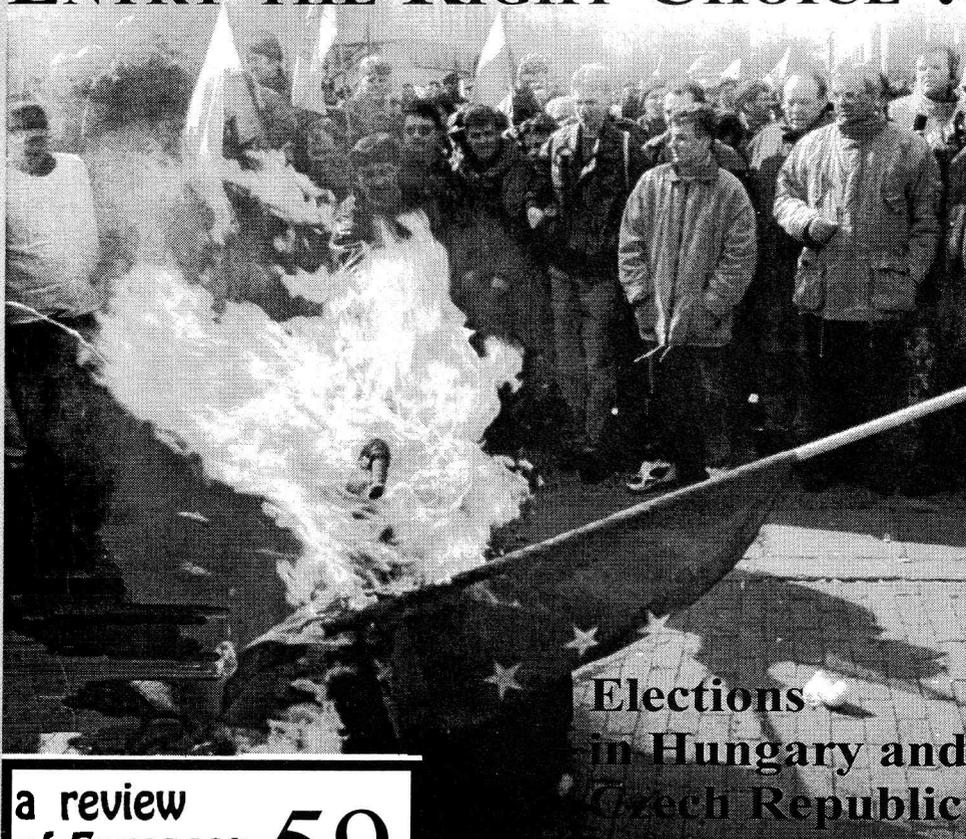


# Labour Focus on Eastern Europe

## EASTERN EUROPE: IS EU ENTRY THE RIGHT CHOICE ?



Elections  
in Hungary and  
Czech Republic

a review  
of European  
affairs

59

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a review of European affairs

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**Cover picture:** Polish members of the Solidarity trade union protest against the import of cheap tractors from the European Union.

**Jonas Sjöstedt**

## **Alternatives to EU Enlargement**

The EU summit in Luxembourg at the end of 1997 decided that the Union should begin accession negotiations with six countries. Together with the Commission's proposals for enlargement and budgetary policy, known as Agenda 2000, this decision offers a picture of how enlargement will proceed.

Discussion in the EU is focused on how, and at what rate, the applicant states will be able to implement existing EU policies, the so-called *acquis communautaire*. Popular support for membership is taken for granted. Arrogant demands for one-sided adaptation can, however, weaken enthusiasm for the Union, an enthusiasm which is already diminishing.

### **Questions**

In the debate over enlargement a number of questions need to be raised beyond this unilateral view of adaptation. Does the EU really suit a broader membership? Can its present development function as a model for the whole of Europe? Is enlargement the answer to the continent's problems? Or will other solutions become necessary if we are to tackle the social crises, the lack of true democracy and the environmental

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difficulties that we can see today in many parts of eastern Europe?

In order to answer these questions it is first necessary to analyse the EU's current stage of development:

1. The number one objective in today's EU is to realise the single currency. This policy has meant, and will continue to mean, a locked-in monetaristic policy, a policy which results in high unemployment and the dismantling of the welfare state.
2. EMU's institutional development, confirmed in the Treaty of Amsterdam, means growing supranational power in more policy areas, continuing a trend which has been apparent since the mid-eighties in the form of a tremendous shift of powers from national parliaments to the institutions of the union.
3. The EU is attempting to build a co-ordinated foreign and security policy. The Treaty of Amsterdam gives the Union increased powers to instigate military action and to create a common armaments policy.
4. Freedom of movement around the Union for people is being implemented through the Schengen agreement. This means abolition of internal border controls but increasing difficulties for non-EU nationals in entering Union territory. Looked at from outside, the Union is becoming more closed.
5. Free market capitalism remains the main ideological doctrine of the Union, taking precedence over the demands of a modern environmental policy. This is true not only because of the priority given to the free movement of goods but also in transport and agricultural policy. One example is the EU's demand on Poland to remove restrictions on the import of polluting cars.
6. The EU seems incapable of making necessary radical budget reform, or of cutting spending on agriculture or waste in the regional fund.

## **Dominance**

The European Union stands in a position of growing dominance in relations between different parts of Europe. Far from furthering its stated end of enhancing common action, in some policy areas its role conflicts with functioning forms of co-operation. One example is its drive to take over human rights issues from the existing Council of Europe.

The single currency will divide the EU and Europe into A-, B-

and C-teams. Those who want, and are allowed, to join; those who don't want to join; and those who are not welcome regardless of their own wishes. The single currency is above all a political project that will lead to further political integration, creating tensions within the Union. There is no possibility of any of the applicant states joining the single currency in the foreseeable future. EMU means that they will be excluded from the core of the Union.

For the EU-federalist, supranational development is more important than enlargement. Demands include diminishing the influence of smaller states. Enlargement has been taken hostage by those who would transform the Union into a state. Any such development would, however, trigger widespread anti-EU feelings.

The EU's attempts to build a common security and military policy could also create new tensions. A militarisation of the Union, combined with expansion, could cause Russia, for example, to interpret enlargement, as with NATO-expansionism, as a threat, especially as it involves the Baltic states. Any attempt to replace the all-European security structure of the OSCE would also be a negative step.

Schengen, and the common policy on external borders, provides one of the most obvious examples of Europe's new division. Austria recently became a full member of Schengen, with the result that controls at its eastern borders have been increased. It is unclear when the new member states would be accepted inside the Schengen area. There is a risk of solid borders being erected between neighbours such as the Baltic states or the Czech and Slovak republics, a development which would create an obstacle to an open Europe.

Many positive things for the environment could be done in the context of enlargement. Green investments should be a priority when resources are made available to new members, and the Union should avoid imposing policies that are likely to have negative environmental effects, taking the opportunity enlargement provides for internal reform. There is, of course, no sign of this occurring.

Enlargement cannot be financed without thorough budgetary reform. The Commission's calculations for Agenda 2000 look too optimistic. In the absence of reform, the alternative will be to create a B-membership without full rights. Such a development has already been proposed by agriculture commissioner Fischler. Time should be

up for spending the EU budget on Spanish tobacco growing and Irish motorways.

### **New direction**

The current EU is a union constructed for a limited number of states in western Europe. It is hard to say how enlargement can proceed according to present plans without creating growing inequality between existing and applicant members.

The countries most urgently needing a deeper European co-operation will not be at the negotiating table. Either they have not applied for membership or, like Romania and Bulgaria, they have been put in an uncertain queuing situation. The fact therefore remains that our first important task is to build and strengthen structures, outside the EU, in which all European states can meet and co-operate as equals. Europe as a whole would benefit from the EU taking a new direction: if the single currency were stopped; if the Union were democratised instead of centralised; if a policy for a Common European security replaced plans for common European military policy; if the EU opened up instead of locking the door to nationals of countries outside its borders; if the environment were put before the free market. Only then would the European Union become a suitable form of co-operation between independent nations in a modern Europe. ●

*The above article is reprinted from **Spectre**, No 3. For information on how to buy or subscribe to **Spectre** see the ad on page 103.*

**Petr Uhl**

## **The Eastward Expansion of the EU and NATO**

Let me say, right at the beginning, that I am a relative supporter of the European Union and of its expansion into eastern Europe - I therefore support the entry of the Czech Republic and Slovakia. At the same time, I am a relative opponent of NATO and its eastward expansion. My political standpoints are not absolute. My wish would be for the Czech Republic and Slovakia to enter a reformed, less bureaucratic and especially a more social EU since that would give a great boost to our own internal development. I would also like both our states to resolve their security problems but in a less risky manner than membership of NATO. In particular, I would hope that the artificial barrier between both countries that developed after the collapse of the Czechoslovak federation would not be reinforced by the entry of one of them into the EU or NATO.

### **EU and democracy**

Within the EU there is the possibility to secure and to advance the protection of human rights, social rights and the environment - these are areas that are being neglected in the Czech Republic and Slovakia. I also see in the EU a possible development towards greater tolerance

*Petr Uhl is editor of the Czech daily, Pravo. He was imprisoned for 9 years (1969-73 and 1979-84) under the Communist regime for his activities in defence of human rights in Charter 77 and VONS.*

and multiculturalism, something which didn't happen in the old federal Czechoslovakia. In this area, the situation has actually deteriorated in both the Czech Republic and Slovakia since the break-up of the federation.

Secondly, although here I must admit to some doubts, I welcome the economic prosperity of the EU which could give Europe (in which I include Russia) the political force to establish itself as a third world power alongside the USA and Japan (possibly also China) and could give Europe the power to resist the process of Americanisation and enable it to participate in the global restructuring of the world economy...

I welcome the perspective of a European confederation, possibly in the future a United States of Europe because of what it would mean for the retention of our cultural diversity. Europe should be a continent of regions and peoples that defends and promotes its smaller regions against the effects of big-power uniformity. The general acceptance of such a policy of "positive discrimination" would also force Bratislava and Prague to alter their own practice with respect to their own minorities - the Roma, the Hungarians and the Protestants.

Another positive aspect of the EU is the relationship that has been established between France and Germany: the full integration of Germany into a wider European Union would mean that we could lay to rest, once and for all, the fears that exist in Germany itself, in Europe and in the world concerning the re-emergence of German hegemony, imperialism or totalitarianism. Even Germany's friends would admit, a Europe-wide democracy is the best guarantee.

The cultural and economic development of the Czech people will not be restricted by the European Union; on the contrary, it is precisely in the context of the EU that this development has its best chances. To develop their culture and economy the Czechs don't need their own state; the same is true for the Slovaks.

Of course there is the risk that entry into the EU would simply strengthen the globalising practice of the Brussels bureaucracy. But the really burning problems of today can not be solved in the framework of the Czech or Slovak state - and these are the marginalisation and impoverishment of large masses, the growing tension between North and South, and the growing alienation of the public from the community. The best way to approach these problems is equally and jointly with

other people in other countries who are confronting the same problems and going through the same experiences.

The internal situation in the Czech Republic is paradoxical: the Czech right points to the dangers of bureaucratisation from Brussels but professes itself verbally in favour of the EU. However, what it sees in the EU is simply a free trade zone. Traditional Czech nationalism finds its expression today in isolationism - isolation from the East, including from Slovakia. With respect to the West, the right tend to mask their mistrust behind condemnations of French socialism or the West European social state.

### **Surrender of state sovereignty**

The Brno philosopher, Jiri Sedláč, accused me once, while we were taking a walk in the Bory prison yard in 1972, of national nihilism. The internationalism that I defended at that time, an internationalism that the Stalinist bureaucracy had stolen from the world working class and used against them, for instance when they sent the tanks into Prague in 1968, changed somewhat in the 1970s and 1980s. After November 1989 I looked for a new formulation of this internationalism and I would now express this "in Polish", as "the international solidarity of working people". I saw my goal now more and more as the long-term, systematic and deliberate surrender of state sovereignty in the areas of human rights, the environment, regulations and norms in the sphere of production, the fight against criminality, and so on - all of these are areas in which Czechoslovakia had already surrendered some of its sovereignty even before 1989, for instance through its signing the International Charter of Human Rights. This development was continued after 1989 with the Czech Republic and Slovakia's membership of the European Council.

If this is the beginning of a process that will ultimately lead to a complete surrender of state sovereignty (while strengthening local, regional and national cultural self-administration), then a referendum is essential. Citizens have to know exactly what it is they are going into. Not everyone has had the opportunity to take a prison walk with a philosopher, not everyone has been imprisoned for demanding that their state respect one particular surrender of state sovereignty to which it has obligated itself internationally, namely, the protection of human rights.

My final argument for the European Union is that I consider the present situation, in which the Czech Republic, but not Slovakia, has been invited to join, as one that can be overcome. EU entry is a long-term affair and it is not likely to happen before 2005 at the earliest. The integration process that began with the Amsterdam summit will last ten or twenty years. Eventually, the countries of eastern Europe, including Russia, will be integrated in the European Union, but not all at the same time. By the time Czech integration has finished, the integration process in the Balkan states and in the states of the ex-USSR, including Russia, will already have begun. There is still a real hope that Slovakia will be integrated into the EU at the same tempo as the Czech Republic and this should be the goal of "Visegrad policy".

### **NATO - instrument of US power politics**

NATO, however, is a different matter. NATO doesn't unite, it divides. It divides the Czech Republic from Slovakia, Western Europe from Eastern Europe, the West from the East. I don't see NATO as an aggressive pact; it threatens the development of peace and democracy not through the aggression of its capital, although it is quite capable of militarily defending its own interests, as we saw in the Gulf War and in Zaire. NATO is a threat to peace and freedom because its smaller and weaker members are at the mercy of American super-power (or, more accurately, the power of the American "military industrial administrative complex"). The fact that the USA is a democratic state doesn't take away from the reality that Europe and the USA are culturally different and those who would like to strengthen the USA's role in Europe are being quite insensitive to the multicultural dimension of European society. The political, economic and cultural subordination to the USA is one of the greatest dangers facing Europe today. This is evident in every aspect of Czech society today - in radio and television, in contacts with journalists, politicians and experts, in the schools and on the streets of Prague. With the exception, perhaps, of the eighteenth century, there has never been such a strong outside influence in the life of the population and in the language as there has been in the short space of the past seven years from the United States.

One could analyse, step by step, how NATO progressed from being a defensive pact, as it undoubtedly was during the period of conflict

with the Warsaw Pact, to being today an instrument for securing super-power dominance. NATO is not today a system of collective security in Europe: at best it represents a security for part of Europe, that part which is an outpost of the United States. To justify its existence, it has to have an enemy and it is inevitable, therefore, that it has to portray Russia as a threat to democratic Europe and to the world. In the corridors of power in Prague, for instance, there is absolute unanimity that the expansion of NATO is essential as a defence against a chaotic and aggressive Russia in the future.

In Prague in the recent period an anti-Russian triumphalism has become dominant which in the period after 1989 in Czechoslovakia was only a peripheral phenomenon, as it was indeed in Warsaw and Budapest. We find a very visible demonstration of this in the thinking of Vaclav Havel. In the period 1990 to 1992, Havel still called for the dissolution of both military pacts, as he had done for years in Charter 77 and in the pre-89 independent political movement, and he called on the West to give assistance to Russia. But after the break-up of Czechoslovakia and the Soviet Union, this changed; that East European solidarity was lost. And this happened in spite of the fact that Russia today poses no threat to its neighbours. Such a fear is an irrational one and rests solely on an emotional historical mistrust that may have some basis in Warsaw or Vilnius but certainly not in Prague. But in their ideological campaign against Russia, these East European politicians are not interested in the war in Chechnya, they are not thinking about Lukashenko or Zhirinovskiy.

### **Alternatives to NATO**

It is not too late. We can still attempt, in the old Visegrad group, together with Austria and with that whole area between Norway, Germany, Italy and Greece in the west and Russia in the east, altogether more than twenty states, to develop a system of collective security capable of co-operating with both NATO and Russia. I would support NATO if it were a genuine US-European system of collective security, open to Russia, not dominated by the USA and with democratic institutions. In its present form, however, it is not acceptable. In current affairs programmes and in discussions on television, my pro-American discussion partners say I'm crazy when I talk about the threat of

American influence, but I don't feel alone. There are quite a few people in Europe who share this "crazy" viewpoint, and they are to be found not only in France, which still refuses to join the military structures of NATO. There are many Czech citizens who are demanding a referendum on NATO, and they are right to do so.

The expansion of NATO creates the risk of a new iron curtain in Europe. This new division of Europe is a dangerous nonsense and it is doubly dangerous for us here in the Czech Republic and Slovakia because it will create even greater divisions between both countries. Slovakia is accused of being undemocratic and ignoring human rights. With this excuse, Slovakia will be isolated in the new division of Europe. And I quite consciously have used the word "excuse".

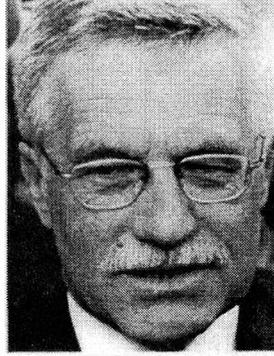
I don't deny that there are violations of human rights in Slovakia. I am well aware of these - I am officially part of one of the working groups of the Human Rights Commission in Geneva - but I am convinced that Slovakia is no different in this respect from its neighbours, including the Czech Republic. Democratic institutions in Slovakia function in a manner comparable with those of the Czech Republic although, in many areas (though not all) Slovakia may present more problems.

I must also say, in this respect, that the manner of operation of the democratic opposition in Slovakia gives little reason for hoping that they would function all that differently from Meciar's party, the HZDS. The intellectuals attempt to demonise Meciar, to claim that he is the cause of all the evils in Slovak society. And it is indeed true that Meciar should be put out of office at the next election if democracy in Slovakia is to have any chance. But getting rid of Meciar in itself will not automatically lead to democratisation of Slovak society. We have to be critical of the opposition as well, critical now, and not wait until after the election.

Leaving Slovakia to the Russians is a sensible move for the United States because, with the example of Slovakia before their eyes, those other states that want to join NATO will be more adaptable. These states will cease to defend their own interests and they will support the US within NATO, isolating the French who want a stronger European or "southern" autonomy.

It is my view that a majority of the accusations against Slovakia are coming from Prague, from right-wing pro-American elements in

the Czech Republic's new political class. For instance, the Czech ambassador to Sweden, Peter Kolár, has written in *Pravo* that Sweden has no alternative but to join NATO. In a similar vein, Vaclav Klaus didn't tire of telling us two years ago that there was no "third way". He doesn't do this so much any more, and was perhaps never entirely convinced himself - the whole point of it all was to push through his own policies. It shouldn't surprise us today that the Czech Republic is represented in Sweden by a man who, as he himself has written, can not understand why less than 50 per cent of Czech citizens support entry into NATO.



**Vaclav Klaus**

The majority of the Czech political class, the top leadership of the Czech Social Democrats included, have become, like the ambassador to Sweden, so obsessed with joining NATO that they appear to have lost all political judgement. They behave as if they weren't part of Czech society any more and were therefore unable to understand what is really going on in the country and what its security needs really are. From time to time they try to frighten the populace with their "Russian threat", which is the sole basis for their NATO policy. For them, membership in NATO is the guarantee of the democratic order; in reality, however, it is the guarantee of their own political power.

Entry into an unreformed NATO, in which the USA plays first fiddle and shamelessly and successfully imposes its will on the other members, is the worst of all possible solutions to the problem of collective security after the collapse of the Warsaw Pact. The Klaus government is responsible for the fact that the states of the old Soviet bloc, or at least the Visegrad four, did not adopt a co-ordinated approach towards the West and for the fact that the hopes for a genuine collective security offered by the OSCE were crushed.

It was also a direct result of the policies of the Klaus government that the Czech Republic was unable to take advantage of the collapse of the Soviet Union to establish a defensive alliance with those states situated between Russia and NATO, an alliance that would have been

capable of co-operating with both Russia and NATO.

### **Czech foreign policy**

Proponents of Czech membership in NATO regard the attitude of Czech citizens on this issue as a test of loyalty - a test of loyalty not only to the government but to the new democratic institutions, to democracy itself. But the Czech citizenry actually shows little interest, which should come as no surprise when one considers social and environmental problems, criminality, culture or the state of the health sector. I know of no other country in which there is so little interest in what is happening abroad. The politicians and their allies in the media never cease to tell them that they live in the best of all possible systems, that the Czech Republic is the most fortunate of all the ex-Soviet bloc countries. Zielenec also shares this self-deception: he really believes that the invitation to join NATO was a foreign policy achievement of the first order.

The one-sided orientation towards Washington and London began already, to a certain extent, under the leadership of the federal foreign minister, Jiri Dienstbier, although Dienstbier was still concerned about co-operation with the Republic's eastern neighbours. Today Slovakia is taboo, the east and the Balkan states are potential enemies, Scandinavia and France are too social, Italy and Spain are, like the other non-Anglo Saxon countries, of little interest. What remains is Germany and here indeed people like Zielenec, particularly Saca Vondra, have really done a lot to overcome traditional prejudices.

Very little has actually been done to bring Czech law into conformity with EU law, not just in the area of basic human rights but also with respect to administration, environmental protection, social rights and minority rights. EU regulations are stricter than those operating in the Czech Republic and the government shows little inclination either to adopt them or create similar ones.

Improvement in relations with Poland does not indicate a permanent change for the better and the Czech Republic represents the personification in Europe of national egoism. This is demonstrated in its unfriendly treatment of ex-Czechoslovak citizens and in its failure to object when the Americans decided to invite only three states to join NATO. The Czechs didn't even consider speaking up for Slovenia or Romania, not to mention Slovakia, something which the Poles and

Hungarians managed to do.

Jozef Vavroucek (Citizens Forum, federal environment minister 1990-92) was right when he said in December 1989 that, in this process of European integration, the states of Eastern Europe should have something to offer. If we don't make some effort for the others, if we offer no solidarity, if we do not enrich the "common house" with our shared experiences and values which come from the testing ground of real life and not from economics textbooks, then our entry into the EU makes no sense.

Seven years have gone by since Vavroucek said this and, in the meantime, it has become clear that those who want to take the Czech Republic into the European Union for the sole reason that it will secure economic prosperity will not succeed. Integration into NATO is taking place in the same superficial manner. Under the wing of NATO it is not security that Czech politicians are seeking (the Republic is not threatened by anyone) but their own political stability. But NATO is not the right instrument for that. ●

*Translated from Ost-West GegenInformationen, December 1997.  
Translation is by Gus Fagan.*

## **Attitudes to EU Membership in the Czech Republic**

### **Interview with Petr Uhl**

*Is there a media campaign for Czech membership of the EU? Is there a public debate?*

There isn't at the moment a campaign about EU membership since the dominant question now is NATO and the Czech Republic's integration into the Western military alliance. The pro-NATO campaign in the newspapers and television remains muted however. Only occasionally is there a public polemic...

Prague is of course in favour of EU entry but the discussion is put off because there is still quite some time before the Czech Republic will actually join. According to the recent decisions in Luxembourg, we are looking at 2005 as the earliest date, so interest at the moment is not so intense. Opinion polls show a majority in favour, just over 60 per cent. In the case of NATO membership, however, the polls show consistently that support is less than 50 per cent...

Since EU entry is not an immediate possibility, this is not a day-to-day problem. What is of much greater interest here is the effect of a change of government. The Klaus government was always unequivocally in favour of NATO. But where the EU was concerned, it was always rather sceptical because it saw the EU almost exclusively as a free market rather than a confederation of federation of states, nations and regions. This was, in their view, just a crazy scheme dreamed up by French socialists and they were opposed to it. The new government under Tosovsky may adopt a more pro-EU attitude but, although it will throw its full weight behind NATO membership, it will probably do

very little in practice about the EU because it has no real scope for action. There will be elections in June and after that we will probably have a new government.

*What are the main arguments in the Czech debate?*

There is a debate in six or seven daily papers in Prague and in about 20 regional papers. But only two papers are nationalist isolationist and adopt a hostile attitude to EU entry - the Czech *Mirror*, which has a big political influence, and the Communist *Halo*. The rest of the press, as well as the TV and radio, support EU entry but do not ignore the dangers, the problems and the risks. It is not a one-sided propaganda campaign as in the case of NATO entry. Everyone claims that NATO entry can only be good. But the debate about the EU is more serious and people are much more aware of the problems.

Opponents of the EU - the Communists and other marginal groups - are relatively isolated, although half the population actually supports their position. In general these are sectors of the population with lower levels of education, they are less informed and are more susceptible to nationalist and isolationist arguments than those who are politically more informed, regardless of whether they are on the right or the left.

EU membership is of interest for the left because of what it means for the development of the social state. The Czech Republic has not signed any charter of social rights. In the West, however, there are at least measures to protect social rights and ecological norms. Globalisation, so called, has to be changed so that it is not directed against the interests of the smaller and poorer nations. This is the way of thinking that the left, the social democracy, will bring into the EU. Czech social democracy also defends a multi-cultural society and wants Russia, which is also part of Europe, to eventually join the European Union. This position is a more credible one than the position adopted by Klaus and by the right which see in the EU only a common market and have no interest in ever paying tax to Brussels. These gentlemen don't want an EU passport. The left is more honest on this question and is more genuinely interested in European unity than the right. Of course you find people with opposing viewpoints in both camps but not to the extent that there was for instance in Austria or in Switzerland. The

positive aspects of EU entry outweigh the negative. I don't know anyone who says: I am an absolute opponent or an uncritical supporter. No one wants EU integration without a serious discussion.

*Which social groups stand to lose or gain from Czech membership of the EU?*

This isn't easy to answer because in Czech society there still isn't such a strong social differentiation. In the past eight years there has emerged a social layer of around 10 per cent who have done well and around 1 per cent of this social layer are super rich. But we still don't have a middle class and the impoverishment of the working class has not happened on such a scale as elsewhere. Living standards have remained more or less as they were. We hope that, under a Social Democratic government, those groups who are most vulnerable, such as pensioners and young families, will not only be protected but will have their situation improved.

It is difficult to say at this time whether the small businesses will be swallowed up by bigger ones. There will have to be changes in agriculture, although one must remember that only 6 per cent of Czech society are engaged in the agricultural sector, unlike in Poland where it is 27 per cent. We hope that the Czech Republic and the EU will be able to offer protection to the 300,000 people who work in this sector.

*Were the demonstrations in November 1997 a reaction to the government measures aimed at adapting to the Maastricht criteria - cuts in social expenditure and in the budget deficit?*

These trade union demonstrations, which involved thousands of people from all over the Republic, were not directed against the EU but against the social and economic policies of the government. There were also spontaneous anti-racist demonstrations.

*The above is a slightly shorter version of an interview that appeared in Ost-West Gegeninformationen, December 1997.*

*Translation is by Gus Fagan.*

**Peter Gowan**

## **Eastwards Enlargement of the EU Uncertainties Remain**

President Chirac has made the idea of Europe as a large family fashionable, with his suggestion last year that all 10 of the East European states applying for membership should be brought together for 'a family photograph' with their rich uncles, cousins and aunts in the West. But if Europe is really in the process of preparing for a family reunion, at present the arrangements look set to produce either embarrassments, or disappointments or even family recriminations. For the EU's enlargement process is reminiscent of nothing so much as rich relatives who feel obliged to invite distant and poor relatives to come to stay, but wishes they wouldn't come, is divided over how much hospitality to provide, does not wish to incur extra expenses and is even toying with the idea of making the poor cousins pay the entire cost of the stay. Meanwhile after a long and unpleasant journey, the poor cousins wait on the cold doorstep while those inside claim unconvincingly that they are trying to open the door but are being prevented, by one problem after another with the keys, from unbolting it.

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On the face of it, the Luxembourg EU Council meeting was a success for the applicants. A date was finally fixed for starting negotiations with 5 of them plus, in principle, Cyprus: March 31st, 1998. The five are Poland, Hungary, the Czech Republic, Slovenia and Estonia. And the applicants who had been placed at the back of the queue were given seemingly more generous treatment than the Commission's opinion, published in the summer of last year, could have led them to expect: their progress in meeting the so-called 'acquis communautaire' will be reviewed annually and they could, as a result, be brought forward to the front of the queue and be offered actual negotiations for membership. This element of flexibility was pushed for especially by Sweden and Denmark (with some German support) and gives hope especially to Lithuania's government that it might join the top group of applicants.

Yet progress on all the main substantial issues blocking Eastward enlargement — issues which have now been on the agenda for nearly five years (since the Copenhagen Council of May 1993) — has been all but negligible. These are the problems of reform within the EU itself.

EU spokespeople like to suggest that the great problem of enlargement is to make sure that the applicant states have really managed to achieve the legal and institutional changes necessary to harmonise with the 'acquis communautaires' — the existing institutional and policy arrangements of the EU. But this is best described as power discourse which is very far from reality. In truth, the EU member states have no intention of granting the full *acquis communautaires* to the new members in the East. Instead, and as a precondition for enlargement they are going to change the existing *acquis* or try to ensure that the full rights contained in the existing *acquis* are not extended to the new members. These issues are the really important obstacles to swift enlargement. And if anything, the December Luxembourg Council marked a retreat from tackling these problems.

### **The question of EU expenditure**

The first major problem here is the size and distribution of future EU expenditure. The Eastern applicants are all very much poorer (especially after the large falls in GDP that they have experienced in the 1990s) than the EU average. Slovenia, with the richest per capita GDP of all

the applicants, stands at only 59 per cent of the EU average. They should therefore have a very substantial slice of Structural Fund money. The bulk of this money at present goes to so-called Objective 1 programmes which are devoted to regions with the lowest per capita GDP. Without a change in the funding criteria or in the total funds there would therefore be a very large transfer of funds from the Mediterranean and Ireland (as well as from very poor regions in the UK) to the CEECs. Since the CEECs all have significant agricultures (especially Poland and Hungary of the 5 states at the top of the queue), and their agricultural output is in sectors on which the CAP spends heavily, they should also gain a substantial chunk of the available CAP funding if the system remains as it is. Thus settling the overall size of the budget simultaneously settles how much policy reform there needs to be to prevent losses of income to existing budget recipients among the member states. If the budget does not expand, there should be deeper reform; if it does expand, the reforms could be less radical.

In its Agenda 2000 document relating to enlargement, the Commission projected that the EU budget should remain governed by its present formula: 1.27 per cent of total EU GDP. At the same time, the Commission hopes for 2.5 per cent GDP growth per annum thus providing some additional budget funds from that growth. This approach would not supply sufficient revenue to fund the admission of the first five applicants while maintaining the existing level of funding to existing recipient member states. Yet even this Commission attempt to stick to the status quo in the Budgetary field was not endorsed by the Luxembourg Council: it pointedly failed to confirm that the EU budget formula would remain at 1.27 per cent. This should not be taken as a positive sign that the budget formula may be increased: on the contrary it indicates that it may even be reduced since the German government is ever more reluctant to maintain its level of spending on EU programmes. In this stance the German government is supported by the UK and by most of the other net contributor states to the budget and their stance will only be strengthened by the extreme fiscal strains caused within their own states by the convergence criteria involved in Monetary Union. Thus enlargement means radical policy reform in the CAP and the Structural Funds unless the new members are denied access to these policy areas (and their associated funds) for a substantial transition

period.

As a result, the most immediate political tensions over enlargement fall in the area of Structural Funding. This whole policy area is in any case to be revalidated in 1999 because the present arrangements have force only until then. So already the battle is being joined over the future of the Structural Funds and both the Spanish and Portuguese governments have made it very clear at Luxembourg that they will block any enlargement that entails a loss of Structural Fund allocations to their countries. The Irish government is also very concerned.

The current British Presidency is attempting to push forward reform in this area with the aid of two (at least on the face of things contradictory) guidelines: that all member states should share the burdens of reform equally; and that states which will lose money should be provided with adequate transitional periods to enable them to adjust. But these 'principles' have not been enough for the Mediterranean countries and the expected agreement on guidelines for Structural Fund Reform did not take place in Luxembourg: the final resolution simply remains silent on the issue. British Foreign Secretary Robin Cook has indicated that he sees this as the most difficult current issue affecting the enlargement process.

We can nevertheless expect that some reform in this area will eventually be agreed over the next year. A much more difficult problem is likely to arise over agriculture and CAP reform. Here the social groups directly affected within the EU are much more strongly organised and more politically powerful than the end users of the Structural Funds. And they are concerned not only about finance but also about the new competitive economic consequences of having Polish and Hungarian producers within the EU. On the other hand, some further reform is called for as a consequence of the completion of the Uruguay Round and the requirements of the WTO and efforts are being made by the commission and a number of member states to enlist political muscle from environmental movements for CAP reform. The broad approach to reform will be to replace price support with support for farmer incomes and one effect of that should be to reduce food prices within the EU towards those in the world market — thus giving a basis for gaining consumer sympathy for the changes.

Nevertheless, opposition from some member states remained strong enough at Luxembourg to prevent agreement on even the most general guidelines for reform. Instead, the final resolution talks rather ominously about the necessity to preserve the so-called “European agricultural model” — which implies a weakening of the existing system rather than basic structural reform. While there is broad support across the political spectrum in the UK for radical CAP reform, strong opposition can be expected not only from France but also from Germany and other countries (including Spain). It is extremely unlikely that any significant movement towards reform will be initiated until after the German elections towards the end of 1998. And the outcome of the campaign for CAP reform cannot be predicted.

### **Political institutions**

Although attention in the enlargement debates is currently mainly focused upon these financially-related policy issues, the most serious and intractable problem to be overcome before enlargement occurs is almost certainly that of reform of the European Union’s political institutions. The Maastricht Treaty had envisaged that institutional streamlining would be achieved at the 1996 Intergovernmental Conference. This has taken place and has given birth to the Amsterdam Treaty signed last year. Yet the Amsterdam Treaty has side-stepped the central issues it was supposed to have addressed.

The institutional problem at its most basic level is about how much political clout each member state should have in decision-making. This in turn involves both decision-rules and voting strengths: should decision making in the Council of Ministers and in the European Council become overwhelmingly by qualified majority voting rather than reserving all the big questions for a unanimity decision-rule? How much voting strength in qualified majority voting should each member state have? And how big should the blocking minority be when qualified majority votes are taken?

With the possibility of 11 extra members of the Union — and even with the possibility of 5 — these issues cannot be evaded. And they will be addressed in a context in which the existing rules give larger weight to the small member states than their population size should merit and give smaller weight to Germany than its population size (not

to mention its budgetary contribution) would justify. Eastward enlargement will bring into the union another large batch of small states and if they demanded the same voting rights as the existing small members, the disparity between size and clout would be overwhelmingly strong. Enlargement without reform of the decision-making institutions will mean gridlock.

Thus, enlargement poses a direct and inescapable challenge to the EU to define its constitutional identity. If major institutional reform does not take place, the EU will in effect become a Monetary Union and Single Market, with power passing out of the Council of Ministers into whatever body steers the politics and economics of the monetary/security zone. Normal EU business in the Council of ministers will be confined to matters of market management. But if a rationally justifiable and workable institutional reform does take place it will entail majoritarian voting principles which will make the EU more than ever a centre of political authority over the member states. For this very reason, as well as because of the immense tensions involved in shifting power balances between big and small states to achieve rational solutions, this issue of institutional reform is enormously difficult. There is little wonder that it was completely ignored in the IGC that was supposed to tackle it.

The Luxembourg Council meeting confirmed what was already indicated in the Amsterdam Treaty: before any enlargement eastwards can occur there has to be yet another IGC on institutional reform. No date has yet been set. It will surely be a fateful IGC and if it occurs against the current background of the long economic stagnation and rising xenophobia and far right nationalism in many West European states, no positive outcome can be assured. Much will also, of course, depend upon how Monetary Union is faring when the IGC is at work. At Luxembourg, the French government was the most insistent upon making this IGC's successful outcome a precondition for Eastward enlargement. The UK government is likely, under Blair as under Major, to resist a rational constitutional solution. And it is unlikely to be alone.

These question marks over basic issues on the future nature of the EU create major problems for the CEECs in the negotiations which are due to start on 31st March: they can hardly negotiate a deal on agriculture or the structural funds when the EU has not decided what

these policy pillars of the EU are going to be. They cannot discuss their place in the institutions when these are also going into the melting pot. Indeed, the EU itself has so far failed to produce a definitive list of the *acquis communautaires* when the applicants will have to meet in order to be able to join. As a result, the applicants risk imagining that they have met the *acquis* only to be confronted sometime during the negotiations with extra *acquis* to be achieved to pass the entrance examination.

## **Schengen**

Yet at the same time, the EU has now produced a new 'acqui' which is not yet actually an EU *acqui* but is at least a new precondition for membership: namely that Poland and the other first group of applicant states accept the Schengen regime and restrict border crossings from countries further East, by requiring visas from Ukrainians, Belarussians, and presumably Romanians, Bulgarians and others. Only some of the current EU member states currently adhere to the Schengen framework, but this goal of restricting migration into Germany from the East is a very important German requirement. Thus, in this field politics is more important than legal notions of 'acqui' and the German government points out that these requirements are should form part of the EU's *acquis* by 1999. This is a difficult issue: for Poland and other first rank applicants to restrict traffic across their Eastern borders would have a serious economic impact because of the very large cross-border trade involving thousands of small traders and businesses. The restriction also entrenches a political gulf between first rank applicants and the others and will generate serious political resentments in the excluded countries.

31st March is thus the start of a rather peculiar set of accession negotiations whereby most of the real advantages of membership which the CEECs would want to fight for in the negotiations will not actually be available for negotiation. Instead, the negotiations will be swung round to all the things the EU wants the CEECs to do before it will allow them in. And in this context, the Luxembourg summit has produced another hare for the CEECs to chase in the form of a new 'screening process' to check just how well the CEECs have harmonised with the *acquis*. The applicant states can be forgiven for thinking that

such screening was exactly what the Commission had been doing during 1996-97 before producing its opinion in Agenda 2000, indicating the 5 countries ready for negotiations on membership. But perhaps the Commission's screening was to see whether the applicants really meet the *acquis*. The new screening will determine whether they really, really meet them! And in the meantime, we await from the EU the actual list of *acquis*! But the form of the proposed screening process suggests that its purpose is as much delay as enlightenment: it is proposed to conduct it collectively, with each applicant government being offered the opportunity, presumably, to explain how much more it has done to fulfil and perhaps over-fulfil its harmonisation with the *acquis* in comparison with the other applicant governments present. In such a setting, there is no danger that one of the governments could complete this screening process early and thus demand a swift conclusion to its negotiation. It will have to sit through the speechifying and interrogation of all the others.

In this context, the main issues on which negotiations can concentrate during 1998 will be adherence with the Single Market — something which is being left out of the screening process (on the grounds that the Commission did look thoroughly at this aspect in its earlier screening procedure). The Polish government has already indicated that it is going to place one aspect of the Single Market at the top of its negotiating agenda: the principle of free movement of labour. Yet extending this principle to the CEECs is causing concern to EU member states. The Austrian government has insisted Austria should be exempted from implementing free movement of labour. On the other hand, the Polish government is demanding that free movement should be fully granted without qualification at the start of negotiations.

### **The applicants' weak hand**

In trying to tackle these problems, the CEEC applicants have a very weak negotiating hand. They have already given away two of their main high cards. First, market access has been granted through the Europe Agreements. These essentially harmonise the CEECs with the EU single market rules and provide very full access for EU goods and investment, without giving the CEECs any influence over the design or implementation guidelines of the rules of the Single Market. Thus EU

business operators already have most of what they want in the CEECs. The EU now exports to the CEECs — 69.5 billion ECU-worth in 1996 and 39.7 billion for the first half of 1997 — double its exports to Japan and Latin America combined and enjoys a substantial surplus in that trade: 20 billion ECU's-worth in 1996 and 11.7 billion in the first half of 1997. Germany alone now exports more to the CEECs than it exports to the USA. Business is unlikely to make further significant gains from trade through accession itself.

Secondly, the EU member states' security requirements (above all for Germany) have largely been settled through NATO's enlargement. As that proceeds, the external policies of the CEECs will be harmonised on all important issues with the objectives of the main Western states. A third card might have been a measure of solidarity amongst the applicants themselves, but, because this is almost non-existent, any single applicant trying to bargain toughly with the EU risks being put to the back of the queue.

But the greatest weakness of these countries lies in the fact that they have nowhere else to go other than the EU, because of the continuing economic and political weakness and instability further East. They are already overwhelmingly dependent upon the German economy for their trade and payments and this situation is unlikely to change dramatically in the near future.

Thus they enter the negotiations only with two major assets: the EU member states know that a rejection of membership or a long postponement would cause a political upheaval within the CEECs themselves; and secondly, they can hope for support from the Clinton administration - a consistent supporter of EU enlargement. Yet neither of these strengths gives them much leverage in the negotiating process. The EU is not likely to give an outright rejection - it will simply shift the costs onto the new members and restrict or delay the full rights of membership through transitional derogations. And as for the Clinton administration, it may be willing to use its influence in relation to Polish concerns to seek derogations to ensure that its Western territories are not subject to too strong a German influence, e.g. by maintaining control over foreign direct investment - a very sensitive political issue for Polish-German relations. But otherwise it is unlikely to be focused upon the detailed substance of the negotiations.

## **Enlargement and the social model**

Furthermore US pressure for swift enlargement is linked to the Clinton administration's bipartisan drive to use enlargement to undermine the European social model. In this it has an ally not only in the Blairite British government with its drive for 'flexible labour market', but also from business lobbies in the EU, such as the European Round Table of multinational companies and UNICE, the European Employers' Federation. Both have expressed themselves strongly in favour of rapid enlargement. But their motives seem to be connected to using the CEECs as site for social dumping and Maquilladora-style assembly operations, using cheap labour and low levels of social protection to strengthen their profitability at the expense of West European labour.

And this business drive is generating widespread concern amongst EU trade unions and socialist parties that enlargement could lead to a strong trend for business to relocate investment in the Visegrad countries, making use of very low wages, weak labour rights and inadequate environmental standards, thus engaging in what is known in Western Europe as 'social dumping'.

Thus a rather broad coalition of interests is ranged against a swift and successful enlargement that would strengthen the unity of Europe, while those forces in Western Europe favouring rapid enlargement are dedicated, in the main to undermining the social and political cohesion of the European Union.

## **An alternative approach**

Breaking this log-jam could nevertheless be possible through a policy that reconfigured these cleavages. Labour across the union has everything to gain from a larger EU budget and a stronger element of redistributed spending. It has also a great deal to gain from a reformed CAP that supplied decent pension rights and income support for the poorer small farmers in the Union while cheapening the costs of food. And a form of enlargement which is geared to raising employee incomes, social protection and environmental standards among the applicant states could command majoritarian support both in the EU and among applicant states. The Maquilladora-style of dual economy will be no better for Poland or Hungary than it is for Mexico. And a greater development-orientation for the enlargement project could also be achieved at zero

financial cost to the EU by allowing derogations from a number of aspects of the Single Market for the new entrants, until their GDP per capita has reached, say, 80 per cent of the EU average: derogations on limits to state aid for industries, derogations on competition policy, and on the rapid deregulation of banking systems, financial services and international movements of hot money. Measures to tackle the serious payments problems without having to do so through deflationary retrenchment could also easily be found.

Of course, the efforts of the Commission are geared to ensuring that the Single Market is treated like the holiest of holies. But a viable, sustainable enlargement in the interests of the populations of Europe should take precedence over the mindless drive for every larger oligopolistic scale economies. Of course, this change of direction will require political leadership. No doubt it is naive to hope that a social democratic victory in Germany, combined with the centre left governments in Italy and France, could re-orient the EU's enlargement strategy by the end of this year. But at least naiveté is more energising than cynicism. ●

**Janos Jemnitz**

## **The Hungarian Socialist Party after Four Years in Power**

The years from 1989 to 1994 were the years of the so-called systemic change in Hungary; it was a period which began with a coalition of right-wing parties winning the reins of power in the 'first free parliament'. This coalition government started both the process of privatisation of those sectors of the economy which had earlier been nationalised, and in the agricultural sector, the break up of the co-operative farms. Alongside this, a 'boom' occurred of taxation-type and inflationary policies - the consequence of which was that the economic structure was 'modernised' (or so it was assumed) at the expense of the wage-earners. While this 'modernisation' was taking place, the rise of a new layer of well-to-do citizens began, including: members of the old political nomenklatura; members of the new 'democratic' breed of politicians; economic managers; the plutocracy that works within and around banks and the world of finance; those working in league with multinational companies and, of course, the multifarious ranks of the Mafia-type operators.

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Shortly after the beginning of the above processes, the dark cloud of poverty became increasingly apparent, and together with this went a gradual decline in living standards for intellectuals and public sector employees. Meanwhile, employees became, from one day to the next, more and more conscious of what it meant when the protection afforded by collective agreements disappeared, when the trade unions became weaker, and when such things as the - now 'unprofitable' - factory nursery schools were abolished.

The mood of despondency and disillusion which accompanied these social and economic blows led to a victory for the Hungarian Socialist Party in the 1994 elections. This victory was accompanied by certain expectations, and these were particularly significant given the fact - which was certainly a great surprise to all - that the Socialists won a landslide victory with 54 per cent of the total votes cast. With such a large majority the Socialist Party would have been able to form a government on its own. The right wing parties of the former governing coalition suffered a humiliating defeat as they were reduced to a state of virtual powerlessness. Thus, the election of 1994 had apparently brought a complete turnabout and this led to many hopes. The victory of socialists had taken place elsewhere in eastern Europe - for example, in Lithuania - and these victories had some features in common, such as the existence of electorates which were disappointed with the seemingly wild nationalism and shock therapy economics of right-wing governments.

From the party political point of view, in the 1994 election two important circumstances could be observed with regard to organised labour. The first was that the Workers Party - which was further to the left than the Socialist Party - gained only 4 per cent of the total vote. With a threshold of 5 per cent for achieving a parliamentary mandate, the Workers Party has no members in the present parliament, and had no members in the 1990-94 parliament. The Social Democratic Party fared even worse, gaining barely 1 per cent of the vote and thus practically losing any reason for its existence. These circumstances meant that, after the 1994 election, there was only the Hungarian Socialist Party in parliament which - apparently, and so it was believed - could guard and defend the interests of the left and the ordinary people.

With regard to the election, there was another related factor which

had a direct bearing on the left. The biggest trade union federation MSzOSz, the National Federation of Hungarian Trade Unions, which represents over 80 per cent of blue collar workers, proffered unequivocal support for the Hungarian Socialist Party. Most of the leaders of the largest trade union federations, i.e. leaders of the steel workers, mine workers, printers, etc, had stood in the election as candidates for the Hungarian Socialist Party. It subsequently became clear that the MSzOSz was, in fact, rather unstable in its commitments, which will be dealt with in more detail below.

The 1994 election thus appeared to offer a great opportunity, but in the event, the Hungarian Socialist Party chose not to govern on its own. The Socialists had promised a government of experts, but after the election it began negotiating a coalition with the liberal Alliance of Free Democrats, who had come second in the election with 16 per cent of the vote. Gyula Horn, the leader of the Socialist Party, became the new prime minister, and most of the ministerial posts went to Socialists. Since the internal transformation of the government in 1994, the liberal Free Democrats have held three ministerial posts: Home Affairs, Education and Transport. However, this apparently limited representation belies the extent of the real influence of the Free Democrats. For instance, the Socialists have backed down in all issues in connection with which the Free Democrats have applied a kind of veto. With regard to this, one can mention especially the various suggestions for progressive taxation, and also matters concerning any type of help for agricultural co-operatives. In other words, it would be fair to say that the Free Democrats are exerting themselves in order to further the development of capitalism, and a wealthy middle class - or at least, a layer of well-to-do individuals. Their efforts do not really contain any new thinking - the idea is that the new propertied class will create economic profitability; later, in a second phase, the process will bring the conditions for general welfare.

However, there is something disturbing in the fact that the right wing of the Socialist Party - namely, most of that part of the parliamentary fraction which has influence - has itself, indeed, from the very beginning of the present parliament, supported the thinking underlying the endeavours of the Free Democrats. For example, the Socialists have espoused the cause of complete and rapid privatisation.

Privatisation currently confronts the energy sector, and soon it will approach transport, forests, water supplies, education and health. The changes that have taken place recently have involved the immediate disappearance of free and general services which were available to the mass of the people before 1989, but which now have to be bought on the market. The influential leaders of the Socialist Party themselves frequently announce with some pride that 'Capitalism is being constructed'. However, if this is translated into more general language it is in fact the 'primitive accumulation of capital' which is taking place in Hungary, with all its unsavoury features and outrageously corrupt and immoral practices - and all this under the auspices of a government led by 'socialists'.

Of course, Hungary is a small country - and not just small but also very heavily in debt. It is one of those countries which spends a very significant proportion of its GDP paying off the interest on its debts; it was only in 1996 that Hungary began paying back some of the actual debt itself. In fact, this repayment was one of the main reasons that the structural transformation of the economy, unemployment and the decline of the living standards of wage earners began to show further signs of very negative developments. Between 1994-6 inflation was very high at 20 per cent, but when debt repayment began it approached the seemingly dizzy levels of 28-30 per cent; salaries and wages did not, of course, rise in line with this inflation. The repercussions of this situation were very serious indeed, and they remain so.

One of the strange features of the above-mentioned process is that the Free Democrats have always categorically rejected any suggestions that the debt should be rescheduled, and influential political leaders of the Socialists have also adopted this line. Recently, over the past two years, the parties of the new right have pressed for the rescheduling of the external debt; furthermore, the Le Pen-type parties have gathered around the cause to prevent the country being 'sold-out' to multinational companies. In part the efforts of the right represent propaganda, in that they express themselves strongly in terms which are reminiscent of old fascist demagoguery; for instance, they chastise the present socialist-liberal government as if it were some kind of 'liberal plutocrat-Bolshevik' regime. In fact, it is quite clear that the Socialist Party itself is not only sharply 'anti-Bolshevik', it is also hardly worthy

of the title 'socialist', particularly with respect to its overall social policy. However, reality is not uppermost in the minds of the parties of the right - rather, they want to exploit any chance to involve themselves in 'anti-red' struggles.

There are troubles lurking in other circles as well. Nobody - apart from a minute 'magic circle' of policy-makers - can say exactly how much room for manoeuvre has been handed over to the IMF. Advisers from the IMF are frequently in Hungary but the extent to which they are able to use their influence in making concrete economic decisions is an unknown factor. Nevertheless, suspicion is obviously raised in connection with the conditions for receiving short and medium-term credits from supranational financial organisations such as the IMF and the World Bank. For instance, to what degree do these conditions reduce the Hungarian government's scope for action with regard to debt repayment policy, the level of inflation, the spread and speed of privatisation, and expenditure on social services? Moreover, two of the government's main ambitions are that Hungary should join the European Union and NATO - and these ambitions can only be achieved with the approval of authorities in the USA, Germany and Brussels.

All these points indicate that there is frequently an interweaving of the economic and political spheres - but they demonstrate more than this. A significant proportion of the media and serious newspapers is already controlled by western capital and monied interests. The electronic media has also been pulled in the same direction. The media can marginalise the intellectuals who formulate critiques of social policy. In this way the end result is that, whatever critical intellectuals say, they are unable to influence anything. Their words are 'scattered by the wind'.

Of course, the current policies of the present government have their political consequences - the socialist-liberal government that was set up in 1994 has, up until now, received the resignations of more than ten ministers. Most of these were from the Socialist Party, and most of them resigned because they were not happy with the monetarist, anti-social economic policies of the socialist-liberal coalition.

A bigger and more alarming consequence is that, for over two years now, according to public opinion polls, almost 40 per cent of the electorate would not vote for any party. In other words, the public

seem to be completely disappointed with the parties and with the practical implementation of their policies - the Socialists have confounded all the expectations and hopes which at one time accompanied their 54 per cent majority in parliament. In the same opinion polls, evidence suggests that during the past six months the Hungarian Socialist Party has been pushed back to third place among the parties. At present it seems that only 16 per cent would vote Socialist if there was an election now. The Free Democrats have fallen back to fourth place, and the evidence of the polls indicates that they would now get only 6 per cent of the vote at an election meaning that they would just scrape into parliament, given the 5 per cent threshold. The opinion poll surveys found that the highest-scoring parties in terms of votes would be ones which are significantly right wing.

It is within this political and economic framework that the trade union federation MSzOSz - which as mentioned above, was an important ally of the HSP in 1994 - has reformed itself in the subsequent three years. It has also - on numerous occasions - had differences with the government over policy, and frequently during 1996-7 the leader of MSzOSz has been heard to announce that '... it is getting more and more difficult to work with the Hungarian Socialist Party.' Many trade union leaders can see what is happening and some of them face problems with their membership over aspects of current government policy which are unpopular with the workforce. Nevertheless, even these leaders state that they can see no alternative to maintaining the HSP-led government. There is no force in parliament to the left of the HSP - thus the catch-22 trap is completely closed ... for the time being.

Of course the trade unions have themselves become weaker, for a number of reasons. With the collapse, breaking up and closing of large state-owned enterprises, the memberships of the big trade unions - the steel workers, miners etc - have fallen drastically.

According to estimates, the percentage of trade union members in the national labour force has fallen to 25 per cent. Moreover, a significant proportion of trade union members are now pensioners, whilst younger workers keep their distance from the trade unions. Within factories and enterprises, the rights of trade unions have been narrowed down and the number of employees protected by a collective agreement is now very much smaller than it was just a few years ago. A sizeable

number of workers in newly-established enterprises are not trade union members; in fact, there have already been several scandals - in privatised companies in the hands of foreign owners - in connection with the complete banning of trade unions. The state, however, has been reluctant to interfere in these conflicts with the argument that 'in a market economy this is not the task of government'. The government has done nothing more than act as a mediator when strikes have broken out and the disquiet across the nation in connection with these has had to be handled with propaganda on the part of the media. The contradictions involved in all this are clear, given that official government policy (which is supported by the parliamentary parties, the intellectual elites and the media) states that Hungary needs more western capital and a larger inflow of operating capital. However, the consequences of these policies for society are being ignored.

Teachers and health workers have also faced considerable problems over the past three years. They have had to suffer drastic decreases in real wages, like most of the workforce, and their trade unions are involved in a constant struggle to prevent the situation from deteriorating even further. The trade unions representing teachers in higher education have been engaged in similar disputes and have also had to deal with large scale redundancies in universities and colleges of higher education.

Wage levels in higher education are also very low, and besides this there has been the introduction of tuition fees for students in universities and colleges; these developments have obviously become sources of discontent, especially given the obvious fact that the money from tuition fees has not gone towards creating equal opportunities but, rather, the children of the wealthy have been offered even greater chances to get further ahead.

With regard to social conditions, at the end of March 1997 - according to the figures of the Central Statistical Office (CSO) - between one third and one quarter of the population are living below the poverty line. The CSO itself also indicates a range of extremely worrying information: for example, that 40 per cent of the children of Hungary are living in poverty, having inadequate nutrition with a significant percentage going to school each day without breakfast; that in the pharmacies many pensioners can no longer afford to pay for the

medication prescribed by their doctors; that there has been the appearance of a massive homeless strata - never before known in Hungary. In February 1997, the International Labour Organisation (ILO), produced a competent report about Hungary which was very much in line with the data of the CSO. However, the ILO's report was sharper and more decisive in stating that one third of the Hungarian population is below the poverty line. In the same report it was pointed out that since 1989, real wages have decreased by 20 per cent and the number of unemployed has stabilised at around half a million. (The total population of Hungary is a little over ten million.) The ILO report also pointed out that whilst the number of those receiving state benefits has increased, at the same time, the real value of those benefits has decreased.

Alongside these general items, of course, it is essential to mention the wretched plight of the disabled because of the massive cut backs in health care. In fact, the whole population has been affected to various degrees by the disappearance of certain health services which previously were free of charge. Apart from the marketisation of health services which were once part of the welfare state, the regular and drastic increase in the cost of pharmaceuticals has placed millions of people in a contradictory situation - they have to consider whether they can afford to pay to have the chance of regaining good health. Similar phenomena have made their appearance in the sphere of education: for instance, there has been an enormous rise in the price of textbooks. Thus, right from the early years of a child's life, education has become a significant expenditure for parents.

One of the products of recent years has been a massive increase in the differentiation between the social minimum and higher income levels. For example, in March 1997, the minimum monthly wage was estimated at HUF (Hungarian Forints) 15,000, while in the sphere of finance (particularly the banking sector) the monthly pay was between HUF 300,000 and HUF 500,000, and for senior posts in this sphere, the monthly salary was between one and two million forints. The political elite have been receiving between HUF 60,000 and HUF 250,000 as a monthly wage.

All these social and economic factors in combination, together with difficulties over controversial issues - such as joining NATO or

government funding for church schools - have led to an uncertain political situation in the run up to the next general election in May 1998. One of the most obvious internal contradictions of today's grievous situation is the lack of initiative on the part of the forces of the left. In fact, the left has fallen apart and has resigned itself to the old, traditional argument: nothing else can be done. Moreover, the media helps to strengthen this inertia by suggesting every day that there is no alternative; 'modernisation' and 'catching up with Europe' are the only aims, and they are almost obligatory for Hungary.

There was some attempt by the left in the Hungarian Socialist Party to protest about the direction of the party in April 1997; the 'Left Wing Group' within the HSP organised to demand the resignation of party leader Gyula Horn and a change of leadership personnel. This effort, however, met with no success at all, for the group had no real strength behind it, and, significantly, was not backed by the trade unions. The steel workers' union made its own attempt, in April 1997, to stem the tide in its own field by initiating a campaign - along the lines of that of the German steel workers - to reduce the working week to 36 or 38 hours in order to preserve jobs. Of course, they wanted the reduction in hours without a loss of earnings. So far, the demands of the steel workers have received no support from the mass of the trade union movement and the government has hardly reacted at all.

These two recent and isolated attempts to stem the tide show that the strength of the left is small, scattered and thus totally ineffectual. The direction in Hungary at the moment is, unfortunately, unequivocally to the right. For the time being the future promises nothing other than a worsening of the situation. ●

## **Štěpán Šteiger**

### **The Czech Left in Election Year 1998**

In 1990, the then finance minister of federal Czechoslovakia, Vaclav Klaus, proudly announced that “in seven years we shall be as rich as Austria”. Seven years later, in October 1997, a demonstration of 60,000 trade unionists in the old town square were shouting “Resign! Down with Klaus!”. Klaus, by now prime minister of the Czech Republic and “architect of economic reform”, resigned two months later, allegedly on account of a financial corruption scandal but in reality because of the rapidly deteriorating economic situation. The promised economic miracle had not happened.

In spite of the massive support it enjoyed in the media, the government coalition parties only barely won in the summer 1996 parliamentary election (see Table 1). The main coalition party, Klaus’s Civic Democratic Party (ODS), appeared to be a secure bulwark “against the third way, against the left in general and the Czech social democracy in particular”. Four months later, shaken by the corruption scandal, its support in the population fell from 30 to 10 per cent and the party split in two.

#### **The economic roots**

A major problem in the Czech economy is its low levels of productivity. Production in general and industrial production in particular have not

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yet reached the levels of 1989 and a real integration into the world economy seems as far away as ever.

In the beginning, it was assumed that mass privatisation would give a boost to economic growth. A few years of belt tightening would lead to a booming economy. The state's economic policy, however, did not promote growth. In practice, the state simply pursued a policy of cutting expenditure, which had a negative effect on growth. The low levels of productivity became an excuse for rejecting the demands of poorly paid professionals - doctors, teachers, etc. The answer was always the same: we don't have the resources.

The Czech Republic's opening to the world market and international competition created severe problems for the Czech economy, especially in view of the over-capacity in almost every economic branch. International competitiveness required a radical restructuring of industry, a process which has now begun and is already having visible effects.

Klaus maintained that the state should be only marginally involved in the economy, that the key was the restructuring of enterprises. But this is not the case. The state can, and should, play a key role in this necessary restructuring and in raising the levels of international competitiveness: by developing a popular awareness of the need for restructuring, by a planned restructuring of the still quite large state-owned sector and the monopoly sectors such as energy, and so on. The present government led by prime minister Tosovsky is not in a position to do this - its period in office will be too short, with new elections set for June 1998.

### **Economic prospects**

Economic prospects for the current year don't look good. The economic experts are predicting a growth rate for GNP of between 1.5 and 3.5 per cent and an inflation rate of between 8.1 and 12 per cent. The inflation rate will probably be even higher than 12 per cent. The rate of unemployment is between 5.5 and 7 per cent. This is a real problem since there is practically no social protection for the unemployed (it was not considered necessary before 1989) and the restructuring of enterprises that is now under way will lead to a growth in the numbers of unemployed. The government spokesperson and minister without

portfolio, Mlynar (ironically, the son of the famous reformer of the Prague Spring), has admitted that the government “has no concrete plan for solving the unemployment problem”. In January this year (1998) the number of unemployed was 290,000 - 18,000 more than in the previous month. All predictions are that this number will continue to grow.

There are strong regional differences in the unemployment rate: in Prague it is only 0.9 per cent but in certain areas in northern Bohemia it is over 12 per cent. On average, there are five applicants for every job, but in the area of Chomutov in northern Bohemia the number is 72. According to the statistics of the labour ministry, the time period in which workers can expect to remain unemployed will continue to get longer. In opinion polls, seven out of ten believe that their economic situation will get worse in the year ahead.

The Czech National Bank is also predicting that prices will continue to rise faster than wages and incomes. Wages in the public sector are predicted to rise by 8 per cent, in the private sector by 10 per cent. This will mean a fall in living standards, especially for the so-called “middle classes” (civil servants, doctors, etc). For lower paid workers, the experts reckon a decline in living standards of around 5 per cent.

## **Political prospects**

There are four sets of elections in the Czech Republic this year. On 20 January the Czech Republic’s bicameral parliament re-elected Vaclav Havel to a second and final five-year presidential term. He won on the second ballot, when he was the only candidate, but by just one vote. In this election, of course, Czech citizens were only onlookers.

In June 1998 there will be elections to parliament; in November a third of members of the Senate will be elected and there will also be local and regional elections. The elections of 1990 were a referendum on the new political system. This year, however, as in 1996, the elections will be a duel between the left and right - with the difference that this time the relation of forces has shifted considerably. The only real question is how far “left” the new government will be. The head of the Social Democratic Party (CSSD), Miloš Zeman, estimates support for his party at around 35 per cent and recent opinion polls suggest that this

**Table 1. Czech parliamentary elections 1996**

	% vote	seats
Civic Democratic Party (ODS)	30	68
Czech Social Democratic Party (CSSD)	26	61
Czech and Moravian Communist Party (KSCM)	10	22
Christian Democratic Union (KDU)	8	18
Republicans	8	18
Civic Democratic Alliance (ODA)	6	13
Others	11	0
Total		200

figure is realistic.

There was a significant development earlier this year, however, which may affect the electoral predictions. A number of high-ranking members of Klaus's ODS left the party and, on 21/22 February 1998, established a new party, the Freedom Union. The new party's motto is: freedom and order. What makes this development significant is that opinion polls suggest popular support for this new party at around 10 per cent, in spite of the fact that it is new and unknown. If the Freedom Union continues to build public support in the period leading up to the June 1998 election, this would significantly alter predictions about the outcome. The new party could be a pole for the electoral right in the wake of the collapse of the ODS. It would probably not alter the strength of support for the Social Democratic Party but it could alter the shape of any new government coalition.

The single member majority election system used for senate elections would favour the stronger parties. If the Social Democrats win in the 20 of the 27 regions in which there are senate elections this year, they could win control of the senate (see Table 2).

Finally there are the regional and local elections. The Social Democratic Party is quite strong in the urban areas but is also quite well organised in the countryside. Dissatisfaction with the policies of the right-wing government will also probably increase the vote for the Czech and Moravian Communist Party (KSCM) and for the extreme

right-wing Republicans. The local organisations of the ODS are divided and weak and the new Freedom Union will have to work hard to replace the ODS. So the left will probably increase its representation also in local government and will make its presence felt in future regional assemblies. 1998 will be an important year for the Czech Republic and for the Czech left. ●

**Table 2. Czech Senate elections Nov 1996**

	% vote	seats
Civic Democratic Party (ODS)	49	32
Czech Social Democratic Party (CSSD)	32	26
Czech and Moravian Communist Party (KSCM)	2	2
Christian Democratic Union (KDU)	11	13
Republicans		
Civic Democratic Alliance (ODA)	5	7
Democratic Union	0.6	1
Others	0	0
Total		81

**Boris Kagarlitsky**

## **Five years of the Communist Party of the Russian Federation**

In February the Communist Party of the Russian Federation (KPRF) celebrated its fifth anniversary. In their commentaries on this event, Moscow's right-wing newspapers showed a striking unanimity: all were full of praise for party leader Gennady Zyuganov and his close associates. In the view of the newspaper *Segodnya*, the KPRF under Zyuganov had ceased to be Communist and had become a social democratic organisation, respecting the new social order and devoted to private property. Western-style social democracy, however, requires a flourishing Western capitalism. Social democracy first arose in Western Europe under conditions that included developed democratic institutions, a strong labour movement and extensive room for capital to manoeuvre.

Obviously, social democracy is possible only in the countries of the capitalist "centre", where the ruling class is able to make concessions to the workers because it controls additional resources on the "periphery". Russia is now part of the periphery of world capitalism, and for this very reason, efforts to construct Western-style social

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democracy here have been doomed to failure.

So if the KPRF is not being social-democratised, what is happening to it? When Zyuganov was elected leader in 1993, most observers were inclined to think that the party would shift abruptly to conservative and nationalist positions. But the congress delegates who voted for Zyuganov saw him as a decisive, combative leader, capable of doing what the other candidate - the moderate, sober-minded Valentin Kuptsov - was not. The rank-and-file party members wanted action and struggle. The degree to which they were themselves ready to take part in struggle was another question - most of the registered members were of pensionable age.

Zyuganov and Kuptsov managed not only to restore the party's organisational apparatus, but also to sideline rivals who stood to their right and left. The main victims were the radical Russian Communist Workers Party (RKRP) of Viktor Anpilov, and Lyudmila Vartazarova's moderate Socialist Party of Workers (SPT). The RKRP lost many of its activists, and the SPT a mass of passive pensioners. With these additional supporters, the KPRF became able to wage a credible struggle for power. Zyuganov's strength was thus his "will to power". It was this that united the fragments of the Communist movement around him. But behind the striving for power there was neither a clear program, nor theory, nor a mass movement capable of taking power and effecting change spontaneously.

Perhaps sincerely believing that he was saving the party, Zyuganov in October 1993 took his distance from the armed defenders of the Supreme Soviet building. To be sure, he saved the party. What he saved it for is another question. While the authorities stopped short of forcing the Communist Party underground, they made quite clear that it would have to respect the new rules of the game. Other left organisations were subjected to much more serious victimisation, and the more radical groups were forced out of legal politics. The radicals, however, lacked the boldness, the cadres and the resources for illegal struggle. There were not even serious acts of civil disobedience following the bombardment of the parliament building on October 4, 1993. The leaders of the radical opposition saved their lives and freedom, but at the price of political death. Failing to win seats in the State Duma, and losing their positions in the trade unions and the organs of local self-

government, the radical left organisations finished up out of the game.

Meanwhile, Zyuganov's fraction voted for the government's 1994 budget, showed no particular interest in the miners' strikes that broke out in the spring of 1994 and, in short, acted as a loyal "His Majesty's opposition". The authorities, in turn, relaxed their pressure. Most workers in Russia are now disorganised and dependent on management, and many of them have been sent on forced leave. Consequently, speaking of a labour movement and even of a working class is possible only with serious reservations.

The social base of the KPRF consists not of workers, but of pensioners, managers of former collective farms and bureaucrats who have lost out from liberalisation. While all these groups are in one degree or another hostile to the authorities, they cannot solve their problems through social and economic change, but only through the redistribution of resources via the state budget. Here we do not have angry masses, but "clients" who, in the Soviet tradition, are ready to put up with substandard treatment in the hope of obtaining state largesse.

If a change of regime is beyond the capabilities of the KPRF, the demand for structural reforms is not being pursued either. The problem lies in the party's specific "clientele". The only way the wants of such a social base can be satisfied is through lobbying; this requires good relations with the government. Zyuganov's party is thus once again close to power, but in a sense quite different from that of 1993. From the spring of 1994, a solid working relationship grew up between the KPRF and Chernomyrdin's cabinet (all, of course, justified on the basis of the need to support the "best" elements in the government against the "worst"). The right-wing press has hailed this policy as "social democratisation", but the departure from a Communist orientation has meant an equally clear break with social democratic ideas. Social democracy is oriented toward structural reforms, while the KPRF has not had — and cannot have — a reformist strategy. The KPRF's actions might be excused on the basis that the parties in the West that call themselves social democratic have made a clear break with reformism and the workers' movement, going over to a strategy of pure lobbying. In this sense Zyuganov is indeed very close to politicians such as Tony Blair in Britain or Massimo D'Alema in Italy. If Zyuganov is no longer a Communist, Blair and D'Alema are no longer social democrats.

Since traditional “Communist” ideology cannot serve as a practical guide to action, while social democracy is not a real alternative, Zyuganov has been compelled to offer a third option. This has turned out to be the “ideology of state patriotism”. Patriotism is used to justify a rapprochement with the authorities, while at the same time it permits a stance of opposition with respect to the West. From being a social phenomenon, capitalism has been transformed into a geographical one. Continuity with the Soviet past has been maintained, but at the same time the KPRF has stressed its loyalty to “national entrepreneurs”.

By the middle of 1994, the KPRF was not only the sole left party in the parliament, but thanks to the complete absence of an organised extra-parliamentary opposition, was the only serious party in the country. Paradoxically, the effect was to radicalise the KPRF. Before the 1995 parliamentary elections, the feeling began to spread that however bad Zyuganov’s party might be, there was no alternative to it. Support for the KPRF rose dramatically, and many people with radical views joined its ranks. In by-elections for the Duma and for local assemblies, the Communists scored many victories. These successes encouraged party leaders in the illusion that they had a serious chance of winning power. The KPRF voted against the 1995 budget. There was less talk of patriotism, and more of Marx and Lenin. A program was adopted that included many direct borrowings from Soviet and Russian new leftists of the period 1989-1993. In the party leadership, people appeared who were clearly inclined toward struggle.

The 1995 elections were a triumph for the KPRF, but they nevertheless disproved any hopes that a renewal of the party had taken place. The preparations and the selection of candidates were conducted using pure “apparatus” methods. Deputies who were suspected of disloyalty to Zyuganov lost their mandates. In various instances the KPRF conducted its campaign so as to ensure that independent leftists would not be elected, even at the price of guaranteeing victory to supporters of Yeltsin and Chernomyrdin.

In the 1996 presidential elections, Yeltsin made clear that democracy was permitted only within certain limits. A parliamentary opposition in a powerless Duma was one thing, but the presidency was something else entirely. A wave of hostile propaganda crashed onto Zyuganov and the KPRF. Combined with ballot-rigging at the local

level, the propaganda assault not only guaranteed victory to Yeltsin, but also showed the KPRF leaders that standing up to the government was not allowed.

After the summer of 1996 the “will to power” found its only permitted expression: rapprochement with the authorities. Once again the KPRF began voting for the budget and supporting “good” ministers against “bad” ones. The only problem was that such an approach had little to offer the party’s “clients”, not to speak of the masses of workers. A crisis was ripening within the party. The KPRF’s turn to the right thus provides no grounds for talking of social-democratisation. What is really occurring is far worse. The KPRF is becoming part of the regime, one of the props of the existing order. But in fulfilling this new role, it is fated to meet with serious opposition from the very social groups and individuals whom it has summoned to its banner.

### **Sacking of Chernomyrdin**

The orientation of the KPRF suffered a significant jolt on 23 March 1998 when Yeltsin sacked his entire government and appointed Sergey Kiriyenko to form a new government. Only 35 years old, Kiriyenko in Soviet times had worked in the Communist Party’s youth apparatus. Later, as befitting a young member of the nomenklatura, he became a banker. Like many bankers, he then joined state service. As part of Nemtsov’s entourage, Kiriyenko became a favourite of powerful industrial magnate, Boris Berezovsky.

Berezovsky has for several months been trying to secure the sacking of Chubais and Nemtsov, the patrons of his competitors. Berezovsky seems to have been the only person in the country to foresee the sacking of the cabinet. The day before Yeltsin’s announcement, Berezovsky had given a strange interview to the television program *Itogi* full of obscure hints, the meaning of which was only revealed later. It is amusing to note that, just a few weeks earlier, Western commentators and Yeltsin himself had been hailing the achievements of the Russian government, which in Chernomyrdin’s inimitable phrase, had managed to “slow the rate of growth of the decline”. Yeltsin had promised that Chubais and Nemtsov would remain in the government at least until the year 2000.

On 23 March Yeltsin also sacked of the regime’s strongmen,



**Sergey Kiriyenko**

interior minister General Anatoly Kulikov, who had served Yeltsin loyally during the events of October 1993 and during the Chechen war. Yeltsin evidently took the view the general had concentrated much power in his hands and had become dangerous.

Although both Chubais and Chernomyrdin have lost their jobs, the scale of the setbacks they have suffered is quite different to that of ordinary Russians in the last few years. Neither is in financial straits as a result of being sacked; Chubais has boasted to journalists of receiving a large number of job offers, while Chemomyrdin is among the largest shareholders in the natural gas monopoly, Gazprom.

Chubais, unlike Chernomyrdin, can expect to retain most of his political influence. Chubais has behind him Russia's most powerful bankers and the International Monetary Fund. He also has exceptional experience in behind-the-scenes political manipulation, and will remain an important political figure even outside the government. Chernomyrdin, by contrast, will find it hard to retain much political weight. He is a professional bureaucrat, not a politician. Another favourite of the bourgeois press, Boris Nemtsov, will find that his political future depends mainly on his former subordinate Sergey Kiriyenko. For a former top minister, that is a humiliating come-down.

Few people in Russia will regret Chernomyrdin's sacking, with the exception of the leaders of the Communist Party of the Russian Federation. The KPRF chiefs repeatedly helped the prime minister

steer his budgets through the Duma, suppressing opposition within their party and its parliamentary fraction. They insisted that Chernomyrdin had to be defended, arguing that if he were removed, Chubais would come to power. Chernomyrdin gave discreet aid to the Communist Party. With his help, the KPRF acquired an impressive building to house its apparatus, and from mid-1997 business people close to the government began to provide generous financial support to the KPRF.

Now that Chernomyrdin has gone, the KPRF has not only lost its source of funds, but its political perspectives have vanished as well. Earlier, party leaders had calculated that when Yeltsin left the scene, his successor would be Chernomyrdin, who would be unable to maintain himself in power without their help. Even after Yeltsin's March 23 announcement, the KPRF leaders continued without much conviction to call for a "government of popular trust". At the time of Yeltsin's bombshell, party chief Gennady Zyuganov seemed relatively confident, but his colleagues in the Duma in Moscow were gloomy and anxious. Although the composition of the next government remains a mystery at the time of writing, there is little doubt as to its general orientation. The stock exchange has already digested the changes: immediately after the sackings share prices fell, but by evening they had regained their former level. As one of the brokers told a television news program, the government was "not as important as Yeltsin's health". The neo-liberal policies of the Russian state are not under threat. At any rate, not until the workers themselves start fighting for changes. ●



**Chernomyrdin departs**

**Tadeusz Kowalik**

## **The Systemic Conditioning of Polish Social Policy**

It is universally accepted that economic policy, widely conceived, chiefly determines differences in levels of development, the prosperity of nations and their standard of living. This wide conception embraces social policy as well as fiscal and monetary instruments, that is to say all those elements which German liberal circles have described as *Ordnungspolitik*, or the creation of the legal and organisational framework for economic activity, including both narrowly economic and social policy. If its role is so important, it follows that the “economic vision” of the governing elites in Poland, in international financial organisations and in the EU, are of fundamental importance. This vision to a large degree defines the systemic and day-to-day activities of governments, including their social policy.

The vision of the nature of capitalism entertained by all these elite groups, especially with reference to its earlier phases, strikingly recalls the view of capitalism put forward almost half a century ago by Joseph Schumpeter. I recall that in the commentary to his famous, fundamentally flawed, but still thought provoking books, Joseph

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Schumpeter wrote:

The essence of capitalism is not that landlords can exercise influence on production, opting between peas and beans, nor that a young man can decide for himself whether to work on the farm or in a factory, nor that a manager has a certain freedom of choice what to produce. Capitalism means a certain system of values, an attitude to life - a civilization of inequality and family fortunes. [Schumpeter 1962: 419].

This conception is erroneous, because it rests upon the assumption that only a capitalism of individual entrepreneurs, disposing of great concentrations of wealth, can be dynamic and innovative. The significantly faster growth rates achieved by post war managerial capitalism refuted this conception. But for my theme, the very conception of capitalism as a “civilization of inequality and great family fortunes” as a condition of its dynamism is an important one. This ethos of capitalism originated and became generalised in the period of Reagan and Thatcher and their Polish followers. Thence for example stems the conviction that we are “on the threshold of much greater income inequality” perceived as a condition of swift development. This idea is refuted by the fact that in the post-war period the quickest developing economies (the Nordic countries, Japan some of the younger Asian tigers) have displayed the same Western levels of inequality.

Our economic system certainly will continue to change. The public sector will contract and there will be further marketisation of the social sector. But one can say with complete certainty that the foundations of the new system, as one of the variants and components of the megasystem called capitalism, have already been laid. It is not threatened by reverses or radical change, if one assumes that strong social movements do not come into play.

I assume that it would not be difficult to arrive at agreement on the basic features of a socio-economic system. These consist of:

- 1) the sphere of market allocation, together with the role of the state (or the ‘regulatory system,’ according to Kornai);
- 2) the sphere of unemployment and the attitude of government to it;
- 3) the sphere of poverty and the attitude of government to it;
- 4) the degree of inequality and state distribution policy.

As regards social aspects, our system is characterised chiefly by the effects of the first years of precipitate transformation after 1 January 1990. I have in mind the following features:

1) *Massive unemployment.*

The subject and figures are well known, so I will restrict myself to one observation. The fall in numbers of registered unemployed is only reflected to a limited extent in employment growth. Unemployment, especially amongst young people, is particularly productive of crime, social pathology and frustration. Casual work in the grey economy also has marked ill effects on the morale of youth. In the long term, a stable and secure society is incompatible with mass unemployment. It is therefore also a threat to democracy. The stagnation in this area, the inability of the government to change the structure of the education system, to undertake any large-scale public works and the very low level of spending on active measures on unemployment, signifies the habituation of society to mass long-term unemployment as simply part of the "return to normality," i.e. the inter-war period.

2) *Widespread poverty.*

Existing research employs different criteria of poverty. It is however striking that numerous domestic studies [Beskid 1996, Dnieszczuk 1995, Golinowska 1996a and 1996b], together with the World Bank [Bank 1994, World 1994] and finally GUS, all agree in showing that in the course of the last eight years the number of people living in poverty more than doubled. This was prompted by high unemployment, a sharp fall in real wages and the large proportion on minimal wages.

According to research from Vienna by SOCO [Beskid 1996: 15], the number of people receiving half average disposable income or less (on an equivalent basis) amounted in 1995 to 18.3 per cent in Poland, 9.3 per cent in Hungary, 6.7 per cent in Slovakia, 6.1 per cent in the Czech Republic and 6.6 per cent in East Germany. There are also strong grounds for believing, although comparison is more difficult here, that the proportion of people in poverty in Poland is one of the highest in Europe West of the Bug.

3) *Mass unemployment and the large sector affected by poverty are associated with an exceptionally large differentiation of earnings and incomes.*

As with poverty, research shows [Milanowic 1995; Atkinson 1996, Borkowska 1996] that the spans of income in Poland are the highest among East Central European countries and are up amongst the highest of the West Europeans. Inequality measured as a coefficient outstripped the majority of countries in Europe, not just the Scandinavian ones. The greed, or rather lack of restraint, of managers merits particular attention. Their earnings are already more than 60 times the average wage, a rate similar to that displayed in the United States a dozen or so years ago. Moreover managers' salaries are rising rapidly, led of late by the heads of state owned firms. This could not have happened without the quiet acquiescence of a government with a left wing label. Poland also comes out very badly in comparative studies of wage discrimination against women.

Before our eyes then, with our silent or active complicity, what Roy Harrod described as an oligarchy of wealth is taking shape. Roy Harrod, who was otherwise a rather conservative economist, warned that an 'unbridgeable gulf' existed between democracy and an oligarchy of wealth [Harrod 1958 cited by Hirsh 1977: 23]. Both the social and political consequences of this process are clear enough: an oligarchy of wealth generally means an oligarchic democracy. However policies designed to assist the poor, which are attracting increasing popular support, are likely to perpetuate the inegalitarian system rather than destroy it. This is the 'paradox of redistribution' [Karpi, Palme 1997].

4) *Nineteenth Century working conditions in the private sector.*

Private firms generally do not respect health and safety at work and do not comply with the conditions laid down in legally obligatory written contracts of employment. In regions of high unemployment and/or immigration from the East and the South, wages are often below the statutory minimum. Trade union activity is not allowed. At the outset, this could be explained by the inexperience of the new owners, the exceptional situation, reorganisation and therefore a temporary disorder in monitoring functions. We should be deeply perturbed that the annual report of the State Labour Inspectorate (PIP) indicates that far from

improving, working conditions are worsening. Hopes for the civilization of the private sector are receding dangerously.

### 5) *Privatisation*

Owing to the difficulty in measuring some phenomena and to lack of appropriate research, I cannot relate privatisation in Poland to this process in other countries. However, two points are clear:

(a) The Solidarity governments were very hostile to workers' participation. This did not only refer to restriction of the powers of workers' councils, but also the blocking of more participatory forms of ownership arising from the privatisation process. The political authorities bear a significant share of the responsibility for the collapse of the co-operative movement [Kleer 1996]. They did not want to allow the establishment of workers' ownership and later - and this is still going on today - they did their best to change it into managerially owned forms. Neither the political authorities, nor the union leaderships did practically anything to extend the trade unions into the newly established private sector.

(b) It is possible that, from the point of view of justice, the high opinion that people had for the National Investment Fund, higher than the Czechs had for the coupon scheme, was not an illusory one. Likewise, we are no worse than the Hungarians and certainly significantly better than the Russians in privatisation methods. Nevertheless there is very strong feeling in Poland at the injustice created by privatisation, which has definitely strengthened the egalitarian attitudes which have been observed over the last couple of years.

### 6) *The catastrophic situation with regard to housing.*

Much has been written about this phenomenon. It seems to me that it should be taken together with another one - the improbable car boom. Before our eyes a caricature of a Western caricature is appearing. Congestion, kilometer-long jams, even in off-peak periods, poor public transport - we know all this from Western countries. The older amongst us still remember the post-war French debate about the future of civilization. It came down to this, whether to go for housing or cars. We know that it was the latter that triumphed. However, in continental Western Europe at least some proportion was maintained thanks to heavy

public support for the construction of housing. A situation familiar from the Third World is being repeated in Poland. The association of these two processes - unusually rapid motorisation and spreading slums - indicates how far we are from Edward Lipinski's housing 'Agora' or Zeromowski's 'glass houses.'

### 7) *The speculator's mentality*

The final feature is more of a warning than a statement of ascertainable facts. Quite simply, I am very apprehensive about the generalisation of what J.M. Keynes called 'the speculators' mentality' (he was referring to the Americans). The much advertised phenomenon of globalisation scored a triumph in this area. Many economists do not take care that they are not opting for such a mentality in opting for the immediate transferability of shares and other ownership titles and what is worse the absence of any taxation of such transfers. This has meant that both the NFI programme and the idea of workers' ownership - both justified in the name of democracy as social ownership - have turned into the exact opposite. The transformation to date has created a system fraught with social conflicts.

Which of the features referred to above will cease to be a problem in the course of the next ten to fifteen years? This will depend chiefly on changes in the world context. If these are inconsequential or unfavourable, then I fear that in the absence of social convulsions sufficient to force changes, then the features mentioned above will still characterise the 'Polish Economic Model' (as we used to say after October 1956).

## **The European Union and systemic diversity**

The effects of Poland's entry into the European Union are difficult to define. The existing Social Charter of the Union has a purely declaratory character. Various statements on remedial measures against unemployment have a similar verbal character. I am however convinced that even with the presence of tendencies inimical to the Social Charter, attempts to rein in various areas of social security are efforts to adjust spending to the slowed tempo of economic growth in the Western world. However, this does not mean that they are attempts to dismantle the welfare state. This is demonstrated by the fact that the area of state

redistribution is not shrinking, but expanding - albeit more slowly than in the 1970's and 1980's. In no Western country has there been success in significantly reducing state spending, although its structure has changed.

Observation of what has happened or is happening to the institutional personalities of countries which not long ago fully joined the Union should allow us to make realistic prognoses. This is especially important with reference to Austria and Sweden, where the economic systems and current economic policy differ significantly from the other twelve (sic). What has remained of this dissimilarity? At present we unfortunately do not have research available which would allow us to answer the question as to whether the possibility exists and will continue to exist for countries embarking on the accession process to retain certain distinctive systemic features. Research on institutional and organisational changes taking place in countries within the Union should be a research priority for the candidate countries.

At present only so much can be said. Contrary to the universally held view in Poland, a uniform economic system has not been established in Western Europe. The European Union economies are only slowly coming to resemble one another. This applies even to countries which are veterans of the integration process.

I also warn against exaggeration in assessing the tempo of globalisation of the world economy. The certain fact of the globalisation of the finance-capital market affects the whole economy too easily. We should not forget however that in the course of the last decade Europe has scarcely managed to rebuild the proportion of national income occupied by foreign trade that it had before the First World War and Japan has still more ground to make up: exports make up a smaller part of GDP than in 1913. This is without taking into account the labour market which in those days had no more restrictions and perhaps had less than today. The assertion that the socio-economic system in Poland will be the same as the rest of the European Union provides an insufficient basis for setting aside debates on the choice of model, particularly with regard to the possibility of combining efficiency with social justice. In any case, to a large extent the general evolution of the capitalist world will set the pace not only for systemic changes in Poland and Central Eastern Europe, but for the transformation of the European

Union as well. This is what will determine whether the *zeitgeist* of the free market will continue to dominate or whether a period of socialisation of the market and of capitalism alike will return.

Periods of good and bad economic policy have both had their day. The policy which led to the Great Depression in the thirties is an example of the latter. As we know, Galbraith and Friedman diverge fundamentally in their interpretation of this experience. But even they are in agreement that such a huge collapse was unnecessary and was the result of disastrous action or inaction by governments. The New Deal in its post-war guise drew partly from war-time economic experience. Interventionism led to a great speeding up of economic development. The Soviet planning system too led at the outset to a step forward in industrialisation by a series of central and eastern European countries.

The two systems competed with one another on the basis of which was more effective in accelerating growth. By the mid sixties it became clear that the Communist countries were incapable of achieving the transition from extensive to intensive growth. They fell into a trap of conservative modernisation [Brus, Kowalik: 1993]. On both sides of the Elbe, planning and interventionism went into decline. Apart from a developing an increasingly chaotic bureaucracy, the Western states could not manage to reconcile wage and price stability with full employment.

One of the basic components of the free-market *zeitgeist* is the globalisation of financial markets, referred to above, and in tandem with this, the generalisation of the 'speculators' mentality.' It is quite amazing how accurately Keynes identified this danger in the thirties. I have not checked this, but he is probably also the originator of the term 'casino capitalism.' Keynes was already disturbed by the growing role of stock markets and speculative capital, although their role was still comparatively small.

From the time of the collapse of the Bretton Woods currency system, which maintained exchange rates that were to some extent artificial - the deregulation of capital markets in a series of countries prompted a real explosion of speculative activity and associated with it, a swift growth in the financial sector and the number employed in these operations. The financial sector, which is preponderantly unproductive, attracted a lot of able people. Market fluctuations are

often the occasion of erroneous evaluations of the market position of a firm, prompting irrational decision making.

An appreciation of the fact that the Western countries are unwillingly slowing down in their economic development is unusually important for countries in transition such as Poland. Indeed the first condition of choosing an appropriate strategy is recognising the external opportunities and constraints this strategy will encounter.

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## Peter Truscott

### Russia's future role in Europe Regionalisation and devolution in the UK and Russia

The UK-Russia Forum was established after the Blair-Yeltsin Summit in Moscow in October 1997. The idea was to bring together future British and Russian leaders under the age of 40 in the fields of politics, business, academia and the media, and develop closer personal links between the two countries. The first meeting of the UK-Russia Forum was held in the Foreign Office in London, between 12-13 February 1998. About 50 people participated in the two days of seminars and discussions, and the agenda had a distinctly regional focus. The Forum was chaired by Sir Rodric Braithwaite, a former British Ambassador to Moscow and Foreign Office mandarin, and included a session led by Jonathan Powell, Tony Blair's Chief of Staff. I led a session on regionalisation, devolution and constitutional developments in Britain and Russia's future role in Europe.

#### The EU and Russia

The European Parliament controls a budget of about £60 billion (but not funds allocated to the Common Agricultural Policy), ratifies

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international agreements, and amends proposals submitted by the European Commission. The EU is now the largest aid donor in the world. The European Union operates many funds to support economic and democratic developments in non-EU Member States. Of particular interest to the Russian Federation is the TACIS fund, which is designed to assist the economies of the republics formerly belonging to the USSR make the transformation to open market economies and strengthen their democratic institutions. Since 1991 the EU has invested over £2,350 million in projects promoting the exchange of know-how, advice, twining and establishing non-governmental organisations in the CIS and former Soviet republics.

As far as the legislative processes of the European Parliament are concerned there are four different strands: co-decision, co-operation, consultation and assent. The Amsterdam Treaty signed last June considerably increased the relative powers of the European Parliament by extending the range of issues which require co-decision between the Parliament and Council - that is where the Council and Parliament have to jointly agree on legislative proposals. This extension of influence will have important ramifications for Europe: for example 80 per cent of all European legislation on the environment now passes through the European Parliament.

Sometimes, people think that both the European Court of Human Rights, and the Council of Europe (which Russia joined in 1996) are European Union institutions. This is not the case, as they are completely separate institutions, and are not covered by the Treaty of Rome, or the successor treaties of Maastricht and Amsterdam. Both the European Court of Human Rights and the Council of Europe - with its 40 member states from all over Europe - are primarily concerned with human rights, and have separate structures and memberships.

The Committee of the Regions is an important advisory assembly of the EU, comprising 222 representatives of local and regional authorities. It was established to ensure that public authorities closest to the citizen (mayors and councils) are consulted on all issues of direct interest to them. The committee is there to defend the principle of subsidiarity, which states that decisions should be taken at the lowest level of authority that can act effectively. Members of the Committee are chosen by the member states and appointed by the Council of

Ministers. COR must be consulted over: education and youth work, culture, public health, transport, telecommunications and energy infrastructures, economic and social cohesion and the structural funds. COR has 9 sub-committees that specialise in particular areas within the scope of the Committee. The establishment of COR was designed to complement the work of the European Parliament's Regional Policy Committee, and give local representatives a direct say in the evolution of European regional policy.

### **Devolution and regionalisation in Europe**

Britain has historically lagged behind the rest of Europe when it came to the development of regionalisation and devolution. The Federal Republic of Germany, for example, has a well-established federal system based on 16 regional Länder and State parliaments, while Spain has evolved 17 quasi-autonomous regional governments. Italy has 20 regions, France 26, Greece 13 and Belgium 3 regions. Austria has 9 Länder, Finland 19 Regional Councils, and the Netherlands and Ireland 12 and 4 provinces respectively. Previously, Britain had been the last country in the EU to appreciate the importance of regionalisation and devolution. Britain presently has no defined regional structure. The European Commission recognises 14 regions in the UK, while there are 13 regional government funding offices. For elections to the European Parliament in 1999, the United Kingdom will be divided into 12 regions. However, since the election of the new Labour Government on 1 May last year, this situation has started to change dramatically. The Government has pushed forward a radical programme, holding (and winning) referendums on devolution for Scotland and Wales, laying the foundations for a Scottish Parliament with tax-raising powers, and a devolved Welsh Assembly by the spring of 1999. England may also have the chance to vote for elected Regional Assemblies, possibly establishing Regional Chambers as a first step. The Government is also forming Regional Development Agencies (RDAs), giving a strategic lead to our regions, and creating regional identities. The RDAs will mirror the regions created for the elections to the European Parliament in 1999. This will not only match developments on the continent - it will return power closer to the people.

Last July the British Government announced that it would

introduce legislation for a regional list system to be used to elect Members of the European Parliament (MEPs) from the UK for the 1999 elections to the European Parliament. This will bring Britain in line with the system of proportional representation used elsewhere in the European Union for elections to the European Parliament. The Government has proposed establishing regions based on Government Regional Offices. Currently some of these regions are well defined and locally recognised— such as the North East. Others, such as the South East, have little identity. As I have indicated above, the structure of regional government in the UK is set to change dramatically over the next few years. My own county, Hertfordshire, has become involved with the neighbouring authorities in the Eastern Region in establishing an office in Brussels to promote the Region in Europe. Many other European Regions have long- established offices in Brussels already. But Hertfordshire has also experienced an identity crisis along the way. Should Hertfordshire really be part of the new Eastern Region or is it instead part of the South East? Where should the boundaries be drawn between the two? Are there distinct Southern, Eastern and South Eastern Regions at all? To a certain extent, any division may be arbitrary.

At over 1,300 pages, the European Commission's document Agenda 2000 addresses a wide range of issues - from proposals for the EU's future financial framework after 1999, the broad perspectives for the development of the Union and its policies (particularly in relation to enlargement)- to detailed opinions on the accession bids from the countries of Central and Eastern Europe.

## **EU enlargement**

On Enlargement the Commission recommended that accession negotiations start with Poland, Hungary, Estonia, Slovenia and the Czech Republic. Negotiations will also start with Cyprus, which has already received the green light from the European Council. Applications for membership were judged according to the 1993 Copenhagen criteria such as respect for human rights and democracy, a functioning market economy, and the ability to take on the obligations of EU membership, the *acquis communautaire*. The door is not closed to the other five applicants (Romania, Slovakia, Latvia, Lithuania and Bulgaria), who although they will not start immediate accession negotiations, will be

part of the all-inclusive accession process which will begin in London on 30 March, the day before negotiations start with the first six applicants. These latter five states will have their progress reviewed annually with a view to bringing them into accession negotiations as soon as possible. The actual timetable for accession will vary, depending on the progress of individual countries. New accession partnerships will be agreed with each applicant country, including a clear work programme and timetable. All applicant states will be invited to the European Conference in London on 12 March, with the accession negotiations beginning on 31 March.

The Commission proposes major reform of the Structural Funds—those funds designed to support European regions with below average GDP— and the Common Agricultural Policy. The CAP absorbs around 50 per cent of the EU's budget, and the Commission proposes a shift away from price supports for agricultural products. Instead, funds would be channelled directly to farmers. Agri-environmental measures will be reinforced. Both the structural funds and the CAP requires reform, and would be reformed in any case without the added pressure of enlargement. The CAP will have to be reformed to meet the requirements of the next WTO negotiations in 1999. Additionally, the EU would go bust if current agricultural subsidies were extended to countries like Poland, with its million small-scale farmers. Structural funds require reform both to ensure better targeting of resources, and to allow the necessary support for new member states from central and eastern Europe. The cost of enlargement is estimated at 75 billion ecu, with some 46 billion ecu earmarked to assist the applicant states.

With enlargement of the European Union to up to 26 Member States over the coming years, other institutional reforms will have to be introduced to deal with issues like voting in Council, the number of Commissioners each Member State is entitled to, the number of working languages, and the future powers and financing of the EU. The EU is currently the world's largest trading bloc, with a combined population of 370 million. Although the first wave of enlargement is not due to take place until 2002/3 at the earliest, this could eventually rise to around 450 million citizens. Further questions will then be asked about whether the European Union has become an economic giant, but a political pygmy.

In January 1998 Britain assumed the Presidency of the EU for 6 months, until June. Britain said the priorities should be jobs, improving the environment and tackling international crime. Two other crucial issues will be enlargement of the EU and the decision this May on the third stage of Economic and Monetary Union (EMU), ie which countries should sign-up to the Euro. Another objective was to strengthen the Common Foreign and Security Policy, a complicated task given the crises in Algeria and especially Iraq, where the European Union sought to speak with one voice. All in all, Britain will be chairing, and leading, about 1,700 meetings of the EU before June, including the ASEM, EU-Asia summit and the G8. It is also hoped to hold an EU-Russia summit around the time of the G8 summit.

Relations between Russia and the EU are close and getting closer. The EU has signed and ratified the EU-Russia Partnership and Co-operation Agreement, which is designed to develop ever closer links between the EU and Russia. The EU has established a Partnership Co-operation Council, and a Parliamentary Co-operation Committee, building on contacts between the Parliament and the Duma and Federation Council. It is hoped negotiations will begin on a free trade area between the EU and Russia around the end of 1998, and the EU supports Russia's application to join the WTO. There has been support from the EU's TACIS programme, as I have outlined above. The Russian Federation is also a member of the Council of Europe, and has signed the Founding Act, establishing a permanent joint NATO-Russia Council. It has been recognised that NATO enlargement should not isolate Russia, and that the Russian Federation should be involved in future discussions on Europe's security architecture for the 21st century. This discussion and co-operation is reflected in Russia's participation in the OSCE, NATO's permanent joint Council and partnership for peace initiative, the Contact Group, its role in former Yugoslavia, and as a member of the UN's Security Council. Currently, with others, I am working on a report going through the European Parliament on future relations between the EU and Russia. All these developments augur well for better and closer relations between the EU and Russia. Russia, despite its Eurasian identity, has an important role to play in European affairs.

Britain, then, is pressing ahead with regionalisation and devolution in a European context. Russia is pursuing its own model of

regionalisation, as I witnessed when I visited Kazan in Tatarstan two years ago to study the 'Tatarstan model' of autonomy within the Russian Federation. Different forms of regionalisation and devolution are appropriate for different circumstances. In Europe, part of the momentum for regionalisation has been the recognition that regions provide useful conduits for structural aid. Constitutionally, the new Labour Government has embarked upon a form of devolution to bring power closer to the people.

In this respect, I believe that the dynamics for regionalisation and devolution are similar in both the United Kingdom and the Russian Federation. Constitutional change and devolution are seen as vital in both countries to avoid the over-centralisation of power, and the creation of distant political and élitist bureaucracies taking decisions far away from the citizens affected. This ties-in with the principle of subsidiarity in the European Union - decisions should be taken as near to the people as possible. Government should govern, but it becomes remote from the people at its peril. To this extent, the importance of regionalisation and devolution is understood equally in Russia, Britain, and the rest of the European Union. ●

**Kate Hudson**

## **The Left in Europe**

The key issue facing the European left today is how we can extend our own international co-operation in order to fight the neo-liberal framework which is driving us, against our will, towards European Monetary Union and the eastwards expansion of NATO. We know that the aim of capital is to dismantle social provision and employment rights in this process. We understand the kind of disastrous impact such monetarist policies will have, on both eastern and western Europe. So it is crucial for the left to arrive at a common approach. But what is this 'left' that we so readily refer to? On what basis is it possible for us to develop unity, given the differences that have separated us in the past?

After the first world war, European history was been dominated by the clash of two powerful external forces - the United States and the Russian revolution. This has had a profound impact on the labour movement, shaping its basic political contours. From 1918 to the late 1970s, European social democracy had a predominantly Atlanticist - or pro-US orientation, and often formed the most pro-American trend in west European societies. Social democracy was also opposed to the Russian Revolution and its extension. This support for the US had a material basis - the underpinning by US capital of west European capitalist recovery in the 1920s and then again in the 1950s and 1960s.

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The impact of the Soviet Union on Europe was equally profound, culminating in the massive wartime conflict between Germany and the Soviet Union. After the second world war Europe was divided, because neither the US nor the Soviet Union was strong enough to prevail over the other. That froze the division of Europe and the political division of the west European labour movement.

The pro-American orientation of European social democracy changed in the 1970s under the impact of the accelerating integration of the European Community. A new political phenomenon established itself in western Europe: Eurosoci-alism. It gained ascendancy within the western labour movements, influencing not only social democracy, but also the Communist Parties and even a significant part of the new left. The position of Eurosoci-alism was that further European economic integration would provide the economic basis for prosperity and social democratic reform. Symbolised by such leaders as Mitterrand in France, Craxi in Italy and Gonzales in Spain, Eurosoci-alism became the dominant trend in west European social democracy.

Also under the rising impact of increasing integration, coupled with the rapidly declining legitimacy of the regimes in eastern Europe, a parallel shift began within the west European Communist Parties. This was expressed in the rise of 'Eurocommunism' in Italy, Spain and, for a time, France. Although partly an expression of independence from the politics of the Soviet leadership, Eurocommunism also moved to the right towards classical social democratic politics.

The collapse of state socialism in 1989, however, completely changed the whole framework. In eastern Europe, people who had hoped for prosperity and democracy received neo-liberalism. But 1989-91 also marked a turn in western Europe. Capital felt strengthened and proceeded, through the Treaty of Maastricht, to dismantle social provision and employment rights in western Europe. Thus, the system change in the former Soviet Union and eastern Europe was not only a watershed for the left in eastern Europe but also in the west.

The first issue confronted by every part of the left was what attitude to take to 1989: not whether the democratisation of east European societies was desirable, as it obviously was, but also whether the replacement of the previous system by capitalism would take these societies forwards or backwards. This issue cut through the pre-existing

traditions of the west European left inaugurating a political re-alignment of the left wing of the labour movement, at a more fundamental level than any which has occurred since the Second World War, if not since 1917. This was then reinforced by the neo-liberal offensive which followed 1989 in both halves of the continent.

Let us consider, first of all, the impact of these events on social democracy. At first the restoration of capitalism presented no serious problems for the leading circles of social democracy. For social democracy, democracy and the re-introduction of capitalism into eastern Europe were seen as two inseparable sides of the same coin. The Socialist International gave total support to the system change and sought, with little success, to create new, west European-style social democratic parties in eastern Europe.

But a contradiction rapidly emerged. The basis of its own electoral support after 1945 had been the expansion of the welfare state and state intervention and public ownership to create employment. The policies in post-1989 eastern Europe of privatisation, dismantling welfare provision, deregulation and unemployment conflicted with the official social democratic ideology, especially when it became clear that more was involved than just short term costs of transition - the place of east European capitalism in the international capitalist economy would not permit western levels of real wages or welfare provision. Moreover, the opening up of eastern Europe's economies and human resources to the west would put downward pressure on wages and welfare provision in western Europe.

The Treaty of Maastricht then inaugurated a new period of attacks on social provision and employment rights in western Europe, enforced by unemployment, which today averages 11 per cent of the EU workforce. In this new situation, the majority right wing of social democracy, like Blair, for example, argued that official social democratic ideology should be revised to drop commitments to public ownership and the welfare state. However, these issues also began to define a new left both inside, and even more so outside, the social democratic parties. It opposed the monetarist medicine being applied to eastern Europe and to western Europe following the Treaty of Maastricht. It pointed out that if east European living standards were not 'levelled up' to western levels, then west European living standards would be forced

lower.

Thus the events of 1989 and 1991, then the Gulf War and then the Treaty of Maastricht led to a new left realignment. Maastricht had completely undermined what had been the key plank of west European social democracy - that progress towards economic and political union would make the highest levels of welfare provision the norm throughout the union. The right wing leaderships of social democracy supported the erosion and dismantling of the welfare states and thus were discredited. New forms of political alliances and organisation were the inevitable result: because it was an absolute necessity to fight neo-liberalism. These emerging new political alliances cut across previous political traditions, uniting not only left social democrats but also people from the Communist Parties and others from the new left, including some influenced by the ideas of Trotsky, for example. By the mid 1990s we have seen these types of alliances working together in the PDS in Germany, the United Left in Spain, Communist Refoundation in Italy, in the Labour Left in Britain, and so on. This emerging left has come together from time to time internationally, particularly moving towards a common view on the monetarist terms of the Maastricht Treaty.

I have concentrated so far on the development and division of social democracy. What, however, of the Communist Parties? We will see that they experienced very similar divisions. Inevitably the impact of the system change on these parties was enormous. The various Eurocommunist forces, in their majority, concluded from 1989 and still more so, from 1991, that the Russian revolution and everything flowing from it, had been a mistake. Generally speaking, this led to the dissolution or radical transformation of the Eurocommunist parties into social democratic groups. In consequence Eurocommunism no longer exists as a distinctive political force in western Europe - it has generally become part of the right wing of social democracy.

Another set of forces emerging from the crisis in west European communism evolved in the opposite direction - to the left rather than to the right. Many thought that, notwithstanding the problems of east European societies, the system change was producing something worse on the social and economic level. Parties like Communist Refoundation in Italy were the result, in addition to parties like the PCF who sustained

their anti-capitalist positions. These now face the question of what relations to have with the much larger social democratic parties to their right particularly in the situation where electorates are turning to the left under pressure from Maastricht, even giving these left parties the balance of power in some countries. These left Communist forces now often find that they have far more in common with left social democrats who oppose capitalist restoration or NATO expansion or neo-liberal economic policies than they do with elements from the Communist parties who now have, essentially, gone over to capitalism.

Thus the 1989-91 system change and the events which inevitably followed it have changed the map of the European left. Previous identities have been fragmented and new ones are emerging as new political formations. A new openness to a range of different left ideas has emerged since 1989. The German PDS, successor to the ruling East German Socialist Unity Party, includes members of other parties, among them supporters of Trotsky, on its electoral slate. Other striking examples from western Europe include those of Spain and Italy. In Spain, the Communist Party, having abandoned a Eurocommunist approach, now leads Izquierda Unida - the United Left Alliance - the left opposition to Spain's social democracy. It includes left social democrats, pro-Soviet Communists and Trotskyists. In Italy, the Party of Communist Refoundation, breaking to the left from the PCI, were joined by the main far left group, Democrazia Proletaria, and, after consolidating and extending their popular support, went on to hold the balance of power in the Prodi government. In Britain, a similar initiative, although on a much smaller scale, exists around the Socialist Forum, which links the left wing of the Labour Party with the Communist Party of Britain.

If 1989 started this re-composition, it continued around opposition to the Gulf War, to neo-liberal economic policies, to NATO expansion and the rise of racism. On these bases, particularly the growing public hostility and social struggles against Maastricht-inspired welfare cuts, the left has been able to make a serious advance in the electoral field. Working class resistance has allowed anti-capitalist forces to reconsolidate a serious minority position within the mainstream of west European politics. ●

**Alan Freeman**

## **GATT and the World Trade Organisation**

A story told by World Bank chief economist Joseph Stiglitz aptly explains the new world economic order. It begins early this decade, with liberalisation the watchword of the moment. Polish industrialists, imbued with enthusiasm for the new free-market model, surveyed the options for exports and located a significant opportunity: the US golfing community. Poland, they discovered, could make cheap and robust carts which sold well; market reforms obviously had their up side. Unfortunately, not for the US golf-cart industry.

A remedy was to hand: US dumping regulations outlaw the import of any good below its 'normal value' if it damages US producers. Normal value is defined as the sale price in the exporting country, but golf-carts were not a common item in a land where half the population was starving. A second possible approach, though a concession to heterodoxy, is to define normal value as the cost of production. However since Poland's market reforms were incomplete it was by definition not competitive, and therefore the domestic production cost could not be a benchmark.

Since Poland's economic advisors were busily explaining that Poland could only be efficient as a market economy, one might be excused for thinking this cost might be greater than its 'normal value'.

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However, Congress is a practical body, and applied its standard procedure, which was to identify a country with conditions comparable to Poland and ascertain the cost of producing golf-carts in that country. The choice, after careful consideration ... Canada. Obvious, once one thinks about it, despite the minor drawback that Canada does not have a golf-cart industry.

Nothing daunted, Congress duly adopted the following definition: the normal value of a Polish golf cart is the price at which it would be produced in Canada, if it made golf-carts. It then applied a punitive tariff on all imports of Polish golf-carts equal to the difference between this, and their sale price in the USA. And so ended the Polish export success that never was.

### **The sleeping policeman of the new world order**

In this brief anecdote we have, in a nutshell, the reality of modern world trade. Whatever the free-trade rhetoric, the reality is something very different. In order to understand both why and how this is, we focus neither on the abstract theory of world trade nor on the enormously complex system of exchanges which make it up. Instead, we look at the politics of it. When we do so, we find a radical restructuring not just of the extent of world trade but of the institutions that govern it and the rules by which they function. At the centre of this restructuring stands a new international organisation: this article is a brief encounter with the myths, and the realities, of that body.

Think of the world economy, and two household words come to mind: the International Monetary Fund and the World Bank, the two supranational bodies created by the Bretton Woods Treaty of 1947 when the allied powers constructed the post-war economic world order. It is less well-known that these two have been joined by another. The World Trade Organisation (WTO), formed in 1994 as a result of the 1986 'Uruguay Round' of negotiations under the General Agreement on Tariffs and Trade (GATT), has emerged as the third pillar of the post-war economic order. Although generally presented as a simple continuation of GATT, it has in fact inaugurated a fundamental change in the organisation of world trade.

The GATT has been transformed from an ineffectual chamber of commerce into a powerful device for restructuring the world market in

the commercial and financial interests of the leading powers, the core requirement being to maintain the supremacy of the US economy in the face of the largest trade deficit in world history.

It is supposed to expand world trade, generally perceived as a positive and harmless general benefit to all nations. But whatever the free-trade rhetoric, its actual role is to integrate the non-aligned and former Eastern bloc nations into an unrestricted market for the products of a select club of advanced nations; to suppress national sovereignty in favour of institutional guarantees for the systematic plunder of this market, and to grant this same club immunity from every competitive threat which might result.

The control of trade has emerged from the entrails of the world market to claim its place, alongside financial blackmail and debt-slavery, as a primary instrument of advanced-country domination.

### **The new trade agenda**

The WTO enshrines a radical new agenda in world trade. Its cornerstones are:

(a) liberalising 'services' through GATS (General Agreements on Trade and Services) covering one-fifth of all world trade (\$1 trillion). This is an institutional change masquerading as trade reform. Since financial services are treated as a 'commodity' it encapsulates a legal obligation to free capital movement, overriding the legitimate right to national economic sovereignty. Moreover the definition of exports has been extended in the case of services to include production by foreign-owned subsidiaries in the host country. Trade regulation has thus been extended for the first time to the internal market régimes of member states.

(b) a decisive new trade category of Intellectual Property Rights (IPRs). IPRs have as much to do with trade liberalisation as the free transport of slaves. They outlaw trade in products embodying any technology less than twenty years old - that is, almost everything - except as specified by the current owner of the technology. They are an absolute monopoly of the advanced countries: 0.16 per cent of world patents are currently owned by third world residents.<sup>1</sup> They make the owner of a technical process a separate legal entity distinct not only from the labourer but

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1. Mihevic 1995

also the factory or farm-owner and the original inventor. They transform the ownership and control of technology into a marketable instrument of domination. They set in concrete the principal market mechanism that impoverishes the third world, namely the transfer of technological super-profit through trade.

(c) large-scale anti-dumping (AD) actions as the preferred protectionist device of the USA, EEC and Australia/New Zealand, a practice baldly described by the World Bank as 'a packaging of protectionism to make it look like something different'.<sup>2</sup> As HK remark (p178): "AD is not about fair play. Its goal is to tilt the playing field". Before 1986, anti-dumping actions were exceptional events. By 1992 they were universal advanced-country practice. 1040 anti-dumping actions were initiated by the industrialised countries between 1985 to 1992, over half directed against either Eastern Europe (132), the third world (137) or the developing Asian countries (297). The non-industrialised countries - three-quarters of the world's people - initiated a grand total of 91.

(d) the consolidation of a system of trading blocks - 'Free Trade Areas' around the dominant capitalist countries - the EC, NAFTA and APEC - with specific exemption from the measures imposed on all other WTO members. Though article XXIV of the GATT proposes stringent conditions that a Free Trade Area must satisfy, these are never applied. As of 1990, only four working parties (of a total of over fifty) could agree that any regional agreement satisfied Article XXIV, three of these before 1957. "The GATT's experience in testing FTAs (free Trade Areas) and customs unions against Article has not been very encouraging...It is not much of an exaggeration to say that GATT rules [on regional agreements] were largely a dead letter" (HK 219). In short, the advanced countries do what the hell they like.

## **From consensus to compulsion**

This disparate series of changes is being cemented by converting a treaty organisation - the old GATT - into a supranational enforcement organisation that imposes and legislates not just trading relations but the internal property, tax and subsidy régimes of its members.

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2. Hoekman and Kostecki (1995). From now on this is abbreviated to (HK)

GATT held protracted 'rounds' of multi-party negotiations aimed at the mutual reduction of specific tariffs, subject to consensus. In effect, it was a brokering organisation for extending the bilateral arrangements which the big players would have made in any case to a slightly wider circle of participants.

In instances where the choice was between risking serious conflict and attempting to enforce the letter of GATT disciplines - for example on regional integration or subsidies - the contracting parties generally 'blinked'. In large part this reflects the nature of the institution, which is basically a club. The club has rules, but its members can decide to waive them, or pretend not to see violations. (HK:3)

Although historians see the GATT as the principal vehicle of trade liberalisation, this was in large measure because the major powers, under US hegemony, wanted to liberalise their own trade in any case to secure a share of exported US capital during the period when it still enjoyed industrial supremacy. GATT simply invited the others along for the ride.

The WTO marked two decisive changes. Firstly it moved from 'result-orientation' to 'rule-orientation'; trade was now governed by laws and formulas instead of targetted commodities. This extends to legal trade regulations which the WTO obliges member governments to write into their own laws. Most significantly, these rules are now policed.

Formerly the GATT was not an international organization (i.e. a legal entity in its own right) but an inter-governmental treaty. As a result, instead of 'member states' GATT had 'contracting parties'...The WTO is an international organization that administers multilateral agreements pertaining to trade in goods (GATT), trade in services (GATS), and trade-related aspects of intellectual property rights. (HK:23)

If a member country breaches a WTO regulation, an enforcement process is triggered and consensus is required not to implement sanctions but to prevent them. If a third-world country seeks exemption to protect its industries or agricultural producers from competition from the technologically more advanced Northern countries, it faces co-ordinated,

punitive trade sanctions from all WTO members.

### **The reconstruction of the world market**

What makes such threats effective is a systematic expansion of GATT and the WTO which has culminated in the re-establishment of a global world market previously sundered in two by the outcome of the Russian revolution, two World Wars and the Chinese revolution.

GATT was a minority club with a mere 23 signatories. The balance of forces was so weak that it proved impossible to establish the international trade organisation (ITO), called for in the Bretton Woods agreements. In the 1949 'Annecy' round of negotiations a mere 11 countries took part. China withdrew in 1950 and the US, which had followed a fiercely protectionist stance between the wars, abandoned the attempt to secure congressional ratification of the ITO. Though the initial 1947 agreement secured a 21 per cent reduction in US tariffs, the next three rounds secured only a further 8.4 per cent reduction.

The term 'free trade' has never appeared on GATT's formal agenda. The GATT-1947 preamble calls for 'raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods'. The principal mechanism was to reduce tariffs and eliminate discriminatory treatment.

No planned economy took part until 1967 when Poland joined, and the third world countries succeeded in neutralising or blocking the application of the GATT trade agreements to themselves through the non-aligned movement and the 1964 establishment of UNCTAD - the United Nations Conference on Trade and Development - which was formed to press for trade measures to benefit developing countries. The Kennedy Round of 1963 involved 74 countries and spun out for four years. The practice of picking and choosing which GATT regulations to implement was so widespread it was nicknamed 'GATT à la carte'. The Tokyo round of 1973 involved 99 countries but lasted six years and was obliged to legalise preferential tariff and non-tariff treatment in favour of developing countries.

Thus though the developing countries were drawn into GATT's orbit, access to a separate economic system in the USSR and Warsaw

Pact countries offered them an important degree of autonomy. Though governed (and impoverished) by the world market they could veto many imperialist proposals, imposing selective controls on trade to protect domestic producers, and limiting the drain of capital brought on by unequal exchange, because they could always resort to (or threaten) trade with the Soviet or Chinese blocs instead. The 'Third World' - a term coined by Mao Tse-Tung - took part in trade negotiations, but acted collectively to veto or water down measures that damaged domestic producers, offsetting - though not overcoming - the impact of the world market on domestic accumulation.

By the end of the Uruguay round, which began in 1986 and ended a gruelling eight years later, the scene had changed utterly. There were now 128 member countries including most former Eastern European countries. The former USSR no longer presented an effective alternative outlet or supplier. Aggressive 'threat-based' US policies, the debt crisis and the draconian intervention of the IMF with its structural adjustment, export-oriented programmes, produced the 'neoclassical counter-revolution' (Todaro 1994:85). Keynesians were replaced on the leading world financial institutions, and wave after wave of neoliberal advisors and political regimes came to the fore in development economics and in the third world countries themselves. Resistance gave way to capitulation; the new order had arrived.

## **Divergence, big time**

What are the material consequences of this new economic régime? The most fundamental point to grasp is that free trade produces inequality. The neo-classical doctrine of convergence predicts that in consequence of trade, the disparities between trading nations should disappear over time. The nearest adequate term for this idea is 'cretinous'. No serious known fact supports it.

Characterising 120 years of the world market as 'Divergence, big time', senior World Bank economist Lance Pritchett (1997:12) goes on to examine its more recent phase:

From 1980-1994, growth per capita GDP averaged 1.5 per cent in the advanced countries and 0.34 percent in the less developed countries. There has been no acceleration of growth in most poor countries, either absolutely or relatively, and there is no obvious

reversal in divergence...taken together, these findings imply that almost nothing that is true about the growth rates of advanced countries is true of the developing countries, either individually or on average. (Pritchett 1997:14)

The dogma which informs the notion of convergence ( the theory of comparative advantage ) is false. It predicts that all nations will gain from trade. In fact in all trade there are losers and winners, and the greater the extent of the market, the wider the divergences between them become.

This can be offset after a fashion by technical change, so that even with widening differences between nations, the absolute living standards of many nations can for certain periods improve, and this did happen to a degree after World War II. It was facilitated by the absence of generalised multilateral trade regulation, which meant individual nations could to a limited degree determine their own relation to the world market and offset some of its most damaging effects. A small number ( the 'four tigers' for example ) were even able, on the basis of large capital inflows and (ironically for free-trade dogma) highly-regulated internal markets, above all labour markets ( to begin catching up with the advanced powers.

With the Reagan era and above all the arrival of the WTO, this window of opportunity vanished. Now, not only are relative differences between nations accelerating but a growing number of people face absolute declines in living standards, starvation, and ruin. Already in 1990 *Socialist Economic Bulletin* no. 3 calculated that:

1) relative impoverishment had become the normal condition of three-quarters of the human race; by 1988 the proportion of the world population in market economies falling further behind the industrialised countries in GDP per capita, reached 75 per cent compared with 46 per cent in 1967;

2) a striking rise in absolute impoverishment; over the same period, the number of people living in countries registering an absolute decline in GDP per capita had risen twelve-fold, from 71 million to 808 million.

If unrestrained, the social conflicts generated by such an explosive differentiation would rapidly destabilise market relations. The nation-state provides an institutional framework to contain, ameliorate or suppress such antagonisms ( fiscal redistribution, labour mobility,

social solidarity in general or, if need be, repression. When conditions of relative uniformity in living standards are found in a single nation, they thus arise not from the extension of the market but from the social and political counter-reactions which it generates and the external, political limits to which these give rise.

In world trade these institutional factors mitigating the destructive solvent effects of the unrestricted market are largely absent. Nor can they be overcome by the geographical expansion of the richer nations; the prodigious redistribution of wealth required to create a genuine social solidarity is far beyond the threshold acceptable to the holders of private wealth, or indeed the competitive survival of their business. The absorption of the very small territory of East Germany, with a mere 17 million not very poor people, has driven the richest country in Europe from surplus to deficit for over a decade, called forth one of the greatest fiscal transfers since Marshall Aid, and with more unemployed than in the Weimar Republic, has still not resolved the resulting rampant antagonisms.

The only ultimate solution is the abolition of all national barriers, but the market acts in the opposite direction, as is evident from the explosion of new nations that accompanied ( and resulted from ( the new trade era imposed by the USA via the WTO ( as the disintegration of Yugoslavia and of the former Soviet Union bears vivid testimony.

The formation of any larger blocs or units of the rich nations is a consequence of, and depends on, the extent to which they can cement their own classes around the plunder of the poorer nations. What they require, therefore, is access to the markets of these nations without any reciprocation. Free Trade is not only a myth, but a lie.

The world market thus itself calls into being nation-states and just as surely pitches them into conflicts whose result, twice this century already, has been global war. This sets absolute limits on what it can achieve. It is therefore one of the principal modern forms in which the market throws up barriers to itself, alongside the creation of social classes. In particular, it leads to the division of the world of remarkable persistence, which has lasted more or less since the early 1870s to the present day, between a small bloc of very wealthy nations with a near-monopoly over technology, finance, commerce and the means of warfare, and everyone else in the world. This is the actual empirical

consequence of the formation of a world market; what has to be grasped is that it is not an accident or deviation from the way the market works but on the contrary consists of the highest development to which the world market can attain.

### **The WTO as institutional policeman**

The re-consolidation of a universal world market is the surest guarantee of the impetuous descent into mass starvation and poverty of the mass of the world's peoples. The only escape for any nation except the small club of leaders is to exempt itself, in one way or another, from the general functioning of the market. This is why the old GATT could not be an enforcement agency and why the new WTO has to be an enforcement agency.

The WTO is now the third arm of the IMF and the world Bank, who work in consort to impose a complete institutional policy framework on the world. The banks impose open markets and free trade as a condition of credit and debt relief. But free trade is defined to mean a definite institutional régime which overrides the economic sovereignty of all but the largest players. This includes not just full capitalist property rights and the free movement of capital but extends to taxes, subsidies or any measure that can be construed as 'unfair competition' - that is, any element of state provision.

The original GATT agenda sought to avert a repeat of the interwar breakup into hostile trading blocks, and prioritised 'non-discrimination' and 'reciprocity'. Non-discrimination states that members must make the same trade concessions to all others as to their 'most-favoured nations' (MFNs). Reciprocity states that there should be, in some (usually poorly-defined) sense, an equality of loss, which implies an exchange of reductions in barriers. These principles could apply in a small club where they extended essentially bilateral agreements to a wider circle. But in any wider reduction the losses and gains for all partners cannot possibly be the same; there are losers and winners. This is why GATT functioned as it did, as a negotiating forum whose decisions were quite easy to avoid or bypass.

With enforcement and 'rule-based' tariff reductions it becomes impossible to ensure that all parties benefit. Therefore, everyone seeks exceptions to the rules. The industrial powers have established two

systematic procedures for imposing their exceptions. This is the recourse to anti-dumping legislation, coupled with the GATT provision that exempts 'trading blocs' from most GATT regulations. The third world and transition countries have in contrast lost almost all exceptions they could previously resort to. Moreover, the application of reciprocity is by nature asymmetrical between large and 'small' nations where 'small', it should be remembered, has to be translated into the language of money - in which India is one-fifth the size of the USA. As HK (163) note: "fundamentally, it is a fact of life that small economies (i.e. most developing countries) have little to bring to the negotiating table."

This is the background to two further principles which have risen to prominence with the WTO: 'fair competition' and 'market access'. Under fair competition any non-market production - or indeed, any element of subsidy - of any good for export is immediately in violation of WTO principles.

But the market access rule involves the most far-reaching consequences of institutional enforcement because of the role played by services, which characterise the new stage of capital exports. 50 per cent of the global stock of foreign direct investment is now in services.

Most service activities can only be provided locally, so to reach foreign markets a service provider must locate in the host country. On US insistence, the WTO now provides that services provided by a foreign-owned subsidiary constitute exports and must be able to compete on a 'level playing field' with domestic producers. If generalised, this principle would mean, for example, that a US health company in the UK could initiate a GATT action against the UK for unfair competition by the NHS.

This position is not yet settled. The G-10 group of larger developing countries opposed it vigorously, supported by UNCTAD which proposed to define trade in services as occurring only when the majority of value added is produced by non-residents; a labour-, in fact human-based criterion. It embodies the simple principle that a nation's residents should determine what happens in their own economy. The US proposal, a property-based principle, asserts that the economic right of the owner overrules the political rights of the people.

In 1990 Martin Khor Kok Peng (p37) accurately predicted that: "the [Uruguay] round is an attempt by transnational companies to

establish sets of international laws that would grant them unprecedented unfettered freedoms and rights to operate at will and without fear of new competitors almost anywhere in the world.” By 1994 the institutional structure for this vision was in place.

## **Intellectual property and the freedom of trade**

There has been a global world market before ( at the turn of the century. When history repeats itself, it either brings new elements into being or transforms old ones so much that they become something else. The reconstruction of the world market has brought with it a new development in property relations: TRIPS or Trade-related Intellectual Property Rights, which seek to establish a world-wide market in knowledge. In a notable new conflict between the forces and relations of production: the words ‘extension of trade’ for the first time take on the actual meaning ‘restraint of trade’.

Intellectual Property Rights (IPRs) emerged as a central aspect of a general US campaign on trade which Bhagwati (1993) designates ‘Aggressive Unilateralism’. This centred on section 301 of the Trade and Tariff Act of 1974, a keystone of US trade legislation. It was elaborated in sections 301 to 306 in 1984, and in sections 301 to 310 of the ‘Omnibus Trade and Competitiveness Act’ of 1988.

Section 301 raised hackles because it provided for mandatory action in pursuit of the enforcement of GATT-agreed arrangements, even when GATT procedures had not been exhausted. The US thus set itself above the same international legal framework from which it drew justification for its actions and the claims that its partners had trade obligations to it. The ‘Super 301’ and ‘Special 301’ provisions raised this to a new level. Bhagwati (1993) records that

Super 301 required the US Trade representative to prepare an inventory of foreign trade barriers, establish a priority list of countries and their unreasonable practices, and then set deadlines for their removal by the foreign countries, and, should they fail to comply, for decisions on retaliation by the United States. Special 301 is similar in its time-bound approach but is addressed specifically to intellectual property rights.

He goes on to remark that

Section 301 is characterised by the (wholly distinct) fact that it enables the United States to unilaterally make demands for trade concessions by others without offering any matching, reciprocal concessions of its own that others might demand in turn.

IPRs fall into three categories: trademark goods (designer and brand products), copyright goods (artistic materials) and patent goods (industrial processes and their products). Copyright law has been significantly extended to include software. Bringing these three categories together signifies, essentially, a generalised alienation of mental products and their transformation into a distinctly marketable entity. A patent, a copyright, or a trademark embodies the right to produce 'something' defined not by what it is or contains, but by the knowledge or information that distinguishes it. Software, the most advanced form of IPR, involves hardly any material product at all. What is actually sold is the legal right ( or license ( to use the software in your own production processes.

IPRs, like GATS, defined trade barriers in terms of the internal legal régime. The USA explicitly sought , and through the WTO achieved, changes in the internal structures of its trading partners and rivals to harmonise their copyright and patent laws with its own, with a view to stamping out what it characterised as 'piracy'; the production of copies. It abandoned the existing, bilateral structure for Intellectual Property safeguarded by the United Nations body known as the World Intellectual Property Organisation (WIPO) precisely because of this need. WIPO operated on the old GATT principle of non-discrimination; as Maskus (1993:82) delicately explains:

the prevailing policy principle in WIPO is national treatment, which requires countries not to discriminate between domestic and foreign firms in it IPRs. However, this principle does not prevent the level of protection from being weak if a particular country so desires.

The USA sought to ensure that the country's desires would not enter into the matter. Prior to the Uruguay round, India provided a seven-year patent protection for pharmaceutical production processes and none for pharmaceutical products; as a WTO member it becomes obliged to extend protection on both produces and processes to twenty. In plain

English, the legislation makes it illegal for India to cure its sick, and deprives the Indian people of the sovereign right to do anything about it.

This illustrates our second point: this extension of the market demands a restriction of production. US manufacturers were concerned, not to protect the US markets against floods of fake Gucci watches and pirate CDs, but to prevent other countries making these same or comparable products themselves for their own use. In 1989 the US exported \$58.8 billion worth of goods sensitive to IPR, being 16.1 per cent of its total exports whilst Brazil exported \$2.0 billion, that is, 0.2 per cent of US imports, and imported \$2.4 billion, that is 13.1 per cent of its own imports.<sup>3</sup>

IPRs thus created a new category of commodity: knowledge itself. The US compelled the world to make the communication or application of privately-owned knowledge a crime. Imitation was transformed from the sincerest form of flattery into the newest form of theft.

The universal nature of this change, by no means restricted to a small hi-tech sector, is the transformation of agriculture, the occupation of more than half the people of the world. Among its profoundly reactionary consequences is an end to the self-sufficiency of world agricultural production. Producers are now obliged to abandon natural production from their own seed and pay premium prices for genetically engineered seeds; indeed these seeds are neutered so that do not reproduce.

IPRs are justified in terms of reward for the work of innovation. But there is no reason to suppose, even in terms of orthodox theory, that the granting of a monopoly in a product should generate a reward that is in any way related to the work of creating the product. IPRs are a legal monopoly: a license to print money. The language itself used to describe their motivation is quite explicit about this:

If an innovation has economic value but is also easily imitated, competing firms would copy and sell it, earning a share of the potential profits. In perfectly competitive markets, enough duplication would emerge to eliminate all profits...Intellectual

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3. *UN Yearbook of International Trade Statistics* cited in Maskus (1993)

property rights attempt to correct this problem by providing an exclusive right, or monopoly, to the innovative firm to sell or use the product or technology. Patents, trademarks, copyrights, and other IPRs limit market access to the innovation and raise its price. (Maskus 1993:72)

### **IPR, technical change and the source of inequality**

The new legislation is a product of a distinct phase in the development of technology, which is in principle no longer embedded in particular objects and processes. When the diffusion of knowledge was restricted by physical constraints, industrial knowledge did not pass rapidly from one producer to another because the real secrets of an industrial process were tied up in expensive equipment, specialist training, in 'know-how'. The mere invention of a process was really only a tiny part of the creation of a new technology.

Increasingly, however, the governance of automated systems resides in reproducible components ( a piece of software or indeed a genome, which even reproduces itself. The divorce between the knowledge of a process, and the process itself, has turned technical innovation into an easily transmissible thing. The cost of reproducing a technical advance is an ever-smaller proportion of the cost of producing it in the first place.

This interferes with an essential element of the motor of capitalist development. Technological change under capitalist conditions gives advanced industrial producers, selling into the same market as a backward producer, an excess or 'super-profit'. If it costs me \$20 to produce a product, and it costs you \$5 to make the same product on account of your access to advanced machinery or software, then since we both sell our product for the same world price, you make \$15 more than me for each item sold. The motor force of capital movement is the search for these surplus profits, and this is what drives innovation.

The root cause of inequality is that given a free market in goods and capital, this surplus profit accumulates in the advanced nations. Clearly, if I do succeed in making my \$15 excess profit, unless I am particularly profligate, I can re-invest it in further innovation so that by the time you have employed my new technology, I am already installing even more advanced equipment. This unequal exchange is the root of

the growing gap between rich and poor, particularly when the state in the advanced nations acts as a military and legal guarantor of such capital transfers. The process of accumulation and technical change literally sucks the lifeblood from the poor nations. But if the technology can be passed on in a disc or a seed, the physical guarantees of this capital transfer are removed. The natural basis of superprofit is eroded and must be supplanted by a new, legal basis.

This world market in knowledge is a major and profoundly anti-democratic new stage of capitalist development. In this new and chilling stage, the application or even the communication of knowledge itself a violation of property rights. The WTO is transforming what was previously a universal resource of the human race - its collectively, historically and freely-developed knowledge of itself and nature - into a private and marketable force of production and, with the general imposition of IPRs in genetic material, removing the natural basis of the reproduction of food and with it the independent self-sufficiency of the planet.

### **Human rights vs property rights**

Much of the policy debate has little contact with reality. It is widely assumed that :

- (1) universal free trade is inevitable;
- (2) globalisation is synonymous with it;
- (3) trade can be extended without limit.

This gives many policy debates a very peculiar aspect, since they revolve around whether to endorse or reject something that is not actually happening. Whatever is going on, it is not free trade. No rich country chooses it, and no poor country is offered it. Insofar as the barriers to trade are destroyed, the basis of trade is undermined because the accelerated concentration of wealth which results incessantly destabilises the political and social order.

Universal dogma to the contrary, all parties do not gain from it, not even the whole of a single nation. On the contrary, as Pritchett shows, the winners are few and the losers are many; and even in the winner states, the beneficiaries are unable to form a social class capable of advancing the nation as a whole. A striking proof is the very fact that the rich have erected such an armoury of defences against competition

from their poorer rivals.<sup>4</sup> If the gains from trade are so universal, why do even those who gain the most, circumvent it on such a scale?

The terms in which the policy dilemma is always presented ( a choice between free trade or autarky ( is thus simply out of touch with the real options. A reaction against autarky is both justified and understandable ( it was directly responsible for the collapse of the Soviet Union. But, in the new world order at least, autarky is not a choice but a punishment. Rule-based, enforceable trade regulation means that sanctions ( cutting a country off from the world market ( are a regular instrument of policy. The very nations which for decades rejected sanctions against Apartheid as an unworkable infringement on commerce, now deploy them both as regular policy ( for example against Iraq and Serbia ( and use the threat of them, alongside debt servitude, as an instrument for securing favourable terms in trade negotiations.

Sanctions can be an effective threat because it is today almost impossible to survive outside of the world economy. But it is currently impossible to take part in the world economy except through trade. Thus when any nation takes practical steps to defend the welfare of its people against the new world economic order, its immediate need is not to leave the world market, but to avoid being thrown out of it. Nations are no longer free to determine for themselves what relation they will have to the rest of the world. Multilateral trade treaties obligation have deprived them of a vital freedom: economic sovereignty.

The fundamental choice is therefore not whether to orient the domestic economy into or out of the world market, but to find a foreign policy which defends the right to an independent domestic policy regardless of trade obligations.

In the old GATT days the G-10 countries, at least, could to a limited degree choose how to take part in the world market. The rich nations were not cohesive enough to dictate to them. The non-aligned movement, UNCTAD, GATT 'à la carte' and the very fact that trade agreements were bilateral, all gave them limited freedom of action which

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4. The Institute for Policy research (1997) reports that of the largest 100 economic entities in the world (counting nation states), 58 are global corporations and the sales of one alone ( Wal-Mart Inc) exceeds the GDP of 158 nations including Poland, Greece and Israel. Yet the combined employment of the top 200 corporations amounts to only 18.8 million people.

let them offset, though not overcome, the destructive impact of trading from behind.

This freedom of action has been removed. Thus whatever its economic form, the new world order is essentially a new political order. Though measured in money, its true cost of its restructuring is human, social and environmental. The doctrine of free trade, especially when extended to services, finances and knowledge, amounts to the following: that humans do not have the right to intervene in, and control, any aspect of their lives which has become a marketable instrument. But as everything becomes a commodity, all human and social relations are being marketed. The recent world conference on global warming shipwrecked on precisely the USA's insistence on its right to trade in pollution. It is only a matter of time before the human genome itself is patented and, if the literal meaning of IPRs is applied, the commercial ownership of a human and all her descendants in perpetuity will become a legally-enforceable right. In short, the general extension of trade, quite contrary to Hayekian utopia, is synonymous with a general loss of freedom.

Twenty years ago such human rights as care when ill, dignified old age, employment rights, education, and unfettered access to knowledge were so widely accepted that they entered constitutions and charters of universal rights. Today they are unfair competition. The universal market is in direct formal contradiction with human rights.

To produce one dollar's worth of output, an Indian worker must now on average work eighty times longer than her or his American counterpart ( twice as long, incidentally, as in 1980. If a band of military adventurers arrived on India's shores, set up a prison camp and forced the local people to work under these conditions, it would probably provoke armed rebellion. Now the Indian government is obliged to impose the very same relations in the name of freedom.

This principle, of the unequal exchange of labour, has always underpinned trade on account of concentration of advanced technique in the hands of the advanced producers. However a new factor is the remarkable extension of the commodity relation into spheres previously limited by the directness of human interaction ( services, communication, and technical knowledge, or by the directness of the relation to nature and its reproductive processes ( agriculture. This among other factors

has propelled education, health, the care of the young and the old, the environment, and access to the fruits of knowledge, into the front line of resistance.

As long as the battle is kept out of the political terrain, these rights are surrendered without a shot. If it is illegal for a nation to determine its relation to the market, then it has no choice but to surrender human rights, because the market overrides its sovereign right to provide them. The conversion of social relations governed by politics into economic relations governed by private contracts has a paralysing effect on resistance because it hides the true relations of constraint which the contracts embody, making these contracts appear as the fruit of uncontrollable and impersonal forces offering no option but surrender.

But one cannot opt for something that isn't there. The problem facing most actual trading nations, above all the poorer ones, is to decide their relation to a world market which the WTO has transformed into a weapon against them.

The choice on offer from the WTO, the World Bank and the IMF is liberalisation, that is, surrender. It means:

- (1) opening the domestic economy to demolition by the cheap products of the dominant powers regardless of the consequences for local environment and industry, with no reciprocal rights to sell into the advanced countries;
- (2) surrendering collectivised welfare provision in the interests of free competition;  
dismantling all protection for people and lands which might be deemed in restraint of the free movement of capital;
- (3) dismantling all protection over conditions of work or pay;
- (4) abandoning any public claims on the intellectual heritage of humanity.

Resistance is not only feasible, but no other option is practical, as country after country discovers, usually to its cost. Ironically the countries held up as examples of market success (the 'Four Tigers') are now suffering its most destructive effects. On the other hand when an economy as small as Cuba has managed to hold out, against all the odds and for a remarkably long time, against the destruction of its social policies at the hands of the market, why should it be so difficult for any larger countries?

The alternative in the first instance does not lie in the adoption of any economic nostrum but in re-asserting sovereign political rights of all humans over their own activities and their results: to decide for themselves how they will arrange their production, their welfare, their lands, their education, and their means of informing themselves.

But this in turn requires a political effort, since it calls for an alliance with sufficient weight to counter the rich and powerful nations. The basis for such an alliance is not the imposition of a specific economic strategy or nostrum, since each nation needs the right to determine its own economic strategy. The basis for an alliance is the defence of this right itself: the placing of the right of economic self-determination squarely on the agenda of free and equal relations between peoples.

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*The above article was first presented as a paper to the International Conference organised by Hungarian Left Alternative in Budapest in November 1997.*

**Patrick Baker**

## **Conflict in Spain's United Left**

The fall of the Berlin Wall acted as a catalyst for numerous attempts to stimulate debate and regroup the left. One of the more diverse and enduring of those attempts has been Izquierda Unida (IU), the United Left, in Spain. Launched in 1986, principally by the Spanish Communist Party (PCE), it reversed a previous headlong decline in the electoral fortunes of the left and has continued to experience modest growth at the polls.

How did it do this? The fact that it was launched out of one of the broadest extra-parliamentary movements of the 1980s, the campaign against NATO affiliation, certainly played an important role. However it was not until the wave of industrial action, culminating in the 1988 general strike against Felipe Gonzalez's PSOE government, that it really began to win popular support<sup>1</sup>. It should also be noted that the PCE, with some 60% of the initial IU membership of around 100,000<sup>2</sup>, had been very independent and critical of Stalinism since at least 1968 and as a result was not seen to be directly implicated in the 1989 collapse of 'really existing socialism'.

In the early 1990s all appeared to be going well for IU. Election results were gradually improving (from around 9% to around 11% in general elections) and the PCE appeared to be bending over backwards to encourage other forces to participate<sup>3</sup>. However in the last two years

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tensions have appeared within the project. In this article we aim to look at the causes of those tensions, and the reactions of some of the different forces in IU to the final eruption of those tensions in the summer of 1997.

### **A new form of organisation?**

One of the reasons why IU is of interest far beyond the borders of Spain is that the forces which it brought together decided from the beginning not to found a new party. Their much more ambitious project was to try to create something which “potentially represents a new form of political organisation which can cater for diversity within its overall unity of purpose, a sort of dialectical synthesis of its divergent parts.”<sup>4</sup> This is more true of IU than, say, Rifondazione Comunista (RC) in Italy, which has regrouped a similarly broad range of left forces but has always tended more towards a party structure. IU, on the other hand, allowed minorities to form parties affiliated to the organisation and actively promoted minority representatives to the IU leadership. These differences could have important implications for those forces on the left that are attempting to find methods and structures for fomenting democratic debate.

However the ‘divergent parts’ of IU, as we have noted, included one preponderant part, that considerably outweighed all the rest: the PCE. The remaining 30-40% of IU came from left-wing PSOE dissidents, ex-Trotskyists, left liberal humanists, greens and others; none of these tendencies and factions has won the support of more than 20% of IU. On the other hand, the PCE was not homogeneous either. While the majority supported party leader Julio Anguita’s strategy (and still do), the party had always been riven by tendencies and factions on a spectrum from the most pro-social democratic Eurocommunists to those that still harboured some nostalgia for Stalinism. It was, in general, the former - the most moderate wing - that ended up outside IU as a result of the 1997 eruptions mentioned above.

However there have always been pressures on Anguita from within the PCE and in the end it was currents either within or emerging from the Communist Party, rather than any of non-PCE currents, that finished up in open warfare. Two tendencies need to be taken into account to understand this. Since 1989 the PCE had been conducting a

debate on the role of the party. The Eurocommunists have fought in this debate for the dissolution of the PCE; they fought first as a tendency within IU<sup>5</sup> and later as a party, the Partido Democrático de la Nueva Izquierda (Democratic Party of the New Left, PDNI). Pressuring Anguita from the other side were the pro-Soviets, who were in favour of fighting for PCE hegemony within IU. The PDNI, along with regional federations of IU in Catalunya, Cantabria, Galicia and Castille-La Mancha and others are now outside the organisation.

It is perhaps easy to agree that some conflict is more or less inevitable in the course of regrouping forces with very diverse political backgrounds and views and building a new type of organisation. As some commentators in IU have put it “The new hasn’t finished being born and the old hasn’t finished dying.”<sup>6</sup> What is less easy to say is a) whether having such a dominant participant as the PCE is, in practice, compatible with constructing such an organisation; and b) whether the recent explosions were positive or negative. A range of different views have been expressed on both these questions within IU.

### **Disputes end in expulsion**

The expulsion of the forces mentioned above was not a purely factional battle but also involved differences over some of the major issues of Spanish politics: national autonomy, relations with the EU, and the division of the left between PSOE and IU. It was also prefaced by the defeat of the PSOE in the 1996 general elections by the Partido Popular (PP), who then, along with right-wing nationalists, formed the first conservative government in Spain since the 1970s. There were certainly major differences between those expelled and the IU majority.

The PDNI, along with some regional federations, were in favour of a rapprochement with the PSOE (and in one case organised a joint regional election campaign with them), while the majority had always opposed collaboration. They were also sympathetic to the EU, against majority opposition; and in some cases opposed union actions in defence of working conditions where the majority supported them. There were sharp public attacks from both sides before any action was taken. In April Diego Garrido, General secretary of the PDNI, declared: “I think change in IU should be led by the head of the organisation. But the truth is that...Julio Anguita isn’t going to be capable of leading any

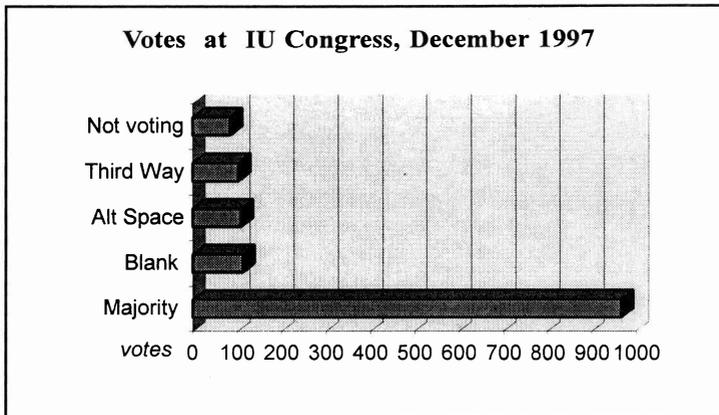
change in IU.”<sup>7</sup> Anguita’s response was not long in coming. A month later he declared “There is no space in IU for those that convert internal disagreement into civil war.”<sup>8</sup> The PDNI’s expulsion came a few weeks later, followed soon after by the exclusion of various regional affiliates of IU. The initial move was opposed by 61 delegates out of 180 at the Political Council; the final move in September was opposed by just 14 out of 142, after those to be expelled absented themselves<sup>9</sup>.

The differences were nothing new, though they had gradually sharpened. Nonetheless Anguita’s leadership came to see them as a serious threat, a “conspiracy” to bring together an Italian-style Olivo project in Spain, necessitating a counter-offensive. This in turn came to be seen by some minorities as a Great-Spanish centralist attempt to dictate policies to minority nationalities (such as in Catalunya & Galicia), a very sensitive issue at the best of times. There are, in addition, mutual accusations of breaking the organisation’s norms.

There appear to be three main explanations of the expulsions:

- 1) That they were a reaction to repeated breaches of the rules which could be tolerated no further. Thus Manuel Monereo, an independent-minded member of the PCE and IU leaderships, argues that “The problem has not been...that there has been a moderate left group inside IU...The central question has been the systematic failure to follow the rules of the game...”.
- 2) That they were a necessary act of political self-defence against a hostile force, building itself up from within. As Diosdado Toledano says “The surprising thing is not that the IU leadership reacted with confrontation, but that it waited so long...Such PSOE-IU alliances are a real threat...What else could the leadership of IU do, except defend itself with the means at its disposal?”.
- 3) That they were a mistaken attempt to forestall a rapprochement with social democracy (which would not have won support from more than a small minority within IU anyway). Thus Jaime Pastor, a representative of the IU Alternative Space and until recently a member of the Federal Presidency of IU believes the crisis has meant that “...many IU supporters and voters no longer see the United Left as what it set out to be: a regroupment of forces to the left of the Socialist Party. This, obviously, has reduced IU’s credibility.”<sup>10</sup>.

What is clear is that IU is going into the new year organisationally



weakened, having lost its organisations in several large regions of Spain. Whether it proves to be politically strengthened and as a result recover, only time will tell. Initial reactions include the votes at the December IU congress, where despite Anguita's call for unity, around 25-30% of delegates either voted against the leadership or didn't vote<sup>11</sup> (see Figure above); and the elections in Galicia, where a 'real IU' list of candidates standing against the excluded regional organisation scored only around 1% of the vote. For the moment at least, the unusual situation whereby all those to the left of social democracy worked together is no more.

### **Political cohesion vs. regroupment?**

The worrying point for those on the post-Stalinist left that have been trying to push forward democratic discussion and regroupment is that there does seem to be a polarisation between alternatives: political coherence and broad regroupment. Party rules would almost certainly not have become an issue without the breadth of political differences between those involved. This could mean one of two things: either that a minimum of agreement is needed, beyond which regroupment becomes impossible (and recent events were an example of the latter); or that to be successful, such a broad regroupment project needs stronger controls on its components (perhaps particularly where one organisation has an absolute majority of the membership).

The other point of international relevance is that the role of social

democracy is at the centre of the debate. IU has been one of the few examples in recent years of the left increasing its vote in opposition to social democracy (see Table on p. 101). While 1997 saw opportunities for post-Communist forces to influence the political agenda in both France and Italy, this was through working with Lionel Jospin and Romano Prodi (though relations have sometimes been tense). After years of hostilities between Gonzalez and Anguita, this seemed almost unimaginable in Spain until recently; but with the resurgence of the right there has been sharp conflict over whether such an alliance is necessary to form a new left majority. IU's majority would argue that they are not opposed in principle, as long as it is on the right political terms, and they have had some very public talks recently<sup>12</sup>. Thus on a more general level IU's new crisis perhaps reopens the question of whether it is viable in the late 1990s for the European left to have an autonomous strategy, independent of social democracy; or if it can play a more effective role by working with them, as do RC and the PCF. Whatever the outcome of the current conflicts, it is difficult to disagree with Monereo when he says "It is remarkable how little attention the ideological-cultural debate...in IU has attracted from political analysts, and I'm not only referring to the right."<sup>13</sup>.

## Notes

1. See V.Navarro 'The Decline of Spanish Social Democracy 1982-96' in *Socialist Register* 1997, Merlin Press, pp 206-212.
2. P.Heywood *The Government and Politics of Spain*, Macmillan 1995 pp 201-203.
3. Author interview with Jaime Pastor.
4. M.Bull & P.Heywood *West European Communist Parties After the Revolutions of 1989*, Macmillan, 1994 p.84.
5. See, for example, N.Sartorius *Un Proyecto Politico*, Madrid 1992 pp 155-56.
6. See, for example M.Gari 'XIV Congreso del PCE: Incognitas sin despejar' in *Viento Sur*, no.24, Madrid, 1995.
7. 'Julio Anguita no va a ser capaz de encabezar ningun cambio en Izquierda Unida', *El Pais Internacional*, 28 April 1997, p.15.
8. 'Julio Anguita descarta cualquier acuerdo entre IU y Nueva Izquierda', *El Pais Internacional*, 9 June 1997, p.14.
9. 'Los representantes de Nueva Izquierda, expulsados de la direccion de IU',

*El Pais Internacional*, 30 June 1997, p.13 & 'Anguita expulsa al partido critico y rompe con los socios catalanes y gallegos de IU', 29 September 1997, p.14.

10. J.Pastor 'A Necessary Rupture?' and D.Toledano 'A liberating rupture' in *International Viewpoint* no.295, Paris, Dec 1997 (quotation on p.12) and M.Monereo 'El debate en IU' in *Viento Sur* no.35, Madrid, Dec 1997 (quotation p.106/7).

11. 'Julio Anguita, reelegido lider de IU, llama a la unidad durante la V Asamblea de la coalicion', *El Pais Internacional*, 8 December 1997, p.12.

12. See, for example, 'Anguita propone a Izquierda Unida aceptar un dialogo de igual a igual con los socialistas', *El Pais Internacional* 30 June 1997, p.13 & 'Almunia y Anguita acaban con anos de hostilidad entre el PSOE e IU', 21 July 1997 p.15.

13. M.Monereo op cit p.105.

#### General Elections: Socialists, PP and United Left

	<i>PSOE</i>	<i>PP</i>	<i>IU</i>
	%	%	%
1986	44.1	26	4.6
1989	39.6	25.8	9.1
1993	38.7	34.8	9.6
1996	37.6	38.8	10.5

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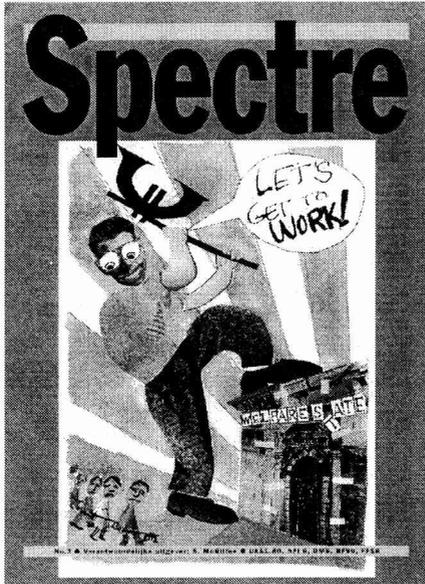
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## Reviews

László Andor and Martin Summers, *Market Failure: Eastern Europe's "Economic Miracle"* (Pluto Press 1998) pp. vi + 209, ISBN 0 7453 0886 4 (pb), £9.99.

Up until now there has been no general overview of economic developments in Central and Eastern Europe and the former USSR since 1989 written from the left. This book aims to fill that gap. Written by Laszlo Andor, a lecturer at the Budapest University of Economic Sciences associated with the Hungarian Left Alternative grouping, and by Martin Summers who has worked on Eastern Europe for the Catholic Fund for Overseas Development and the New Economics Foundation, it represents a searing attack on the management of economic policy in the region over the last decade. Those determining this policy, both from inside the region as neo-liberal politicians and from outside as economic advisers, are described by Andor and Summers as "Market Maoists" who are undertaking a "Great Bourgeois Cultural Revolution". Like Mao in the Great Leap Forward of 1959 the Market Maoists have substituted an idealist revolution based on a schematic plan for an analysis of concrete realities. This book is designed to outline the effect of this revolution on the peoples of the region and to suggest alternatives.

Andor and Summers begin by outlining the context within which transition in Eastern Europe has taken place, with a special focus on the role of the international institutions such as the IMF and World Bank. They compare the activities of these institutions and related 'experts' with their roles in other regions, notably Latin America, and argue that differing institutional policies, for example those propounded by Jacques Attali during his period in charge of the European Bank for Reconstruction and Development (EBRD) have been systematically sidelined. They then move on to discuss the effect of price liberalisation and associated monopolistic exploitation and the reasons for the collapse of production in the early 1990s. This is followed by an account of

privatisation and the formation of a “nouveau nomenklatura” through the privatisation process and associated corruption. Later chapters deal with agriculture and rural development, inequality both within the region and between Eastern and Western Europe and political developments in the East on both the left and right. The book concludes with an examination of possible alternatives to the Market Maoist approach.

Andor and Summers write well and one very attractive feature of their book is the genuine passion and anger about what has been done in the area which shines through their writing and differentiates it from the vast bulk of what has been written on this subject, especially in conventional textbooks. Another strong feature of their account is its range, as detailed above. The book covers a large amount of issues in a relatively short space. However, this also brings with it certain costs. While there are a number of very telling and suggestive statistics, for example on the dramatic decline in food production, they remain illustrative and there is little space for more detailed analysis. This is especially telling in the sections on inequality where it would have been good to have had some more specific information on the growth and nature of divisions within Eastern Europe since these have been largely ignored in more orthodox accounts.

There are also costs associated with trying to cover such a wide range of countries within a single account. In particular there is no real discussion of the extent to which the former Soviet Union exemplifies a distinctively different pattern of transition from that in Eastern and Central Europe.

In many ways the most interesting aspect of Andor and Summers' account is their analysis of alternatives. They consider a very diverse set of perspectives here. When writing about privatisation they draw a distinction between Anglo-American capitalism and that practiced in Japan and Germany. The implication is that the Eastern European privatisation programmes are the result of opting for an Anglo-American model and that this was a mistake compared to the Japanese-German alternative. In the following chapter, however, on agriculture they argue that the difficulties faced in Eastern Europe indicate profound problems not just with the process of transition to the capitalist market but with modern industrial society both in the East and the West: “at the most profound level, this is a crisis of the modernization paradigm as such”

(p. 110). They draw on Chayanov's account of the Russian peasantry, the Zapatista movement in Mexico and recent developments in ecological thought to suggest a radical alternative to current urban policies based on the movement of population back to the countryside. At a later point, however, when discussing the left in Eastern Europe Andor and Summers see social democracy as key to the way forward: "social democracy is not really dead; it is merely suffering from a mid-life crisis. It is by far the most successful and lasting political movement of the twentieth century. Hitler and Stalin are gone and the IMF merely a passing shadow. The ideals of social solidarity, public action for the public good and humane political debate and agitation are the only hope for a way out of the current impasse" (p. 152). It should be noted that by social democracy Andor and Summers do not mean the policies of the former Communist parties in Poland and Hungary, which they see as essentially a branch of Market Maoism.

In their final chapter Andor and Summers discuss a number of more specific alternative policy proposals. One of these is that put forward in 1991 by the Polish economist Marek Gruchelski. This was essentially a policy of work sharing, with each worker working every second day to preserve employment during the transition. It would have been interesting to have related this more explicitly to the current debates in Western Europe, particularly France and Italy, on the shorter working week. Other models discussed include the Scottish Community Business movement, Chinese Township and Village Enterprises and credit unions. Finally the authors argue for increased co-operation within Eastern Europe, at least to the level of a payments union.

The range of alternatives analysed here shows two strengths of the book; firstly, the insistence throughout that the Market Maoist model with its disastrous consequences was not an inevitable response to the crisis of Stalinist planning and secondly, the authors' willingness to consider concrete issues of policy as well as to describe problems. However, their sheer range and the obvious conflicts that exist between some of them also indicate that this book can only be a start in initiating a critical discussion of the orthodox approach to the East European transition. Andor and Summers would surely be the first to recognise this: they conclude by writing that 'if this short book has helped to educate the reader about the nature of the problems we all face and

stimulated further informed reflection and committed action, then it will have served its purpose' (p. 191). It is to be hoped that the book will have this effect and will encourage an overdue investigation of possible ways forward in Eastern Europe that will also convey lessons for those opposing Market Maoism in other parts of the world.

Andrew Kilmister.

Brookes University, Oxford

John A Bristow, *The Bulgarian Economy in Transition*, E Elgar, 1996. pp. 242, ISBN 1-85278-994-8

Bulgaria more than any other Central and East European country apart, perhaps, from Belarus, has been the forgotten country of the 1990s. Already in the summer of 1990 the European Community indicated that it was not interested, by blocking Bulgarian access to the Phare programme on the spurious grounds that its elections were unfair. The crippling loss of its Soviet economic links was ignored by the West, its great losses of debt repayments from Iraq because of the Gulf conflict were equally ignored. And the costs to Bulgaria from the blockade of Yugoslavia went equally uncompensated. Neither did Western governments care one way or the other whether Bulgaria rapidly transformed itself into a capitalist economy. For the Clinton administration the only issue that mattered while the Bosnian war continued was that the Bulgarian government should both remain stable and keep its nose out of Macedonia. Only when the Dayton Accord was in place (thus downgrading the importance of Bulgaria's political stability), when the US was manoeuvring over oil transport routes from the Caspian and when Russia was threatening to form a security pact with Bulgaria in the event of NATO enlargement, did Bulgaria acquire some salience. The result was to be that the US Treasury allowed the Bulgarian banking system to collapse by ending Bulgaria's stand-by agreement with the IMF in the summer of 1996 and made a rescue dependent upon Bulgaria fully tying its economy into Western circuits.

John Bristow's careful factual account of the travails of the

Bulgarian economy in the first half of the 1990s is thus a welcome addition to our knowledge of this orphan of post-Cold War Europe. Bristow insists that he is not going to engage in advice to Bulgarian policy makers and neither is he going to explain what should have been done. This is welcome, if somewhat disingenuous since it is perfectly clear from his account as to what he thinks should have been done. But at least he makes a serious effort to understand and to educate his readers as to just how appalling difficult - and complex - the situation facing Bulgarian governments has actually been.

And although he remains firmly within mainstream, orthodox general frameworks of economic analysis of the transition, he makes some valuable points too often at best ignored (at worst polemically dismissed) in the most ideological of the mainstream literature. He, for example, rightly stressed that privatisation is largely a political issue and that what matters from an economic point of view about it is how it is situated within a more general industrial recovery strategy.

Another merit of the book is that Bristow does attempt to take account of the domestic political context of economic policy making. Even though he, in this reviewer's opinion, fails to probe deeply enough into the specificities of the Bulgarian Socialist Party and the strength of labour in the industrial sector, he is to be commended for insisting that an economic analysis of the transition to capitalism cannot ignore political dynamics.

But whether one agrees with his analysis or not, Bristow's book is valuable both for its wealth of factual material on the Bulgarian economy and for his commitment to seeking in an open way for analytical truths. And it contains some questions and insights about Bulgaria which are of interest to wider circles than the tiny band of Western specialists on this little understood country whose people have been so woefully neglected by Western governments over the last eight years.

Peter Gowan.

University of North London

Jan Marijnissen, *Enough! A Socialist Fights Back*, published by the Solialistische Partij, Netherlands, 1996, pp. 160, ISBN 90-801777-3-3.

This is a refreshing and highly readable political statement by the leader of the Dutch Socialist Party, Jan Marijnissen. Marijnissen has developed rapidly a reputation as an excellent debater in the Dutch Parliament, a good platform speaker and with this book - and to his own admitted surprise - a reasonably well selling author.

Marijnissen sets out a vigorous counterattack on behalf of Old Labour; indeed with his clear analysis, humour and neat way of standing an argument on its head in his favour, he most reminds the British reader of our own doyen of left conscience, Tony Benn. Marijnissen says that the dominant consensus in western European political thought is now neo-liberalism, and with his characteristic irony, says that there is nothing new at all about this; in fact it is a return to classical nineteenth century liberalism, a comeback which has been hastened by the collapse of the Soviet Union which in turn meant that Social Democratic movement has lost much of its momentum.

Social Democracy was able to wring concessions only to stave off the perceived greater threat to capitalism posed by the Russian Revolution and its temporary and diverting message that a real existent alternative did exist. Unfortunately, as Marijnissen says, since the collapse of the Soviet Union ("no loss" for Marijnissen) critical scrutiny of the West has been rare.

Marijnissen makes some powerful and a scathing attacks on the technocratic elite which has taken over the Social Democratic Parties in the West, leaving an empty shell of a party to survive as a convenient vehicle for electoral politics. A simple substitution of "New Labour" for "Social Democrats in Holland" throughout the text would leave Marijnissen's indictment just as accurate. He is pungent and telling in his attack on the power of the market through advertising to sell the illusion of an international lifestyle to the young and to draw them into consumer slavery. A self-educated worker, who was tutored in and by labour movement activities, Marijnissen has more than a touch of sermonising in his energetic voice, and I am sure that for many Left intellectuals there will many "ah, buts" spoken aloud as they rattle through the text, dragged along by Marijnissen's insistent critique and

simple direct exhortations to return to the fundamental humanitarian values of the original labour movement. But for the many who come every day new to politics from an increasingly alienated working class devoid of the traditional structures of workers' education and solidarity, Marijnissen could well be inspirational and novel. He is blessedly free from political correctness and from that great contemporary and disabling fear of being judgmental - rare and needed qualities as the Left struggles to hold on to its real and potential supporters who otherwise will increasingly fall pray to far right-wing, nationalist influences.

A word must be said about the excellent fluency of the translation. Indeed, my impression is that this English language version of Marijnissen's manifesto is a work of creative co-operation between Marijnissen and his translator, Steve McGiffen, who is surely responsible for the accuracy of the frequent references to British politics and the colloquial tone of the book.

Michael Hindley

MEP for Lancashire South

Peter Truscott, *Russia First. Breaking With The West*, I B Tauris, 1997, pp. x + 278, ISBN 1-86064-199-7, £24.50 (hardback).

This very readable book is a major contribution to the study of how Russian Politics has developed over those years of upheaval in Russian history since the abortive coup of August 1991 precipitated the collapse of the Soviet Union. It offers both valuable insight to those coming new to the subject while amassing sufficient detail and supporting references for the serious scholar.

The central thesis of the book is that the western model of democracy and a market economy has been decisively rejected by the Russian people in favour of a more selective approach which adopts some Western ideas/values but evolves a peculiarly Russian model of democracy and market-orientated economy based on Russia First principles. It seems convincingly made- the main area for discussion being whether Russia first is, as the author argues, a new school of

thought or another reaction to attempts at Westernisation which has foundered because of Russia's historic "otherness" as a Eurasian and not just a European entity.

As I write, Boris Yeltsin has astonished the world by sacking his entire Cabinet and is threatening to dissolve the Duma unless they confirm his choice of a thirty-five year old Sergei Kiriyenko, as Prime Minister. This could have happened under the tsarist regime- an enduring feature of Russian politics being that, with little in the nature of a pluralist civil society, all power descends from the top. Unlike in earlier periods of Russian history, today retreat into some form of isolationism is almost certainly not an option - Russia First will be the dominant attitude among the political elite as they try to steer the dynamic of change.

The chapter on "Russia's Economy, the Military-Industrial Complex and the Mafia" warns us that, despite the advent of MacDonaldis, Pepsi Cola and Benetton stores to the major Russian cities, looks can be deceiving. He outlines well how Russia has witnessed the development of "a pseudo-market economy", characteristically different from a fully-functioning Western market system, with the operation of market forces in a criminal environment with weak legal and contractual parameters and dominated by a government-favoured elite. He describes it as "a robber-baron form of capitalism" bringing little improvement to the vast majority of Russian people who have experienced a dramatic deterioration in living standards, rising poverty and deteriorating health. Although Yeltsin has used the huge arrears of wages and salaries as the reason for dismissing his Cabinet, the suspicion remains that that this is more to do with positioning in the political elite ahead of the next presidential election than a major reform drive to tackle the problem.

The chapter on "Russia First in the 1996 Presidential Election" is worthy of the best in British electoral studies and benefits from the author's ability to interview many of the- key players. With the exception of Kiriyenko, whose significance for the long term has yet to emerge, most of those likely to be prominent in Russian politics for the next few years are featured, including the strong men of the nationalist Right, Yury Luzhkov and Alexander Lebed, whom many expect to benefit from the failure to cure deep seated economic problems.

Steve Hoier

Chair, London Central European Constituency Labour Party

