necessary, to provide assistance to the Parties in creating these conditions.
3. The Parties shall comply fully with paragraphs 7 and 8 of the OSCE Copenhagen Document, which are attached to this Agreement.

### **Article II: The OSCE Role**

1. OSCE. The Parties request the OSCE to adopt and put in place an elections program for Bosnia and Herzegovina as set forth in this Agreement.
2. Elections. The Parties request the OSCE to supervise, in a manner to be determined by the OSCE and in co-operation with other international organizations the OSCE deems necessary, the preparation and conduct of elections for the House of Representatives of Bosnia and Herzegovina; for the Presidency of Bosnia and Herzegovina; for the House of Representatives of the Federation of Bosnia and Herzegovina; for the National Assembly of the Republika Srpska; for the Presidency of the Republika Srpska; and, if feasible, for cantonal legislatures and municipal governing authorities.
3. The Commission. To this end, the Parties request the OSCE to establish a Provisional Election Commission (“the Commission”).
4. Timing. Elections shall take place on a date (“Election Day”) six months after entry into force of this Agreement or, if the OSCE determines a delay necessary, no later than nine months after entry into force.

### **Article III: The Provisional Election Commission**

1. Rules and Regulations. The Commission shall adopt electoral rules and regulations regarding: the registration of political parties and independent candidates; the eligibility of candidates and voters; the role of domestic and

international election observers; the ensuring of an open and fair electoral campaign; and the establishment, publication, and certification of definitive election results. The Parties shall comply fully with the electoral rules and regulations, any internal laws and regulations notwithstanding.

2. Mandate of the Commission. The responsibilities of the Commission, as provided in the electoral rules and regulations, shall include:

(a) supervising all aspects of the electoral process to ensure that the structures and institutional framework for free and fair elections are in place;

(b) determining voter registration provisions;

(c) ensuring compliance with the electoral rules and regulations established pursuant to this Agreement;

(d) ensuring that action is taken to remedy any violation of any provision of this Agreement or of the electoral rules and regulations established pursuant to this Agreement, including imposing penalties against any person or body that violates such provisions; and

(e) accrediting observers, including personnel from international organizations and foreign and domestic non-governmental organizations, and ensuring that the Parties grant accredited observers unimpeded access and movement.

3. Composition and Functioning of the Commission. The Commission shall consist of the Head of the OSCE Mission, the High Representative or his or her designee, representatives of the Parties, and such other persons as the Head of the OSCE Mission, in consultation with the Parties, may decide. The Head of the OSCE Mission shall act as Chairman of the Commission. In the event of disputes within the Commission, the decision of the Chairman shall be final.

4. Privileges and Immunities. The Chairman and Commission shall enjoy the right to establish communications facilities and to engage local and administrative staff, and the status, privileges and immunities accorded to a diplomatic agent and mission under the Vienna Convention on Diplomatic Relations.

#### **Article IV: Eligibility**

1. Voters. Any citizen of Bosnia and Herzegovina aged 18 or older whose name appears on the 1991 census for Bosnia and Herzegovina shall be eligible, in accordance with electoral rules and regulations, to vote. A citizen who no longer lives in the municipality in which he or she resided in 1991 shall, as a general rule, be expected to vote, in person or by absentee ballot, in that municipality, provided that the person is determined to have been registered in that municipality as confirmed by the local election commission and the Provisional Election Commission. Such a citizen may, however, apply to the Commission to cast his or her ballot elsewhere. The exercise of a refugee's right to vote shall be interpreted as confirmation of his or her intention to return to Bosnia and Herzegovina. By Election Day, the return of refugees should already be underway, thus allowing many to participate in person in



elections in Bosnia and Herzegovina. The Commission may provide in the electoral rules and regulations for citizens not listed in the 1991 census to vote.

#### **Article V: Permanent Election Commission**

The Parties agree to create a permanent Election Commission with responsibilities to conduct future elections in Bosnia and Herzegovina.

## **Annex 4. Constitution of Bosnia-Herzegovina**

### **Preamble**

Based on respect for human dignity, liberty, and equality,  
 Dedicated to peace, justice, tolerance, and reconciliation,  
 Convinced that democratic governmental institutions and fair procedures best produce peaceful relations within a pluralist society,  
 Desiring to promote the general welfare and economic growth through the protection of private property and the promotion of a market economy,  
 Guided by the Purposes and Principles of the Charter of the United Nations,  
 Committed to the sovereignty, territorial integrity, and political independence of Bosnia and Herzegovina in accordance with international law,  
 Determined to ensure full respect for international humanitarian law,  
 Inspired by the Universal Declaration of Human Rights, the International Covenants on Civil and Political Rights and on Economic, Social and Cultural Rights, and the Declaration on the Rights of Persons Belonging to National or Ethnic, Religious and Linguistic Minorities, as well as other human rights instruments,  
 Recalling the Basic Principles agreed in Geneva on September 8, 1995, and in New York on September 26, 1995,  
 Bosniacs, Croats, and Serbs, as constituent peoples (along with Others), and citizens of Bosnia and Herzegovina hereby determine that the Constitution of Bosnia and Herzegovina is as follows:

### **Article I Bosnia and Herzegovina**

**1. Continuation.** The Republic of Bosnia and Herzegovina, the official name of which shall henceforth be “Bosnia and Herzegovina,” shall continue its legal existence under international law as a state, with its internal structure modified as provided herein and with its present internationally recognized borders. It shall remain a Member State of the United Nations and may as Bosnia and Herzegovina maintain or apply for membership in organizations

within the United Nations system and other international organizations.

**2. Democratic Principles.** Bosnia and Herzegovina shall be a democratic state, which shall operate under the rule of law and with free and democratic elections.

**3. Composition.** Bosnia and Herzegovina shall consist of the two Entities, the Federation of Bosnia and Herzegovina and the Republika Srpska (hereinafter “the Entities”).

**4. Movement of Goods, Services, Capital and Persons.** There shall be freedom of movement throughout Bosnia and Herzegovina. Bosnia and Herzegovina and the Entities shall not impede full freedom of movement of persons, goods, services, and capital throughout Bosnia and Herzegovina. Neither Entity shall establish controls at the boundary between the Entities.

**5. Capital.** The capital of Bosnia and Herzegovina shall be Sarajevo.

**6. Symbols.** Bosnia and Herzegovina shall have such symbols as are decided by its Parliamentary Assembly and approved by the Presidency.

**7. Citizenship.** There shall be a citizenship of Bosnia and Herzegovina, to be regulated by the Parliamentary Assembly, and a citizenship of each Entity, to be regulated by each Entity, provided that:

(a) All citizens of either Entity are thereby citizens of Bosnia and Herzegovina.

(b) No person shall be deprived of Bosnia and Herzegovina or Entity citizenship arbitrarily or so as to leave him or her stateless. No person shall be deprived of Bosnia and Herzegovina or Entity citizenship on any ground such as sex, race, color, language, religion, political or other opinion, national or social origin, association with a national minority, property, birth or other status.

(c) All persons who were citizens of the Republic of Bosnia and Herzegovina immediately prior to the entry into force of this Constitution are citizens of Bosnia and Herzegovina. The citizenship of persons who were naturalized after April 6, 1992 and before the entry into force of this Constitution will be regulated by the Parliamentary Assembly.

(d) Citizens of Bosnia and Herzegovina may hold the citizenship of another state, provided that there is a bilateral agreement, approved by the Parliamentary Assembly in accordance with Article IV(4)(d), between Bosnia and Herzegovina and that state governing this matter. Persons with dual citizenship may vote in Bosnia and Herzegovina and the Entities only if Bosnia and Herzegovina is their country of residence.

(e) A citizen of Bosnia and Herzegovina abroad shall enjoy the protection of Bosnia and Herzegovina. Each Entity may issue passports of Bosnia and Herzegovina to its citizens as regulated by the Parliamentary Assembly. Bosnia and Herzegovina may issue passports to citizens not issued a passport by an Entity. There shall be a central register of all passports issued by the Entities and by Bosnia and Herzegovina.

## **Article II Human Rights and Fundamental Freedoms**

1. **Human Rights.** Bosnia and Herzegovina and both Entities shall ensure the highest level of internationally recognized human rights and fundamental freedoms. To that end, there shall be a Human Rights Commission for Bosnia and Herzegovina as provided for in Annex 6 to the General Framework Agreement.

2. **International Standards.** The rights and freedoms set forth in the European Convention for the Protection of Human Rights and Fundamental Freedoms and its Protocols shall apply directly in Bosnia and Herzegovina. These shall have priority over all other law.

3. **Enumeration of Rights.** All persons within the territory of Bosnia and Herzegovina shall enjoy the human rights and fundamental freedoms referred to in paragraph 2 above; these include: (a) The right to life. (b) The right not to be subjected to torture or to inhuman or degrading treatment or punishment. (c) The right not to be held in slavery or servitude or to perform forced or compulsory labor. (d) The rights to liberty and security of person. (e) The right to a fair hearing in civil and criminal matters, and other rights relating to criminal proceedings. (f) The right to private and family life, home, and correspondence. (g) Freedom of thought, conscience, and religion. (h) Freedom of expression. (i) Freedom of peaceful assembly and freedom of association with others. (j) The right to marry and to found a family. (k) The right to property. (l) The right to education. (m) The right to liberty of movement and residence.

4. **Non-Discrimination.** The enjoyment of the rights and freedoms provided for in this Article or in the international agreements listed in Annex I to this Constitution shall be secured to all persons in Bosnia and Herzegovina without discrimination on any ground such as sex, race, color, language, religion, political or other opinion, national or social origin, association with a national minority, property, birth or other status.

5. **Refugees and Displaced Persons.** All refugees and displaced persons have the right freely to return to their homes of origin. They have the right, in accordance with Annex 7 to the General Framework Agreement, to have restored to them property of which they were deprived in the course of hostilities since 1991 and to be compensated for any such property that cannot be restored to them. Any commitments or statements relating to such property made under duress are null and void.

6. **Implementation.** Bosnia and Herzegovina, and all courts, agencies, governmental organs, and instrumentalities operated by or within the Entities, shall apply and conform to the human rights and fundamental freedoms referred to in paragraph 2 above.

7. **International Agreements.** Bosnia and Herzegovina shall remain or become party to the international agreements listed in Annex I to this Constitution.

8. **Cooperation.** All competent authorities in Bosnia and Herzegovina shall

cooperate with and provide unrestricted access to: any international human rights monitoring mechanisms established for Bosnia and Herzegovina; the supervisory bodies established by any of the international agreements listed in Annex I to this Constitution; the International Tribunal for the Former Yugoslavia (and in particular shall comply with orders issued pursuant to Article 29 of the Statute of the Tribunal); and any other organization authorized by the United Nations Security Council with a mandate concerning human rights or humanitarian law.

### **Article III Responsibilities of and Relations Between The Institutions of Bosnia and Herzegovina And the Entities**

**1. Responsibilities of the Institutions of Bosnia and Herzegovina.** The following matters are the responsibility of the institutions of Bosnia and Herzegovina: (a) Foreign policy. (b) Foreign trade policy. (c) Customs policy. (d) Monetary policy as provided in Article VII. (e) Finances of the institutions and for the international obligations of Bosnia and Herzegovina. (f) Immigration, refugee, and asylum policy and regulation. (g) International and inter-Entity criminal law enforcement, including relations with Interpol. (h) Establishment and operation of common and international communications facilities. (i) Regulation of inter-Entity transportation. (j) Air traffic control.

#### **2. Responsibilities of the Entities.**

(a) The Entities shall have the right to establish special parallel relationships with neighboring states consistent with the sovereignty and territorial integrity of Bosnia and Herzegovina.

(b) Each Entity shall provide all necessary assistance to the government of Bosnia and Herzegovina in order to enable it to honor the international obligations of Bosnia and Herzegovina, provided that financial obligations incurred by one Entity without the consent of the other prior to the election of the Parliamentary Assembly and Presidency of Bosnia and Herzegovina shall be the responsibility of that Entity, except insofar as the obligation is necessary for continuing the membership of Bosnia and Herzegovina in an international organization.

(c) The Entities shall provide a safe and secure environment for all persons in their respective jurisdictions, by maintaining civilian law enforcement agencies operating in accordance with internationally recognized standards and with respect for the internationally recognized human rights and fundamental freedoms referred to in Article II above, and by taking such other measures as appropriate.

(d) Each Entity may also enter into agreements with states and international organizations with the consent of the Parliamentary Assembly. The Parliamentary Assembly may provide by law that certain types of agreements do not require such consent.

#### **3. Law and Responsibilities of the Entities and the Institutions.**

(a) All governmental functions and powers not expressly assigned in this

Constitution to the institutions of Bosnia and Herzegovina shall be those of the Entities.

(b) The Entities and any subdivisions thereof shall comply fully with this Constitution, which supersedes inconsistent provisions of the law of Bosnia and Herzegovina and of the constitutions and law of the Entities, and with the decisions of the institutions of Bosnia and Herzegovina. The general principles of international law shall be an integral part of the law of Bosnia and Herzegovina and the Entities.

4. **Coordination.** The Presidency may decide to facilitate inter-Entity coordination on matters not within the responsibilities of Bosnia and Herzegovina as provided in this Constitution, unless an Entity objects in any particular case.

5. **Additional Responsibilities.**

(a) Bosnia and Herzegovina shall assume responsibility for such other matters as are agreed by the Entities; are provided for in Annexes 5 through 8 to the General Framework Agreement; or are necessary to preserve the sovereignty, territorial integrity, political independence, and international personality of Bosnia and Herzegovina, in accordance with the division of responsibilities between the institutions of Bosnia and Herzegovina. Additional institutions may be established as necessary to carry out such responsibilities.

(b) Within six months of the entry into force of this Constitution, the Entities shall begin negotiations with a view to including in the responsibilities of the institutions of Bosnia and Herzegovina other matters, including utilization of energy resources and cooperative economic projects.

#### **Article IV Parliamentary Assembly**

The Parliamentary Assembly shall have two chambers: the House of Peoples and the House of Representatives.

1. **House of Peoples.** The House of Peoples shall comprise 15 Delegates, two-thirds from the Federation (including five Croats and five Bosniacs) and one-third from the Republika Srpska (five Serbs).

(a) The designated Croat and Bosniac Delegates from the Federation shall be selected, respectively, by the Croat and Bosniac Delegates to the House of Peoples of the Federation. Delegates from the Republika Srpska shall be selected by the National Assembly of the Republika Srpska.

(b) Nine members of the House of Peoples shall comprise a quorum, provided that at least three Bosniac, three Croat, and three Serb Delegates are present.

2. **House of Representatives.** The House of Representatives shall comprise 42 Members, two-thirds elected from the territory of the Federation, one-third from the territory of the Republika Srpska.

(a) Members of the House of Representatives shall be directly elected from their Entity in accordance with an election law to be adopted by the Parliamentary Assembly. The first election, however, shall take place in accordance with Annex 3 to the General Framework Agreement.

(b) A majority of all members elected to the House of Representatives shall comprise a quorum.

### 3. Procedures.

(a) Each chamber shall be convened in Sarajevo not more than 30 days after its selection or election.

(b) Each chamber shall by majority vote adopt its internal rules and select from its members one Serb, one Bosniac, and one Croat to serve as its Chair and Deputy Chairs, with the position of Chair rotating among the three persons selected.

(c) All legislation shall require the approval of both chambers.

(d) All decisions in both chambers shall be by majority of those present and voting. The Delegates and Members shall make their best efforts to see that the majority includes at least one-third of the votes of Delegates or Members from the territory of each Entity. If a majority vote does not include one-third of the votes of Delegates or Members from the territory of each Entity, the Chair and Deputy Chairs shall meet as a commission and attempt to obtain approval within three days of the vote. If those efforts fail, decisions shall be taken by a majority of those present and voting, provided that the dissenting votes do not include two-thirds or more of the Delegates or Members elected from either Entity.

(e) A proposed decision of the Parliamentary Assembly may be declared to be destructive of a vital interest of the Bosniac, Croat, or Serb people by a majority of, as appropriate, the Bosniac, Croat, or Serb Delegates selected in accordance with paragraph 1(a) above. Such a proposed decision shall require for approval in the House of Peoples a majority of the Bosniac, of the Croat, and of the Serb Delegates present and voting.

(f) When a majority of the Bosniac, of the Croat, or of the Serb Delegates objects to the invocation of paragraph (e), the Chair of the House of Peoples shall immediately convene a Joint Commission comprising three Delegates, one each selected by the Bosniac, by the Croat, and by the Serb Delegates, to resolve the issue. If the Commission fails to do so within five days, the matter will be referred to the Constitutional Court, which shall in an expedited process review it for procedural regularity.

(g) The House of Peoples may be dissolved by the Presidency or by the House itself, provided that the House's decision to dissolve is approved by a majority that includes the majority of Delegates from at least two of the Bosniac, Croat, or Serb peoples. The House of Peoples elected in the first elections after the entry into force of this Constitution may not, however, be dissolved.

(h) Decisions of the Parliamentary Assembly shall not take effect before publication.

(i) Both chambers shall publish a complete record of their deliberations and shall, save in exceptional circumstances in accordance with their rules, deliberate publicly.

(j) Delegates and Members shall not be held criminally or civilly liable for

any acts carried out within the scope of their duties in the Parliamentary Assembly.

**4. Powers.** The Parliamentary Assembly shall have responsibility for:

- (a) Enacting legislation as necessary to implement decisions of the Presidency or to carry out the responsibilities of the Assembly under this Constitution.
- (b) Deciding upon the sources and amounts of revenues for the operations of the institutions of Bosnia and Herzegovina and international obligations of Bosnia and Herzegovina.
- (c) Approving a budget for the institutions of Bosnia and Herzegovina.
- (d) Deciding whether to consent to the ratification of treaties.
- (e) Such other matters as are necessary to carry out its duties or as are assigned to it by mutual agreement of the Entities.

## **Article V Presidency**

The Presidency of Bosnia and Herzegovina shall consist of three Members: one Bosniac and one Croat, each directly elected from the territory of the Federation, and one Serb directly elected from the territory of the Republika Srpska.

### **1. Election and Term.**

- (a) Members of the Presidency shall be directly elected in each Entity (with each voter voting to fill one seat on the Presidency) in accordance with an election law adopted by the Parliamentary Assembly. The first election, however, shall take place in accordance with Annex 3 to the General Framework Agreement. Any vacancy in the Presidency shall be filled from the relevant Entity in accordance with a law to be adopted by the Parliamentary Assembly.
- (b) The term of the Members of the Presidency elected in the first election shall be two years; the term of Members subsequently elected shall be four years. Members shall be eligible to succeed themselves once and shall thereafter be ineligible for four years.

### **2. Procedures.**

- (a) The Presidency shall determine its own rules of procedure, which shall provide for adequate notice of all meetings of the Presidency.
- (b) The Members of the Presidency shall appoint from their Members a Chair. For the first term of the Presidency, the Chair shall be the Member who received the highest number of votes. Thereafter, the method of selecting the Chair, by rotation or otherwise, shall be determined by the Parliamentary Assembly, subject to Article IV(3).
- (c) The Presidency shall endeavor to adopt all Presidency Decisions (i.e., those concerning matters arising under Article III(1)(a) - (e)) by consensus. Such decisions may, subject to paragraph (d) below, nevertheless be adopted by two Members when all efforts to reach consensus have failed.
- (d) A dissenting Member of the Presidency may declare a Presidency Decision to be destructive of a vital interest of the Entity from the territory from which he was elected, provided that he does so within three days of its adoption.

Such a Decision shall be referred immediately to the National Assembly of the Republika Srpska, if the declaration was made by the Member from that territory; to the Bosniac Delegates of the House of Peoples of the Federation, if the declaration was made by the Bosniac Member; or to the Croat Delegates of that body, if the declaration was made by the Croat Member. If the declaration is confirmed by a two-thirds vote of those persons within ten days of the referral, the challenged Presidency Decision shall not take effect.

**3. Powers.** The Presidency shall have responsibility for:

- (a) Conducting the foreign policy of Bosnia and Herzegovina.
- (b) Appointing ambassadors and other international representatives of Bosnia and Herzegovina, no more than two-thirds of whom may be selected from the territory of the Federation.
- (c) Representing Bosnia and Herzegovina in international and European organizations and institutions and seeking membership in such organizations and institutions of which Bosnia and Herzegovina is not a member.
- (d) Negotiating, denouncing, and, with the consent of the Parliamentary Assembly, ratifying treaties of Bosnia and Herzegovina.
- (e) Executing decisions of the Parliamentary Assembly.
- (f) Proposing, upon the recommendation of the Council of Ministers, an annual budget to the Parliamentary Assembly.
- (g) Reporting as requested, but not less than annually, to the Parliamentary Assembly on expenditures by the Presidency.
- (h) Coordinating as necessary with international and non-governmental organizations in Bosnia and Herzegovina.
- (i) Performing such other functions as may be necessary to carry out its duties, as may be assigned to it by the Parliamentary Assembly, or as may be agreed by the Entities.

**4. Council of Ministers.** The Presidency shall nominate the Chair of the Council of Ministers, who shall take office upon the approval of the House of Representatives. The Chair shall nominate a Foreign Minister, a Minister for Foreign Trade, and other Ministers as may be appropriate, who shall take office upon the approval of the House of Representatives.

- (a) Together the Chair and the Ministers shall constitute the Council of Ministers, with responsibility for carrying out the policies and decisions of Bosnia and Herzegovina in the fields referred to in Article III(1), (4), and (5) and reporting to the Parliamentary Assembly (including, at least annually, on expenditures by Bosnia and Herzegovina).
- (b) No more than two-thirds of all Ministers may be appointed from the territory of the Federation. The Chair shall also nominate Deputy Ministers (who shall not be of the same constituent people as their Ministers), who shall take office upon the approval of the House of Representatives.
- (c) The Council of Ministers shall resign if at any time there is a vote of no-confidence by the Parliamentary Assembly.



### **5. Standing Committee.**

(a) Each member of the Presidency shall, by virtue of the office, have civilian command authority over armed forces. Neither Entity shall threaten or use force against the other Entity, and under no circumstances shall any armed forces of either Entity enter into or stay within the territory of the other Entity without the consent of the government of the latter and of the Presidency of Bosnia and Herzegovina. All armed forces in Bosnia and Herzegovina shall operate consistently with the sovereignty and territorial integrity of Bosnia and Herzegovina.

(b) The members of the Presidency shall select a Standing Committee on Military Matters to coordinate the activities of armed forces in Bosnia and Herzegovina. The Members of the Presidency shall be members of the Standing Committee.

## **Article VI Constitutional Court**

**1. Composition.** The Constitutional Court of Bosnia and Herzegovina shall have nine members.

(a) Four members shall be selected by the House of Representatives of the Federation, and two members by the Assembly of the Republika Srpska. The remaining three members shall be selected by the President of the European Court of Human Rights after consultation with the Presidency.

(b) Judges shall be distinguished jurists of high moral standing. Any eligible voter so qualified may serve as a judge of the Constitutional Court. The judges selected by the President of the European Court of Human Rights shall not be citizens of Bosnia and Herzegovina or of any neighboring state.

(c) The term of judges initially appointed shall be five years, unless they resign or are removed for cause by consensus of the other judges. Judges initially appointed shall not be eligible for reappointment. Judges subsequently appointed shall serve until age 70, unless they resign or are removed for cause by consensus of the other judges.

(d) For appointments made more than five years after the initial appointment of judges, the Parliamentary Assembly may provide by law for a different method of selection of the three judges selected by the President of the European Court of Human Rights.

### **2. Procedures.**

(a) A majority of all members of the Court shall constitute a quorum.

(b) The Court shall adopt its own rules of court by a majority of all members. It shall hold public proceedings and shall issue reasons for its decisions, which shall be published.

**3. Jurisdiction.** The Constitutional Court shall uphold this Constitution.

(a) The Constitutional Court shall have exclusive jurisdiction to decide any dispute that arises under this Constitution between the Entities or between Bosnia and Herzegovina and an Entity or Entities, or between institutions of Bosnia and Herzegovina, including but not limited to: — Whether an Entity's

decision to establish a special parallel relationship with a neighboring state is consistent with this Constitution, including provisions concerning the sovereignty and territorial integrity of Bosnia and Herzegovina. — Whether any provision of an Entity’s constitution or law is consistent with this Constitution. Disputes may be referred only by a member of the Presidency, by the Chair of the Council of Ministers, by the Chair or a Deputy Chair of either chamber of the Parliamentary Assembly, by one-fourth of the members of either chamber of the Parliamentary Assembly, or by one-fourth of either chamber of a legislature of an Entity.

(b) The Constitutional Court shall also have appellate jurisdiction over issues under this Constitution arising out of a judgment of any other court in Bosnia and Herzegovina.

(c) The Constitutional Court shall have jurisdiction over issues referred by any court in Bosnia and Herzegovina concerning whether a law, on whose validity its decision depends, is compatible with this Constitution, with the European Convention for Human Rights and Fundamental Freedoms and its Protocols, or with the laws of Bosnia and Herzegovina; or concerning the existence of or the scope of a general rule of public international law pertinent to the court’s decision.

**4. Decisions.** Decisions of the Constitutional Court shall be final and binding.

## **Article VII Central Bank**

There shall be a Central Bank of Bosnia and Herzegovina, which shall be the sole authority for issuing currency and for monetary policy throughout Bosnia and Herzegovina.

1. The Central Bank’s responsibilities will be determined by the Parliamentary Assembly. For the first six years after the entry into force of this Constitution, however, it may not extend credit by creating money, operating in this respect as a currency board; thereafter, the Parliamentary Assembly may give it that authority.

2. The first Governing Board of the Central Bank shall consist of a Governor appointed by the International Monetary Fund, after consultation with the Presidency, and three members appointed by the Presidency, two from the Federation (one Bosniac, one Croat, who shall share one vote) and one from the Republika Srpska, all of whom shall serve a six-year term. The Governor, who shall not be a citizen of Bosnia and Herzegovina or any neighboring state, may cast tie-breaking votes on the Governing Board.

3. Thereafter, the Governing Board of the Central Bank of Bosnia and Herzegovina shall consist of five persons appointed by the Presidency for a term of six years. The Board shall appoint, from among its members, a Governor for a term of six years.

## **Article VIII Finances**

1. The Parliamentary Assembly shall each year, on the proposal of the

Presidency, adopt a budget covering the expenditures required to carry out the responsibilities of institutions of Bosnia and Herzegovina and the international. Obligations of Bosnia and Herzegovina.

2. If no such budget is adopted in due time, the budget for the previous year shall be used on a provisional basis.

3. The Federation shall provide two-thirds, and the Republika Srpska one-third, of the revenues required by the budget, except insofar as revenues are raised as specified by the Parliamentary Assembly.

### **Article IX General Provisions**

1. No person who is serving a sentence imposed by the International Tribunal for the Former Yugoslavia, and no person who is under indictment by the Tribunal and who has failed to comply with an order to appear before the Tribunal, may stand as a candidate or hold any appointive, elective, or other public office in the territory of Bosnia and Herzegovina.

2. Compensation for persons holding office in the institutions of Bosnia and Herzegovina may not be diminished during an officeholder's tenure.

3. Officials appointed to positions in the institutions of Bosnia and Herzegovina shall be generally representative of the peoples of Bosnia and Herzegovina.

### **Article X Amendment**

1. Amendment Procedure. This Constitution may be amended by a decision of the Parliamentary Assembly, including a two-thirds majority of those present and voting in the House of Representatives.

2. Human Rights and Fundamental Freedoms. No amendment to this Constitution may eliminate or diminish any of the rights and freedoms referred to in Article II of this Constitution or alter the present paragraph.

**Article XI Transitional Arrangements** Transitional arrangements concerning public offices, law, and other matters are set forth in Annex II to this Constitution.

### **Article XII Entry into Force**

1. This Constitution shall enter into force upon signature of the General Framework Agreement as a constitutional act amending and superseding the Constitution of the Republic of Bosnia and Herzegovina.

2. Within three months from the entry into force of this Constitution, the Entities shall amend their respective constitutions to ensure their conformity with this Constitution in accordance with Article III(3)(b).

*[Two short annexes list the international Human Rights Agreements that shall apply in Bosnia and Herzegovina and certain transitional arrangements.]*

## **Annex 9 . Public Corporations**

Bearing in mind that reconstruction of the infrastructure and the functioning of transportation and other facilities are important for the economic resurgence of Bosnia and Herzegovina, and for the smooth functioning of its institutions and the organizations involved in implementation of the peace settlement, the Federation of Bosnia and Herzegovina and the Republika Srpska (the “Parties”) have agreed as follows:

### **Article I Commission on Public Corporations**

1. The Parties hereby establish a Commission on Public Corporations (the “Commission”) to examine establishing Bosnia and Herzegovina Public Corporations to operate joint public facilities, such as for the operation of utility, energy, postal and communication facilities, for the benefit of both Entities.

2. The Commission shall have five Members. Within fifteen days after this Agreement enters into force, the Federation of Bosnia and Herzegovina shall appoint two Members, and the Republika Srpska one Member. Persons appointed must be familiar with the specific economic, political and legal characteristics of Bosnia and Herzegovina and be of high recognized moral standing. Recognizing that the Commission will benefit from international expertise, the Parties request the President of the European Bank for Reconstruction and Development to appoint the remaining two Members and to designate one as the Chairman.

3. The Commission shall in particular examine the appropriate internal structure for such Corporations, the conditions necessary to ensure their successful, permanent operation, and the best means of procuring long-term investment capital.

### **Article II Establishment of a Transportation Corporation**

1. The Parties, recognizing an immediate need to establish a Public Corporation to organize and operate transportation facilities, such as roads, railways and ports, for their mutual benefit, hereby establish a Bosnia and Herzegovina Transportation Corporation (the “Transportation Corporation”) for such purpose.

2. The Transportation Corporation shall have its headquarters in Sarajevo and may have offices at other locations as it deems appropriate. It shall have appropriate facilities and choose a professionally competent Board of Directors, Officers and Staff, generally representative of the ethnic groups comprising Bosnia and Herzegovina, to carry out its functions. The Commission shall choose the Board of Directors, which shall in turn appoint the Officers and select the Staff.

3. The Transportation Corporation is authorized to construct, acquire, hold,

maintain and operate and dispose of real and personal property in accordance with specific plans that it develops. It is also authorized to fix and collect rates, fees, rentals and other charges for the use of facilities it operates; enter into all contracts and agreements necessary for the performance of its functions; and take other actions necessary to carry out these functions.

4. The Transportation Corporation shall operate transportation facilities as agreed by the Parties. The Parties shall, as part of their agreement, provide the Corporation with necessary legal authority. The Parties shall meet within fifteen days after this Agreement enters into force to consider which facilities the Corporation will operate.

5. Within thirty days after this Agreement enters into force, the Parties shall agree on sums of money to be contributed to the Transportation Corporation for its initial operating budget. The Parties may at any time transfer to the Transportation Corporation additional funds or facilities that belong to them and the rights thereto. The Parties shall decide the means by which the Transportation Corporation will be authorized to raise additional capital.

### **Article III Other Public Corporations**

The Parties may decide, upon recommendation of the Commission, to use establishment of the Transportation Corporation as a model for the establishment of other joint public corporations, such as for the operation of utility, energy, postal and communication facilities.

### **Article IV Cooperation**

The Commission, the Transportation Corporation and other Public Corporations shall cooperate fully with all organizations involved in implementation of the peace settlement, or which are otherwise authorized by the United Nations Security Council, including the International Tribunal for the Former Yugoslavia.

### **Article V Ethics**

Members of the Commission and Directors of the Transportation Corporation may not have an employment or financial relationship with any enterprise that has, or is seeking, a contract or agreement with the Commission or the Corporation, respectively, or otherwise has interests that can be directly affected by its actions or inactions.

## **Annex 10: Civilian Implementation**

The Republic of Bosnia and Herzegovina, the Republic of Croatia, the Federal Republic of Yugoslavia, the Federation of Bosnia and Herzegovina, and the Republika Srpska (the “Parties”) have agreed as follows:

### **Article I. High Representative**

1. The Parties agree that the implementation of the civilian aspects of the peace settlement will entail a wide range of activities including continuation of the humanitarian aid effort for as long as necessary; rehabilitation of infrastructure and economic reconstruction; the establishment of political and constitutional institutions in Bosnia and Herzegovina; promotion of respect for human rights and the return of displaced persons and refugees; and the holding of free and fair elections according to the timetable in Annex 3 to the General Framework Agreement. A considerable number of international organizations and agencies will be called upon to assist.

2. In view of the complexities facing them, the Parties request the designation of a High Representative, to be appointed consistent with relevant United Nations Security Council resolutions, to facilitate the Parties’ own efforts and to mobilize and, as appropriate, co-ordinate the activities of the organizations and agencies involved in the civilian aspects of the peace settlement by carrying out, as entrusted by a U.N. Security Council resolution, the tasks set out below.

### **Article II. Mandate and Methods of Coordination and Liaison**

1. The High Representative shall:

- (a) Monitor the implementation of the peace settlement;
- (b) Maintain close contact with the Parties to promote their full compliance with all civilian aspects of the peace settlement and a high level of co-operation between them and the organizations and agencies participating in those aspects.
- (c) Coordinate the activities of the civilian organizations and agencies in Bosnia and Herzegovina to ensure the efficient implementation of the civilian aspects of the peace settlement. The High Representative shall respect their autonomy within their spheres of operation while as necessary giving general guidance to them about the impact of their activities on the implementation of the peace settlement. The civilian organizations and agencies are requested to assist the High Representative in the execution of his or her responsibilities by providing all information relevant to their operations in Bosnia-Herzegovina.
- (d) Facilitate, as the High Representative judges necessary, the resolution of any difficulties arising in connection with civilian implementation.
- (e) Participate in meetings of donor organizations, particularly on issues of rehabilitation and reconstruction.
- (f) Report periodically on progress in implementation of the peace agreement concerning the tasks set forth in this Agreement to the United Nations,

European Union, United States, Russian Federation, and other interested governments, parties, and organizations.

(g) Provide guidance to, and receive reports from, the Commissioner of the International Police Task Force established in Annex 11 to the General Framework Agreement.

2. In pursuit of his or her mandate, the High Representative shall convene and chair a commission (the “**Joint Civilian Commission**”) in Bosnia and Herzegovina. It will comprise senior political representatives of the Parties, the IFOR Commander or his representative, and representatives of those civilian organizations and agencies the High Representative deems necessary.

3. The High Representative shall, as necessary, establish subordinate Joint Civilian Commissions at local levels in Bosnia and Herzegovina.

4. A Joint Consultative Committee will meet from time to time or as agreed between the High Representative and the IFOR Commander.

5. The High Representative or his designated representative shall remain in close contact with the IFOR Commander or his designated representatives and establish appropriate liaison arrangements with the IFOR Commander to facilitate the discharge of their respective responsibilities.

6. The High Representative shall exchange information and maintain liaison on a regular basis with IFOR, as agreed with the IFOR Commander, and through the commissions described in this Article.

7. The High Representative shall attend or be represented at meetings of the Joint Military Commission and offer advice particularly on matters of a political-military nature. Representatives of the High Representative will also attend subordinate commissions of the Joint Military Commission as set out in Article VIII(8) of Annex 1A to the General Framework Agreement.

8. The High Representative may also establish other civilian commissions within or outside Bosnia and Herzegovina to facilitate the execution of his or her mandate.

9. The High Representative shall have no authority over the IFOR and shall not in any way interfere in the conduct of military operations or the IFOR chain of command.

### **Article III. Staffing**

1. The High Representative shall appoint staff, as he or she deems necessary, to provide assistance in carrying out the tasks herein.

2. The Parties shall facilitate the operations of the High Representative in Bosnia and Herzegovina, including by the provision of appropriate assistance as requested with regard to transportation, subsistence, accommodations, communications, and other facilities at rates equivalent to those provided for the IFOR under applicable agreements.

3. The High Representative shall enjoy, under the laws of Bosnia and Herzegovina, such legal capacity as may be necessary for the exercise of his or her functions, including the capacity to contract and to acquire and dispose

of real and personal property.

4. Privileges and immunities shall be accorded as follows:

(a) The Parties shall accord the office of the High Representative and its premises, archives, and other property the same privileges and immunities as are enjoyed by a diplomatic mission and its premises, archives, and other property under the Vienna Convention on Diplomatic Relations.

(b) The Parties shall accord the High Representative and professional members of his or her staff and their families the same privileges and immunities as are enjoyed by diplomatic agents and their families under the Vienna Convention on Diplomatic Relations.

(c) The Parties shall accord other members of the High Representative staff and their families the same privileges and immunities as are enjoyed by members of the administrative and technical staff and their families under the Vienna Convention on Diplomatic Relations.

#### **Article IV. Cooperation**

The Parties shall fully cooperate with the High Representative and his or her staff, as well as with the international organizations and agencies as provided for in Article IX of the General Framework Agreement.

#### **Article V. Final Authority to Interpret**

The High Representative is the final authority in theater regarding interpretation of this Agreement on the civilian implementation of the peace settlement.



## **Annex 11. International Police Force**

The Republic of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina, and the Republika Srpska (the “Parties”) have agreed as follows:

### **Article I Civilian Law Enforcement**

1. As provided in Article III(2)(c) of the Constitution agreed as Annex 4 to the General Framework Agreement, the Parties shall provide a safe and secure environment for all persons in their respective jurisdictions, by maintaining civilian law enforcement agencies operating in accordance with internationally recognized standards and with respect for internationally recognized human rights and fundamental freedoms, and by taking such other measures as appropriate.

2. To assist them in meeting their obligations, the Parties request that the United Nations establish by a decision of the Security Council, as a UNCIVPOL operation, a U.N. **International Police Task Force** (IPTF) to carry out, throughout Bosnia and Herzegovina, the program of assistance the elements of which are described in Article III below.

### **Article II Establishment of the IPTF**

1. The IPTF shall be autonomous with regard to the execution of its functions under this Agreement. Its activities will be coordinated through the High Representative described in Annex 10 to the General Framework Agreement.

2. The IPTF will be headed by a Commissioner, who will be appointed by the Secretary General of the United Nations in consultation with the Security Council. It shall consist of persons of high moral standing who have experience in law enforcement. The IPTF Commissioner may request and accept personnel, resources, and assistance from states and international and non-governmental organizations.

3. The IPTF Commissioner shall receive guidance from the High Representative.

4. The IPTF Commissioner shall periodically report on matters within his or her responsibility to the High Representative, the Secretary General of the United Nations, and shall provide information to the IFOR Commander and, as he or she deems appropriate, other institutions and agencies.

5. The IPTF shall at all times act in accordance with internationally recognized standards and with respect for internationally recognized human rights and fundamental freedoms, and shall respect, consistent with the IPTF’s responsibilities, the laws and customs of the host country.

6. The Parties shall accord the IPTF Commissioner, IPTF personnel, and their families the privileges and immunities described in Sections 18 and 19 of the 1946 Convention on the Privileges and Immunities of the United Nations. In

particular, they shall enjoy inviolability, shall not be subject to any form of arrest or detention, and shall have absolute immunity from criminal jurisdiction. IPTF personnel shall remain subject to penalties and sanctions under applicable laws and regulations of the United Nations and other states.

7. The IPTF and its premises, archives, and other property shall be accorded the same privileges and immunities, including inviolability, as are described in Articles II and III of the 1946 Convention on the Privileges and Immunities of the United Nations.

8. In order to promote the coordination by the High Representative of IPTF activities with those of other civilian organizations and agencies and of the (IFOR), the IPTF Commissioner or his or her representatives may attend meetings of the Joint Civilian Commission established in Annex 10 to the General Framework Agreement and of the Joint Military Commission established in Annex 1, as well as meetings of their subordinate commissions. The IPTF Commissioner may request that meetings of appropriate commissions be convened to discuss issues within his or her area of responsibility.

### **Article III IPTF Assistance Program**

1. IPTF assistance includes the following elements, to be provided in a program designed and implemented by the IPTF Commissioner in accordance with the Security Council decision described in Article I(2):

- (a) monitoring, observing, and inspecting law enforcement activities and facilities, including associated judicial organizations, structures, and proceedings;
- (b) advising law enforcement personnel and forces;
- (c) training law enforcement personnel;
- (d) facilitating, within the IPTF's mission of assistance, the Parties' law enforcement activities;
- (e) assessing threats to public order and advising on the capability of law enforcement agencies to deal with such threats.
- (f) advising governmental authorities in Bosnia and Herzegovina on the organization of effective civilian law enforcement agencies; and
- (g) assisting by accompanying the Parties' law enforcement personnel as they carry out their responsibilities, as the IPTF deems appropriate.

2. In addition to the elements of the assistance program set forth in paragraph 1, the IPTF will consider, consistent with its responsibilities and resources, requests from the Parties or law enforcement agencies in Bosnia and Herzegovina for assistance described in paragraph 1.3. The Parties confirm their particular responsibility to ensure the existence of social conditions for free and fair elections, including the protection of international personnel in Bosnia and Herzegovina in connection with the elections provided for in Annex 3 to the General Framework Agreement. They request the IPTF to give priority to assisting the Parties in carrying out this responsibility.

#### **Article IV Specific Responsibilities of the Parties**

1. The Parties shall cooperate fully with the IPTF and shall so instruct all their law enforcement agencies.
2. Within 30 days after this Agreement enters into force, the Parties shall provide the IPTF Commissioner or his or her designee with information on their law enforcement agencies, including their size, location, and force structure. Upon request of the IPTF Commissioner, they shall provide additional information, including any training, operational, or employment and service records of law enforcement agencies and personnel.
3. The Parties shall not impede the movement of IPTF personnel or in any way hinder, obstruct, or delay them in the performance of their responsibilities. They shall allow IPTF personnel immediate and complete access to any site, person, activity, proceeding, record, or other item or event in Bosnia and Herzegovina as requested by the IPTF in carrying out its responsibilities under this Agreement. This shall include the right to monitor, observe, and inspect any site or facility at which it believes that police, law enforcement, detention, or judicial activities are taking place.
4. Upon request by the IPTF, the Parties shall make available for training qualified personnel, who are expected to take up law enforcement duties immediately following such training.
5. The Parties shall facilitate the operations of the IPTF in Bosnia and Herzegovina, including by the provision of appropriate assistance as requested with regard to transportation, subsistence, accommodations, communications, and other facilities at rates equivalent to those provided for the IFOR under applicable agreements.

#### **Article V Failure to Cooperate**

1. Any obstruction of or interference with IPTF activities, failure or refusal to comply with an IPTF request, or other failure to meet the Parties' responsibilities or other obligations in this Agreement, shall constitute a failure to cooperate with the IPTF.
2. The IPTF Commissioner will notify the High Representative and inform the IFOR Commander of failures to cooperate with the IPTF. The IPTF Commissioner may request that the High Representative take appropriate steps upon receiving such notifications, including calling such failures to the attention of the Parties, convening the Joint Civilian Commission, and consulting with the United Nations, relevant states, and international organizations on further responses.

#### **Article VI Human Rights**

1. When IPTF personnel learn of credible information concerning violations of internationally recognized human rights or fundamental freedoms or of the role of law enforcement officials or forces in such violations, they shall provide

such information to the Human Rights Commission established in Annex 6 to the General Framework Agreement, the International Tribunal for the Former Yugoslavia, or to other appropriate organizations.

2. The Parties shall cooperate with investigations of law enforcement forces and officials by the organizations described in paragraph 1.

### **Article VII Application**

This Agreement applies throughout Bosnia and Herzegovina to law enforcement agencies and personnel of Bosnia and Herzegovina, the Entities, and any agency, subdivision, or instrumentality thereof. Law enforcement agencies are those with a mandate including law enforcement, criminal investigations, public and state security, or detention or judicial activities.

**Izetbegovic (3 from r) with Holbrooke and Christopher in Dayton**

**Anna Pollert**

## **The Revival of Czech Social Democracy A New Turn in Central Eastern Europe?**

With the emergence from the shadows of social democracy as a force to be contended with, 1996 marks a turning point for the Czech Republic from an apparent island of free-market consensus. In the first post-1989 general election of 1992, the Czech Social Democratic Party (CSSD) had been a non-entity, winning only 6.5 per cent of vote, with the Civic Democratic Party (ODS) sweeping to a landslide victory. Four years later, the parliamentary election of May 31st-June 1st has shown the (CSSD) a close second-runner, with 26.44 per cent of the vote - only 3.2 per cent less than the seemingly unassailable ODS of Vaclav Klaus, with 29.6 per cent. The CSSD out-performed all pre-election predictions of around 21.8 per cent of votes, despite its receiving only a third of the ODS's television and radio air time and facing a hostile press campaign, including a personal vilification of the CSSD leader, Zeman, as courting the unreformed communist party. The proportional representation election system has left the conservative coalition of the ODS, the Christian Democratic Union-Czechoslovak People's Party (KDU-CSL) and the Civic Democratic Alliance (ODA) without a majority, down to 99 from 112 in a 200 member house, with the ODS taking 68 seats and the CSSD, 61.

The polarisation between the two parties reflects a growing political differentiation between social groups: the ODS has retained a strong hold over Prague, with 43.85 per cent of the vote against the CSSD's 18.6 per cent, and nationally, Klaus has the support of half of businessmen, residents of large towns, and high earning winners in the reform process. The CSSD base appears to be among miners (40 per cent for the social democrats), members of the army and police (38 per cent) wage workers in general (32 per cent) and workers in heavy industry (32 per cent). It should also be added that the unreformed Communist Party of Bohemia and Moravia retains a strong presence with 10.3 per cent of the vote, and the far-right Republican Party has expanded its presence to 8 per cent (CTK news agency June 2 1996, Infas and Factum poll agencies). Overall, however, with the CSSD now a substantial opposition party, the political domination of the free-market transformation agenda has been severely shaken and the former coalition's minority government will be in a vulnerable position.

### **Growing social opposition**

What has changed the political landscape to create a four-fold increase in support for the social democrats? Hitherto, it appeared the ODS maintained its popularity through winning 'social peace' by an astute combination of monetarist macroeconomic and free-market policies, with corporatist economic and labour market intervention. This has prevented major bankruptcies, kept some price controls on energy and rents, implemented successful active labour market policies, imposed restrictive incomes policies and in return, achieved a low wage - low unemployment social contract with the trade unions. However, by 1994, labour unrest appeared on the scene, while tripartite consultation became more strained as Klaus became increasingly dismissive of the unions, and the union confederation, CMKOS, less accommodating than before.

The superficial picture of a Czech economic miracle concealed growing problems. At the economic level, while the unemployment figures are extremely low, with an average of 3.4 per cent, they do not indicate the large numbers excluded from the statistics because they are outside the labour market (largely through forced retirement), or the fact that entitlement for unemployment benefit is far more rigid in the Czech Republic than elsewhere in eastern Europe. Nor do they reveal the growing

regional polarisation between much higher unemployment rates (of around 7 per cent) in the former industrial heartland of the North and East, and the tight labour markets of cities such as Prague and the western borders with Germany.

These regional differences, together with different industrial traditions, were already distinguishing Northern Moravia and Ostrava, with large mining communities, as strong supporters of the trade unions compared with a more affluent Bohemia, especially its west, and Prague. It was also evident that the low-wage social contract was wearing thin: workers had accepted major sacrifices with a 25 per cent drop in real wages in 1991, and after five years of incomes policies, average real wages were still 14 per cent below their 1989 level. By 1995, public sector workers, particularly railway workers, doctors and teachers threatened strike action - both over wages, and about the effect of free-market policies on their sectors - with doctors actually taking industrial action that autumn. The Klaus government had also been deregulating employment and attacking welfare, including introducing means-tested child benefit, and legislating for raising the retirement age - both highly unpopular measures.

However, opposition to these development was not, in fact, mobilised by a political party, such as the CSSD, but by the politically non-aligned Czech-Moravian Chamber of Trade Unions (CMKOS). Through its involvement in the tripartite Council of Social Agreement, CMKOS's major focus of action was the state, and it became a de-facto proxy political force on social policy issues. The growing dissatisfaction with increasingly Thatcherite policies was signalled by the success of the mass rallies CMKOS organised in Prague, of 40,000 trade unionists in March 1994, and 100,000 in March 1995 - far exceeding the unions' expectations. The shift in political allegiances became evident during this period of emerging labour dissatisfaction: in 1995, the CSSD doubled its support from the previous year to 22 per cent.

## **CSSD policies**

The current CSSD election programme attempts to confront the economic and social problems which the ODS coalition's claim of reaching a "post transformation" phase neglects. The much vaunted voucher privatisation programme which has placed state assets into private hands through a

mass give-away has, predictably, not found the much needed new capital for industry restructuring; meanwhile, this has created major problems of corporate governance, not least of lack ownership transparency, and plenty of opportunity for corruption, dirty money and tax evasion. Rising unemployment, staved off for the time being by a growing service sector, is expected to rise - (indeed, its low rate is regarded as a problem by the conservatives). While economic performance has improved, as the slump in output after shock therapy has bottomed out, there is a growing balance of payments crisis and exports tend to be in raw materials and final assembly rather than in high value-added manufacture.

The physical infrastructure of the country, such as the health service and transport, are collapsing, while the skill and training base, especially in the Czech Republic's historic assets of technology and manufacturing, has been dissipated through under-funding of research institutes, as well as the selling-off of vocational training schools by privatised companies - a common trend in Eastern Europe. Together, these accumulating problems whose effects will only be felt in the longer term, call for greater state economic regulation and support - and a departure from free-market dogma.

The CSSD main platform is a "social market" with a state industry policy and social partnership. Sympathy with the principles of trade unionism, tripartism and industrial democracy is one of its major distinguishing features: "Joint decision making leads to joint responsibility, and with this follows greater initiative.....This approach goes beyond the limited notion of democracy in the political sphere and brings it into everyday economic life" (CSSD programme, p.6).

However, throughout its programme, the social democratic message is carefully distanced from "socialism", communism and command planning; hence also the emphasis on greater regional decentralisation and local democracy. This approach speaks not only to those increasingly opposed to the centralisation of Klaus's administration (which echoes the free-market and strong state of Thatcherism), but also to strong desires for autonomy and fears of any return to the past forty years. Czechoslovakia's experience of the suppression of the Prague Spring and subsequent "normalisation" period has produced a greater anti-communism than elsewhere in Eastern Europe, while the CSSD's opponents have relished reminding the electorate of the post-war Social



Democratic Party's accommodation with the Communist coup of 1948.

Perhaps because of this, the current CSSD has made little of Czechoslovakia's legacy of social democracy in its inter-war First Republic as a historic basis for its resurrection in the mid-1990s. Rather, it identifies itself with contemporary Western European social democracy, whose experience of post-war competitive economic performance is cited as testimony to its success. Clearly, as well as finding an ideological niche within Czech society, this is also largely aimed at foreign capital. With the Czech Republic publicly hailed as one of the most successful transforming economies, the CSSD treads a careful path of reassuring Western investors, as well as its own electorate, that it has no intention of returning to a state command economy and that it will continue the "reform" process. In an interview with Reuters on June 1st, Zeman stressed: "Foreign business doesn't have to fear in the case of Austria, Denmark, Sweden, Norway and other Social Democratic countries - why be afraid in the case of a Social Democratic party in the government of the Czech Republic?"

## **Industry policy**

A social democratic state industry policy would depart from the conservative coalition's policy of relinquishing microeconomic restructuring to the market. However, the CSSD is careful not to appear too dirigiste and there is no mention of deliberate sectoral policies, as used in the Newly Industrialising Countries of Southern Asian. This model would also be too authoritarian and too close to command planning to gain any favour. Rather, Czech social democracy's industry policy limits itself to commitment to an investment and export support policy supported by the state budget. Pro-export policies would consist of easier financing of technical development, lower import barriers for modernisation equipment, aid with insurance guarantees and pro-export tax concessions.

One important area of state intervention would be support for the Czech-Moravian Security and Development Bank. This would operate as a development bank with state guaranteed loans and lower interest rates than the commercial banks, which dominate lending and whose expensive, short-term loans are one of the main reasons for firms' reluctance or inability to modernise and restructure. Policies to prevent

the nation's "crown jewels" being sold off any further to foreign capital, such as Škoda to Volkswagen, would be strengthened through anti-monopoly laws to stop the possibility of over-concentration providing the basis for mass sell-offs. And while import barriers would be eased for certain capital goods beneficial for restructuring, in other cases, they would be tightened where imports threatened viable local manufacture. The programme also states a commitment to reversing the trend of exports being mainly in raw materials and low value-added products, to one based on quality and skill - a policy in line with aims to prevent multinationals from using the country as a mere final-assembly manufacturing economy.

How far such statements on state controls can deal with the European Union's trade policies, and the strength of multinational capital (as illustrated by Škoda-Volkswagen renegeing on promises to use local suppliers in 1994), remains an open question. But the intention of openly using the state budget to assist industry is an important departure from the monetarist pre-occupation with balanced budgets and keeping a hands-off approach to microeconomic restructuring. The CSSD sees nothing wrong with a budget deficit of up to the maximum of 3 per cent of GNP, as permitted under the Maastricht Treaty, to finance export promotion and rebuilding the infrastructure. On the thorny issue of taxation, the social democrats are careful not to threaten tax rises, but nor do they promise to lower them. Fiscal loss is also treated as a political issue for dealing with the business tax evasion and vast financial corruption which have caused public outcry for some time.

### **Public sector policy**

Throughout the election programme, the emphasis is on partnership between state funding and private enterprise, with some ambiguity about whether some sectors, such as health, education and railways, which are already largely privatised, would be re-nationalised, or left as a mixture of private ownership with some form of greater state input in terms of policy control and subsidy. For example, the decline in vocational training and research would be addressed by state grants and part financing of new "research and technology parks", which would co-operate with research institutes and institutes of higher education. The programme states that the state will not relinquish its role in strategic areas of

transport, telecommunications, energy, post and large hospitals, but it would also allow access to competitive private enterprise.

In the area of health, the social democrats attack ill-thought out and chaotic privatisation of hospitals, but do not propose to re-create a universal public health system; rather, the problem is addressed in terms of greater regional control of health, higher public subsidies, but a continuation of a health insurance system, albeit with clearer vetting of insurance companies. There is similar cautious over education policy, where a greater role for the state and commitment to providing equality of opportunity for all are expressed, but without a direct attack on privatisation as a source of increased inequality and privilege. All this is consistent with a “social market” concept, where the boundaries between state and market are deliberately vague. Yet it is difficult to read from an election programme which treads very carefully on the matter of public ownership in the sensitive areas of transport, education and health, how far a social democratic party might press the issue if in power, and under what types of social pressures it would do so.

## **Decentralisation**

Finally, the CSSD proposes how a mixed public/private economy might be complemented with decentralisation and greater local autonomy. A central plank of this policy is a proposed tax reform which would separate central state taxes from local taxes. The first would contribute towards rebuilding the infrastructure, speeding up enterprise modernisation and aiding non-profit making organisations which invest all their surplus into restructuring. The second would be directed at increasing district and regional autonomy, and would include ploughing back company taxes into their local economies, basing the system on location of employment units, not company headquarters.

The policy is complex and controversial, but arguably responds to the growing economic inequalities in the Czech Republic and to demands for greater local control over locally produced wealth and economic development. Over-centralisation by the conservative government has also been the brunt of criticism from trade unions, pensioners, as well as the social democrats, in terms of the social reform legislation of January 1996, in which social insurance funds were placed in the general state budget, where they were allegedly open to

manipulation. One of the fears is that the pension fund, which was set up under the Communist regime, could be privatised, and used for commercial purposes, including sale to foreign capital to finance the state budget. The CSSD as well as CMKOS, for whom this was an issue in the 1995 Prague demonstration discussed above, have campaigned for a separate social insurance institution to keep public wealth in public ownership, and managed by democratically accountable representatives of contributors - pensioners and employers.

Whether the CSSD ever gets the opportunity to implement some of these policies, or press the minority government to concede to some of them, is of course an open question. At present, the conservative coalition is preparing for government; Klaus, with characteristic arrogance, told Czech Radio on 11 June that “the government will not ask the opposition Social Democrats to approve the government’s programme before it is discussed in parliament”, while his most recent gloss on the election results was that Czech voters did not reject his economic reforms, but rather showed impatience that they had not benefited more, since “Too many people think that everything can already be like in Switzerland or the Netherlands or Germany and don’t realise this is not possible” (*OMRI Daily Reports*, 12 June 1996).

However, as with his stance on the trade unions, it is likely that his rhetoric will be highly adversarial while his practice will have to be pragmatic, otherwise he will be unable to press much legislation through parliament. Whether or not a political stalemate will develop, forcing an early new election, and how far the conservative coalition will play tactically to pull votes away from the CSSD, remains to be seen. But with the revival of social democracy in the Czech Republic, the hegemony of the Right can no longer be counted on, and a much more open political agenda will require close analysis of future developments.

#### Acknowledgements

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**Kate Hudson**

## **Social Democracy and Post-Communism: the Hungarian Example**

This article considers the impact of 1989 on social democracy and the prospects for its development as a serious political force in Eastern Europe in general, and in Hungary in particular.

In 1989, a number of voices on the left claimed that the historic divide in the labour movement since world war one, between Communists and Social Democrats, could now be healed to the benefit of the Social Democrats. In many senses the situation seemed very straightforward: for the leading circles of official social democracy, the collapse of the Communist Party regimes presented no serious conceptual problems. Social democracy had opposed the Russian revolution, and had supported the view that capitalism and political democracy were inextricably linked. From this perspective, democracy and the reintroduction of capitalism into Eastern Europe were naturally seen as two sides of the same coin.

The Socialist International, therefore, gave unequivocal support, not only to democratisation in 1989, but also to the system change. It also sought to create or revive parties on this political line, with a view to replicating the West European social democratic model. It seems, however, that, rather than creating a framework for the expansion of social democracy, the system change rapidly started to pose major contradictions for West European social democracy.

## **Effects of system change on Western Social Democracy**

The basis of its own electoral support after 1945 had been the commitment to the expansion of the welfare state, state intervention to promote full employment and public ownership of key economic sectors, such as the public utilities. Yet the policies in post-1989 Eastern Europe of privatisation, dismantling welfare provision, deregulation and unemployment conflicted with this official West European social democratic ideology. This was initially dealt with by putting these things down as the temporary costs of transition rather than long term features of what capitalism would mean for Eastern Europe.

However, it soon became clear that it was more than this - in fact, that the place of East European capitalism in the international economy would not permit in Eastern Europe the levels of real wages or of welfare provision that existed in Western Europe. Moreover, the opening up of Eastern Europe's economies and human resources to the West would have the knock-on effect of putting downward pressure on wages and welfare provision in Western Europe. One of the legacies of 1989, therefore, was tension within West European social democracy. The right wing leadership argued that official social democratic ideology would have to be revised to drop commitments to public ownership and the welfare state. The left, on the other hand, increasingly warned that the monetarist approach being applied to Eastern Europe would legitimise similar policies within Western Europe - that the danger was that if East European living standards were not "levelled up" to Western levels, then West European living standards would be forced down.

This analysis has proved to be correct. Under the impact of 1989, far from attempting to extend Western conditions to Eastern Europe, it was argued in the West that the welfare state had been a by-product of the Cold War era which could now be safely dismantled. The new orthodoxy of the OECD stressed the need to eliminate "labour market rigidities" (relatively high levels of unemployment benefits, for instance) in Western Europe. As a memorable editorial in the *Wall Street Journal* put it in relation to the United States:

“Speaker of the US House of Representatives Newt Gingrich stood in front of reporters last week and announced that the progressive tax system was an artefact of the Cold War... We would widen the

field further: the long legislative run of Democratic liberalism was an artefact of the Cold War...When the Berlin Wall fell in 1989, we all knew that the world had changed utterly...The long era of public paternalism which emerged throughout the West during the Cold War is being swept aside.<sup>1</sup>

### **Social Democracy's move to the right**

The re-entry of capitalism into Eastern Europe in 1989 and 1991 created an opportunity to take back the "concessions" that had been made to the West European labour movement following the second world war. The first major initiative of the European Union after 1989 was the Maastricht Treaty, which imposed limits on public debt and budget deficits that effectively outlawed traditional Keynesian economic policies and posed the first serious threat to the welfare state within Western Europe. This began to undermine what had been the key article of faith of West European social democracy - that progress towards economic and political union within the EU would make the highest prevailing levels of welfare provision the norm throughout the Union.

The electoral consequences of this new situation rapidly manifested themselves. The social democratic parties of southern Europe were successively ejected from office in Italy, France and Spain amid rising unemployment and cuts in the welfare state. Public opposition to welfare cuts culminated in the wave of strikes and demonstrations which paralysed France at the end of 1995. As the consequences of system change in Eastern Europe worked their way through, they began to pose a threat to both the welfare state and the electoral base of the social democratic parties.

### **Social Democracy and Hungarian Communists**

With social democracy moving to the right in Western Europe, it is easier to see why the emphasis of the policies of the Hungarian Socialist Party (successor party to the Hungarian CP) has been on Europeanisation and modernisation, on the basis of massive cutbacks in the Hungarian welfare system. This is how HSP leader Horn has assessed the record of his own government since 1994: "To appreciate what we have done you must realise that we have abolished what Hungarians grew up to accept as sacred rights".<sup>2</sup> Bokros, Horn's former controversial finance minister,

was even more explicit: “The historic task of the Socialist government is to roll back the frontiers of the welfare state”.<sup>3</sup> This creates certain problems for the HSP, not least because it achieved its massive electoral victory in 1994 on the basis of its supposed support for the preservation of the country’s extensive welfare system. It was assumed that they would be a more caring government than that of the previously ruling Hungarian Democratic Forum (HDF).

In retrospect one can see that Hungarian conservatism was actually more interventionist than the HSP has proved to be, and that the HDF government had actually intended to retain long term majority state ownership of many strategic companies which the Socialists are now privatising. The HSP government has shown serious commitment to privatisation, huge spending cuts, sweeping reforms of the welfare systems and eagerness to join the EU and NATO. If anything, the former Communists have been more effective in implementing IMF-endorsed policies than their more right-wing predecessors. There is actually a degree of continuity here since the HSP is the successor party to the former Hungarian Socialist Workers’ Party’s reform wing. It was this political grouping that was responsible for the gradual introduction of the mechanisms and institutions of capitalism prior to 1989.

### **Other left currents**

In addition to the HSP current that reformed away the previous system, there are two other post-Communist groupings. Firstly, there is the current around the Left Platform in the HSP and around an umbrella organisation of left groupings called the Hungarian Left Alternative. This trend takes its framework from the tradition of the workers’ councils dating from 1956, and had been a left opposition to Kadarism.

A second current is organised around the other successor party to the HSWP, the Hungarian Workers’ Party, which secures around 4 per cent of the popular vote and is excluded from Parliament by the 5 per cent rule. It represents the section of the former ruling party who did not support the restoration of capitalism and relied on the Soviet bureaucracy for its political orientation. Faced now with charting an anti-capitalist path without its previous material and ideological prop, the Workers’ Party is politically more akin to the Communist Party of Bohemia and Moravia than to the HSP or the ruling party in Poland. In other words,



when it was no longer possible for the ruling Communist Parties to continue in the same old way after the demise of state socialism in Eastern Europe and the Soviet Union, those parties broke up, with the component parts moving either to the right on a pro-capitalist track, or to the left, trying to redefine an anti-capitalist politics in a new situation. One could also say, as does László Andor, that the Kadarists are now in the Workers' Party and both former right and left oppositions to them are in the HSP.<sup>4</sup>

One of the most interesting questions is how the HSP is going to evolve politically. It is a pro-capitalist party implementing IMF policies, but its electoral success was built on mass support from the working class which it is currently in the process of alienating through its economic policies. It is likely that the electorate wishes it to be a social democratic party in the classical West European sense, but in view of the scenario outlined above, it is difficult to see how this could happen. It remains questionable to what extent the material basis for social democracy exists, but if Horn does not improve the living standards of ordinary Hungarians it seems unlikely that he will win the next elections. There is considerable dissatisfaction amongst the population, leading to a growth of support for the right wing Smallholders Party. If the economy improves sufficiently before the next elections in 1998, then the electorate can reap the benefits and re-elect the HSP. If not, then the HSP will be ousted, and right wing and extremist parties will stand to gain. If the material basis for social democracy does not develop from the transition process, then the HSP will either become politically marginalised because it will lose its working class base, or it will have to adopt a more left programme to retain its working class support. It was interesting to note that at last month's HSP Congress, the liberals were largely ousted from key positions, the position of the left was strengthened on the Praesidium, and a kind of centre bloc emerged around Horn, advocating a more interventionist economic line. It remains to be seen how far this shift in emphasis will develop.

1 *Wall Street Journal*, 10 April 1995.

2 *Financial Times, Hungary Survey*, 21 November 1995, p. 1.

3 *Ibid.*, p. 11.

4 László Andor, 'The Hungarian Socialist Party', in *Labour Focus on Eastern Europe*, No. 48, 1994, p. 60.

**László Andor**

## **Trade Unions in Hungary**

The world of labour representation has gone through a fundamental transformation in Hungary in the past decade. Just as on the level of party politics, we have also seen some elements of restoration. Basically, we can distinguish three major periods in the political development of the trade unions. These periods do not entirely follow the political cycle defined by parliamentary elections. Rather, they are separated by major clashes on the trade union front. Therefore a quick look back over the period of transformation is important to understand the current situation of the Hungarian trade unions.

### **The period of low-intensity competition (1988-1991)**

Together with the Alliance of Young Democrats (FIDEZ), the first independent trade union was the organisation that broke the monolithic structure of the state socialist polity in Hungary. When the wind from Moscow encouraged reforms in the satellite countries, the small opposition circles had to develop a strategy towards political pluralism. The Hungarian Democratic Forum (MDF) was formed in September 1987 but did not declare open disloyalty to the regime and did not even call itself a political party for two years. When FIDESZ and TDDSZ (Democratic Trade Union of Scientific Workers) were formed, on the

other hand, they immediately proclaimed their commitment to promote a different political structure.

It was the so-called Democratic Opposition, i.e. a few dozen liberal academics, who stood behind both organisations and later created the Alliance of Free Democrats (SZDSZ). They were, of course, cautious enough not to start with a political party immediately, which would have triggered serious repercussions at a time when Kádár was still general secretary of the ruling Communist Party (MSZMP). Launching a trade union seemed to be a practical idea. The official trade union federation, the National Council of Trade Unions (SZOT), was very unpopular for having thousands of yes-men in leading positions who never attempted to play any more significant role than organising summer holiday camps and Santa Claus evenings. The example of Polish Solidarity was still alive, fuelling expectations that a trade union could grow large enough to challenge the power of the ruling Communists.

Following the emergence of a few more liberal minded unions, the Democratic League of Independent Trade Unions (FSZDL or Liga) was created. The guidance and financial support they received from the US trade unions, the AFL-CIO, and various other foreign sources was indeed substantial. They were not welcomed by the official circles although, with few exceptions, they were allowed to operate without difficulties. Since, however, public attention soon turned towards party politics, the appearance of the Liga as an alternative did not provoke a massive restructuring of trade union membership.

In 1989, however, another significant movement emerged to encourage labour activity - the movement of workers' councils. The idea of workers' councils, it was assumed, would appeal to the workers because of the memory of such councils from 1956. Sándor Rács, who had been imprisoned for leading the 1956 workers' councils on an anti-Soviet platform, returned to politics and even pictured himself as a potential presidential candidate. (For that, he was probably too right-wing, much more so than the other potential candidate - Otto von Habsburg!)

Two major tendencies fought for hegemony in the workers' council movement. One of them suggested that the councils should become organs of workers' ownership. This blueprint was obviously at odds with the mainstream schemes for privatisation and suggested a reform of state ownership through democratisation and decentralisation. The other

tendency did not share this view on ownership reform and proposed that the workers' councils should simply become a branch of the trade unions. They thought that the "Communist" trade unions should be replaced by the workers' councils that would then be able to represent the interests of the workers and not those of the ruling party and the nomenklatura.

The debate came to a conclusion in the summer of 1990, following the election victory of the three conservative and nationalist parties. Imre Palkovics, who became a member of parliament for the Hungarian Democratic Forum, was elected president of the National Federation of Workers' Councils. Thus the majority decided to take advantage of the link to the major ruling party and buried the idea of workers' self management. A small faction split from the National Federation but remained insignificant.

There was also a third tendency of new unions that called itself Solidarity. Their leader, Sándor Bátonyi, was for a while well known for his militancy. In 1991 he even took part in a hunger strike against price rises and poverty. Since, however, this noisy behaviour was not attractive to most workers, Bátonyi and Solidarity never managed to gather significant support.

SZOT was perhaps the last organisation of the old political structure that renewed itself. It happened in March 1990 when the federation was given a new name (National Federation of Hungarian Trade Unions - MSZOSZ). Sándor Nagy, who had been one of the top leaders of SZOT in the second half of the 1980s, in various positions, and who was for a short time a member of the Central Committee of the HSWP, became the new president of MSZOSZ.

During the same congress, three smaller factions split from MSZOSZ. These were the Autonomous Trade Unions (mainly in the chemical industry), the Co-operative Forum of Trade Unions (SZEF, mainly teachers) and the Trade Union Alliance of Academics (ESZT). The separation of these federations from MSZOSZ was an attempt to escape from the political legacy of the old times, though it could only have limited success. For a similar reason, official links were not established between the Hungarian Socialist Party (MSZP) and MSZOSZ. The Socialist Party wanted to escape the image of an old-fashioned party linked to trade union influence (well-known behaviour in some Western left-of-centre parties as well), while MSZOSZ did not want to openly

ally itself with the political successor of the old Communist Party which, at that time, was treated as party *non grata*.

The coalition government led by József Antall had an ambiguous attitude towards the trade unions. In keeping with their conservative political philosophy, they did not want to make the unions important players in national politics and they basically did not believe that that labour should have a say in the management of either economic or political issues. On the other hand, they were well aware of the weakness of their own popular support and they feared that the unions could mount political opposition to their policies.

Ironically, the first major appearance of trade unions did not come from an industrial dispute. The three-day petrol riot, triggered by a sudden increase in the price of petrol in October 1990, was eventually handled by a tripartite conference of government, trade unions and employers. This was apparently inadequate since the representatives of the taxi drivers, who had initiated the blockade, were left out of the televised negotiations. The government had to improvise, but this improvisation implied a long-term decision, i.e. that if it is necessary to talk to representatives of society between general elections, then it would be better to talk to a structured representative organ than to those making riots and paralysing traffic.

Since the liberal parties then represented the main opposition to the right-of-centre government, the main hero on the union side was Pál Forgács, the veteran president of the Liga. Forgács used to be the foreign affairs chief of SZOT. He retired and was invited to head the Liga by the liberal academics who had initiated the setting up of that federation. Despite representing a much larger organisation, Nagy had to follow the debate from the second line.

MSZOSZ came out with a massive strike initiative in May 1991. It was, in fact, the only threat of a general strike during the transition years, when the masses were angry enough to take to the streets to force the government to abandon its planned price increases (for electricity, transport, etc.). Faced with this readiness of the people to go on strike, the government compromised and withdrew some of their policies.

This compromise was followed shortly afterwards by a powerful attack on MSZOSZ. On an initiative from the three parties, the Young Democrats, Free Democrats and Democratic Forum, parliament passed

two bills. One of them required all trade unions to re-register their membership. The second required them to redistribute trade union assets according to size and influence. Obviously, the assumption was that the property of MSZOSZ could be taken by the Workers' Councils and by the Liga, supported by a strong media campaign against Nagy and other MSZOSZ leaders. A period of intense fighting began.

### **The struggle for influence and survival (1991-1993)**

In this new situation, MSZOSZ saw it as important to strengthen their links with the Socialist Party. There had already been so-called trade union forums organised in the Socialist Party headquarters in order to bring together Socialist Party political figures with trade union leaders and activists. The Left Alternative, an independent movement of left activists, played a crucial role in organising these forums. Following the two trade union laws, the Socialist Party president, Gyula Horn, appeared at a forum together with Sándor Nagy. A formal co-operation agreement between the party and the trade union federation was accomplished.

The survival strategy of MSZOSZ involved quite a bit of streamlining. The central bureaucracy of the federation was slimmed down. The trade union research institute, which had the potential to become a competitive social science and economic science research centre, was reduced to just a handful of researchers and staff and moved to the federation headquarters. External links were also important to demonstrate the legitimacy of the renewed federation. MSZOSZ thus strengthened its links with the international trade union centre in Brussels and built close links with the Austrian and German federations.

The unions linked to the liberal and conservative parties were much better endowed for their campaign. It was not only the Liga but also the Workers' Councils that received substantial support from the AFL-CIO. Delegations from both were invited to Washington where they negotiated with Treasury as well as with World Bank officials about the possibility of co-operation.

Despite the ongoing struggle between the federations, they were still able to co-operate within the tripartite bargaining system. Altogether seven trade union federations took part in the process although the Solidarity trade union was later excluded from the Round Table due to its lack of discipline.

Having triggered the two-year struggle for redistribution of union property, the government was sitting comfortably without major union unrest. In fact, this was the period of structural adjustment when the most significant contraction of the Hungarian economy took place. Fighting for re-registration and organising a national campaign, the unions did not do too much against plant closure and massive lay-offs. The number of unemployed passed half a million in the spring of 1992 and has remained stagnant at around 12-13 per cent ever since. The unions had little influence on the three new labour laws that came into force on 1 July 1992 (one general labour act that deals in detail with the competitive sector and two acts dealing with public sector employment).

Trade union activity has been much more significant on a national than on a local level. Local trade union organisation have been very weak and have neither the resources nor the strategy to fight for better conditions. Union actions have been successful in some cases where the unions were able to lobby jointly with management and influence government policy towards their industries. This happened, for instance, in coal mining and, to a lesser extent, in steel. The unions in both these sectors are affiliates of MSZOSZ.

The final battle between the competing federations took place in May 1993 with the general election to the social security boards (pension fund and health insurance fund). This was one of the strangest elections of all time: nobody knew why the entire population had the right to vote on issues affecting the trade unions of which not everyone was a member and for membership of boards that, in many cases, had nothing to do with their money. Nevertheless, some 40 per cent of the electorate took part.

Despite four years of intense anti-Communist propaganda, the new unions didn't do as well as everyone had expected. In fact, MSZOSZ won majority control of both boards (see table). Sándor Nagy became chairman of the pension fund and László Sándor became chairman of the health insurance board. A year later, Nagy ceded his chairmanship to his friend, Professor Tamás Mészáros of the Budapest University of Economic Sciences. The elections were also the basis for representation in works councils and settlement of the dispute over union property.

<b>Election of Trade Unions to the Social Security Boards, May 1993 (per cent)</b>		
	Health	Pensions
MSZOSZ	45.22	50.10
Liga	19.13	10.07
Workers' Councils	12.80	10.91
Autonomous	5.37	4.30
SZEF	8.39	10.59
ESZT	6.79	5.18
Christian	8.41	7.34

### **A period of decline (1993 - ?)**

The 1993 election success of MSZOSZ showed that popular opinion among the working class was shifting towards the left. The results were also a foretaste of what was to come in the general election the following year when the Socialist Party went on to win 54 per cent of the seats in the Hungarian parliament.

Trade unions had played virtually no role in the previous elections of 1990. At that time the election was dominated by the big issues of one-party rule and the orientation to the Soviet Union. But this situation had changed dramatically by 1994 and the Socialist Party was now making strong efforts to forge an alliance with the trade unions. In the May Day celebrations from 1992 onwards, the Socialist Party leader, Gyula Horn, appeared on a common platform with Sándor Nagy. In the 1994 election, Nagy was number two on the Socialist Party list, although this had been opposed by supporters of László Békesi, later to become finance minister for a time in the Horn government. Together with Nagy, nine trade union leaders were elected to parliament on the Socialist Party list. The Socialist Party won 209 seats overall.

The Horn government did not promise a financial bonanza for wage earners. On the contrary, the new government had to confront a historical twin deficit (budget and current account) that had got out of control in the final two years of the conservative government. The Socialist



Party then attempted to introduce a stronger version of the tripartite bargaining process and aimed for a quick “social and economic agreement” between government, unions and employers. The attempt collapsed in January 1995 when it became clear that the dire economic conditions were unacceptable to the unions. Indeed, the austerity programme introduced by the Socialist Party’s finance minister at the time, Lajos Bokros, reduced real wages by 10 per cent in 1995.

The Socialist government’s austerity package of March 1995 was a blow to union support for the Socialist party. When the government announced its stabilisation policy and plans to privatise some public services, opinion polls showed that some two-thirds of the population were outraged. The unions, however, did not rush to ride the wave of popular discontent. Most of them maintained their loyalty to the government. Gradually, however, representatives of the public sector began to mobilise resistance, especially when it was announced that the government wanted to introduce a fundamental reform of the public sector.

As a result, a new division emerged within the trade union movement. Since industrial recovery has been under way since 1993, and perhaps even since 1992, unions in the competitive sector visibly turned their backs on any kind of militancy. The public sector, on the other hand, was still headed towards decimation of its labour force. Public sector union leaders therefore had to take a stronger stand against government plans.

In spite of open cleavages, the Socialist Party leadership never contemplated a break with union leaders, not even with the most militant ones, for instance, Mrs. Szöllósi, the president of the teachers’ union. Union leaders, and particularly Mrs. Szöllósi, have been regular targets of the Free Democrats, the coalition partner of the Socialist Party. They see the unions as a major obstacle to further marketisation and austerity, and not without reason. Sándor Nagy clearly represents an economic policy paradigm with more state intervention and dirigisme. Whenever the Prime Minister wanted to give Nagy some ministerial position, the Free Democrats treated it as a *casus belli* and forced Horn to abandon the idea. In late 1995 Nagy resigned from his position as leader of MSZOSZ in order to prepare himself for some position in the party. At the time of the March 1996 Congress of the Socialist Party, he had still not achieved this ambition.

László Sándor became the new president of MSZOSZ. Although a less colourful person, and with a weaker membership behind him, Sándor has managed to maintain the bargaining position of the union federation on a national level. In fact, the immediate cause of the resignation of the finance minister, Lajos Bokros, in February 1996, was a vicious dispute between him and Sándor over the management of the health insurance fund. They traded personal insults during a government meeting, for which the Prime Minister apologised. Bokros resigned.

Although there have some conflicts of this kind, the trade unions have not yet declared open opposition to privatisation, liberalisation and other transformation policies. In some cases they have genuine reason for concern since some multinational companies don't want any trade unions in their factories. There was a major dispute over this issue with the management of Suzuki in Hungary. In other factories, however, management is actually looking for a trade union to negotiate with. There have been a number of cases where collective labour contracts, required by law, have not been signed because there are no representatives of the workers to do so.

A main source of instability is the declining membership and material resources of the trade unions. None of the unions release membership figures although it is widely believed that the level of unionisation has fallen below 50 per cent. The Liga and the Workers Councils are in a particularly severe crisis because, having failed to build themselves up into hegemonic federations, they have been losing external support. Competition between the various trade union federations is at a very low level. Even the stronger union federations face severe constraints on their activities. Industrial recovery would help but even that wouldn't automatically lead to a recovery of trade union power or give workers a greater say in how the economy is managed. •

*Apology: We apologise for some inaccuracies in the printing of Susan Zimmermann's article ("Hungary's New Left") in the previous issue (No. 53). The final four lines on p. 55 should have read: "At the beginning of the meeting, Tamás Krausz demanded the resignation of the finance minister, Lajos Bokros." György Wiener, described on p. 54 as an economist, is actually a political scientist and was a member of the People's Democratic Platform. We apologise to our Hungarian colleagues for these inaccuracies.*

**Christine Engel**

## **Literature in the Transition**

### **Literature in Eastern Europe after the Turn to the Market**

In the societies of Eastern and South-Eastern Europe before the transition, the writer's image was what it had been in the romantic period of the 19th century - genius, seer, prophet, teacher. At the same time, the main function of literature was to be a didactic and stabilising element. Books were published for the ideological education of the masses, not for profit: books were a political object and not a commodity. The extent to which this was already well anchored in the tradition differed from one country to another, but what they all had in common was the fact that after 1945 an institutional framework was established, based on the Soviet model, that secured this legitimating function. The function of literature and of cultural practice in general was to present a public image of a society in harmony with itself. This entailed a denial of social or cultural differences and a covering up of many fundamental problems. The image suggested was of a society in which everything was ordered, transparent and secure. This critical deficit and defunctionalising of literature was rewarded by the political establishment with a high degree of social security and social prestige for the writers. Any alternative culture that tried to maintain its artistic or political distance was repressed. This led to a situation in which the social role of the writer was measured in terms of their closeness to or distance from power, a criterion that applied to unofficial as well as

to official literature.

In Western European literary criticism this led, in the 1970s and 1980s, to a simplified dichotomy in the evaluation of literature from the East: good literature was equated with dissident and emigrant literature and the dissident writers were placed on a high moral pedestal. They could also be made to fit into the role of martyr. This simplification prevented Western European literary criticism from seriously engaging itself with the fundamental problems of literary production in the East and hindered a proper understanding, for instance, of nationalist currents, for which the main vehicle of ideas was underground literature. This black-and-white polarisation also prevented an adequate appreciation and reception of the critical potential of writers whose works were being published in the state publishing houses. This situation was one of the reasons why, after 1989, there was still quite a lot of misunderstanding and non-comprehension in the East-West inter-cultural exchange. It is only now, at a certain emotional distance and very slowly, that some of these problems are being seriously worked on.

The political transition in Eastern and South-Eastern Europe was also accompanied by high expectations in the area of culture. One type of explanation for why these expectations were not realised, at least in the case of Russia, draws attention to the uneven development of glasnost and perestroika during the period of the Gorbachev reforms. Glasnost developed rapidly out of control while perestroika hardly got off the ground. The Hungarian writer, György Dalos, has suggested that it was this tension between the two that led to the final collapse: while the literary publishing system gradually broke itself free from all the taboos, particularly following Pasternak's rehabilitation and the publication of *Doctor Zhivago*, the social transformation led, at the same time, to the collapse of the state financing of the publishing system and of the system of remuneration for authors.<sup>1</sup>

This explanatory model needs to be expanded. In particular, we need to ask what it was that led to the rapid collapse of the institutional infrastructure and why a similar development occurred, although somewhat later, in the other countries of Eastern Europe. This development had to do with a dramatic shift in values. The new idea, mythologised after the turn of 1989/90, was the market and with it, the concept of pluralism. This was seen initially in a totally positive light

and, in the area of culture, it appeared to hold out great hope. In those early years after 1989/90 it was the market that constituted the intellectual counter-image to the traditional hierarchic cultural structure with its rigid ranking order of names, themes, styles, genres and disciplines. It was free competition, not quality or perceived public need, that would now determine whether a book or other cultural product would find an audience. The market, although never all that clearly defined, was something that, once in operation, would make it possible for the individual to sort out their own tastes and cultural needs. From the point of view of the cultural producers, however, the reality was to be a bitter experience - one of cultural loss for society as a whole, a loss of prestige for themselves as a social group, and a loss of individual social security which, in many cases, led to impoverishment. Literature was marginalised and what was once seen as a prestigious institution became a purely private matter.

If we put the emotional experience to one side, what we see in Russia is the transformation of a vertical, centralised and bipartitioned cultural order into a horizontal, unitary but deeply contradictory cultural situation. It is burdened by the historical and ethical mutations of the past and everyone involved has to learn to construct a new normality for which there is no clear model. "What is new is the dynamic tension of this culture which has no rules, no direction and no unified style. The contours of the new multi-nodal structure are determined by an almost exclusive orientation to money".<sup>2</sup>

Marginalisation and market orientation are characteristic for the literary situation in practically all the states of Eastern and South-Eastern Europe. The intensity and the pace of development in different countries are dependent on a number of factors: the political and economic situation, the post-1945 tradition, the stage of nation and state formation and, for the Balkan states, the violent conflict. A reorientation had already taken place in Poland in the 1980s, particularly among young writers who broke out of the opposition ghetto, for instance, the "Brulion" group in Krakow. The emergence of different regional centres is characteristic of Poland. Writers are usually grouped around some journal. In Krakow this is *Brulion* and *Naglos*, in Posnan *Czas kultury*, in Lublin *Kresy* and in Gdansk *Titul*. At the other end of the scale, the process of normalisation has hardly even begun in Ukraine. The process of state- and nation-

building in Ukraine has created a new need for mythic legitimization, which means that writers and literature are still closely tied into the political process.

## **Writers and politics**

The high levels of expectation that existed in the early years of the transition, when it was still assumed that there would be a social role for literature and a political engagement on the part of writers, can be seen in the high public profile of politically engaged writers, for instance, Valentin Rasputin in Russia and Vaclav Havel in Czechoslovakia. The intellectuals from the dissident scene felt called upon to guide the destiny of their countries.

In Ukraine, where it was the writers and intellectuals who first initiated the movement for national independence, this is still the case. Writers such as Ivan Drach, the founder of the Ukrainian national movement, Rukh, or Scerbak, whose political career took him from being the founder of the Green Party, to environment minister and eventually to Ukrainian ambassador to Israel, later to the USA, feel themselves called upon to be the conscience of the nation and they want to live up to that role. Since Kuchma became president many of these nationalist writers has been pushed out of public life but the polarisation of political forces in that country has not yet forced the writers out of the public political domain. Writers don't just support particular parties, they are themselves party leaders. B. Iavorivsky, for instance, is president of the Democratic Party of Ukraine, which has more writers and intellectuals in its ranks than any other party. S. Plachynda is leader of the nationalist-oriented Peasants Party. The party structure of Ukraine is still very under-developed, making it possible for individual personalities to play a high-profile role and put their personal stamp on the process of party formation.

In general, however, with the exception perhaps of Ukraine, the social role of the writer as adviser to those in power, as social critic, as moral authority and as enlightened educator of the people, has played itself out. The chance for writers and intellectuals to influence political development never really came. In Russia today writers are not found in either press or television: Solzhenitsyn's television programme was discontinued a long time ago.

Although this may have been a painful process for the older

generation of writers, younger writers no longer identify with or aspire to such a role. Today in Russia there are no writers in parliament or in the leadership of political parties. Writers who supported Yeltsin, for instance, Bakalanov, Okudzhava or Chudakova, found their position increasingly untenable as a result of the war in Chechnya. Although writers such as Bondarev, Belov and Rasputin support national-patriotic and Communist currents, their influence is insignificant.

A similar development occurred in Croatia. Although there were manifestations of patriotism among writers in recent years, their main aim, apart from the producers of purely nationalist literature, has been to defend the aesthetic value of literature and its function as art. There are individual writers that have been prominent in their support for the regime, for instance Aralica, but in general writers have kept a distance from the government and from the ruling party.

### **Writers' organisations**

The extent to which writers have been socially marginalised becomes clear when we look at the situation of the writers' organisations. In earlier times it was these organisations that exercised a decisive influence over the writers, for good or ill. The process of eliminating independent literary groupings and denying them outlets for printing and publishing in the 1930s led to the creation of unified, centralised structures of literary production. In addition to the Writers' Union, which brought all writers together in a single organisation, the Institute of Literature centralised the education of the upcoming generation of new writers and functioned as a selection instrument for the new literary cadres. The monopoly over the production and distribution network meant that only writers that were members of the Writers Union could have their works published. This not only restricted and channeled the literary discourse, it also made the personal welfare of the individual writer dependent on adherence to the rules of the Union. The restrictive process of enrollment also affected the age structure of the literary institutions; older writers dominated and it was very difficult for young writers either to have their works published or to play any meaningful role inside the institutions. This gerontocracy inside the Writers Union was so extreme that, at the Writers Congress of 1986, not a single writer delegate was under 30, only three were under 35, 15 were under 40, while 250 were over 60 and 100 were over 70.

The fact that membership of the Soviet Writers' Union did not depend on literary productivity was indicated by the fact that, during the whole history of the Union, only 8 per cent of its members achieved an output of 25 publications.

The Writers' Union created not only restrictions but also numerous privileges for writers. In addition to the financial rewards such as a guaranteed income, payments for publications and grants from the literary fund, it also offered non-financial advantages, for instance, the Writers' House in Moscow, holidays in sanatoria owned by the Union, facilities for carrying out their literary work, dachas in prestigious locations, and special hospitals in the case of illness.

The Union also created a highly articulated system of literary recognition that included, for instance, number of copies published, the publication of selected or collected works, access to the mass media (works produced on the radio or filmed for the television or cinema) and to schools (works made part of the school curriculum). The internal hierarchy of the Union itself was supplemented by the system of state awards and orders and crowned with a state burial.

With the collapse of the Soviet Union in 1991, the unified Writers' Union also disappeared. The successor organisations have been engaged in a battle over its wealth and property. The activities of the rather inert Democratic Union of Russian Writers and the somewhat more active National-Patriotic Union of the Writers of Russia have been restricted almost exclusively to fighting over the inheritance.

In Ukraine, the writers' organisations continue to engage themselves as defenders of national independence, especially during elections when they enter the public political sphere with manifestos and open letters. Their literary importance has declined in recent years but they still provide an important service function, for instance making sure that paper supplies are delivered and materially helping out writers in special need.

In the remaining countries, the political and social significance of these institutions has declined. Whereas before the transition they were a forum within which certain social problems could be discussed, for instance, birth control or minority rights in Hungary or Romania, today they concern themselves more with efforts to win state grants for their members. The Writers' Union in Croatia has also assumed this servicing



or mediating role between writers and the state. In Poland the Writers' Union lost its social significance already in 1981/82 and began to develop decentralised structures that left the initiative to regional groups. This regional decentralisation failed to develop in the Czech Republic and all initiatives are concentrated in Prague.

### **Promotion of literature**

As a result of the general economic misery and partly also of the legitimisation crisis of the writers' unions, these organisations are no longer able to provide any kind of support for the profession. The promotion of writers and the variety of literary prizes that have replaced the old system or at least are attempting to create some kind of financial incentive can not hide the fact that the writer as career with professional status practically no longer exists.

Such measures as do exist have also shifted the criteria away from the writer's relation to politics and to power in the direction of literary quality. This is not, however, as was the case previously, a well-known and already established "quality". It is a quality, the criteria for which are still in the process of being established. It is no longer enough today to be a writer from a one-time circle of dissidents or to choose a politically controversial theme - literary quality is called for.

Although there has been this movement in the direction of the search for quality, state support for literature is very under-developed. What state subsidies there are tend to go to the fine arts and to the theatre. Subsidies from the world of business are just a drop in the ocean and do nothing to alter the structural problems in the system of public support. Ukrainians from the North American diaspora often fund literary prizes but in the other countries what sponsorship there is from businesses or banks tends to go to support literary journals. For instance, the Soros Foundation subsidises literary journals in Russia by paying library subscriptions. Payments to writers have increased from the few publishers or journals that have managed to find sponsors, for instance, the journals *Znamya* and *Inostrannaya literatura* (payments ranging from US\$70 - \$100 for 24 typed pages). Innovative writers such as E. Popov, V. Sorokin, D. Prigov or V. Narbikova also receive grants from Western European and American foundations and from universities. In Poland state subsidies go mainly to well established journals that have been on

the market for decades, for instance, *Tworczosc*, *Dialog* and *Literatura na Swiecie*, although a few new journals in the regions have also been able to attract support.

## **Publishing**

Publishing has become increasingly privatised. In the aftermath of 1989/90, at a time when there was still an intact profile of literary publishing, a large number of new publishing houses were set up in Russia and Eastern Europe that soon went bankrupt. This was the case in Czechoslovakia in 1990, for instance, when quite a few publishing houses were established, among them Odeon and Panorama, with print runs of 50,000 and more. Obviously it was thought that big profits could be made. But a shift in public taste away from certain literary genres, the collapse of the traditional state system of guaranteed purchases as well as the enormous rise in the cost of paper led to the collapse of almost all of these projects. For publishers in ex-Yugoslavia the collapse of production levels was exacerbated even further by the disintegration of the all-Yugoslav market. In spite of this, a number of small publishers set themselves up not only in Zagreb but also in Dubrovnik, Osijek and Split, devoted to contemporary Croatian literature. The publishing house Durieux in Zagreb published Croatian and Bosnian literature in print runs of 1,000 to 1,200. In Poland most publishers of contemporary literature are privately owned. State publishers confine themselves to critical works dealing with the country's literary heritage.

Private publishers are also dominant in Russia (more than 7,000) and are even used by the state itself. The big famous state publishers, for instance, Molodaya Gvardiya, Raduga or Nauka, no longer exist. The state publishers that do still exist publish hardly any contemporary authors and the fees they pay are extremely low. Among the private publishers, some have devoted themselves to popular detective novels and romances and they pay their authors reasonably well. Some writers take advantage of the chaos in publishing and publish their "serious literature" in the established journals such as *Znamya* or *Novy Mir*, while publishing their more "popular literature" under a pseudonym with the "commercial" publishers, a concept that still has negative connotations in Russia. The private publishers that still publish aesthetically more serious works are almost exclusively supported by private sponsors and

sell their books in small private outlets in the major cities.

In Russia there has been a major decline in new publications, down from 45-47,000 in the mid 1980s to 29-30,000 in 1992-94. This decline is not entirely negative since the earlier figures would have included a lot of political-propaganda literature. New editions, especially of translations, are quite frequent. There have been new editions of authors from the pre-revolutionary period, mostly in the form of collected works. Scientific works and belles lettres are now having print runs of between 1,000 and 5,000, comparable to the situation in the Western European book market. This is, of course, a ten-fold reduction from the print runs of the Soviet period. There has also been a major reduction in the number of journals published (from 3,500 to 2,100 in the period 1992-94) and in the size of their print runs (a fifteen- to eighteen-fold reduction in the same period). The previous market leaders, the “thick journals” such as *Novy Mir*, *Znamya* or *Druzhba narodov*, now print between 20,000 and 35,000 copies, one third of which is bought by the Soros foundation. In the period 1988-1990, the print run of these journals was between 800,000 and 2,500,000.

In Ukraine, however, privatisation has made very little headway in publishing. Most publishing houses are still state financed and are often run by organisations like the Writers’ Union. These publishers have major financial problems and difficulties in acquiring paper. Some works in progress have had to be cancelled, as was the case with the major *Encyclopedia of Literature*, of which only two of the originally planned five volumes have been published. Scientific books and specialist journals are very hard hit, with journals appearing months behind schedule. Private publishers are only just being set up and depend largely on foreign sponsors.

## **Book prices**

There has been a very big increase in the price of books since 1989/90. The problem before 1989/90 was not finding the money to buy a book but finding the book. Today, relative to other living costs, books are a luxury. In the Czech Republic today, with an average wage of 7,000 crowns, a new book will cost around 150 crowns. In such circumstances people will think seriously before laying down money for a book. Book distribution, however, has improved, there is more on offer and bookshops

have begun to specialise. In many countries, the book kiosks and book tables on street corners have already disappeared. In the few countries where they still exist, they respond completely to popular demand and taste; there is a big demand, for instance, for English dictionaries which therefore sell at quite a high price. With low average income in Ukraine, books are beyond the reach of the vast majority of people. In Russia, the ratio of book prices to other living costs is comparable to what it was in the 1970s. A book in Russia will cost between 4,000 and 40,000 rubles (\$1 and \$7). A paperback will sell for between 6,000 and 8,000 rubles, a hard-cover action novel for \$5, and a scientific or religious book for between \$10 and \$30.

## Readers

The time of large-scale book production that took no account of what readers might really want is now over. The increasing refinement of literary taste, a feature of all these countries but especially of Russia, has come to an end. The phase of large pent-up demand for what had previously been forbidden, the consumption of everything that came from Western Europe or the USA, is also now finished. This short-lived phase was typical for those countries in which the censorship had been particularly severe. In countries like Croatia, where Western products, including esoteric literature, were always available, this catching-up phenomenon was not so intense. There has been a greater degree of continuity in the Croatian book market, with a steady demand for contemporary Croatian literature. Croatian literature has also succeeded in avoiding the kind of provincialism that is often one of the effects of war. It was able to cope with its newly restricted market and avoided, by and large, the danger of becoming a tool of nationalist forces. With some stylistic links to the traditions of the Mediterranean renaissance and the Central European baroque, Croatian literature has established for itself a definite cultural identity that has also been willing to address controversial themes.<sup>3</sup> In one niche of the market there has been the development of a specifically Croatian crime novel, an easy-to-read accessible literature that also is able to address social and political problems. For instance, Pavao Pavlicic publishes two crime novels a year, with a print run of 5,000.

The situation in Poland is not all that different from that in Western Europe. The wave of enthusiasm for popular literature has receded and

serious literature has once again found its place. There is widespread interest in international themes - women's literature, literature and jazz, the classics of French and American philosophy.

Among younger, educated city dwellers in Russia, there is an increasing interest in avant-garde literature of the previous generation, esoteric, oriental and mystical literature. In principle, the reading public can now freely choose what it wants to read and there are bookshops that cater for special interests, be it experimental prose, lyric or philosophy. There is a big readership for crime and action novels that have no interest whatever in social problems but which take their raw material from actual criminal cases and from the wider sphere of the activity of the Russian mafia. The print runs for novels of this kind is in millions. Another popular genre in Russia is the sentimental novel that deals mainly with emotional conflicts from the world of the well-to-do classes. This is a demand also nurtured by television programmes and videos. In the early 1990s there was an interest in books that looked critically at the past, a literature of revelation and exposure, but interest in this type of literature has now waned.

In Ukraine there has been very little enthusiasm for post-modernist currents. There is still a big demand among intellectuals for taboo literature that addresses the nationalist themes of the 1920s and 1930s and for literature from the Ukrainian emigration that was not available during the Soviet period. The average reader, however, is more interested in esoteric literature, crime novels and novels based on historical (not necessarily Ukrainian) personalities.

At this stage it is difficult to make even a preliminary assessment of writers and literature in Eastern and South-Eastern Europe following the transition of 1989/90. From the standpoint of the writers and cultural producers themselves, the transition represents loss and cultural decline. Looked at from the outside, the situation has many similarities with what existed in Western Europe in the 1950s. One may regret the fact that literature is losing the social role it once had, something that has also been happening in Western Europe. However, whatever difficulties the social situation may be creating for the writers of Eastern Europe, the detachment of literature from state power can only be good for literature. Only the future will tell what the new normality will look like and what will be the function of writers and literature in these societies.

1. György Dalos, *Vom Propheten zum Produzenten. Zum Rollenwandel der Literatur in Ungarn und Osteuropa* (Vienna, 1992).
2. Karl Eimermacher, "Russland: Kultur im Umbruch", in: *Osteuropa*, No. 3, 1996, pp. 211-224.
3. Aleksandar Flaker, "Literary Dignity", in: *Vijenac. The Matica hrvatska paper for literature, art and scholarship*, No. 46, vol. III, Zagreb, October 1995, p. 3.

## Reviews

D Gros and A Steinherr, *Winds of Change: Economic Transition in Central and Eastern Europe* (Longman, 1995, pp. xv + 544, £22.99) and M Lavigne, *The Economics of Transition: From Socialist Economy to Market Economy* (Macmillan, 1995, pp. xvi + 295, £14.99).

These books represent two of the first attempts to write textbook overviews of recent economic changes in Eastern Europe. As it happens, they mirror one another neatly, the strengths of each matching the weaknesses of the other. One reason for this is the way in which they embody different conceptions of what a general account of transition might mean at present.

Very generally, there are two main approaches to the question of the nature of such an account. One strategy is to view changes in the East as not essentially different in character from stabilisation and marketisation programmes which have taken place elsewhere in the last two decades. Thus, there is no special theory of transition which needs to be applied to Eastern Europe; the task is rather to use the general approaches that have been developed with regard to these other areas. This might take the form of a positive account of such programmes, viewed from the standpoint of the IMF or OECD, for example; or a critical account such as that provided by various analyses of 'structural adjustment' programmes in Africa and Latin America. A second approach is to view the Eastern European transitions as something distinct and unprecedented. On the basis of an account of these transitions one might then hope to develop a theoretical account of the transition between different economic systems, which could then be generalised. In short, one can either take established theory and apply it to the Eastern European case, or start from what has happened in Eastern Europe and try to move towards theoretical innovations.

Daniel Gros and Alfred Steinherr follow the first approach in their book. Their background is squarely within the world of the

international institutions; Gros is based at the Centre for European Policy Studies, Steinherr at the European Investment Bank. They are supportive of the general approach to the establishment of a market economy that has been advocated since 1989 by Western advisors in the region. Within this general framework, they are closer to the advocates of 'shock therapy' or a 'big bang' approach to changes than to gradualist views.

They support rapid privatisation based on free distribution of shares, devaluation coupled with a fixed exchange rate, and a strong role for universal banks combining shareholding and lending responsibilities. Given this general standpoint it is not surprising that they are very favourable towards the policies followed in Czechoslovakia and in the Czech Republic. They write that "our basic tenet is in perfect agreement with the 'Ten Commandments for Reforms', as formulated by the Czech Prime Minister, Vaclav Klaus" (p.107). Their judgement is that "in the Czech Republic (and the Czechoslovak state before) the reforms were successful mainly because there existed an efficient and honest administration that did implement the new laws as intended, state managers were effectively controlled by the government prior to privatisation and the newly created fiscal administration was able to produce enough revenues to balance the budget. Moreover, strong support from most political parties and the population at large made the reforms credible in the sense that the perceived risk of reversal or macroeconomic destabilisation was close to zero" (p.92). This situation is then compared to that obtaining in Russia.

Gros and Steinherr assemble a great deal of factual material and provide a very useful summary of the first five years of academic economic debate about the transition. They begin by looking at the collapse of central planning, then set out their proposals for establishing a market economy, and go on to look individually at German unification, reforms in Central Europe, the break up of Yugoslavia and the USSR, the Russian economic reform and Eastern economic relations with Western Europe. Their book is very comprehensive and thorough. There are two main questions though which have been raised from the Left about this kind of account, neither of which they confront.

Firstly, there is the question of the distributional effects of the transition and the impact it has on working people and their families. Gros and Steinherr are fairly brisk about this question. Distributional



issues are to be solved by the market, with the role of government restricted to the operation of the taxation system. If competing claims to the output of the economy are too large then they should be controlled by tight monetary and fiscal policies. Their comments on social security (by which they mean pensions) are illustrative: "in a market economy, if employers are forced to shoulder a social security burden as heavy as in some of the former socialist countries, this can only give strong incentives to underground economic activity to evade payment.... A major overhaul of the entire social security system is a pressing agenda item in all reforming countries. In practice, they may have to increase the retirement age, subject would-be pensioners to closer scrutiny, especially for disabilities, and generally reduce the number of beneficiaries and the level and coverage of benefits" (p.180).

With regard to wages they are sympathetic to the view of Jeffrey Sachs that falls in Central European real wages have been overstated, due to insufficient attention being paid to the costs of queuing and the quality of goods. They write that "some reduction in real wages might thus have taken place initially. However, it would be wrong to interpret this necessarily as a fall in welfare or standard of living. In most countries the efficiency gains in consumption, production and trade will have more than outweighed the limited fall in welfare-creating production" (p.127). The idea that the shape of the transition in Eastern Europe may have been in large measure moulded by issues to do with distribution; in particular the transfers of wealth allowing a stable capitalist class to develop; is absent from this book.

The second issue which Gros and Steinherr tend to skate around is the question of restructuring. The tacit assumption in their work is that the removal of the old apparatus of central planning and the creation of the institutional structure of a market economy will, in the absence of destabilising policies, almost inevitably lead to economic restructuring. They base this view in part on experience elsewhere. For example, they claim that "in some Latin American countries state ownership was more pervasive than in Western Europe and the price in terms of bad economic performance was also correspondingly higher. Countries like Argentina stopped growing for 50 years and resumed growth only in the wake of structural reform and extensive privatisation programmes" (p.188). Similarly, looking at Latin America in the 1980s, "in Chile and Mexico

it took a long time to achieve sustained growth. Stabilisation, clarity in tax and property rights rules, and a low but positive real rate of interest were the key to obtaining a strong investment response, but it took years to get these three elements in place” (p.177). With regard to East Asia, they ask “what is the fundamental difference between fast-growing East Asian countries and stationary poor countries elsewhere? The preconditions are precisely the institutional changes discussed here ... appropriate property rights, a stable legal and administrative environment, trade with the rest of the world, and so on” (p.140).

There are three immediate questions that can be raised in response to this line of argument. Firstly, it is not clear given, for example, the recent economic difficulties of Argentina and Mexico, that the policies recommended by Gros and Steinherr are as effective as they claim. Secondly, many would argue that the source of economic success in East Asia in particular was rather more complex, and considerably more to do with state involvement in the economy, than Gros and Steinherr allow for. Thirdly, even if Gros and Steinherr’s view of experience elsewhere is granted, it is still possible to argue that the Eastern European case is qualitatively different, in that what is involved is not simply marketisation within an economic system, but a movement between systems. If one or more of these queries is accepted then it ceases to be clear that the kind of combination of macroeconomic stabilisation, liberalisation and privatisation recommended here will necessarily lead to extensive industrial restructuring and future prosperity. Gros and Steinherr do not really face up to this issue.

It is here that Marie Lavigne’s book provides a useful contrast to *Winds of Change*. Lavigne adopts the second approach mentioned at the start of this review. Her aim is not to start from received economic theory, but from the experience of the countries undergoing transition. In her preface Lavigne makes her viewpoint very clear. She starts by noticing explicitly the slowness of structural transformation in the East and the questions raised by this. She distinguishes herself, as someone who has worked on the Soviet Union and Eastern Europe for more than thirty years, from those who have advised Eastern European governments on the basis of work done in developing economies. Finally she writes that in the East “economists and policy-makers alike endorse the fundamentals of neo-classical economic science. Their Western advisers eagerly support

this attitude, especially as the standard adjustment and stabilisation packages which they recommend are based on the same theoretical assumptions. I believe that the disillusion in the transition process will lead to a more complex approach, closer to the 'political economy' concept" (p. xiv).

Lavigne's book is much shorter than that of Gros and Steinherr. It contains no studies of individual countries or regions. Essentially a fairly compressed account of the operation of the central planning system and its collapse is followed by three thematic chapters; on macroeconomic stabilisation, privatisation and structural reforms, and external economic relations; finishing with a brief conclusion. The emphasis is on succinct description of what has happened in the region since 1989 and of some of the main reasons for these developments. There is some discussion of the academic literature on the transition, but it is much more limited than in the Gros and Steinherr book.

Lavigne's intention to provide an alternative account of the transition to the orthodox set of prescriptions outlined by Gros and Steinherr is welcome. However, in the space available, and given the way the book is structured, she does not really manage to do this. What she does do, and this is extremely useful, is to provide a great deal of empirical material, often in tabular form, relating to the transition. She also outlines, without going into great detail, a number of important areas for further investigation. This is particularly valuable in the sections on external relations, which is Lavigne's specialist area. For example, if you want to know at a glance the exchange rate regimes and monetary payments arrangements for the various ex-Soviet republics then that information is provided by Lavigne.

However, the sheer weight of information provided militates against developing a detailed theoretical framework for the transition. This is compounded by somewhat of a reluctance on Lavigne's part to confront the theoretical arguments of the neo-classical writers in detail. For example, she refers to the debates over the sequencing of reforms, and between the shock therapy approach as opposed to gradualism, as now seeming "rather irrelevant" (p. 115). Clearly these debates now refer to policy choices that have been made. However, that surely does not negate their importance for understanding the process of transition.

A further example of Lavigne's occasional impatience with

theoretical explanation comes in her analysis of the reasons for the slowdown in Soviet growth after the mid-1970s. Both she and Gros and Steinherr refer in this context to work by Easterly and Fischer, which stresses the idea, originally developed by Martin Weitzman, that the slowdown was primarily due to the failure to substitute capital for labour. Lavigne writes that “apart from the fact that this looks like a rather trivial explanation ... we still remain with the question: why did the collapse occur so late?” (pp.93-4). Clearly this is an important question. But the fact that it remains does not invalidate the contribution made by Easterly and Fischer, or render their argument trivial. If the Soviet slowdown resulted from poor substitution then that implies firstly, that job rights and protection against unemployment played an important role in that slowdown; and, secondly, that the slowdown was reversible. If a way could have been found to redeploy labour then growth could potentially have resumed.

The main alternative view is that the slowdown resulted from falling productivity of both capital and labour, presumably caused at least in part by poor labour morale and discipline. Such a problem would not be solved by labour redeployment and is not easily reversible. Whatever one thinks about the relative merits of these two views, or of other possibilities, the debate is not a trivial one. On issues like this Gros and Steinherr provide more detailed discussion and information, though they do not always explain the points as clearly as they might.

More generally, Lavigne’s desire to counter the arguments of the neo-classical writers is weakened by the fact that she does not really discuss the theoretical underpinnings of their position in detail. It does not seem likely that the power of their account of the transition will be dislodged simply by empirical data (we have seen over the last twenty years how impervious conservative economics can be to empirical refutation in the West!), an alternative theoretical framework is necessary. Lavigne is also hindered in her wish to provide such an alternative by the fact that she accepts the desired endpoint presented by the neo-classical writers. Like them, her main goal is to see a functioning market economy in Eastern Europe, modelled on the West.

Her disagreements really concern just the way to get there. So, while she argues that they fail to provide an account of the role of the state in the transition, she is very cautious about advocating more state

involvement in the economy herself. The example which she does choose, the role of the French state in the 1970s in restructuring enterprises ready for privatisation in the 1980s, does not provide a particularly radical alternative to orthodox ideas, and is not very fully developed.

Both of these books will be very useful for students and others seeking a broad overview of economic changes in Eastern Europe. The chief virtue of Lavigne's book is the detailed data summarised therein. The chief virtue of the book by Gros and Steinherr is the very comprehensive presentation of the academic debate that has taken place on the transition and the empirical material on particular countries. However, neither book is able to provide a fully encompassing theoretical account of the transition. In particular the issues of the impact of distributional changes, the formation of class alliances and the nature of economic restructuring are not integrated into the accounts of the transition given here.

**Andrew Kilmister**

Archie Brown, *The Gorbachev Factor* (Oxford University Press 1996)  
ISBN 0-19-827344-4, £19.99

A new book on Mikhail Gorbachev, five years after the collapse of the Soviet Union, might seem something of an irrelevance now that he is a figure on the periphery of post-communist Russian politics. During the perestroika era itself much ink was spilt and numerous forests cut down trying to get to grips with the transformation not just of Soviet but of world politics taking place before our very eyes, surely yet another analysis of perestroika can tell us little about what is going on here and now. Archie Brown, and indeed this reviewer, thinks differently. It would be short-sighted in the extreme not to try and understand the dynamics of perestroika, a period of truly epoch-making importance. Now that some time has elapsed, it may be more possible than when events were actually

happening to provide a balanced and nuanced account of the six dramatic years when Gorbachev was General Secretary of the Soviet Communist Party, to establish Gorbachev's precise role in the USSR's disintegration and to delineate clearly the profound social processes at work, which may still be impacting on Russia's embryonic body politic and beyond.

To give Brown his due, and he has never been slow to remind us, he was one of the first Western political scientists to grasp the potential significance of Gorbachev. In 1982 he suggested that Gorbachev would make a future General Secretary and that, judging from his performance as Central Committee Secretary with responsibility for agriculture, he would have a reformist approach (Brown, 1982). Apart from Brown, only the American political scientist Jerry Hough promoted such a forthright opinion (Hough, 1982). Brown and Hough had been amongst the most ardent opponents of the totalitarian vision of the Soviet political system, which viewed it as monolithic and incapable of internal reform.

One should be careful not to accuse Brown of writing a book which he did not set out to write. He makes his intention quite clear in the introductory chapter that 'although this book does not concentrate exclusively on Gorbachev but attempts to put him in context, the main emphasis is, as the title indicates, on the Gorbachev factor. Such a focus is justified by the centrality of Gorbachev to the process of change' (p.11). Brown then suggests that 'a study in the politics of leadership cannot simultaneously be a study of everything else' (p.11). True, but the interrelationship between leadership and other factors needs to be made clear as failure to do so can create the impression of too much autonomy and control over the process of change.

After the introduction two chapters are devoted in fairly standard biographical fashion to Gorbachev's rise to power, discussing in turn how Gorbachev became a reformist and his ascent to the summit of the Soviet political system. While much of Brown's retelling of Gorbachev's early years is familiar, with the traditional references to the memoirs of Zdenek Mlynar, the emphasis is placed on how different Gorbachev was from other emergent apparatchiks, possessing the skills that would have made him equally at home in a liberal democratic system. Brown also suggests that the Gorbachev's' travels abroad in the 1970s and their contact with social democrats and dissident communists was of major importance in the evolution of their political ideas. This range of contacts

abroad and also at home with more unorthodox theorists, such as Tatyana Zaslavskaya, coupled with the increasingly poor performance of the Soviet economy pushed Gorbachev in the direction not simply of radical economic reform but also of political reform even before he became General Secretary in March 1985. In fact, Brown suggests he was already moving towards social democracy in his thinking but that he was constrained by the 'Leninist' political concepts at his disposal. But even then he utilised ambiguous concepts such as *perestroika* and *glasnost*, which could be filled with whatever content people wanted in order to pull the various apparatuses behind him. This resulted in a form of 'cognitive dissonance' which was gradually resolved by the increased employment of more overtly non-Marxist concepts: democratisation, radical reform, pluralism.

Gorbachev initiated the process of reform through personnel changes, particularly those of Eduard Shevardnadze as Foreign Minister and Aleksandr Yakovlev, and the appointment of key advisers such as Abel Aganbegyan, Anatoly Chernyaev and Georgy Shakhnazarov. Brown weaves a complex picture of the relationships between Gorbachev, his advisors, ministers and opponents, making use of a number of autobiographies and memoirs of formerly influential figures in the Soviet system published since the fall of the USSR. The illumination of Gorbachev's relationships with other leading figures is one of the strongest elements of the book.

Four chapters comprising about two-thirds of the book deal thematically with Gorbachev's policies in the areas of economic reform, political reform, foreign policy and the national question. These are followed by a brief concluding chapter.

For Brown, Gorbachev's greatest successes were in the areas of political democratisation and foreign policy, whereas economic reform and nationalities policy were failures. Brown's picture is of a radical reformer struggling to break out of the straitjacket of Soviet bureaucracy and he clearly identifies the constraints imposed by the structure of the CPSU. He suggests one reason for Gorbachev's comparative failure in economic policy was the sheer complexity of institutional relationships within which the industrial ministries were dominant, but that foreign policy reform was made easier by the fact that it was only the Ministry of Foreign Affairs which had responsibility for policy implementation, thus

making personnel changes, particularly Shevardnadze's appointment, of crucial significance. Brown's argument suggests that Gorbachev had a detailed strategy of democratisation but that, realising the constraints on his power, the restricted form of democracy represented by the proposed the Congress of People's Deputies was the only way of keeping conservative elements in check, by offering them something concrete, and thus preventing the danger of a coup (pp.179-182). This does not ring completely true, creating somehow the impression of Gorbachev as a disinterested outsider dispassionately assessing the balance of forces and determining the best solution at any particular time to avoid the least conflict rather than seeing Gorbachev's policy innovations as the outcome of clashes between real material interests in Soviet society, which included Gorbachev and his supporters.

The idea that "leadership" is in some way an autonomous category, divorced from other social phenomena, is the main drawback of Brown's analysis. Significant social upheavals, for example the miners' strikes of 1989 and 1991, warrant barely more than a few sentences. The linkages between what was going on in the Politburo and what was happening in the wider world are left vague with the result that some of Gorbachev's policy shifts are not explained other than by Brown's insistence that Gorbachev was already in favour of economic and political reform when he became General Secretary and that he underwent a learning process when in office. While John Dunlop has suggested that the 1991 miners' strike decisively shifted the balance of forces in Yeltsin's favour in the struggle between the centre and the republics, there is little of that flavour in Brown (Dunlop, 1993).

Despite methodological disagreements *The Gorbachev Factor* is an enjoyable read and, within the terms that Brown sets himself is a useful addition to the literature - well written, as one would expect, and synthesising a huge amount of material. I must admit I am more convinced now, having read the book, that Gorbachev's ideas for political reform and his evolution in a social-democratic direction were already beginning in 1985. While *The Gorbachev Factor* is set to become a standard text on the perestroika era, the definitive account, which combines the complexities of leadership struggles with the emergence of political activity at the base of society, remains to be written.



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## Rick Simon

Jeremy Lester, *Modern Tsars and Princes. The Struggle for Hegemony in Russia* (Verso, London, 1995) pp 320.

Jeremy Lester has set out to provide an understanding of the political struggle that has been taking place in Russia since the demise of Gorbachev and the collapse of the Soviet Union. The theoretical starting point and analytical framework are drawn from the work of Gramsci, which Jeremy Lester argues is uniquely relevant to the task and the period is characterised as one of a developing "hegemonic struggle". The author traces the roots of the notion of hegemony to Plekhanov, Axelrod and of course, to Lenin but notes that Gramsci

..... fundamentally alters the concept from a mere strategy in itself to a whole new interpretative category: a general systemic theory of political struggle that is by no means transfixed in one specific geographical or time warp. (p 4)

Jeremy Lester argues that the real essence of Gramsci's view of hegemony is the outward diffusion of power undertaken by modern states. This acts as a buttress both to state power itself and also to the underlying economic relations that primarily determine class structure. This outward diffusion

of power is achieved by

..... means of a complex and vast network of “organically conceived” political and social alliances, together with the creation of an ethical-cultural set of values, a dominant class has achieved the basis for establishing a form of rule over society as a whole on a consensual basis (pp 17-18).

The result of this process is

..... a plethora of organisations linked together in a historical bloc, cemented by a collective will which is capable of structuring and embodying the perceived national values and traditions of society (p 18).

On the basis of this analysis the key battleground becomes civil society. If the diffusion of power leads to active and direct consensual mechanisms then the stronger the hegemonic nature of the social structure and the more likely will be the reproduction of the class relations upon which it is based. In fact, following Gramsci, it could be argued that it was precisely the failure of the Bolsheviks to establish this diffusion of power and create a buttress of support within “civil society” that led to the degeneration of the revolution. Furthermore, if civil society is the key battleground, the key players are the intellectuals who have a central role within civil society in the creation of the ideological, ethical, and intellectual cement that holds the historic bloc together.

Part I of this work then deals with the context for a hegemonic struggle in contemporary Russia. In two chapters Jeremy Lester sets out the fragility of civil society in Russia and the obstacles, both contemporary and historical, to its emergence. In the first of these chapters he identifies the level of economic dislocation as a key element, along with weak party and class structures. His brief account of the economic background of the period tends to concentrate on macroeconomic characteristics, which he correctly concludes to be crisis ridden and chaotic but to some extent the deeper structural, technological and micro level constraints are even more important and more chaotic!

The second chapter deals with the emergence of “Caesarist tendencies” as a method of resolving apparent chaos and conflict. Jeremy

Lester asks the question to what extent does Yeltsin fit the characteristics identified in Gramsci's understanding of the phenomenon. As he points out the essence of the Caesarist appeal is to something as nebulous as "the people" but lying behind this apparent classlessness is "the ultimate perpetuation of the interests of one social class as against another" (p 69). What is clear is that Yeltsin as President has a predilection for "Caesarist solutions" and actually derives his power and influence from apparently standing above the contending forces. For example, he can be seen as part of the movement towards market reforms but simultaneously distance himself from the specific policies of for example, Gaidar or Fedorov. It is this ambiguity that has enabled him to cast off his former advisors and still remain in power. What Yeltsin represents is the old elite's attempts to get to the market, however circuitous that process may prove to be.

The second chapter also includes an insightful view of the past and possible future role played by the military. His comments on General Lebed (p 81) now appear somewhat ironic. He notes that Lebed is convinced that the concept of democracy in Russia has been so abused as to make ordinary people vomit but it is precisely the democratic process of the presidential elections that has propelled Lebed to his position on Yeltsin's right hand!

However, for this reviewer the context that Jeremy Lester identifies draws into question the basic theoretical framework he adopts. He argues that,

it is clear that the existence of a *quasi-civil* society; an economic realm subject to perpetual chaos, depression and criminalisation; *proto-political* parties; a weak sense of nationhood and statehood; a populist President prone to Caesarist solutions and a more politicised military hardly amount in total to the most optimal context in which to observe a genuine Gramscian-based struggle for hegemony (pp 81-82) (*italicised in the original*).

After this damning indictment of the context Jeremy Lester goes on to argue that nevertheless "**some** basic conditions" for such a struggle "do exist **somewhere**" and there is at least "**some** recognition by most of the combatants" that it is in their interests "to play by the rules of modern

hegemonic politics rather than the pre-modern absolutist rules” (p 82 my emphasis). It is not clear the degree to which these arguments are based upon analysis or wishful thinking. If the context is a difficult as Jeremy Lester suggests (and I would concur with the broad thrust of his analysis) then the specific notion of hegemonic struggle he seeks to utilise, becomes questionable.

The second part of the work then moves on to consider the “hegemonic combatants” and the author identifies three major contenders, Westerners, Russophiles and Centrists. The defining characteristic of the Westerners is the rejection of a specifically Russian road to development. In their various forms, they argue that Russia must embrace enthusiastically the western path to civilisation accepting “universal values” and creating a “normal society”. The Russophiles are identified as essentially anti-liberal and anti-western, the polar opposite of the Westerners, stressing Russian uniqueness. The Centrists are defined by their attempt to achieve “a cultural synthesis of their two major opponents” (p 179) and by a pragmatism which may become “rootless and amorphous” (p 208).

The first three chapters are structured in an identical manner as each seeks firstly to identify what defines the “Collective Will” of the combatants; then goes on to identify the “Social Base of the Historical Bloc”; thirdly, it explains how the “Political Base of the Historical Bloc” might be forged; finally, assesses the “Hegemonic Potential” of the combatants. Each of these chapters is based upon thorough, well-documented research as the author explains the evolution of their political thought and philosophy. In each chapter he also deals with the major contours of social support for each tendency, pointing out strengths as well as weaknesses. He also renders the, at times bewildering, proliferation of parties, groupings, blocs and fractions, understandable in a readable account of their development in the recent past. As a suggestion to any reader, it is worth consulting Appendix 5, which shows a schematic picture of the axes of conflict and disposition of the major political forces as of January 1995, prior to reading these three chapters.

What is clear from these three chapters is that none of these combatants has been able to mobilise nor solidify a wide range of social support. Furthermore, none of the combatants has been able to unambiguously control state/governmental policy which has reflected,

at different times and in different circumstances, a shifting relative emphasis on the westernising and Russophile trends. The hegemonic battle has clearly not been resolved in any meaningful way. A suggestion of how it has been partially resolved however, is given in the author's comments at the end of the section on the Centrists. He points out that a current common refrain is that "we are all centrists now!" I think this reflects a number of things.

Firstly, the reality that the centrist's position was a mixture of both pro-western liberal and Russophile leanings from the outset. Secondly, that power has essentially been exercised by the centrist's under the tutelage of the Caesarist Yeltsin. Thirdly, the division between the groupings was never as clear cut as we might like to suppose. Fourthly, the majority of all the combatants have their origins in the Soviet period and particularly within the Soviet elite and nomenklatura. The strategies, positions and philosophical positions outlined in these three chapters therefore, reflect various strands of a common heritage.

In the final chapter in Part 2, the author considers the possibilities for a future socialist hegemony. He once again provides an excellent account of the development and interrelationship between the different parties, blocs and groupings of the communist and non-communist left. Whilst he is undoubtedly correct to argue that the current position of the left in general is precarious, he also provides a sober assessment of the causes for optimism in the future. The objective development of the marketisation process, with all it entails, the commodification of labour, the growth of unemployment and even further disparities in income and wealth, can only provide a fertile ground for the future development of the left. However, this may well be a long road and the clarification necessary in Russia will not be easily achieved. Jeremy Lesters explains very well why this process will be difficult.

Ultimately this is a thought provoking, meticulously documented and well researched piece by an author who clearly knows the material. For this reviewer where the work is less successful is within the theoretical framework which fails to provide a convincing political economy of the transition from the Soviet ruling group into its present constituent contending elements. Nevertheless, it is still a work that merits careful attention and provides a wealth of empirical material and detail.

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