

Labour Focus on **EASTERN EUROPE**

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Poland's new leaders



*An
independent
socialist
magazine
on Europe*

46

Sept-Dec 1993

£3.50 \$6.50

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Subscription rates

(for one year: 3 issues)

UK & Europe
Individuals: £12
Institutions: £30

Overseas (airmail)
Individuals: £18 (\$30)
Institutions: £35 (\$60)

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Labour Focus on Eastern Europe is published three times a year, in April, August and December.

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The CIS and the world economy: the politics of integration

by Peter Gowan

Few issues affecting the future of world economics and politics are more important than the way in which the CIS republics are integrated into international economic relations. Russia's energy resources may exert a great influence on world economic activity. CIS agricultural developments will have a major impact on both US and EC agriculture. A stable and expanding Russian market could transform the parameters of economic growth in Western and East Central Europe. The CIS is a cornucopia of valuable minerals and raw materials offering enormous wealth to future owners. The entire pattern of international capital flows will be shaped by developments in the CIS. Western Europe's current dependence on American spheres of influence for energy and raw materials could change dramatically as a result of transformed relations between the CIS and the Western end of Eurasia. Some CIS republics could become an important force in the new international industrial division of labour.

And all these economic issues are interwoven with the great battles to come over the future patterns of world power following the collapse of the Soviet Bloc, battles that can be affected by the spread of ex-Soviet military/space technologies beyond the borders of the CIS.

Pre-Communist Russia's strength in the world economy was undermined by its domestic social structures; the Soviet Union's strength was contained by Western economic blockade. But a revived Russia, once the blockade is removed, could be a formidable economic force. While East Central Europe (ECE), now being integrated into West European networks, will probably always occupy a mediocre place in international markets, EC policy-makers worry about the destabilising effects of the CIS, especially Russia, upon the EC once it starts beating on the doors of Western Europe.

The problems of CIS integration into the world economy are not settled just by the activities of economic operators: the role of governments and international political bargaining is fundamental. These two dimensions of West-East inter-action are occurring simultaneously and mutually influencing each other. But decisive moves in relations between economic

operators must await breakthroughs in the inter-governmental negotiations. The centrality of this political dimension is obvious to anyone who takes a cursory glance at attempts within the West itself to achieve further economic integration in international goods, capital or labour markets. And in these political battles to shape the future of the world economy, the stakes for the participating states are very high.

Most of the key issues of integration are already under negotiation and the outcome of this bargaining is likely to shape economic forces for decades to come. The West, therefore, has one great advantage: it is negotiating with new republics that are currently weak and disorganised. Yet Russia at least has a bargaining power far greater than that of any of the ECE states and its government is proving more combative than might have been expected from its approach to relations with the West in other areas of diplomacy and security.

1. Issues and analytical framework

While the USSR was still in existence, relations between the Soviet economy and the West seemed to be entirely governed by the political struggle between the two social systems. Gorbachev's great strategic goal had been to break-down the West's barriers to Soviet economic integration in the world economy while preserving and reviving the Soviet economy along non-capitalist lines. The US successfully resisted this drive and managed to unite the Western alliance around the principle of no significant reduction of barriers until the Soviet leadership had decisively embarked upon systemic change towards capitalism.. (Oberdorfer 1992, p. 378)

This common Western aim of gaining a change in the Soviet social system united the G7 during the Gorbachev period, despite marked differences in emphasis between the French and German governments on one side and the UK, USA and Japan on the other. The G7 also have a common interest in maintaining their ascendancy over the structures and processes of the world economy and this leads them to seek common cause in order to manage the entry of the former Soviet Bloc into world markets in such a way as to maintain that Western ascendancy. At the same time, the leading Western states share an interest in opening up the CIS as much as possible to the goods and capital of their own economic operators.

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TABLE 1: Areas of Integration

Heading	Open CIS	Open World Economy
Goods Markets	Decentralise import decisions/full convertibility/lower import barriers/favourable tax environment	Full GATT rights/ New bilateral deals on access to Western markets
Technology	Hiring CIS experts/replacing Soviet with Western technologies	End Cocom controls/sell Soviet (military and space) technologies
Capital Markets	Privatise CIS assets/full rights for MNCs to buy and sell CIS assets/ free movement of capital/full rights for Western banks/favourable tax environment	Access to Western capital markets/banking rights in the West
Labour Markets	Rights of entry and work for Western personnel in the CIS	Easing of restrictions on entry and residence in the West
Currency/ payments	Full convertibility/free movement of funds/settlement of debt arrears	Balance of payments and budgetary support/support for internal and external currency stability/full drawing rights in international financial institutions.

Divisions in the West

The main Western economic powers are themselves divided on how to maintain the current, rather weak level of integration of the Western world economy, a set of divisions which complicates co-operation with the CIS, as each centre tries to gain advantages over the others. Thus, in the past, the US has tended to insist upon trade relations in the West being resolved (in favour of American commercial interests) through the completion of the Uruguay Round, before any serious steps are taken towards CIS integration. (*Financial Times*, 10.03.90) Japan has tended to follow this line. On the other hand, the EC has resisted "concessions" to Russia which the US has demanded, since these seem to threaten interests within the EC.

In all such inter-state discussions about integration, Western states seek to gain access for their exports and capital to the markets of other states, while preserving as much as possible the national strength of their own capital within their own markets. Even where states agree to full market integration, as in the case of the EC's Single Market, we find great resistance in practice as each member state continues to make moves to defend its own national interests.

This distinction between access to other markets and defence of your own looms especially large at what might be called the founding moment of major new relations between a former socialist economy and the Western economic system: the consequences of a sudden total removal of national protection mechanisms at such a moment have been all too evident in the case

of the ex-GDR - consequences which have spread their baleful influence across the whole of Western Europe. But no less important is the concern about traffic in the other direction. We have seen how sensitive the EC states have been even to small incursions into their domestic markets by exports from the East Central European states. In the case of Russia and the CIS, these incursions could, in the medium-term, pose a far greater challenge.

This distinction is not, however, captured by a phrase like "integration into the World economy". Each of the formal headings of integration must therefore be broken down according to the direction of integration. (See Table 1, above).

These clashes of approach towards "integration in the World Economy" between the West and dominant groups in the CIS republics are most evident in relations between Russia and the G7. Put rather crudely, the differences are of two, overlapping kinds:

(1) The Russian government, along with some other CIS governments, has placed top of the agenda the normalisation of trade relations, including technological exchanges, accompanied by joint efforts to stabilise payments and currency relations with the West. The West, on the other hand, has stressed integration into international capital markets, especially through creating conditions (privatisation and a suitable legal framework) for Russian enterprises and economic assets to become available for acquisition by Western companies.

(2) The Russian government desires a form of

integration that will insert Russian economic forces powerfully into the Western economies; while the Western governments seek a form of integration that will insert their economic forces - goods and capital - powerfully into the Russian economy.

These differences are not, of course, absolute and irreconcilable: they are differences of policy orientation and interests, which precisely can lead to bargaining and to the striking of deals. But analytical clarity requires that we bear the differences of policy clearly in mind.

CIS domestic reform

The policy-orientation of Western governments on these questions should also not be confused with their presentational politics. Presentationally, Western goals are packaged in a discourse that renders them more or less invisible: the problem is not defined in terms either of opening up the CIS to Western goods and capital or in terms of opening up Western markets to the CIS republics; rather, the problem is defined as that of domestic reform within the CIS and Western objectives are relocated under the heading of "aid" to the reform process. Though this discursive displacement of the issues has worn pretty thin in Russia during the recent period, it has not yet been entirely exhausted there and has been a great political success in the West.

The implication of this is that integration into world goods markets, or the easing of barriers to technology transfer depend upon rapid domestic system change in Russia towards a privatised economy, yet this is not in fact a necessary condition for Russia's integration into the international trading system. The latter requires only some measure of price transparency as was recognised in the case of Yugoslavia which was fully integrated into the GATT and the IMF/WB in the 1960s without significant privatisation of its economy. The latter would be required, however, for Russian integration into international capital markets.

Similarly, Western Aid is not a suitable concept for understanding the real activities of the West in the field of integration: it simply groups together a very diverse set of policies with radically differing goals under a technical-formal aspect of these policies, namely that all of them are supposed to contain some element of non-market pricing. Under this heading can be grouped such diverse activities as paying Western consultancy firms to do research on the CIS economy or to gain information upon and value CIS assets, assisting Western exports to the CIS through loans or credit guarantees for Western companies, offering stand-by arrangements in support of CIS currencies or balance of payments or budgetary support. Much of these kinds of aid may be positively harmful to the economy of the recipient country: Poland in 1992, for example, sensibly refused to touch some \$7bn of the \$8bn of Western aid on offer to it, because this aid took the form of credits for importing Western goods: using them would have damaged Poland's current account balance of payments, would have further increased its debt burden and would have further weakened domestic Polish producers. In other words this was aid for Western interests: penetration of Polish markets by Western companies and strengthening of Western trade balances. (Slay, 1992)

We will therefore examine the problems of CIS integration through one broad conceptual distinction: between measures to open the CIS to Western goods

and capital; and measures to open the Western economies to CIS goods.

It often appears in Western media coverage that the debate within the CIS republics both on internal and external economic policy is basically one between those oriented towards a revival of the old Soviet economic system and those seeking a transition to capitalism. While there are, of course, groups wishing to see a return to central planning, the debate amongst CIS policy elites is one among those groups seeking to place the republics on a capitalist foundation.

The debate in Russia and ECE

The most sophisticated and open form of this debate has been that in Russia between the supporters of Yegor Gaidar and the Civic Union. Gaidar has been seeking a rapid shift to an institutional order that would most favour the entry of Western goods and capital into Russia; while the Civic Union, representing Russian state industries, has sought a policy which would preserve these industries and would enable them eventually to insert themselves strongly into Western markets. (For a good survey of this debate, see Ellman 1993.) Western governments have strongly supported Gaidar's approach which fits perfectly with their priorities.

This has been a highly charged debate since the perception among many policy makers in the CIS republics is that the G7 wishes to integrate the former Soviet Union as a subordinate economic force, confined to producing raw materials and energy via Western multinational corporations (MNCs) with large slices of ownership in these sectors, while the industrial side of these economies is allowed to collapse and be replaced first by Western exports and then by subsidiaries of Western MNCs producing within the CIS.

The fears of Civic Union leaders on this score are fuelled by reports such as those in early 1992, when the G7 were discussing whether they should allow the CIS republics into the IMF. The *Financial Times* reported that G7 officials consider "the republics must do more to make themselves attractive to Western investors" - a requirement that has no technical link whatever with IMF membership. There has also been loose talk in the West about the idea that integration of Russia into Western goods markets will only be allowed in exchange for Russia's energy industry.

The drama in the CIS on these issues has already been acted out on a smaller scale in the countries of East-Central Europe (ECE) and that experience has helped to shape the views of elites within the CIS. Belarus prime minister Vyacheslav Kebich has described Poland's shock therapy as a "horrible example". (See *Le Monde's* interview with him, 21 July 1992.)

The ECE Experience

Western governments made the removal of Cold War barriers to integration conditional upon rapid domestic system change in the ECE countries along with a programme of macro-economic stabilisation which emphasised financial and monetary stability. The ECE countries were in a uniquely weak position for bargaining with the West, because of their debt burdens, the collapse of their Comecon trading networks, and their desperate need for any loosening of trade barriers with the West. They, therefore, initially largely accepted the terms of IMF and EC conditionality.

By applying the required stabilisation programmes in

a context of regional dislocation, ECE policy-makers have fed an unparalleled slump in which enterprises with long-term viability as well as enterprises without much hope plunged into debt and were threatened with bankruptcy. In this context mass privatisation programmes were launched last year in Czechoslovakia, Poland and Hungary despite the absence of significant quantities of domestic private capital to purchase economic assets at adequate value. Poland's Minister for Privatisation told French business leaders in March 1991 that "We have calculated that domestic savings can buy only 7 per cent to 8 per cent of national assets." (*Liberation*, 15.03.91)

There has followed a very wide intervention by Western capital to purchase state enterprises considered to have good prospects. Something like 55,000 such examples of foreign direct investment seem to have taken place in the region so far. Thus foreign ownership in these economies is rising fast, despite the initial impression in Western media that there was little or nothing of value to be found in the Communist zone.

Pressure from the G7 and the EC for rapid privatisation in ECE combined with the opening of the privatisation market to Western companies was justified by a proposed economic growth strategy for the region, known as Aid-led growth or FDI-led growth. The argument was that given the supposed backwardness of these economies the best growth strategy consisted of creating the legal-institutional framework most suited to multinational corporations; these would then pump in large flows of foreign direct investment (FDI) which would transform the macro-economic indicators in the direction of rapid growth.

It was evidently naive of ECE governments to believe that by adopting the domestic legal framework preferred by West European MNCs, they would thereby gain macro-economically significant flows of FDI. Total Western FDI in the whole of non-Soviet Eastern Europe up to the end of 1992 seems to amount to about \$9bn - the equivalent of the single deal being offered by a consortium of Western companies to Azerbaijan for oil development. (Table 2)

This result is hardly surprising when the economic policies followed, under pressure from the West, have had the effect of deepening a domestic economic slump entailing, for example, a collapse of Polish industrial output of some 45 per cent between early 1989 and mid-1991. (*Financial Times*, 28.09.92) It marks an obvious contrast with China, where stress was laid on domestic, demand-led growth within the framework of a still nationalised industrial economy and with a regulatory framework radically different from Western

paradigms. The result of the Chinese government's strategy has been over \$60bn of FDI in the five years up to the end of 1992.

EC barriers

But the European Community's side of the conditionality bargain - full integration into the legal-institutional structure of the Western market - has not been fully honoured. As is very widely acknowledged, the continuing barriers erected against ECE exports remain very serious. The Association Agreements maintained restrictions on the most important ECE exports to Western Europe - in Poland's case on 43.5 per cent of exports. (*Agence Europe*, 17.02.93) As a result, the economies concerned have not achieved what they had hoped: a rapid improvement in the balance of trade with the EC. On the contrary, the EC, which, up to 1989 had a trade deficit with the region, now has a healthy surplus in stark contrast with its heavy overall trade deficit with the rest of the world: the surplus in 1991 was ECU 1.4bn; it rose in 1992 to ECU 2.5bn. The surplus of the OECD as a whole with the region was \$6bn. And with the current depression in the EC itself, the current accounts of ECE states are likely to deteriorate still further in the coming months. Hungary's current account deficit for the first 2 months of 1993, for example, amounted to \$423m and is predicted to reach \$2bn for the year as a whole - 8 per cent of GDP. Hungary's exports in the first 4 months of 1993 were down by 27 per cent on the equivalent period in 1992, largely as a result of the recession in Germany and Austria. (*Financial Times*, 09.07.93)

In short, the experience so far has been of the strong integration of western goods and capital within ECE, but weak and inadequate insertion of ECE into the western world economy. As a result the continuing heavy debt problems of most of these economies are likely to get worse in the coming years and the current trend of net capital flows from ECE to the West is likely to continue.

Nevertheless, it could be argued that it is still early days in ECE and that the big flows of Western capital will begin, particularly as EC trade barriers come down. Perhaps most importantly, at the Copenhagen Council this June the EC finally agreed to make the full integration of the ECE states into the EC/European Union an official objective. This therefore gives these economies the real possibility (though not the certainty) of entering the advanced capitalist core in the early decades of the 21st century in the way in which the Spanish economy has been entering the core in the last decade.

Bargaining Strength of Western CIS

The economic relationship between the USSR and the EC by the end of the 1980s was more important to the Soviet Union than other such relationships. By 1991 over 40 per cent of Soviet exports went to the EC (Fraser 1992), and amounted to \$20bn compared to only \$1.2bn of exports to the USA; the balance of Soviet imports in 1991 was similar: \$23bn from the EC as against less than \$1bn from the USA (*Agence Europe*, 19.03.93).

In the trade field Russia has an enormous bargaining advantage not enjoyed by any of the other Western CIS republics: its current exports are principally in energy and raw materials and these are in strong international demand being largely complementary with the Western

Table 2: FDI in East Central Europe

	Flow 1991	Total end 1991	Total end 1992
Poland	\$117m	\$700m	\$1400m
Hungary	\$1459m		\$4300m
CSFR	\$592m		\$1900m
Romania	\$37m		
Bulgaria	\$56m		
Ex-USSR	\$200m		

economies, not least those of Western Europe. Its large food import requirements also make it an extremely attractive trade partner for both the EC and the North American states. This means that Russia can continue to earn hard currency and can be viewed as credit worthy despite its inheritance of Soviet debt.

The CIS republics to the West of Russia, on the other hand - Ukraine, Belarus and Moldova - suffer from the same disadvantages as the ECE states deriving from the fact that their economies are competitive rather than complementary to the EC and advanced Western markets: they aspire to remaining important industrial economies and thus face a threat from EC competition if they open their markets quickly, while those industrial goods they can export to the EC face the threat of EC protective measures. Ukraine's great agricultural potential also places it in a hostile relationship to EC agricultural interests, not least in the Russian market, never mind vis a vis the EC.

But whereas, the ECE states were in desperate need for Western market outlets following the collapse of the Comecon payments system, the urgent interest of the non-Russian CIS republics is less to break into Western markets than to rebuild their trading links with Russia and amongst themselves, a process that has seemed to be gathering pace following Russia's turn in 1993 towards a more serious concern for CIS commercial and economic integration. Thus the Western CIS Republics are not under urgent time-pressure to strike a quick deal with the EC and other OECD states.

CIS weaknesses

Russia nevertheless faces some serious weaknesses. The first of these is the medium to long term danger of its being excluded from the processes of West European integration, now promising to stretch to the borders of the CIS itself, but no further. Were ECE to move towards EC membership, the barriers to trade between the CIS and its Western neighbours would become serious, unless the CIS republics could themselves negotiate a strong package of market access measures. This indeed is the stake in the present negotiations already underway between the European Community and both Russia and Ukraine.

A second great weakness of Russia as well as the other CIS states lies in their current lack of internal political and administrative coherence. Disorganisation and intense elite political conflict is combined with a frenzied struggle for positions of strength in the new domestic capitalist order. These conflicts are raging at local and regional as well as central levels of power and they offer opportunities for Western operators to establish links and alliances with influential groups on a basis which may be very favourable for the groups concerned, but entail agreements that are very far from advantageous for the state as a whole in the future.

Allied to these internal problems are a whole range of inter-state conflicts within the CIS, conflicts which may not be in the long-term rational interest of any of the parties involved in them. In particular, the efforts of republics to establish national economies autonomous from Russia may often spill over into economically destructive trade and payments conflicts.

Key short-term issues

From the point of view of the CIS republics' existing governments, in which the state industrial elites continue to hold predominant influence, the key

priorities in external economic policies could be summarised as in Table 3:

Table 3: CIS Negotiating Aims in the Transition

Negotiations	Economic follow-through
A long term debt rescheduling deal	New borrowing in the West for new investment
Improved access to Western markets	Resources for key industrial imports
End COCOM export controls	High tech imports
Strategic deal on long-term access to Western markets	Long-term industrial economic strategy
Preserve national control of strategic economic assets	Full economic benefit for national accumulation
Control capital movements	Limit capital flight
Maintain control of import policy	Ensure positive trade balance protect domestic industry from import flood
IMF budget/payments support	Revive domestic growth

A neo-mercantilist Western counter-strategy would block rescheduling and market access, forcing a deepening of the industrial slump until the CIS republics finally opened their doors to Western acquisitions and allowed a CIS insertion into the world economy as raw materials producers and screw-driver assembly plants.

2. Negotiations with the USSR

During the Cold War, the OECD countries denied the USSR most favoured nation (MFN) status and imposed heavy tariffs and quantitative restrictions on a very broad range of Soviet industrial goods along with comprehensive controls on exports to the USSR via Cocom. The only Soviet exports with fairly easy access to Western markets were those in the energy and raw materials fields. Western direct investment in the USSR and direct links with Soviet enterprises were also excluded by the Soviet government.

From the moment of his appointment as General Secretary of the CPSU, Gorbachev indicated his enthusiasm for seeking greater integration within the world economy and for closer relations with the EC. The Soviet Government indicated its desire for a wide co-operation agreement with the EC. Following agreement on a joint Comecon-EC declaration in 1988, the USSR and the EC negotiated a Trade and Co-operation Agreement, signed on the 19th December 1989, establishing a first basis for their mutual economic relations. This was not, in fact, of much trade value to the USSR - except for the removal of some quantitative import restrictions on the part of the EC by 1995 and the granting a partial form of MFN status to the USSR. This small opening on the part of the EC was not matched by a turn in US policy and in general throughout the period from the start of 1989 until the collapse of the USSR the pattern of Western policy was one in which Germany and France sought to lead the

EC into a rapid deepening of links with the USSR, while the US and Japan, largely supported by the UK, sought to maintain the Cold War barriers. This contrast was partly based upon various governments' financial perspectives: the US, preoccupied with its deficits, felt unable to offer substantial credits to the USSR, while Germany, as yet unaware of the disastrous economic and financial consequences of Kohl's form of German unification, felt able to offer new credit lines to Moscow on a substantial scale. But strategic considerations also played a part: Germany wanted to ensure Soviet acquiescence in the changes in ECE and stability in the USSR and the latter consideration was also very important for France. The US, very concerned about a rapid integration of the USSR and Western Europe economically and politically, wanted to retain control of the West's relations with the USSR through an insistence on Western unity until the Soviet government opted to scrap perestroika in favour of a capitalist market.

The Strasbourg EC Council of December 1989 seemed to presage a rapid deepening of relations with the USSR. It decided to try to establish "closer and more substantive relations based upon an intensification of political dialogue and increased co-operation in all areas". But the trade concessions to ECE countries were not extended to the Soviet Union. Thus, by late 1990 the USSR was the only European country to remain fully subject to the EC's Regulation 3420 imposing wide quantitative restrictions on imports and annually renewable import quotas, though the 1989 Trade and Co-operation Agreement did envisage that these might be gradually relaxed. (Maresceau 1992, p. 109)

Dublin Council (1990)

The Dublin Council of 25-26 June 1990 was the first to deal openly with EC relations with the USSR. It was careful to stress that it would work within the framework of IMF gate-keeping and concentrated upon asking the commission to draw up proposals for short-term credits and for assistance to the USSR for structural reforms. It also signalled the great Western excitement over Soviet energy resources, asking the Commission to examine the Dutch proposal for a European Energy network. This would eventually result in the so-called European Energy Charter, (which will be discussed later).

Differences of approach toward the USSR were evident in Dublin. Chancellor Kohl and President Mitterand were keen to rapidly intensify links, while the British and the Dutch were far less enthusiastic. (Maresceau 1992, p. 110) As a result of the disagreements no new initiative was taken on trade and co-operation. Differences of approach appeared again at the Houston G7 Summit on 9-10 July 1990, with the American government blocking demands from France and Germany for significant economic and financial co-operation with the USSR.

But the Dublin Council did decide that the Commission should hold consultative talks with the Soviet government and Delors and Andriessen visited Moscow on 18 July 1990 for detailed discussions on integrating the Soviet Union into the world economy. They stressed that a precondition for such integration would be for the USSR to provide "a monetary and banking system and legal framework providing foreign enterprises with the means and guarantees necessary for co-operation with Soviet enterprises" (*Bulletin EC*, no.6

1990, p. 13): in other words the entry of Western companies into the Soviet economy with the possibility of acquiring assets, converting rouble profits into hard currency and repatriating profits would be a precondition for opening Western markets to Soviet operators and to bringing the USSR into a new relationship with the EC.

Meanwhile, a number of member states were signing bilateral agreements with the Soviet Government and the German government was working hard to strengthen its links with the USSR. The French, Italian and Spanish governments signed co-operation accords and offered credits and it is noticeable that the French government's agreement specifically committed Paris to seeking a new co-operation agreement between the USSR and the EC. (Maresceau 1992, p. 119) Then, at the Rome European Council meeting in December 1990, under Franco-German pressure, the EC decided to explore the possibility of a much deeper and more far reaching agreement with the USSR. The German government, fresh from the Paris conference sanctifying German re-unification, and involved in very large loans to the USSR, was eager to deepen economic relations and to maintain stability in Moscow; President Mitterand was also very concerned to strengthen French relations with a reconsolidated USSR seeing it as something of a political counter-weight to Germany.

From these two very different perspectives both governments persuaded the Council to agree that the Commission should examine whether a major framework agreement involving far ranging co-operation measures should be negotiated with the USSR. The terms the Commission was asked to consider included a broad set of long-term co-operation measures in energy, telecoms, transport and agri-foodstuffs industry (*Bulletin EC*, no. 7/8 1990, p. 93); a search for agreement with the USSR on organising a conference in 1991 on a Pan-European Energy Charter; a "major agreement between the European Community and the USSR encompassing a political dialogue and covering all aspects of close economic co-operation and co-operation in the cultural sphere with a view to concluding such an agreement as quickly as possible and certainly by the end of 1991." (*Bulletin EC*, no. 12, 1990, p. 17) Significant also was the fact that the broad agreement being sought was to be negotiated under article 238 of the Treaty of Rome, the article concerning Association Agreements, thus entailing a particularly close and institutionalised relationship with the EC, far beyond a mere trade agreement. (Article 238 has been given special force by the European Court of Justice in the Demirel Judgement, Case 12/86 (1988) European Court of Justice, 3751. The Court ruled that the article creates "special, privileged links with a non-member country which must, at least to a certain extent, take part in the Community system". Therefore "Article 238 must necessarily empower the Community to guarantee commitments towards non-member countries in all fields covered by the (EEC) Treaty." (Maresceau 1992, p. 103.) Association agreements commonly have been transitional instruments towards full membership of the Community.)

The December 1990 Council also launched specific aid packages including food grants and food credits and a technical assistance programme, a large part of which would be directed towards the energy sector. Finally the Council stressed its support for the USSR's "gradual integration into the world economy" and declared that both the EC and its member states would use their

influence to help the USSR become a member of international financial institutions and in particular of the IMF.

US-European divisions

If the Commission had acted upon this recommendation from the Rome 1990 Council, the EC would have moved a long way ahead of the USA in its policy towards the USSR and would have opened up a substantial policy divergence between itself and Washington. The US was not to grant the USSR MFN until November 1991 when Soviet collapse was already a certainty; neither was it ready to promote rapid Soviet membership of the IMF. Bush's Malta promise of a new trade agreement with the USSR did not materialise at the June 1990 Washington summit, nor did his promise to cancel the Jackson-Vanik amendment which made free emigration a condition of any new trade deal. There was thus a clear divergence of approaches between the EC and the USA. But the Rome Council indicated that it would not act unilaterally towards the USSR and in particular it would do nothing to assist the macro-economic stabilisation of the Soviet Union, leaving decisions on that question firmly with the (American-led) IMF. (*Bulletin EC*, no.12, 1990, p. 17)

It seems that France and Germany, on the other hand had been keen to go much further than the decisions taken in Rome. They were ready to seek an agreement leading to a free trade regime between the USSR and the EC - something strongly pressed for by the Soviet government - and to seek this despite the fact that the USSR remained an overwhelmingly nationalised economy and one which was outside the GATT.

The Rome Council meeting turned out to be the highest point of Gorbachev's achievements in his strategic drive to integrate a socialised Soviet economy into the Western system. The dynamism presaged in Rome did not materialise. The first months of 1991 saw a strong assertion of American leadership over its West European allies in the Gulf War, and the EC drew back from deepening the relationship with Moscow. Germany, whose banks were becoming dangerously stretched through their heavy lending to the USSR in the previous 2 years, was also beginning to face serious financial and fiscal strains as a result of the form adopted for German unification. And the August coup attempt, followed by the banning of the CPSU opened the way to the collapse of the Soviet Union itself. The development of EC relations with the USSR was meanwhile reduced to three areas decided upon in Rome: food aid; technical assistance, and the energy charter. (*Bulletin EC*, no.12, 1990, p. 17)

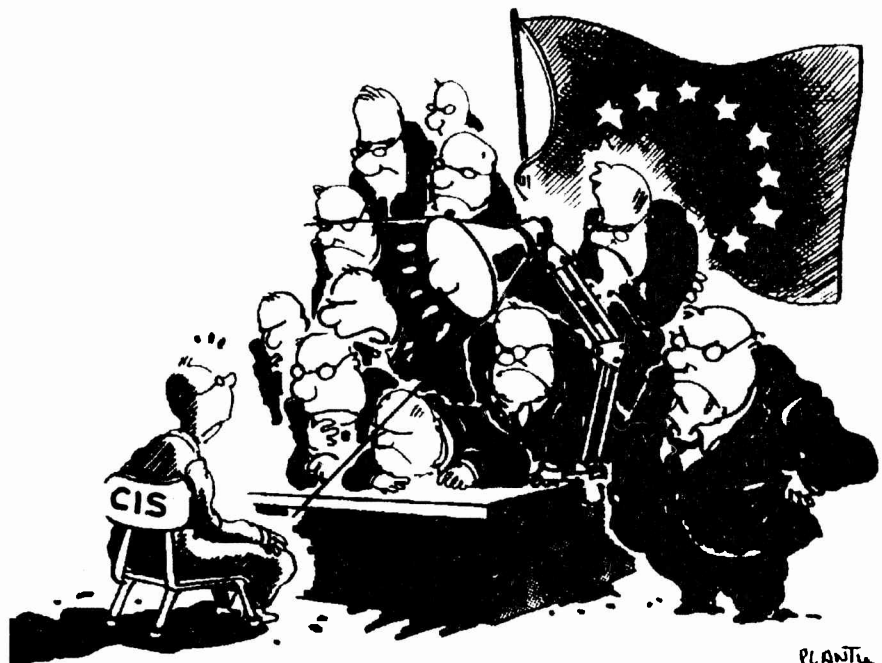
As signs mounted after the August coup attempt that the USSR was likely to disintegrate, Andriessen visited Moscow on 9 September and then travelled on for talks in Kiev. He was attempting, especially, to determine the identity of future partners for the EC's technical assistance programme. In Kiev, Andriessen spoke to President Kravchuk, foreign minister Zlenko, and Minister of Privatisation, Lanovoy, focusing

especially on the issue of Ukrainian independence. He also discussed Ukraine's needs for technical assistance. This was the first official contact between the EC and any of the non-Russian republics of what was to become the CIS. The discussions are of interest also for the light they throw on President Kravchuk's perspectives at that time: he told Andriessen that there would be a transitional period until the end of 1992 for the redefinition of the roles of the republics and the Union. Kravchuk and Zlenko believed that the economy, defence and collective border security should remain areas of close co-operation between republics. (*Bulletin EC*, no.9, 1991, pp. 41-42)

On 16 September 1991, the Economics Ministers of the various Soviet Republics and other Soviet economic officials visited the Commission in Brussels for discussions with Jacques Delors, thus establishing formal links between the EC and the governments of the various republics. An indicative programme for technical assistance was adopted by the Commission on 4 September 1991 and was signed by EC Commission Vice-President Andriessen and USSR Ambassador Voronin, as proposed by the Rome Council.

3 Opening CIS doors to the West (1991-93)

Before the USSR had collapsed Western governments and private economic operators were making extensive surveys of Soviet economic assets and seeking to open up the Soviet economy both to Western goods and to Western capital. This activity has continued apace since the end of the USSR. Soviet laws opened the way for joint ventures with Western companies and co-operation agreements such as that of 1989 with the EC opened the door for exploratory and preparatory work for the entry of Western capital into the USSR/CIS. Most of this work is conducted under the heading of "technical assistance". It is not purely of benefit to the West: gains can be made by groups within the CIS through the acquisition of knowledge of Western modes of



operation and those groups which may benefit from links with Western business also stand to gain from such assistance.

This preparatory work consists mainly of merchant banks and accountancy firms evaluating economic assets first for joint ventures, but ultimately with a view to the direct acquisition of assets. On occasions this work is funded by Western MNCs, but increasingly it has also been funded through so-called Technical Assistance programmes, organised both by individual Western governments and by multilateral organisations such as the EC, the EBRD and the World Bank. This technical assistance can take the form of consultancy work, paid for in the West, for CIS governments.

To take just one example of such work, Morgan Grenfell has been involved in the following projects:

* A feasibility study for the creation of a Russian Project Finance & Export Development Bank for channelling Western investment into Russia.

* Valuing the assets of Auto VAS, Russia's largest car manufacturer for Fiat with a view to Fiat's acquisition of a stake in it.

* Advising the Primorsky Krai (Vladivostok region) on privatisation schemes.

* Working for the EBRD, the EC and the World Bank on a plan for the Ukrainian government on developing and implementing a privatisation strategy. (Morgan Grenfell 1993)

The largest amounts of such technical assistance have been provided by individual Western states, seeking to promote their own national profiles and businesses within the USSR/CIS. But we will look in detail at just one such project, that of the EC.

EC assistance programmes

The EC launched its efforts in this area at the Rome European Council meeting in December 1990, while the USSR was still alive. The overall budget for technical assistance agreed at the Rome Council was to be ECU 400m in 1991 and money was to be disbursed for particular projects. The budget for 1992 was raised to ECU 450m. (EC Commission Report in *ISEC*, 18.11.92, p.2)

These funds were grants, not loans, but it should be stressed that these projects did not involve disbursing money to individuals and organisations within the CIS. While applications for funding had to come from CIS operators, partners for the projects came from the EC

and they were the financial beneficiaries of the grants. Thus the programme involved profitable business for Western operators out of EC grants. The CIS operators could, on the other hand, on occasions gain benefits in kind, provided these were acquired from EC producers. Such benefits would mainly take the form of EC computer and telecom systems and might be hoped to lead to subsequent technological links with, and imports from, the EC.

The official purpose of the assistance programme has been to help transform the ex-USSR in the direction of a market economy, funding four types of schemes: policy advice; institution building; the design of legal and regulatory frameworks, and training. Five sectoral programmes were eventually approved.

Technical Assistance Programme (TACIS)

It is significant of the difficulties of attempting to combine the efforts of many Western governments and economic operators for the purposes of gaining access to Soviet resources, that the EC had enormous problems in actually implementing its technical assistance programme. After approval to the project was given in December 1990, the legal basis for the programme, subsequently known as TACIS (Technical Assistance CIS), was agreed by the Commission only on 7 May, 1991 and was not approved by the Council until 15 July 1991. (*Bulletin EC*, no 3, 1991, p. 61) It was then necessary for the member states to approve the proposals for the five sectoral programmes and this did not occur until October and November 1991. A full year later, in early October 1992, 350 projects had been selected under the 1991 programme. But by the start of 1993 not all of these were actually on stream. The TACIS programme's five sectors are: human resources; food production and distribution; energy, transport and telecoms networks; enterprise support services and nuclear safety.

These EC technical assistance guidelines have an obvious direct bearing on the integration of the USSR into the international circuits of West European capital: this is notably the case for energy, which the EC along with the EBRD has made its priority sector; the guidelines also reflect the enormous initial hopes in the West for a revival of the hard-pressed nuclear plant construction industry through the replacement of Soviet with Western technology in the field after Chernobyl - hopes that have subsequently been dashed through the resistance of CIS governments to such a strategy. Another key area is the food production guideline which involves drawing up a master-plan on optimal future agricultural activities in various CIS states.

Issues in this sphere tend to divide Western interests and cause rivalries between Western governments. To minimise these rivalries and to establish its own leading role, the US Secretary of State James Baker responded to the collapse of the USSR by calling on 12 December 1991 for a Washington Conference on Western Aid to the ex-USSR. (*Financial Times*, 24.01.92) Soon afterwards Nicholas Brady, the US Treasury Secretary, indicated he would like a swift entry by the CIS republics into the IMF/World Bank. The IMF and the Soviet government had signed an agreement for a special association of the USSR with the IMF on 7 October 1991. This allowed the IMF to begin a technical assistance programme for the USSR but full membership was still assumed to be years away because

Table 4: Technical Assistance Funds USSR/CIS 1990 to end of 1991

Countries	Funds
France	250m francs
Germany	30m DM
U.K.	50m pounds
U.S.A.	500m dollars
Canada	20m Can. dollars
Japan	-
EC	400m ECU

Table 5: Technical Assistance to USSR 1991

Sector	Funding (in ECU)
Energy	115m
of which:	
nuclear safety	53m
electricity, gas, oil	34m
energy saving	20m
Public and private management training	103m
Food distribution	74m
Transport	45.8m
Financial services	37.5m

Source: EC Commission, "Background Report on Partnership with the CIS and Georgia: TACIS", ISEC, 18.11.92, pp. 5-6.

of US resistance. (*Le Monde*, 11/12.10.91) Many of the West European states were extremely irritated by this US effort to take charge of operations despite the fact that the US had disbursed far fewer funds to the USSR than had Western Europe. The Washington conference established 5 working groups: food aid; medical aid; lodgings; energy; technical assistance. The January 1992 Washington conference was followed up by an EC-convened conference in Lisbon in the May (see report in *Le Monde* 24/25.05.92) and by a Tokyo conference in the autumn of 1992. These meetings were, however, largely about the exchange of information and ideas rather than authoritative decision-making and co-ordinating affairs. As time has gone on each state has increasingly been out for itself in promoting the entry of its businesses into the CIS. And the EC itself, far from playing a genuinely co-ordinating role over its member states' efforts, has appeared simply like an additional agency alongside those of its members in this area.

Promoting Exports to the USSR/CIS

As in the case of ECE, Western states have been eager to launch their exports into CIS markets to establish their products and brands there. For this purpose they have offered loans and credit guarantees to CIS governments and in key sectors, such as food exports from the USA and Western Europe (notably France) they have been prepared to offer such credits despite the fact that the USSR unilaterally ceased debt repayments in November 1991. (*Economist*, 08.05.93.)

The Gaidar government took the view that Russian agricultural output was of little importance since Russia could buy food for oil on the world market. This policy was of potentially enormous importance for French and North American food industries, which also have had an historic opportunity to consolidate positions in the Russian food market while relations between Russia and Ukraine are disorganised. Here also the Gaidar government's policies were ideally suited to Western agri-business: Gaidar and Burbulis argued that Russia should not bother to prioritise the re-integration of the ex-Soviet economy and should instead seek to move unilaterally into new economic relationships with the

West.

The French government in particular has responded with very large food import credits and the USA has tried to follow suit. In the field of industrial exports to the Russian market, Western governments have also been competing with each other to gain the best possible entry to establish their products and brands. Germany has been far ahead in this area, partly through its commitment to maintain export credits for ex-GDR exports to the USSR.

There have, in fact, been very many problems in the disbursing of these credits, linked to efforts to clarify which institutions within the CIS have been ready to take responsibility for them. But the readiness of Western states to mobilise such large funds for promoting their own exports indicates how seriously they view the task of establishing themselves in CIS markets. The problems of Western budget deficits and credit crunches, which figure so prominently whenever discussions turn to problems of providing macro-economic assistance to Russia to stabilise its budget, balance of payments or currency, don't seem to inhibit aid to Western states' own exporters.

On the other hand, what was entirely blocked was CIS access to Western credit sources for investment projects considered a priority by CIS governments or economic operators, but not prioritised by Western states. The CIS was completely shut out of Western capital markets because of the absence of a rescheduling agreement package for the inherited Soviet debt through the Paris Club (of government creditors) and the London club (of private bank creditors). In other words, Russia and the CIS republics could borrow from the West, but only for imports that supported Western economic operators and in many cases weakened CIS economic operators (notably in agriculture).

Table 6: Import Credits for USSR/CIS 1990-91

Country	Food	Other
France	7.5bn FF	2.45bn FF
Germany		31.7bn DM
Italy		6200bn IL
U.K.	-	-
Canada	1.46bn \$Can	0.5bn \$Can
Japan	600m \$US	2bn \$US
U.S.A.	3.7bn \$US	ended ceiling on credit guarantees
EC	1.75bn ECU	
Totals (in FF)	55bn	154bn

Source: *Le Monde*, 23.01.92.

FDI and CIS energy assets

There are gains of almost unimaginable proportions for Western companies to be had from being able to acquire assets in CIS energy and raw material resources. There are also substantial prizes at the level of world markets in the industrial field as well as great long-term opportunities for FDI geared to Russia's domestic market. During the Soviet period, links between Western capital and Soviet enterprises were almost entirely restricted to joint ventures, but since 1992, as Russia's privatisation has begun, Western

privatised enterprises. And in addition, republics like Azerbaijan and Kazakhstan have been ready to offer large openings to Western companies in the energy and raw materials fields.

Western companies and governments have been making great efforts to break into these areas and the collapse of the rouble has meant that assets being privatised are being offered for ridiculously low prices.

One estimate suggests that the whole of Russian manufacturing industry is being valued at \$1.5bn. (*Agence Europe*, 5/6.07.93) By the Spring of 1993, privatisation of medium and large enterprises was proceeding very fast in Russia and by July some estimates put the proportion of the industrial workforce in private enterprises at 15 per cent. But foreign capital cannot buy entire enterprises outright in Russia itself and the stakes acquired are not necessarily secure, particularly since Western influence over the Russian government to ensure foreign property rights is limited. Overall western FDI in Russia by the end of 1992 stood at roughly \$1bn. (*Agence Europe*, 01.07.93)

On the other hand - the government has faced strong pressures to seek external investment in key sectors, not least the oil industry. The slump and currency collapse has starved the whole of industry of new investment. This lack of investment has resulted in a sharp decline in oil output which dropped by 61 million tonnes in 1992 and will continue to fall in 1993 and 1994. Oil production has fallen from a peak of 557 million tonnes in 1988 to 385 million tonnes in 1992. At the same time oil exports have actually been rising over the last couple of years and such exports have been vital to gain hard currency desperately needed for the rest of the economy's import needs and to make some of its debt repayments. The blockage of Russian access to Western capital markets because of the deadlock over Soviet debt rescheduling, the lack of Western macro-economic support and the continuation of Cocom controls on high tech exports have all been exerting pressure on the Russian government to simply open up its oil resources to a Western buy-out. The pressures are all the more acute because 80 per cent of the equipment for the ex-Soviet oil industry was produced in the now independent Azerbaijan.

But the Russian authorities have, if anything, become increasingly determined to maintain national control over the country's energy production. The head of the state oil company, Rosneftegas, Lev Churilov, pursued a policy of seeking to preserve state ownership and to involve Western investment as little as possible. In February 1993 Churilov was sacked, but this seems to have been the result of conflict purely over internal power in the industry and meanwhile preparations for privatisation, originally scheduled by Yeltsin to be complete by 31 December 1993, were halted. (*Agence Europe*, 5/6.07.93) The new energy minister, Yuri Shafranik, has also put new stress on the continuing role of the state in the oil industry. This emphasis has been even stronger in the gas sector. And in the field of equipment for the oil industry, the government has allowed imports of Western equipment only on condition that the company exporting such equipment establishes a plant in Russia to produce the equipment there.

Meanwhile Western oil interests and governments have been seeking to gain access to energy resources in other CIS republics. After 5 years of negotiations, on 2 April 1993, the American corporation Chevron signed a memorandum with President Nazarbayev of

Kazakhstan establishing a joint venture to last 40 years to exploit the Tengiz oil field in the Caspian region. This is due to eventually produce 12 million tonnes of oil a year. (*Agence Europe*, 25.06.93)

Similar negotiations between a Western consortium and the government of Azerbaijan had reached the very eve of signing an agreement in June 1993, when an internal rebellion, evidently supported by Russia, replaced the President of Azerbaijan with the former first party secretary from Brezhnev's time, Aliev, who called off the signing of the deal.

Energy Charter

If the immediate prospect of linking these riches to Western capital seems blocked, the EC has been pursuing another strategic initiative for gaining access to CIS energy through binding the Russian government to a treaty, the European Energy Charter. The Charter was originally proposed by Holland, was taken up by the EC, and then the USA was drawn into the negotiations. The result was a European Energy Charter approved at a conference in The Hague on 16th December 1991, just as the USSR collapsed. The Charter was subsequently signed by 47 countries and by the EC itself.

The formal aim of the Charter was "to trigger economic recovery in the Former Soviet Union and Eastern Europe by a joint effort to develop the region's energy resources, modernise its energy industries and expand its energy trade." (*Financial Times*, 24.01.92) The Hague conference agreed that the means for effectively promoting the all-European energy market are "the principle of non-discrimination in commercial and production matters...". (*Financial Times*, 17.03.92)

The Charter itself is not legally binding upon its signatories and the negotiations since its adoption have been focused upon reaching agreement on a so-called Basic Agreement or Charter Treaty which will translate the principles in the Charter into a legally binding text. The Community wants thereby to ensure that the CIS republics, especially Russia will agree to Western energy companies being able to have exactly the same rights to operate in Russia as Russian national companies, having, in legal jargon, "national status". The EC also wants investment protection for its oil companies on the same basis as Russian companies, and it wants a specific date written into the treaty at which these rights will operate. These objectives are presented as being part and parcel of "the introduction of market concepts in Eastern Europe, in particular the ex-USSR" and as ways of improving "the investment climate in Eastern Europe, for Western and local companies alike". (In early 1993 Russian wage levels in industry were about 1 per cent of German wage levels!)

But the Charter Treaty has run into difficulties in the first place because of the fact that it is a set of general laws binding not only on the CIS but on Western oil producers as well. This means that Western states would also have to grant "national status" to foreign operators, something that the EC member states have not yet agreed amongst themselves and something that Norway is firmly opposed to.

The Lisbon European Council meeting of 26/27 June 1992 emphasised that it regarded the speedy conclusion of the negotiations as being of capital importance, but throughout the following year no breakthrough occurred. Norway has remained adamantly opposed to the granting of national status and therefore one deadline

after another passed without agreement and negotiations cannot be expected to reach fruition before the end of 1993.

Norway's objections have been extremely embarrassing since they have undermined the whole thrust of the politics behind the Treaty: namely that by signing it Russia would simply be behaving like a normal "market economy". Russia and the other CIS republics have not, in fact, openly opposed the principle of "national status". Russia has simply not been prepared to write a specific date at which this principle would become operational into the Charter Treaty. Negotiations continued trilaterally on this issue between the EC, the USA and Russia in June 1993, but no breakthrough occurred. At present, the EC is hoping that the negotiations will move forward in the autumn of 1993.

Financial and currency stability

The G7's decision, soon after the USSR collapsed, to draw the CIS republics into the IMF/World Bank raised very sharply the question as to what the West would do to assist Russia and the other republics to stabilise their budgets and currencies and to help them move towards full convertibility.

Currency stabilisation and convertibility are issues that could be said to be advantageous both for Western interests concerned with exporting goods and capital to the CIS and for the CIS republics' interest in expanding trade and exports with the West.

The US, however, sought to avoid this issue as long as possible: indeed the calling of the Washington conference on aid in January 1992 was, in part at least, an effort by the Bush administration to side-step the issue of macro-economic support. Given this foot-dragging by the US, pressure mounted within the EC, notably from Frans Andriessen and the Commission for it to offer macro-economic assistance. But it also decided to wait until the republics were full IMF members.

After the republics' accession to the IMF in the spring of 1992, negotiations began in earnest between Russia and the IMF. However, by the time of the July G7 summit agreement had been reached only on a \$1bn IMF credit to be disbursed in August and there was no agreement on macro-economic assistance. The Russian government wanted the \$6bn that the IMF had set aside for stabilising the rouble to be brought into play immediately to hold the rouble at \$1=85rbs. But the IMF stated that the purpose of such stabilisation funds was to make them available only when domestic conditions ensured that they were not likely to be needed.

The G7 faced real difficulties in handling the political problem of macro-economic support for Russia and the CIS. Voices were raised in the West for a Marshall Plan style operation to overcome Russia's equivalent of the post-war dollar shortage and to prevent political collapse and chaos in the region.

Pressures in this direction have moved in cycles linked to the cycles of political crisis in Russia itself as the Yeltsin team battled with the hostile majorities in Congress of Peoples Deputies and the Supreme Soviet. But the response of the major Western states could be described as a Russian doll tactic. Individual governments and the EC have inserted themselves within the G7 and declared that we must wait upon a G7 summit (often making calls for an emergency G7 summit to re-enforce the credibility of their stand). The

G7 has in turn inserted itself within the IMF, giving it responsibility for such issues and even been ready to criticise the IMF in the summer of 1992 for being too mean to Russia. The IMF has then in turn inserted itself within with Paris Club declaring that only it can open the way to macro-economic assistance through reaching a rescheduling agreement with Russia. There is, however, a single set of leading state actors in all these bodies: namely the state executives of the G7.

The spring 1993 crisis in Russia did, however, lead to a change of tack on the part of the US administration, in the role that the IMF was given in the Russian negotiations. The IMF was to be allowed to disburse funds to Russia under what was called a "systemic transformation facility". The change was widely interpreted in media coverage as a relaxation of IMF rules and as a concession to Russia, easing the problems plaguing negotiations during 1992. In reality, however, the new "systemic transformation facility" seems to be a way of side-stepping macro-economic aid problems and of shifting the focus onto funds to support the micro-economic transition, above all privatisation.

There are, indeed, grounds for questioning whether the West has had a serious economic interest in macro-economic stabilisation in the CIS at the present time, at least one that would stabilise a convertible rouble. The Gaidar programme for price liberalisation and the end of subsidies was bound to lead to hyperinflation involving a collapse of effective demand and of output and a generalised plunging of enterprises into debt - this was, after all the result already achieved by IMF advice two years before in Poland. An alternative policy, maintaining the levels of output and gradually freeing prices while placing the emphasis on rouble convertibility would have enhanced Russian foreign trade and joint ventures in conditions where the society was not decisively transforming itself into capitalism. It would thus have opened the way to what has come to be known as a Chinese variant, with the additional advantage to Russia of having extraordinary competitive trade advantages through its very low wage levels.

The new terms of reference of the IMF therefore are themselves a way of avoiding the issue of stabilisation. A destabilised Russian economy is, paradoxically, easier to integrate into the circuits of international capital, than a stabilised one that is not widely privatised and opened for Western FDI.

4. Opening doors to CIS

Like all other states, the CIS republics are concerned to establish positive balances on their trade and capital accounts with the rest of the world through being able to normalise their access to international goods markets, from which they have, in large measure, been excluded by the West during the decades of the Cold War. As Table 7 shows, the economic links with the international goods market have actually weakened since the collapse of the USSR as far as Russia is concerned and the same pattern applies for the other CIS Republics. But with the collapse of Communism all the republics can hope to find the barriers to their exports being removed.

The removal of barriers is both an immediate problem for existing CIS exports and a strategic

Table 7. Russia's non-CIS Foreign Trade (\$bn)

	1991	1992	1993 (est)	1993 (% 1991)
Exports	50.9	38.1	36.0	71
Imports	44.5	35.0	31.0	70
Balance	+6.4	+3.1	+5.0	78

Source: *Business World* (Moscow), 23.04.93.

problem. The CIS republics would hope to upgrade their technological base through importing new equipment and through raising investment funds on international capital market for this purpose. These steps would in turn strengthen their export performance in products with high value added. And at the same time, Russia and the other CIS republics must try to negotiate their way into the key market centres in the West to ensure a strong insertion in them in the long term.

To achieve these goals these republics must seek successful negotiations with the West on the following issues:

- * Long-term debt rescheduling agreement (to gain normal access to Western capital markets for new investments).
- * COCOM export controls (to have access to high tech imports for investments).
- * Normal GATT status (for full MFN/normal trade protection regimes).
- * Long-term market access agreements, especially with the EC (for a stable insertion into key international goods markets).

Without successful outcomes in these areas, Russia and the CIS republics will tend to be pushed down the road towards permanent subordinate status as energy and raw material producers for the advanced capitalist centres.

Debt rescheduling

The collapse of the Soviet Bloc created a serious debt crisis for the USSR. (The origin of the debt crisis was as much political as economic. The USSR in 1991 was formally a net hard currency creditor state, but the bulk of the debts owed to it were held by former Soviet allies or bloc members whose alliances with the USSR had crumbled and which were not likely to repay their debts.) During 1991 it had to find \$11bn to repay maturing debt, plus \$5bn in trade debt arrears as well as further current account hard currency debts for 1991, producing a total hard currency requirement for the year of more than \$22bn. (*Financial Times*, 31.01.91) In November 1991, just before the USSR collapsed the following month, the Soviet government suspended all repayments of principal, saying it would restart such payments on 1st January 1993. Total Soviet debt was estimated in Frankfurt to stand at \$60bn, though Soviet officials put it at \$84bn. (*Le Monde*, 07.12.91)

The West swiftly recognised Russia as the successor to the rights and obligations of the USSR and at the same time decided that no new credits would be made available to the CIS republics, until all of them accepted their full responsibilities for repayments. At the same

time the West agreed to rescheduling talks through the so-called Paris Club for rescheduling public debt and the London Club for private debt.

The Western decision to suspend new credits applied only to CIS governments' and economic operators' efforts to gain loans in the West for their economic priorities: it did not, of course, apply to credits for Western exports to the CIS. The US also continued to provide food credits to the CIS since the USSR traditionally bought 25 per cent of US cereal exports and if the US failed to supply, other sellers could no doubt be found. And at the end of January 1992, the EBRD's Administrative Council lifted the restriction of loans to the USSR to 6 per cent of its total capital, as outlined in Article 8 of its statutes. This lifting, previously resisted by the US which had insisted on the limit in the first place, enabled the EBRD to expand its credits to the CIS for privatisation projects, just after the Soviet unilateral suspension of debt payments. (See *Le Monde*, 30.01.92 and *Financial Times*, 29.01.92.) The US-imposed lending curbs were more about controlling Western operations in the USSR than they were about limiting financial intervention - the EBRD is the one multi-lateral financial organisation where the US lacks effective blocking power.

The issue of debt rescheduling divided the Western creditor states. As in the case of Polish debt, so in the Soviet case, the US had earlier refused to get heavily involved in lending, while the West Europeans were very heavily committed: Germany had granted the USSR very large loans as part of the package of German unification. As a result, the US was now happy to appear more generous on rescheduling arrangements than the German government.

Another problem that led the negotiations to drag on through 1992 and the first quarter of 1993 concerned debt repayments between Russia and Ukraine which would be satisfactory to Western creditors. The problem here has nothing to do with conflicts between Russia and Ukraine. The Russian government during 1992 was unwilling to offer Ukraine the so-called zero option adopted with other CIS republics, whereby Russia took responsibility both for their share of Soviet debt and for their share of Soviet external assets. Ukraine was quite prepared to accept this Russian view and acquire a share both of the debt and of the assets. But the agreement reached between them in February 1993 was turned down by the West because it did not accept that Ukraine could be a reliable debtor, given its very poor balance of payments situation.

While these negotiations dragged on, Russia continued to suspend payments on inherited Soviet debt, but sought to honour repayments of debts incurred by independent Russia. For its part, the G7 refused to allow Russia to make other borrowings in the West until a debt rescheduling agreement has been reached and it also rejected Russia's proposals for rescheduling. In June 1992, Gaidar informed Delors that Russia was seeking a 5 year debt moratorium. Yeltsin scaled this down before the July 1992 G7 summit in Munich to a request that the West agree to at least 2 year's grace before resuming Soviet debt repayments, but this was also refused. Russia has therefore been forced to continually defer payments for periods of several months without gaining a Paris Club rescheduling package that would provide a new stable framework for gaining new Western credits for purposes chosen by the Russian authorities.

An interim agreement was finally announced by the

Paris Club on 2 April 1993 as part of the West's crisis management response to the challenge from the Supreme Soviet majority against Boris Yeltsin. Under its terms, Russia would have to repay \$2bn dollars of the \$12bn it was due to repay in 1993. The total relief for the year amounts to \$15bn. Though presented as a very generous offer, this agreement does not solve Russia's problems of access to Western capital markets even in the short-term. Instead, it keeps the country on a very tight leash and offers no lasting, stable solution. Meanwhile the open door into Russia and other CIS republics for the flow of dollars and D-Marks has also produced large flows of capital out of the CIS into Western banks.

Trade problems

The internal disorganisation of the CIS economies and the wild scramble for hard-currency capital amongst those hoping to form part of the new class of property owners as privatisation gathers speed has led to efforts to export resources of all sorts to hard currency zones. There have been sharp increases in sales to the West of aluminium, potash and other raw materials against a background of deepening recession in Western Europe.

These developments have led to a large number of anti-dumping procedures being applied in the West against CIS goods - some 20 such actions against Russia alone by March 1993, costing it billions of roubles in lost trade. (*Izvestia*, 13.03.93) The Russian government has sought to control such exports, but it has also argued, with justice, that Russian manufactured goods are facing the same very high tariff walls that faced the Soviet Union. It also faces large numbers of quantitative restrictions that have been dismantled for ECE and the Baltic States and according to Russia's deputy Minister for Foreign Economic Relations, Georgy Gabunia, these restrictions are costing Russia at least \$3bn a year in lost export earnings.

Russian high tech industries are also facing serious barriers. Thus, in the field of commercial space launches, a \$2bn a year market, Russia has great competitive advantages with its long-established record of success in Soyuz and Proton rockets. Yet any firm wishing to launch an American-made satellite in a CIS rocket must gain US approval and this is routinely refused. (*Economist*, 20.02.93, p. 87) Russia responded to such protectionism by agreeing to sell missile technology to India causing an angry reaction and the threat of trade sanctions from the USA.

Russian governments have also repeatedly asked for Cocom controls on Western high tech exports to be lifted. The demand was raised at the 1992 G7 summit and it was raised again at the Tokyo G7 summit in July 1993. But the Tokyo summit communique fails to grant this, simply declaring "we will intensify efforts to adapt export controls to the post-Cold War era."

Market economy and GATT accession

The current barriers to CIS exports are underpinned by the concept of a Centrally Planned Economy (CPE) in both EC and US trade legislation. Economies held to have this character may be treated according to special rules not allowed for trade relations with market economies. It is the use of this concept rather than CIS exclusion from GATT itself that makes exporting from the CIS to the West especially difficult and insecure.

Table 8. EC Anti-Dumping Cases

Countries	1981	1982	1983	1984	1985	1981-85
All CPEs	35	23	15	25	10	108
China	2	4	2	2	1	11
CMEA GATT	23	10	8	14	5	60
CMEA non-GATT	10	9	5	9	4	37
Market economies	13	35	23	24	26	121
Totals	48	58	38	49	36	229

Source: EC Commission Annual Report on Countervailing Measures, 1988.

Table 8 gives some figures on anti-dumping procedures against the centrally planned economies up to 1985. The most striking feature of these statistics lies in the fact that although EC trade with the CMEA accounted for only 3 per cent of EC external trade, it accounted for 42 per cent of EC anti-dumping actions. The ease with which the EC could impose such measures against Comecon countries derives from the fact that the EC did not have to apply GATT anti-dumping criteria to CPEs, whether they were GATT members or not.

GATT criteria establish dumping through comparing the export price of a good with its price in the exporter's home market. But both the EC and the USA establish dumping on the part of CPEs by comparing the CPE's export price with the price of the product in a market economy chosen by the EC/US for comparison. The justification for this approach in the days of the Soviet Bloc lay in the fact that domestic prices in CPEs bore no necessary relation to market prices. But at the same time, the procedure has been open to arbitrary interpretation through the choice of reference prices from inappropriate Western economies, particularly those with very high wages.

This issue is still very much a live one since the EC continues to characterise Russia and the other CIS republics as Centrally Planned Economies despite the very wide liberalisation of prices carried through by the Gaidar government in 1992. This allows the EC to continue to flout GATT rules. It could be argued that the continued sale of energy in the CIS far below world energy prices still makes it difficult to apply GATT rules fully. But the impact of such low energy prices on the sale price of goods is a simple calculation which could allow the EC to relax its current approach if it wished.

This divergence from GATT on anti-dumping procedures for CPEs indicates that the much heralded granting of Most Favoured Nation (MFN) status to the CIS by both the EC and the USA does not in fact grant MFN in the usual GATT sense at all. Furthermore, the EC and the USA could at any time withdraw MFN status from the CIS republics, something that would not be possible within the GATT framework. And GATT MFN is further undermined by the fact that the EC continues to impose discriminatory quantitative restrictions upon CIS imports, restrictions incompatible with Article 1 of GATT on MFN. GATT's Article 9 requires the general elimination of quantitative restrictions except in the case of agricultural and fish products,

where, in strictly defined circumstances, restrictions may be imposed. Even in such circumstances, GATT's Article 13 opposes the discriminatory administration of such restrictions. Thus in its trade relations with the CIS, the EC still refuses to abide by Articles 1, 9 and 13 of the GATT. Such quantitative restrictions cannot legitimately be justified by reference to the supposed lack of market prices in the CIS. The EC also fails to observe the terms of the Multi-Fibre Arrangement in its textile agreements with the CIS, allowing the EC to simply refuse import licences at will.

Further problems arise in relation to safeguard measures - trade protection measures designed to protect national industries from disruption by imports that are not being dumped. The USA's 1974 trade law has a clause on "market disorganisation" which applies only to state trading countries. Such activity is defined as follows: "Market disorganisation exists in a national industry at a time when the imports of an article ... grow rapidly either in absolute or relative terms, causing material prejudice to the national industry or threatening to do so." (quoted in Bezney 1992) This reference to "material prejudice" is far weaker than GATT's article 19 which allows safeguard action only in the face of a "grave prejudice" to national industry. The EC has had a similar safeguard practice in relation to the Comecon states.

All these issues illustrate the fact that the entry of the CIS republics into the GATT entails significant costs to the EC in particular as well as to the whole of the OECD: above all the substantial cost of being unable to discriminate through sweeping legal instruments of trade protection against CIS exports. The impression given that entry into GATT is above all a matter of large and sweeping adjustments within the CIS economies is very far from the whole story, particular given the fact that a country like Poland could be granted GATT status in the 1960s. The EC has claimed that it supports Russian entry into the GATT yet over a year after such support has been declared it has continued to characterise Russia as a CPE. And the communique of the Tokyo Summit manages only the opaque remark that "we will continue to work with Russia as it proceeds towards accession to GATT" - a statement that falls far short of support for rapid entry.

Negotiating market access to EC

The days when one might have thought accession to the GATT would open the doors of the western world's main markets to a national economy are long gone. As the GATT rounds have negotiated the lowering of tariffs on manufactured goods, non-tariff barriers (NTBs) have been progressively raised to replace them, not least in the European Community, the most important Western market of the European CIS republics. Genuine integration into the European market therefore requires that the CIS republics negotiate a strategic agreement for linking their economies with the EC in the medium and long-term. At present, all that these republics have is the 1989 Trade and Co-operation agreement between the EC and the USSR which does not, in fact, bring these republics any significant trade benefits.

The importance of such a strategic agreement is made all the greater by the movement towards integrating ECE including the Baltic states into the Western European economic zone. While the Associa-

tion agreements linking 6 ECE states to the EC do not, in themselves, bring the former within the EC's customs union walls, they will tend to produce increasingly serious obstacles to trade and other economic links between the CIS republics and ECE if the integration process in East Central Europe continues. And the June Copenhagen European Council meeting this year decided finally to set as its official long-term objective the integration of the ECE Associate states as full members.

At the same time, the European Community has consistently drawn what might be called a "geo-economic" dividing line around the CIS rejecting the idea of Association agreements with CIS republics and thus rejecting any perspective of their eventual membership of the EC itself. Instead the CIS republics have been offered what the EC calls "Partnership and Co-operation Agreements."

In July 1992 the Commission produced draft directives for these Partnership and Co-operation Agreements with the CIS states. These proposals were discussed at the 20 July 1992 General Affairs Council. It decided that the negotiating mandate would be the same for all CIS states but that negotiations would be initiated first with Russia, Ukraine, Belarus, Kazakhstan, Kirgizstan and Uzbekistan.

Even before the Council of Ministers of the EC had drawn up its mandate for negotiations with the CIS on Partnership and Co-operation Agreements, the Russian government indicated its concern to ensure that the explicit aim of the Agreements would be a free trade area between the EC and the CIS.

By such a Free Trade Area the Russian government means a zone of free movement of goods, capital, services and persons. In other words they aim, in effect, for Russia to enter the European Economic Area being established between the EC and EFTA, thereby creating a single Eurasian economic space.

This would place Russia on the same basis of access to the EC market as the 6 East Central European countries which have signed Association Agreements with the EC: they will, at the end of a ten year transition period, form part of this European Economic Area and the EC shows every intension of eventually including Albania, the former Yugoslav Republics and the Baltic states within this framework. Only the CIS republics are at present excluded from this project.

Without such a free trade zone between the CIS and the rest of Europe, Russia and the rest of the CIS will face progressively higher institutional barriers to free economic exchange with the rest of Europe, and especially with their former Comecon partners in East Central Europe. And these latter countries will have few incentives to strengthen their general economic links with their Eastern neighbours.

This Russian goal of a Free Trade zone received some support within the EC. On 17 September 1992, the European Parliament passed a resolution supporting the goal of a free trade area. The British government was also on record for an even more inflated goal: that of eventual Russian membership of the EC itself, if John Major's 1992 statements in the House of Commons are to be taken seriously. (*Agence Europe*, 05.03.93) And when the General Affairs Council discussed the mandate on 6 October 1992, Germany strongly supported the free trade aim. But France and Portugal strongly opposed it and the Council sided with them against Germany. Germany nevertheless insisted

that its stance on the issue be entered in the official minutes of the meeting.

The negotiations have progressed little since they were initiated 9 months ago. The main sticking point has been the EC's refusal to be tied down to an eventual goal of a Free Trade Area. During the Spring crisis in Russia, the G7 decided to give as much political support as they could to Yeltsin, sending positive signals in the run-up to the 25 April referendum. In this context, just as President Clinton declared he would support the ending of Cocom controls, so the EC changed its negotiating mandate on the Partnership negotiations in such a way as to warrant the headline that it had agreed to the eventual goal of a free trade area. But Commissioner Brittan was careful to add that this was a "political signal" - another way of saying that the commitment would lack legal substance. And indeed the extra phrase in the mandate simply registers the possibility of such a free trade zone on the basis of unspecified "future developments".

This was not satisfactory for the Russian negotiators. Just as the EC was trying to nail down the Russian government for a specific deadline for giving its businesses "national status" in Russia's energy field, so Russia insisted on a target date for the establishment of such a free trade area. The two parallel negotiations mirrored each other and both remained deadlocked through the summer of 1993.

Following President Kravchuk's visit to Brussels in September 1992, the EC has also opened negotiations with Ukraine on a Partnership and Co-operation agreement. Ukraine's experience in these negotiations casts an interesting light on its relationship with Russia. Since Russia has far greater bargaining power with the EC than Ukraine itself, the latter is wisely concerned to allow its negotiations to follow on from Russia's and has been demanding that it gains from the EC all the same concessions that Russia achieves. Thus, in a sense, Ukraine is hoping to "ride Westwards" on Russia's back. This seems to have been the reason why Ukraine's government postponed the second round of its negotiations in June of 1993: it wished to study the results of the negotiations with Russia. At the July round, Ukraine asked for all the provisions being asked for by Russia, including a free trade area. But it has added an additional point: for the agreement to envisage a future Association Agreement between the EC and Ukraine. This would imply Ukraine entering the road already traversed by the ECE states and thus escaping from the barrier currently placed by the EC between ECE and the CIS.

Conclusion

Our attempt to survey the various aspects of interactions and negotiations between the West and Russia suggests an unmistakable pattern in Western policies: a pattern of seeking the maximum opening of Russia and the CIS to Western goods and capital while maintaining strong barriers to the secure, stable insertion of Russian and CIS economic operators in the Western world economy. This pattern is masked by the endless headlines concerning aid, help and assistance to Russia and the CIS, the bulk of which is devoted to assisting the flow of goods and of Western MNCs eastwards.

Our survey also suggests that the maintenance of Western barriers has little to do with a diplomacy of conditionality aimed at ensuring a transition to a "market economy" within the CIS. It has much more

to do with ensuring economies which are "open" to the West's economic actors. But the barriers are probably being maintained for more deep-seated protective reasons as well: a fear of disruption to the existing Western division of labour and to the economic interests resting on it, through a strong CIS entry into world markets over the next 5 years.

Relations with the CIS at this time create a pattern of interests in the West which has not applied in typical North-South relations to such an extent. There is a unity of approach on the essential issues of integration on the part both of exporting and importing interests, of both manufacturing and financial interests and of both states and MNCs in wanting to open the CIS door while keeping a strong control over the door to the world economy.

At the same time, the forces within the CIS typified by the Russian Civic Union and representing existing industrial interests, seem to be dominant in foreign economic policy-making and are seeking to maintain the possibility of a strong insertion into the world economy in the 1990s. This would, indeed, seem to be the most rational long-term strategy for these states, particularly if it is combined with efforts to rebuild domestic markets and to re-integrate the CIS goods markets and to stabilise financial and currency relations within the CIS.

But the possibility exists of an internal economic collapse and of an attempt by desperate governments to buy their way out of crisis through a rapid opening of their domestic assets to Western capital. Thus the present economic diplomacy of the West retains possibilities of success.

The main risks involved in the West's economic diplomacy lie in the political and security field. Russia has shown its readiness to try to break out of the still-maintained Cold War economic blockade by selling space technology to countries in the South. Ukraine is also attempting to use its nuclear weapons for economic (as well as political and security) leverage. In Russia's case in particular, these tactics seem to have exerted effective pressure on the US. At the same time, the risk of state collapse within the CIS must worry the West European states because of the repercussions of such an event upon migration flows in Europe and because of the risks of military and environmental fall-out.

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Building the democratic left in Russia

Interview with Boris Kagarlitsky

Let's talk first about the recent events - the dissolution of parliament, the use of force. Why did the governing elite around Yeltsin take such drastic measures?

There are two basic factors behind this Yeltsin coup against the parliamentary opposition. The first is the fact that the social base of the Yeltsin leadership has been seriously eroded during the recent period, to the extent that it threatened this group with a real loss of power.

Yeltsin came to power on the basis of a very broad and heterogeneous alliance that united forces with very different interests. Such alliances can be held together in opposition, but when they are in power and begin to implement policies then it becomes very difficult. So, right from 1990, this alliance began to fall apart. The miners, for instance, supported Yeltsin but very soon they felt cheated. They had been promised a lot but in fact they had been used just to help get rid of Gorbachev. So the miners have turned against Yeltsin.

The Yeltsin bloc serves the real interests of only a very narrow group of the privatising nomenklatura elite and this elite have no real concern for the interests of all these other groups - the miners, the small businesses, the farmers and so on. This social base contracted as more and more liberal policies began to be implemented. It soon became clear that this group could easily lose a free election. So the problem for them became, how to consolidate their power either before or without a free election. They had to get control of events in such a way that they could prevent any real alternative from emerging to challenge them. The state of emergency, the dissolution of parliament, the censorship, the rushing through of an authoritarian constitution - these are the measures to ensure that they survive without a real challenge. This was the first factor behind the coup.

The second factor has to do with the kind of policies this group is implementing and their effect on the Russian welfare state. Quite simply, the point had been reached where these liberal policies could no longer be carried out in a democratic manner. Neo-liberal policies in the West erode the welfare state but they don't destroy it and they do it in such a way that major social conflict is avoided. Thatcherism in the UK is a good

example of this. But neo-liberal policies in Russia are actually destroying the welfare state, harming an enormous number of people and creating the potential for enormous social conflict. The welfare state in Russia was quite extensive but in the new market conditions it cannot survive. The welfare state in the West, right from the beginning, was integrated into and adapted to the market. But the Russian welfare state was not like this and, exposed brutally to market conditions and neo-liberalism, it is collapsing, generating a tremendous social crisis. So to stay in power and stabilise their regime, the elite around Yeltsin had to try to prevent the various social interests affected by this from being expressed, or at least to weaken the forces trying to express them. Hence the attack on the opposition, which was not yet well organised or coherent.

Do we have a Yeltsin dictatorship then?

We have what some people call a "soft dictatorship". Certain expressions of opposition are permitted, elections are held. There is a considerable amount of freedom permitted in the printed media but the electronic media are totally controlled. Why is the Yeltsin dictatorship "soft"? There are two reasons. Firstly, the Russian state itself is very weak now. There is a lot of corruption, the repressive apparatus is not efficient, the structures of power are disorganised and weakened by the break-up of the Soviet Union and the social roots of the regime are not very strong. Dictatorships are not necessarily without a social base. Latin American dictatorships, like that of Pinochet in Chile, have a real social base. It may be a minority but it is real. Yeltsin doesn't have this social base. The second factor is the relationship with the West. Western political elites support Yeltsin because their own economic and political interests are best served by his set of policies. It is disgraceful that they have done so and it is the first time that they have so openly and publicly supported such anti-democratic actions, actions so clearly against the idea of a constitutional state and rule of law. Shelling and burning parliament is hardly a symbol of democracy and it is the latter which the people will remember. But they do support Yeltsin and obviously there are certain extremes beyond which they do not want him to go, otherwise their public support for him would become a political embarrassment for them. So that's the second constraint on the Yeltsin regime.

Boris Kagarlitsky is a leader of the Russian Party of Labour. He was interviewed on 20 November 1993 by Gus Fagan.

You say that the point of the Yeltsin coup was to head off potential opposition which could defeat him in a genuinely free election. What are the forces in this opposition?

Of course the opposition is extremely heterogeneous. Firstly there is the "technocratic" opposition, represented in parliament by the Civic Union. These are the economists and industrial managers who know that the economy is disintegrating and want to stop this development. Their concern is not democracy or social welfare; they just don't want the economy to collapse and they see how Yeltsin's policies could lead to this. This technocratic opposition is what in Russia today is called the Centre. Their position is quite simple: something has to be done to prevent economic collapse and the de-industrialisation of Russia. What they offer is a kind of stabilisation programme.

Then there are the Russian nationalists and the far right. The social dislocation in Russia today has enabled these far right forces to grow, as it has the far left or Stalinists. Both formations share a common social base, which is why we have the (for the West) unusual phenomenon of Stalinists and Monarchists on the same side.

I should say, however, because the Western press has not reported this, that the best known far right and fascist elements in Russia supported Yeltsin. Zhirinovskiy, for instance, spoke out in favour of Yeltsin. The mainstream ideologists of the far right didn't support parliament; they supported Yeltsin. Only fringe elements of the far right supported parliament.

Then there are those social forces represented by the reformed Communist Party of the Russian Federation, led by Zyuganov. This party has distanced itself from the Stalinists and is becoming, not like a Western social democratic party, but like the European Communist parties of the 1930s and 1940s. It also has adopted a strong anti-imperialist image which makes it a bit similar to the Communist parties of Latin America. Western critics, including those on the left, have drawn attention to Zyuganov's nationalism. But we have to understand that Zyuganov's nationalism is not ethnically oriented. He has expressed himself on many occasions in strong opposition to ethno-centric Russian nationalism. For him, Russian nationalism is poly-ethnic; Russia is a Eurasian nation composed of many different peoples. The Russian Communist Party is nationalist in the sense that it defends a policy for the defence and protection of the Russian state. At the same time it attacks the Russian chauvinists.

The social base of the Communist Party is the unskilled and semi-skilled workers, pensioners, some of the youth and the newly unemployed.

Finally there is the new democratic left. The democratic left, in the Party of Labour and in various other formations, is still quite weak but I would say that we are now in a position similar to that enjoyed by the Union of Labour (UP) in Poland in the period before the recent elections there. We are weak in parliament, weak in numbers but we are growing, have established alliances and have a growing moral authority in the country. I should mention here the Socialist Party of Working People, associated with Roy Medvedev. Politically, this party is somewhere between us and the Communist Party. Politically they are more to the right of us in the Party of Labour; they have become quite social-democratised. But organisationally they still have some strong traditions of the old Russian



Bryn Griffiths

Boris Kagarlitsky speaking in London on November 15th on a tour organised by Stan Newens MEP and Ken Livingstone MP

Boris Kagarlitsky

CP. They say of themselves that strategically they're Communists but tactically they're social democrats. But I'm not sure what that means. They are losing quite a few members now, mainly to the Communist Party but also to the Party of Labour.

Did all these forces constitute an electoral threat to Yeltsin?

Oh, yes. There had been some serious discussions about forming an electoral alliance around a presidential candidate, for instance. The new electoral system in Russia combines elements of proportional representation with a first past the post system. So the various opposition forces and groupings would have had a very good chance of winning a majority in parliament. What exactly the relations would be between all these opposition groups in a new parliament is unclear, but what is clear is that the Yeltsin group was in danger of being pushed aside.

Simply postponing the elections was not really a solution because the opinion polls were showing that month by month Yeltsin's support in the electorate was declining rapidly, while the support for the Communist Party was growing, especially since they have clearly distanced themselves from the Stalinists.

The state of emergency, the attack on the opposition and the farcical elections of December 1993 mean that this alliance policy is something for the future. The Party of Labour is officially boycotting these elections although we have allowed some of our members to be candidates on various lists, just to have a voice in this new Duma of Yeltsin. But this election is not a free election, not an election that we could take seriously.

Who are the partners in this alliance policy you envisage and what is its long-term purpose?

The goal of the democratic left is to build alliances to our left and to our right. This is not just a short-term electoral deal but corresponds to a political reality in Russian society. The task is to build an oppositional alliance against the capitalist modernisation model of the elite group around Yeltsin. Who are the potential allies in this project?

First of all, on our right, are the technocrats. These are a layer of society which theoretically could provide a base of support for the capitalist modernisation project: the middle class, the industrial managers and technocratic elite. They are not, of course, on the left, but they are completely alienated from the regime and do not support Yeltsin's model for economic development.

This is one of the fundamental contradictions of the capitalist modernisation project - that the elite around this project cannot generate a social base for the long-term maintenance of the project. This project is still absolutely dependant on the state, which is why Yeltsin has to strengthen the powers of the state at this time.

A whole layer of society - the lower middle class, the unionised skilled workers, teachers, academics, even small business people - has been radicalised by what has happened in Russia towards the end of 1993. So they have moved towards the left. But, for historic and other reasons, these layers do not support the Communists.

In an abstract sense, these layers could be seen as a typical base for a strong social democratic party. But, in the present circumstances in Russia, it would be very difficult for a western-style social democratic party to consolidate. The technocracy is already organised in Civic Union. The democratic left has established relations with and the beginnings of a base in the trade unions. So the base for a social democratic formation would be quite small. Some such groups already exist and it is our policy to work with them and forge an alliance, because they actually need to co-operate with the democratic and radical left. So this is our alliance policy towards the technocrats and the political Centre.

Then on the left, of course, there is the Communist Party. There is quite a space between the Communists and the political centre and it is this space which the democratic left can fill. This alliance policy, working with people to the left and to the right of us is something required by the actual structure of political forces in Russia today.

You must realise, when I speak of making alliances with the centre, that this has quite a different meaning

in Russia than it might have in Britain. This is not the Russian equivalent of a British left alliance with the Liberal Democrats. The Russian technocracy is a very specific social formation. They are not socialist, but neither are they anti-socialist. They are an essential part of the management of any modern economy and they are being alienated by Yeltsin's project of capitalist modernisation. Why? Because this capitalist modernisation project means the de-industrialisation of Russia. Certain sectors will, of course, be modernised. Every third world country has certain modernised sectors. In Russia this would be banking, infrastructure, the export sector in raw materials and perhaps some others. The price for Yeltsin's model of modernisation is Russia becoming a third world country, a banana republic without bananas. The industrial managers have no space for manoeuvre within this project. Hence their opposition to Yeltsin and hence the need also for the democratic left to form alliances with them where this seems right.

The aim of this alliance policy of ours is to create a serious left wing force for the next election, not for the election which is happening now in such unfree conditions.

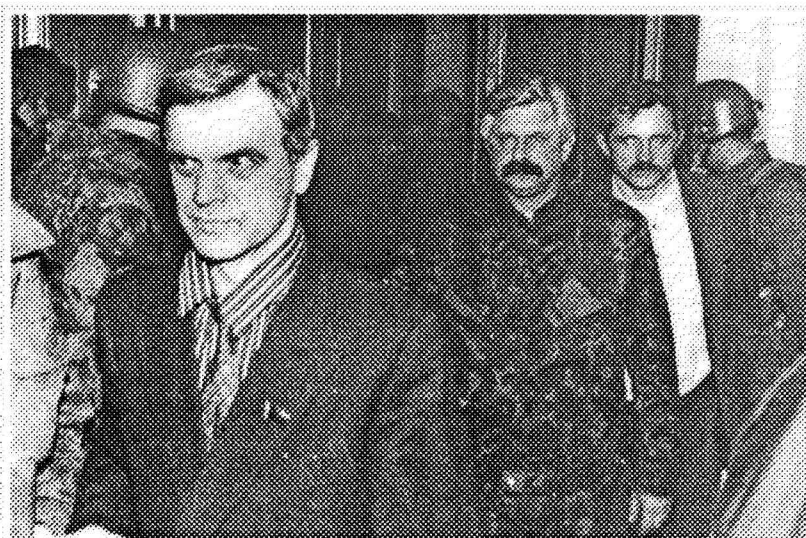
As far as the Party of Labour is concerned, this means we have a certain concept of political organisation. We see ourselves as a broad party capable of incorporating many different currents and strands. We are currently preparing a new set of statutes to present to our forthcoming congress and these will allow dual membership, platforms, factions and any form of self-organisation.

It's obviously too big an issue to deal with adequately here, but could you give us some idea of the discussion in the Party of Labour or in the Russian left in general on economic strategy.

This is a very big discussion on the Russian left and many documents have been produced, not just by the Party of Labour but also by the Socialist Party of Working People. The trade unions also have been very active in developing economic strategies for particular industries. There is a very advanced discussion on this, for instance, in the miners union.

The strategy of Civic Union could be described as "state capitalist" but I cannot go into this now. In the Party of Labour we are having quite detailed discussion on industrial strategy. I must say, quite honestly, that the document which formed the initial basis for our discussion was not written by us but was prepared by a group of experts and submitted to the government for consideration. But the government condemned it for being "too socialist". So we are quite seriously involved in this. In fact there is general agreement in Russia that it is the Civic Union and the Party of Labour which have elaborated the most serious economic and industrial strategy. It would be very useful to have a serious discussion with the Western left on all these issues.

At the most general level, we describe our goal as a democratically coordinated economy. The centrally



Arrest of parliamentary opposition leaders, Khasbulatov and Rutskoi, by Yeltsin forces

planned economies of the Soviet type didn't work. Of course there are certain sectors of every economy which have to be centrally planned, for instance, energy, raw materials, and railways. But in the old Soviet economy the only sector not nationalised was shoe-shining.

The whole discourse about mixed economy is very popular now in eastern Europe. But this concept in itself doesn't tell us much. What precisely is mixed with what? What are the proportions? Which precise cocktail is it to be? What we have to develop is a socialist concept of a mixed economy which is based on the principle of a democratically coordinated economy with different forms of public ownership being developed (centrally planned, state owned, publicly owned investment funds, municipal and community economies) and coordinated with private sector enterprises.

The important point is not so much the tools; you can apply Marxian or Keynesian tools. The problem is that of priorities in decision making. When I speak about economic democracy, this means, at enterprise level, participation in decision making. But what is crucial is the general social level. There must exist parliamentary bodies with the power to influence economic development, to set up and control investment funds, to formulate the major economic priorities for society. Of course there have to be market constraints but the markets cannot be allowed to determine economic priorities. I'm not sure in what form and for how long the market, which predates capitalism, will continue in a post-capitalist society. What is clear is that it cannot be the main regulator of economic development. Of course it isn't the market itself which determines economic priorities; it is corporate elites that formulate economic priorities within the structures of the market.

In talking about democratic coordination and democratic regulation I am not talking about some abstract or ideal economy of the future. These are real problems that have to be dealt with in contemporary Russian society. The governing elite around Yeltsin are proposing and beginning to implement an economic model of capitalist modernisation which will de-industrialise Russia to a large but as yet unknown extent and throw us back into some kind of third world situation. It is essential to develop an alternative economic strategy for the Russian people, one that can win the support not only of the left and the trade unions but also of at least a section of the technocracy and industrial managers.

I would like to make one point about self-management. This has been quite a popular concept on the left in eastern Europe in recent years and we were also strongly influenced by this idea of workers self-management as a form of ownership. But I must say that this idea is no longer so attractive for the Russian left. People are beginning to understand that these workers cooperatives or worker owned enterprises can function on the margins of a market economy, at the mercy of big capitalist enterprises or the state bureaucracy. They can and should exist but they are not a solution. What matters is the overall social structure of decision making and determination of economic priorities. In Russia today, worker cooperatives is not a strategy or a solution.

Russia's relationship with the other republics of the ex-USSR, with the "near abroad", is becoming quite an important issue. What is the thinking of the Party of

Labour on this issue?

We are in favour of a new union. The Communist Party speaks of a restoration of the union, but we insist it has to be a new union agreement which is negotiated from scratch. This corresponds also to a growing mood in the ex-Soviet republics, including in Ukraine, to negotiate completely new terms of union with Russia. In fact, it is the Russian government which is the main obstacle here. The other republics are finding it very hard to deal with the present Russian government. In a way, this present government is Great Russian imperialist. Some of Yeltsin's policies can only be described as Russian chauvinist. This exists at numerous levels but was symbolised by the first act of the Yeltsin government after the destruction of parliament, namely the removal of the Chechens and other non-Russian peoples from Moscow in what can only be described as an act of ethnic cleansing.

The Russian government has to act to defend the rights of Russian nationals living in other republics. Some analysts describe this as Russian nationalism but I don't agree. In fact, I think that the Russian government is not doing enough to defend the rights of these Russian populations in the "near abroad".

But the key question is the "what" and the "how". It has to be done through political means and within an overall democratic framework.

There is also a new form of Russian economic colonialism which has nothing to do with traditional Russian expansionism. For instance, all the other republics now have to pay world prices for Russian oil. Russia is now exploiting the other republics much more and in a qualitatively different way than it did before the destruction of the Soviet Union. And the irony is that this exploitation doesn't actually help to improve the Russian economy. Most of the income thus derived is not reinvested in the Russian economy as a whole but finds its way into Western banks or is invested only in certain limited sectors of the economy. The other republics lose but Russia doesn't gain.

In the Party of Labour we fight against this Russian chauvinism and these new forms of Russian economic exploitation of the other republics. ●



"Of course I always knew that the rich would get richer and the poor would get poorer, But I thought I would be one of the rich."

Trade union response to Yeltsin

In Russia the former official trade unions, reformed and under new leadership, still embrace nearly 90 per cent of the workforce. The main federation is the Independent Trade Unions of Russia (FNPR). The FNPR opposed Yeltsin's state of emergency and dissolution of parliament and issued a statement which we reprint below.

The most important "new" unions are small strategically placed groups of workers in transport: longshoremen, air traffic controllers, pilots and train drivers. Some miners also established an independent union and one of the earliest "independent" federations was SOTSPROF. These "new" unions, which have tended to be pro-Yeltsin in the past, supported the Yeltsin measures. The president of the Air Traffic Controllers, Vladimir Konnesienko, as well as the Confederation of Free Trade Unions in Transport, pledged their full support to Yeltsin.

The day after the dissolution of parliament, Yeltsin removed the administration of social security from the unions, a move designed to encourage an exodus of members. He closed down the national newspaper jointly sponsored by the union federation and the association of industrialists. There is also a threat to confiscate union property. The text of the statement is from the Labour Information Centre (Moscow).



Troops outside the burned-out parliament building

FNPR Declaration

The following statement was adopted by the Executive Committee of the Council of the Federation of Independent Trade Unions of Russia (FNPR), in connection with the decree of the President of Russia on 21 September 1993.

Declaration of the Executive Committee of the Council of FNPR

Instead of seeking a solution to the most urgent social and economic problems of the country and instead of looking for the consent of the country, the President's decree of 21 September has put an end to the activity of the legally elected Supreme Soviet and Congress of Peoples Deputies. According to the decision of the Constitutional Court, the constitution of the Russian Federation has been grossly violated. The FNPR has repeatedly stated its adherence to the constitutional system. The trade unions do not aspire to political power, but they cannot accept such an infringement of constitutional rights and liberties because this will inevitably lead to a violation of the social and economic rights of working people.

The unconstitutional restriction of the activity of one of the branches of power leads to a strengthening of the other branch and paves the way for the establishment of a regime of personal power. It can only be described as a state coup d'état. We have had such things before in the history of our country and people remember the catastrophic consequences.

The trade unions cannot stand idly by and watch such actions which are against the interests of working people.

The Executive Committee of the Council of FNPR addresses affiliated organisations, labour collectives, industrial and white collar workers with an appeal to express, by all possible means including strikes, a decisive protest against unconstitutional actions, irrespective of whoever commits them.

We demand an immediate cancellation of the unconstitutional restriction on the activities of the legislative power and we call for simultaneous elections for both President and Supreme Soviet.

22 September 1993

Appeal by Russian Left "Initiative Group"

Following the "state coup" that began on 21 September 1993, an "initiative group" of representatives of the Russian left issued an international appeal for support. In this Appeal, they state that "the threat of a spontaneous disintegration of the country" as well as a "centralised democratic dictatorship" are both real.

"In the present situation, in spite of regional differences both socially and politically, it is certain that

- * civil and political rights are being suppressed and will continue to be so;
- * local soviets and regional administrations that do not support the presidential regime will be suppressed;
- * entrepreneurial, trade union, social and political structures that oppose the President will be suppressed."

The left-wing initiative group calls for the establishment of a "broad, democratic, oppositional, non-violent bloc whose goal will be to defend:

- * internationally recognised human rights, in particular the freedom of speech, conscience and association;
- * civil, political, social and economic freedoms;
- * trade union, professional, social and political organisations from arbitrary state power;
- * legality, democracy, federalism and national equality."

One of the signatories to the Initiative is Alexander Buzgalin, a leading member of the Party of Labour. According to Buzgalin:

"For us, as democratic socialists, it is important to fight not only the anti-democratic aspects of the current regime, but also the socio-economic policy of 'shock without therapy'. In the final analysis it is the total failure of this policy which lies behind the bloody and authoritarian methods employed by Yeltsin."

The Russian left is appealing for support from the Western left. "The Western left", says Buzgalin, "can play an important role. First of all, it is necessary to call attention in the West to the breaches of democracy and human rights in Russia. It is important to spell out that Yeltsin's regime is not a democratic one. Yeltsin is strongly vulnerable towards the West and is therefore vulnerable to criticism and pressure from the West. Secondly, the left can give support to our struggle by petitions to embassies, public statements, and so on. Finally, we need support for our activities here in Russia, both morally (through visits and exchanges) and materially."

*Individuals and organisations that want to get in contact with this Russian initiative group may do so through **Labour Focus** or through **Russian Labour Review** (address on page 28). Individuals and organisations that want to support the initiative in defence of democratic rights taken by the Russian left can send donations through: Soviet-initiativet, Postbox 547, DK-220 Copenhagen N, Denmark.*

UK Appeal for Democracy and Civil Liberties in Russia

"After the terrifying violence in Moscow, we believe that the international community must make clear that emergency rule, repression, the arrest of political opponents and violations of civil liberties must be brought to an end in Russia. Elections will have no democratic legitimacy unless the preconditions for democracy prevail. These include:

- * Press freedom: unbanning opposition newspapers and the guarantee of fair and balanced access of all major political viewpoints to television and radio;
- * Political freedom: unbanning opposition parties, the release of political prisoners, the equal rights of political viewpoints to participate in the electoral process;
- * Local democracy: rescinding decrees dissolving or suspending local and regional councils;
- * Judicial independence and the rule of law: ending the pressure of the President on the judiciary;
- * The guarantee of civil liberties: ending the state of emergency, respect for trade union rights and the freedom of assembly."

*The above statement has been signed by 80 Members of the **British Parliament** as well as by the following Labour Party Members of the **European Parliament**:*

Stan Newens, Alf Lomas, David Morris, Ken Collins, Anita Pollack, Michael McGowan, Alan Donnelly, Barry Seal, Richard Balfe, John Bird, Michael Elliot, Mel Read, David Martin, Ian White, Janey Buchan, Peter Crampton, Alec Smith, Brian Simpson, Tom Megahy, Christine Oddy, Michael Hindley, Ken Coates, Roger Barton, Carole Tongue, Joe Wilson, Alex Falconer, Norman West, Eddy Newman, Glyn Ford, Ken Stewart, Llew Smith, Gary Titley.

Trade Unionists:

Ken Cameron (*Gen Sec FBU*), Campbell Christie (*Gen Sec Scottish TUC*), Colin Christopher (*Gen Sec FTAT*), Jacob Eccleston, *Dep Gen Sec NUJ*), Alan Jenkinson (*Gen Sec UNISON*), Joe Marino (*Gen Sec BFAWU*), Bill Morris (*Gen Sec TGWU*).

Others:

Giampi Alhadeff, Bill Bowring (*Haldane Society*), Mary Brennan, Julie Christie, Charlotte Cornwall, Andy de la Tour, Meghnad Desai, Prof Mary Evans, Ken Gill, Prof Harvey Goldstein, Prof Lawrence Harris, Miriam Karlin, Prof Michael Kauffman, Helena Kennedy QC, Bruce Kent, Nikki Kortvelyessy (*Green Party*), Jeremy Lester, Michael Mansfield QC, Herbert McCabe, Prof Ralph Miliband, Jim Mortimer, John Pilger, Harold Pinter, Anna Raeburn, Donald Soper, Maggie Steed, Marjorie Thompson.

For information contact: *Committee for Democracy and Civil Liberties in Russia*, P O Box 188, London, SW1A 0SG

Programmatic Declaration Communist Party of the Russian Federation

*The Russian Communist Party re-established itself at its Congress in February 1993. Below we reprint the Programmatic Declaration adopted by this Congress. It is reprinted from *The Left and the Workers Movement in the Former USSR*, No. 1 1993.*

Comrades, compatriots!

Communists who were true to the ideals of socialism and communism and who continued the struggle by taking part in protests and demonstrations, in popular social movements, in newly established parties and unions with a communist and socialist orientation and in parliamentary deputy groups, who have defended the honour and dignity of the Communist Party in the Constitutional Court of the Russian Federation - all of these have defended the party's right to exist. The Second Extraordinary Congress of the Communist Party of the Russian Federation, held 13-14 February 1993, has recommenced the activity of the party of Russian communists. The convocation of the congress, on a constitutional basis, is a demonstration of the failure of the anti-communism that is being implemented, as state policy, by the present political regime.

The goal of the party's next congress will be the elaboration and adoption of an extended programme. In the present Programmatic Declaration we are presenting our position on the most pressing problems of the day and stating why the Communist Party of the Russian Federation has been re-established.

Learning the lessons

A detailed analysis of the path travelled by the CPSU and its Russian republican organisation is a task for the future. For today, it is necessary to say the following:

We see the history of the CPSU as great and tragic. It was a party that stirred the people to struggle for social justice in October 1917. It was in the forefront of creating a new society and a powerful multi-national state but it distorted the principles of socialist construction. It was a party of mass heroism that, together with the people, saved the socialist motherland from fascist enslavement and rebuilt the country from ruins, but it was captured by political demagoguery and adventurism and didn't have the will to call things by their true names during the difficult period of perestroika.

The mistake of the party was that it failed to accept the challenge of the times, was behind in understanding the socio-political and economic contradictions of our society and the trends of world development. This showed itself in its poor use of the achievements of the world technological revolution of the sixties and seventies, in its dogmatic official ideology and in the

political dealing and lack of principles of its top leaders. All of this was alien to the people and to the essence of the communist movement. The contradictions and the social crisis that had been developing over many years were hushed up and not analysed.

The underlying reasons for this were:

- * the fact that the economic potential of socialism had not been used in practice. During the technological revolution, new stimuli for productive creative labour were not discovered. As a result, the increasing social and cultural demands of the people were not satisfied. Increasing formalism led to a gap between social practice and the basic concepts of socialist construction.
- * an inconsistent implementation of Lenin's idea of federalism in a multinational state. The party did not find the proper relations between the central state organs and the republics and regions.
- * bureaucratisation of the soviets meant that they ceased to be the democratic form of power of the working people.
- * vicious personnel policy inflicted many losses on the party. Top party and state appointments were filled by people not dedicated to socialism, by people who betrayed the Soviet homeland, the countries of the socialist community and the world communist movement.

The degeneration of the party elite was the beginning of the degeneration of the CPSU. Abuse of power and double standards became characteristic of the party bureaucracy at the top and in the provinces. They created among the people and among ordinary party members a political indifference and disbelief in the creative forces of socialism.

All of these factors gave rise to a profound internal crisis, which was immediately used by anti-socialist and anti-state forces that enjoyed massive support from influential circles abroad. The betrayal committed by the former General Secretary, Mikhail Gorbachev, and by his accomplices completed the affair, opening the way for the removal of the CPSU from the political arena at a moment that was crucial for the country's future. The results were unconstitutional changes in the social system and a disintegration of the Soviet Union despite the wishes of the people. Compradors came to power, restoring capitalism in its most primitive, barbarous form. The communists consider this regime to be an anti-popular regime.

The motherland in danger

The people have been cruelly deceived. Under the guise of a transition to the market, the country is being thrown back decades. The extent of economic destruction is comparable only to a complete defeat in war. The cost of living is rising catastrophically. Nine tenths of the population is now living below the poverty line. For the first time in a period of peace, the mortality rate

is higher than the birth rate. The main foodstuffs (bread, milk, meat) are unobtainable for the majority of people. The so-called reforms are being pursued for the enrichment of corrupt officials and speculators. Society is faced with increasing antagonisms and social stratification.

The people have been deprived of their social and cultural achievements: the right to work and rest, free education, health protection, free distribution of housing. The lowest rent in the world has been abolished and there is no care for the elderly, children, women and invalids. Many people have lost their goal in life and their confidence in the future.

Brute instincts are encouraged. There is a corruption of the morals of the young and an increase in the rate of crime. The fusion of the power structures and the criminal world is now a reality. Social life is decaying and science and culture are doomed to vegetate. Nobody can feel safe, even at home, except for those in power and the shadowy mafia structures that surround themselves with guards and armed groups. There is an increase in the conflicts among the different nationalities and fratricidal wars are already being unleashed.

The country has lost its international position as a world power. Our defence is disintegrating and the organs of state security and internal affairs are discredited. Our very statehood, the economic and political independence and integrity of our country are under threat. Never before has Russia been jeered at as it is now. It is injured and humiliated.

Not only communists but all the people of Russia have learnt a hard political lesson. As time goes by, more and more Russian people are becoming aware of what their credulity for anti-communist slogans has led to, of what they have lost by letting their socialist motherland be destroyed. It is clear now that even a "lean" and imperfect socialism was more human because it guaranteed social rights to working people and inspired them with optimism.

We are convinced that it is not too late to stop the fall into the abyss, to restore the national dignity and well-being of our people and the respect for our homeland. The only way to stop the impending catastrophe, to avert the danger of totalitarianism and the disintegration of the country is through people's power, through a consolidation of genuine democratic and patriotic forces united by the idea of national salvation.

Objectives and principles

The Communist Party of the Russian Federation firmly states its loyalty to the interests of the working class, working peasantry, popular intelligentsia and all working people. It will be persistent in its struggle to return Russia to the path of socialist development. Abandoning this path has led to the decay of the Union and jeopardised the state sovereignty of Russia.

The CPRF believes that it is socialism that corresponds to the vital interests of Russia and the majority of its people. A voluntary return to socialism on the part of the Russian people will make it possible to take the necessary action in the spheres of political, economic, social, national, spiritual and cultural life and to return to Russia social optimism and faith in its own forces.

Our main objectives and principles are:

* socialism and communism as an ideal; liberty and

social equality, collectivism, social justice, humanism, serving the people;

* patriotism and internationalism, brotherhood of nations and respect for national traditions;

* socialist democracy, power of the working people in the form of soviets, broad self-government of the people;

* human rights and civic responsibility, freedom of speech and freedom for political parties and public organisations;

* defence of the constitutional soviet system.

In defining its strategy and tactics, the party is guided by the politics of Marx and Lenin, by materialist dialectics (a specific analysis of a specific situation). It relies on science and on the highest achievements of national and world culture.

Save the economy

The first goal of communists, with the support of the working class and the broad masses of the working people, is to prevent the country from further capitalisation and to uphold the social gains achieved by the people during the years of Soviet power. We favour reforms, but these reforms must be in the interests of working people and in the interests of strengthening the state.

In the economy we are in favour of socially oriented production, of a combination of plan and market which is ecologically safe and which will guarantee a steady increase in the well-being of the people.

For this purpose it is necessary:

* to end forcible privatisation which is leading to the destruction of the economic and defence potential of our country;

* to save the state-owned sector as the basis of a multi-sector economy and to ensure the leading role of socially owned and collective property among the various forms of property.

* to prevent the disintegration of industrial technological complexes. In order to stop any further collapse of the economy, to stop inflation and complete impoverishment of the people, it is necessary to increase the role of the state in controlling production, distribution, prices, incomes and foreign trade. Communists vigorously oppose any return to a system of bureaucratic economic control which hinders the creative initiative of the people as well as scientific and technological progress.

We favour the urgent adoption of a state programme to stabilise agriculture and to provide financial, technical and material assistance to collective farms, soviet farms and private farms. Communists consider it inadmissible that land, which is a natural property of the whole people, should be transformed into private property, to be bought and sold. We favour a free transfer of the land to state, collective and private farmers for a permanent proprietorship and use. We support the allocation of personal, garden and dacha plots to citizens of Russia for life-long and hereditary ownership.

Communists oppose extortionate "free" prices. We call for emergency action to get rid of corruption, organised crime, misappropriation and speculation. We favour state and public control over prices, the quality and accessibility of foodstuffs and manufactured goods. We call for a reorganisation of the financial system and a normalisation of money circulation.

We oppose the plunder of national wealth by the

operators of domestic and foreign capital and the transformation of Russia into a supplier of raw materials for other countries. We are in favour of restoring the state monopoly of foreign trade in the most important strategic and natural resources and alcohol and we call for tight control over the circulation of foreign currencies on the domestic market. We think the position of the rouble should be strengthened.

In social policy, the party will struggle for the restoration of constitutionally guaranteed rights to work and leisure, change of work, free distribution of housing, free health protection, education and culture, wages in accordance with work done, social security for the elderly and invalids, guaranteed rights of women, protection of motherhood and childhood.

Protection of people

Protection of human life, human rights and freedoms, dignity, respect and freedom of conscience are inalienable rights of every Russian citizen regardless of political views, place of residence, national or ethnic identity.

In the area of social protection of working people we consider it urgent to

- * introduce a state-guaranteed minimum of food and other essential goods for every working person and their family, for all white-collar employees, pensioners and students;
- * provide patients and invalids with medicine at moderate prices;
- * stop the drift towards mass unemployment;
- * introduce a system for the indexation of wages, pensions, grants, allowances and deposits of working people; stabilise the levels of rent and fees for public utilities.

Communists vigorously oppose those official policies that lead to a spiritual degradation of society. The national pride of Russia - its science, culture and public education - is rapidly breaking down. The country has experienced an unprecedented brain-drain and exodus of talented people abroad as well as a plundering of its intellectual riches, its national scientific and cultural achievements, its cultural and historical values. Russian science and culture are surrendering their world position.

In these areas today it is necessary

- * to restore generous state financing of education, basic science, culture and art;
- * to save the cultural heritage of the peoples of Russia, to stop the total commercialisation and Americanisation of spiritual life and to stop the orgy of anti-humanism, violence and immorality;
- * to prevent a new ideological monopoly in society.

While adhering to the world view of dialectical materialism, communists respect the religious convictions of every person and consider any discrimination on the basis of religion inadmissible. We also support the unselfish patriotic activity of ministers of the Russian Orthodox Church and other confessions that actively promote the spiritual renaissance of Russia.

Restore ties of friendship

A forced and anti-constitutional break-up of the USSR removed the possibility of reforming it into a genuine democratic union of peoples and states. The people's will, manifested in the All-Union referendum of March 1991, was coarsely violated

Breaking off the age-old ties between the peoples has

done no good to anyone. A general crisis has jeopardised the integrity of Russia. The Russian Federation is in danger of repeating the dramatic destiny of the Union.

Conscious of this danger and its severe consequences, the policy of the Communist Party of Russia is for:

- * a new consensus between the peoples of the states formed on the territory of the former USSR. The first step along this path could be an inter-state treaty establishing an economic, diplomatic and defence union;
- * the international nature and integrity of Russia, as a federal republic of the soviet type, based on a federation treaty, preserving a single economic and informational space, historical and cultural links and equal rights for every citizen of the federation;
- * the development of local self-government not subject to the dictates of the centre, as well as the conservation of a strong legislative, executive and judicial power to deal with problems common to the whole federation;
- * the indissoluble unity of the rights of nations and human rights, absolute equality for the citizens of all nations on the whole territory of Russia;
- * the maintenance and development of national specificities, culture and language of different peoples. The exercise of the rights and freedoms of one people must not threaten the rights and freedoms of other peoples;
- * the elimination of national and religious extremism and of any form of forcible settlement of international disputes; the cultivation of a culture of international relations;
- * an end to armed conflicts and the settlement of all disputes by political methods.

Communists stand for every kind of integration of the independent states formed on the territory of the former USSR, for the unity of the economy, science and environmental protection, for a single foreign policy taking into account world trends and the common interests of our countries and peoples.

Communists will not leave to their fate those tens of millions of Russians and other nationalities who find themselves persecuted and deprived of their rights in those countries of the so-called "near abroad", where nationalism and arbitrary rule over non-indigenous peoples prevail. We are convinced that despite the terrible ordeals and losses, it is not too late to restore the ties of friendship and fraternity.

What kind of party

In the present situation, where anti-popular and anti-socialist forces are joining hands to consolidate their power, it is particularly important to establish a political organisation closely linked with the popular masses. The Communist Party of Russia must become such an organisation. It will be a party that bases its activities on Lenin's principles: community of ideas and party comradeship, broad democracy and conscious discipline; a party that does not tolerate careerists and fellow travellers, that is free of nomenklatura and bureaucratic perversions. It will be a party that inherits the best historical experiences of the CPSU and the international communist movement, consistent with the nature of contemporary social development.

We are for a single communist organisation and for united action of all the communists of the Russian Federation.

It will be a party opposed to the present political regime and its anti-popular state structures, a party that struggles for the adoption of laws that meet the interests of the working people, combining activity at all levels of the soviets with extra-parliamentary activity among the masses, in the working class and trade union movements of the country. It will struggle for the soviet system and strengthen the Soviet of People's Deputies as a form of popular sovereignty won with much suffering by generations of Russian people. It will use every legal method to block all attempts to discredit, weaken or abolish the soviets.

The Communist Party considers it a top priority to establish and strengthen a political union between the communists and all progressive forces that are opposed to the pseudo-democratic regime that has brought this country to the edge of national catastrophe. The party will fight for new elections to the soviets at all levels and for a government that is able to revive the country. The party will fight for the power of the working people.

It will be a party that uses all constitutional means, forms and methods of political struggle to win state power. It will be internationalist in its very essence, entering into political unions and blocs with all those who are struggling for the vital interests, the fraternity and solidarity of the working people, of all the peoples of Russia. It is a party which sees its main purpose as serving the working people.

It will be a forward looking party, one that will reanimate our motherland. It will support the formation of a communist movement of youth in Russia and promote the development of patriotic movements of youth.

It will be a party that combines the interests of the socio-economic and cultural development of the country with the protection of the environment for the present and future generations.

It will be a party that actively cooperates with world progressive forces, establishing and consolidating lasting ties with the vanguards of working class, communist, democratic and national liberation movements.

In view of the people's desire for unity, manifested in the referendum of March 1991 on the conservation of the USSR, the results of which no one can overrule, the Communist Party of Russia will immediately establish friendly relations with communist and socialist parties in the states formed on the territory of the USSR and will stand for establishing a lasting union of communist parties, for elaborating a programme of combined actions aimed at the reunification of our fraternal peoples into a single united family of nations.

The Communist Party of the Russian Federation will live and act for the welfare of its people, for the salvation and renaissance of the motherland. A key idea which unites Russian communists at this historical moment is the idea of patriotism, the integrity of Russia. Communists have firm confidence in the socialist future of Russia. Our objectives are the interests of the people, the greatness and prosperity of our homeland.

Inscribed on our banner are the slogans of motherland, power of the people and socialism.

14 February 1993.

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A Brief Comment on the Programme Declaration of the CPRF

by Alexander Buzgalin

A major political organisation, numbering over half a million members, has been re-established and has begun its activity. The Programme Declaration was drawn up by a group of intellectuals who, in general, have a much clearer understanding of the depth of the problems confronting the communist movement in Russia than do most of the party's rank and file membership. What is particularly important is the fact that these intellectuals have fewer traces of nostalgia for the past, one of the main feelings of those who attended the party congress in February.

The Declaration, although in a sloganising manner, raises positive problems which are part of the objective situation and which are very urgent problems for the left movement. On the whole it is substantially better than one would have expected in view of the party's membership.

Nonetheless, it is necessary to point out a number of propositions in this Declaration which suggest that fundamentalist trends are still present in the CPRF:

1. The question of the causes of the decay of the CPSU is answered in a very perfunctory manner. The Declaration describes what the CPSU did wrong, what opportunities were missed. However, it makes very little comment on the reasons why the CPSU was transformed into the core of the totalitarian system, on those bureaucratic mechanisms inside the CPSU that made the majority of party members conformists who passively supported a bureaucratic party and state dictatorship.

2. The Declaration does not mention the positive results of perestroika, especially its partial removal of the totalitarian regime. It does not understand, or forgets, that the anti-totalitarian revolution in this country is not completed. It plays down the democratic problems still confronting communists and other democratic forces.

3. It attributes too much importance to the "treachery" of Gorbachev and other leaders. At the same time, it places no emphasis on the fundamental problem of passivity and the inability of the big majority of party members to undertake self-organisation and independent action. It was this which finally engendered a crisis in the CPSU that led to its collapse. It appears that the new CPRF may also turn

out to be unable to overcome the problem of passivity.

4. There are too many general declarations in the area of common democratic demands, especially on the national question. However, the right of nations to self-determination, including the right of separation, is omitted, while an appeal is made for the consolidation of patriotic forces (which, in the present situation, are not democratic). In view of the fact that Zyuganov, currently co-chair of the National Salvation Front (an organisation oriented towards reinforcing the role of the state and centralism), was elected chair of the party's Central Executive Committee, one can assume that the party will tend to block with "patriotic" rather than democratic forces.

5. Factions are prohibited in the CPRF, platforms are permitted only in the period of pre-congress discussion, inner-party democracy is extremely weak and "tough" leaders are in command. Since different ideological and political currents exist inside the CPRF (this is a heritage of the CPSU), this kind of inner-party organisation will tend to squeeze independent thinking communists out of the party and lead to a rigid bureaucratic organisation in which 500 000 members will execute the orders of a group of leaders fighting for power (although, subjectively, the aims of these leaders are described as socialist).

On the whole, the new Communist Party of the Russian Federation is the very kind of mass party that one could expect to rise out of the decay of the old CPSU. It is a union of people tied together by two ideas: the struggle against the unpopular policies of Yeltsin and a nostalgia for the ideals of the past in which they worked honestly and lived normally. The task of the left democratic movement now is to work actively among these people rather than standing apart from them because of a justified but dogmatically understood thesis about strong conservative trends in the CPRF.

March 1993

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

Russian Labour Review

Russian Labour Review is a quarterly magazine published by the **Labour Information Centre** (Moscow) to provide English speaking readers with information about the activities of workers' organisations and trade unions in the former USSR.

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Poland's SLD

The Communists who came in from the cold

by Paul Lewis

When Poland's first free parliamentary elections were held in October 1991 Professor Zbigniew Brzezinski, echoing the views of many others, told President Lech Wałesa that Poland had chosen a hopeless electoral mechanism. By adopting a system of unbridled proportional representation with no threshold for entry to the prime legislative body (or Sejm) it was, he claimed, encouraging the over-representation of Poland's numerous mini-parties, guaranteeing political fragmentation and preparing the ground for future instability and weak government. (*Gazeta Wyborcza*, 23.10.91) Brzezinski, a renowned US political scientist of Polish origin, had been President Carter's national security assistant and was known for his hawkish views on Communism and Soviet influence over Eastern Europe. In the 1950s he had been one of the progenitors of modern totalitarian theory and a consistent critic of Communist practice in Europe and elsewhere. For much of the post-war period, Brzezinski told Wałesa, Poland had been ruled by traitors, criminals and thieves. He was, in short, a prime spokesman for right-wing anti-Communism and the interests of the Western establishment.

Election of 1993

In response to such criticism and the problems that had, indeed, racked Poland's fragmented parliament after the 1991 election it was subsequently decided to retain a system of proportional representation but henceforth to apply a five per cent minimum threshold for entry into parliament for a single party and one of eight per cent for an electoral coalition. By such means a solid pro-market reform, liberal-democratic majority was, it was hoped, more likely to be achieved and Poland set more securely on a path of capitalist development and pluralist political evolution. But the result after further elections in September 1993, following the government's loss of a vote of confidence and the unexpected dissolution of parliament in May 1993, was a decisive victory for the Democratic Left Alliance (SLD) and the Polish Peasant Party (PSL), formations which derived directly from the dominant political institutions of the Communist order and which, while by no means direct descendants of the ruling bodies from the years of Soviet dominance, appeared as clear representatives of the left with strong roots in the former Communist system. (Table)

In many quarters the response was a predictable one. In Italy, *La Stampa* noted that "Poland was once more

red" and that Wałesa had received a slap in the face, while *Il Giornale* saw a "victory of the red ghosts". In neighbouring Slovakia it was observed that a "red moon" had risen over Poland and that the elections provided a warning that the countries of central Europe were unlikely to survive the pressures produced by their social and economic problems without major help from the west. Prior to the ballot Brzezinski had warned that such a result would testify to a more general instability of the post-Communist order in Poland, which would undermine prospects of its integration with the West and discourage foreign investors. (*Rzeczpospolita*, 13.09.93) The response from representatives of international capital and from business quarters nearer home was different. Two days before the election a Morgan Stanley International Investment analyst expressed the view that the accession of post-Communist forces to power was unlikely to deflect Poland from the course of market reform. Three main elements were understood to enter into this. In eastern Europe, firstly, the former Communists were now committed to the market economy; both internal and external conditions of Polish reform now pressed for the continuation of the reform process and ruled out any deviation from it in fiscal terms; while, finally, the Polish private sector was already the largest in eastern Europe.

Immediately after the election results became known the response from domestic business sources was equally calm. Representative views were that: "little will change in the way that enterprises function. The electoral result will have no influence in this area. Our customers are so stable and secure under current conditions that a change in the political orientation should not have any influence on our arrangements;" "the people from the SLD are the biggest capitalists I

Table: Polish Election Results, September 1993

	% Votes	Seats
Democratic Left Alliance (SLD)	20.41	171
Polish Peasant Party (PSL)	15.40	132
Democratic Union (UD)	10.59	74
Union of Labour (UP)	7.28	41
Confederation for Independent Poland (KPN)	5.77	22
Non-Party Bloc for Support of Reform	5.41	16
Regional Groups	0.85	4

Paul Lewis lectures in politics at the Open University.

know. They have, of course, a different programme and to continue with the existing policy they would have to revise their electoral programme. But electoral programmes are one thing and the conditions of government something else;" and "from an economic point of view the SLD is not that left-wing and I do not think that they will implement the policy that emerges from their programme. I even think that some SLD members are not in the party that they should belong to". (*Rzeczpospolita*, 20.09.93) A political group that derived directly from the dissolution of the former Polish United Workers' Party (PZPR) little more than three and a half years earlier had, then, succeeded not only in gaining the largest share of seats in a freely elected parliament but also in reassuring major constituencies as to their liberal democratic credentials and commitment to the further development of capitalism in Poland.

Social Democracy of the Polish Republic (SdRP)

This turnaround had been achieved in a remarkably short period. After the defeat of the PZPR at the hands of Solidarity forces during the elections of June 1989, the distancing of its former coalition partners and the formation of a Solidarity-led government by Tadeusz Mazowiecki there seemed, indeed, to be little future for the Communist group established under Soviet supervision 41 years earlier. A final congress was, therefore, convened in January 1990 at which the delegates, "aware of the impossibility of the Polish Workers' Party's regaining the confidence of society, decided to put an end to the activity of the PZPR".¹ At an early stage in the congress agenda a Social Democracy of the Polish Republic (SdRP) was established, to which the PZPR was formally able to hand over its assets before dissolving itself. Alexander Kwasniewski took the chair of its Supreme Council and Leszek Miller became its secretary general. Not all agreed to this tactic - an alternative Social Democratic Union, for example, was also established - but of the 1633 delegates to the final PZPR congress 1533 stayed to participate in the founding congress of the SdRP, and the Social Democracy clearly emerged as the leading descendent of the former Workers' Party.

It defined itself as a broad party of the left, based on the interests and aspirations of all those who live by the work of their own hands and brains; it was committed to Polish national values and to their pursuit within the form of democratic socialism; it stood for a market economy but one where intervention was not ruled out and the state retained certain social responsibilities. Openness and the avoidance of dogmatism were, therefore, very much in prominence. It saw itself as the main inheritor of the PZPR tradition, taking on the responsibilities of its predecessor but rejecting the elements of former Communist practice that were interpreted as having broken the law and infringed civic freedoms. In March 1990 it reported a membership of 47 thousand, a major achievement in terms of political organization in Poland at the time but much less than the 2.1 million the PZPR claimed on the eve of its dissolution (of which, moreover, 900 thousand were defined as occupying director or managerial posts). Immediately after the dissolution of the PZPR, a parliamentary club of the Democratic Left was formed which included members of the new SdRP, the Social Democratic Union and the non-party group of former



SLD leader Alexander Kwasniewski

PZPR adherents led by Włodzimierz Cimoszewicz.

The organizational base of the former PZPR and the inheritance of many of its resources thus gave it a head start in relation to most of the other new parties. But it was also encumbered with the political odium of the recent past which meant that, although a considerable presence on the contemporary political scene, it could not participate as a legitimate actor. Matters were further complicated by conflict over the property of the former PZPR and consequences of the parliament's publication in January 1990 of a projected decree on the nationalization of PZPR property. This did not prevent the SdRP from continuing to develop its political identity. It regularly expressed its concern over the worsening material situation of working people and opposed the features of government policy that were leading to the disorganization of social life; it took, naturally enough, a stand against proposals to remove former PZPR members from public life simply because of their political affiliation; and a referendum was proposed to clarify attitudes over abortion. On its own calculations, the SdRP and its supporters gained about 10 per cent of seats in the 1990 local elections - although most went to informal supporters and less than one in five was actually taken by a party member.

SLD

It should, then, be noted at the outset that, while the SdRP can be seen as the major inheritor of the PZPR and therefore Communist tradition, it should by no means be identified with the SLD that was victorious in the 1993 elections and was certainly not capable (at least in the early stages) of mobilizing a significant portion of the Polish electorate in its own right. Neither, indeed, should the political supremacy of SLD in 1993 be exaggerated, as a 20 per cent share of the vote only meant that one adult Pole in ten actually supported it. The SLD itself was initially established in the autumn of 1990 as an informal vehicle to promote the presidential candidacy of Cimoszewicz, who remained officially a non-party candidate. His capture of 9.2 per cent of the vote was regarded as a victory for the SdRP and the left in general. A formal agreement for the Union was signed in the summer 1991 as the parliamentary elections approached, and it was at this stage that the SdRP joined with its major partner within the SLD, the OPZZ (National Trade Union Accord).

This was the national trade union established in 1984 which managed both to achieve some autonomy from the Communist regime and to survive the challenge posed by Solidarity.

In the October elections SLD gained a creditable 12 per cent of votes, just behind the Democratic Union, which came as a considerable surprise both to itself and its political opponents. Its constituency did not appear to be primarily that of the traditional left. In 1991 it was second only to Mazowiecki's Democratic Union in attracting the white-collar vote, but was somewhat less successful than the UD in securing the allegiance of those under 35. Nevertheless, surveys indicated that the SLD was the only major political grouping identified by the public as left-wing. This was a somewhat qualified advantage while anti-left sentiments continued to hold sway: only 17 per cent of Poles identified themselves as such in November 1991, for example, although support for specific left-wing measures was often higher. Neither did SLD attract the most votes from those opposed to Balcerowicz's market reform programme: a higher proportion of these went to the Polish Peasant Party, which also did well in 1993.²

60 deputies entered the 1991 parliament on the SLD list and 59 of them joined the parliamentary club it then formed. Like many of the parliamentary groups that emerged it showed considerable internal diversity, although there were less severe signs of conflict and fragmentation than in some of the other clubs - which left some of them in a particularly poor condition to fight the 1993 election, which now included a minimum five per cent threshold. Nevertheless, within the SLD a major division could be observed between neo-PZPR apparatchiks and post-PZPR pragmatic technocrats.³ There was also a more populist tendency based on the OPZZ representatives. There were conflicting tendencies within the group, leading some away from the former PZPR heritage towards integration with the political centres of the post-Communist system, and others to maintain the defence of continuing PZPR traditions - particularly with respect to the preservation of collective benefits in the face of worsening social conditions. A split nearly occurred over the assessment of Jaruzelski's imposition of martial law in 1981. The investigation into PZPR's financial links with the Communist Party of the Soviet Union provided the basis for another major division. As Adam Michnik pointed out in a warning article towards the end of the 1993 campaign, the SLD was characterized by diversity and conflict; sufficiently powerful to keep its members united, however, were their common roots in the Communist era and fervent opposition to any anti-Communist purge. The club thus survived virtually intact and emerged in a quite reasonable shape to fight the next election.

Unlike the other five major groups that entered the Polish parliament (the *Sejm*) in 1993, the SLD continued to present itself to the electors as a coalition, in which the SdRP was a leading force but by no means the only significant participant. In the 1993 elections, for example, the SLD represented a coalition of 28 groups. Only 249 of the 613 candidates the SLD fielded were members of the SdRP. A large number of trade union activists presented themselves on their list, mostly from OPZZ. Other groups represented were the independent Polish Socialist Party (PPS), the Communist "Proletariat", the Movement of Working People and the Democratic Women's Union. The great majority of

them represented associations with roots well established during the Communist period, a feature which led Michnik to liken the SLD to a political Noah's Ark. Candidates on SLD lists had to bring their purses with them, too. The regular price for inscription was 10 million zloty (roughly £345 at the current rate of exchange), although PPS candidate Piotr Ikonowicz was reported to have been charged 170 million and the "Proletariat" Communists 70 million zloty. (*Polityka*, 21.08.93) A left-wing identity does not come cheap in post-Communist Poland. Ikonowicz at least was elected, so the investment was not wasted.

SLD political identity and social base

The political identity of the SLD (to an even greater extent than that of the SdRP) remained, however, somewhat imprecise - as, indeed, did that of most other groupings on the contemporary Polish political scene. Neither was its policy profile defined in any great detail during the recent campaign. In a survey of seven parties' economic programmes, for example, it was only under the SLD heading that "no clear answer" was posted in response to questions about further devaluation of the zloty and the level to which the budget deficit might be allowed to rise. (*Rzeczpospolita*, 25.08.93) In other areas it was also pragmatic and did not diverge greatly from the course followed by the Suchocka government. Privatization would be pursued, although a role for the state safeguarded in transport, communications and banking; commitment to the integration of Poland with the European Community was reaffirmed; existing tax levels were to be preserved and the SLD was not eager to see the state any more active in the sphere of income redistribution (an area in which it was likely to come into early conflict with its most likely coalition partner, the Peasant Party). A somewhat more left-wing stance could be seen in the position that fighting the recession took precedence over limiting inflation and acceptance of the view that the rate of pension indexation (at 60-65 per cent of the average wage) was not too high. Other aspects of its approach were defined with greater clarity. Secular status and state neutrality in religious matters, equal rights for women (including that of choice over abortion), commitment to a parliamentary/cabinet system of government (limiting the president's role to that of more detached arbiter) were all major features.

And, indeed, taking account of the social context of contemporary Polish politics it is understandable why the SLD was not in a hurry to make too many promises in advance. The SLD appeared ready to satisfy the interests of diverse constituencies which were by no means easily reconciled. Its own leadership thought that many populists and continuing supporters of the Communist order, its main electoral support in the 1990 and 1991 elections, had moved into the KPN camp or that of extremist groups like Tyminski's "Party X" and the more recently established "Self-Defence", and that the SLD was becoming a vehicle for the interests of a new middle class. Surveys carried out in May 1993 showed, indeed, a surprisingly high level of support for the SLD among those with technical expertise, higher education and higher incomes. It also drew support from the young (aged from 18 to 24), which suggested that the SLD was building a constituency amongst younger people quite distinct from the legacy inherited from an increasingly distant Communist period. Later

studies confirmed that SLD's potential electorate was becoming remarkably similar to that of the post-Solidarity Democratic Union; what distinguished the constituencies was not their profile according to socio-economic or educational variables but rather psychological orientations in terms of their appraisal of current conditions and expectations of future developments. Optimists were far more likely to maintain support for the Democratic Union while the SLD attracted those more pessimistically inclined.

The increasingly negative appraisal of Poland's post-Communist achievements and of the prospects for their improvement directly, therefore, increased SLD's appeal among the electorate. There can be little doubt that much of SLD's success derived from popular dissatisfaction with the rigours of economic transformation, falling income, rising unemployment and the inability of the public sector to deliver what had previously been expected of it. Just before the election was held, surveys established that 63 per cent of Poles now believed that the reform programme had not proved itself and that the authorities should introduce a radical change in policy; nearly 60 per cent thought that the last four years had been completely wasted and that there was little chance of improvement if things continued on current lines. The SLD includes, moreover, numerous representatives of a strong union movement which hitherto, as Kazimierz Kloc has argued in a recent *Labour Focus* article, has adopted a more radical stance in defence of workers' interests than the main Solidarity organization. As he pointed out, "it is important to appreciate that industrial conflict in Poland has not yet manifested itself at all fully". (*LFEE* 44, p.38) But at the same time SLD leaders have been eager to assure the business community, Poland's new entrepreneurs as well as international and transnational partners, that it would do little in government to diverge from the path followed by the Suchocka government or that it opposed any of the main principles of the capitalist reform programme.

Leftward shift

The SLD has, therefore, a range of conflicting interests to satisfy. Between the 1991 and 1993 elections it clearly attracted popular approval and extended its support. There can be little doubt that the SLD, together with the PSL and independent socialist Union of Labour (UP), benefited from a shift to the left in Poles' political sympathies and growing dissatisfaction with the consequences and pace of the economic reform programme. On this basis, it appeared, the SLD managed to retain 80 per cent of its electorate from 1991. Most of those it lost transferred their allegiance to the PSL, a trend which further confirmed the movement to the left in Polish political views. SLD, on the other hand, particularly attracted former voters for the UD, PSL, KPN (Confederation for Independent Poland) and Solidarity. This view is further substantiated by indications of the groups among whom support for the SLD rose markedly. It had, therefore, little more support among the farming population (5 per cent up), most of whom would have favoured PSL. Support amongst the working class, however, rose from 6 to 19 per cent, which also reflected the somewhat weakened position both of Solidarity and the KPN, the party which had succeeded in attracting the greatest number of working-class votes in 1991. Votes from pensioners also doubled from 11 to 22 per cent - but so did those

Alexander Kwasniewski, leader of SLD (Democratic Left Alliance)

"We are a generation born after the death of Stalin. We were students in the 1970s, under Gierek, who, from the students' point of view, was something like a good king. At that time, ideology was no longer playing any role. In addition, we had contact with the outside world. I did my practical training in Wuppertal, spent four months in Sweden, paying my own way, and in 1976 I spent quite a bit of time in the United States. This was quite a different maturation process from that of the Gierek generation, quite different also from that of my generation in the GDR.

I am a supporter of a pragmatic left. I must say that I have a great respect for Felipe Gonzalez, who is accused of being a right-wing social democrat. I think the right way for Poland is to have less ideology and more pragmatism. What we need now is reform with a human face."

Interview in the German weekly, *Die Zeit*, 29 October 1993.

from entrepreneurs, from 8 to 17 per cent. (*Rzeczpospolita*, 21.09.93)

SLD was primarily the beneficiary of a leftward switch, then, but its base was not wholly that of the traditional left and neither was its policy one of opposition to capitalism and the free market programme that fed the growing strength of leftist sentiments among the population. It may well be the case that a major component of the emerging post-Communist left in Poland is also growing anti-clericalism, an increasing demand for the separation of Church and state and - particularly - resentment at the weight of Church influence exerted over the recent abortion legislation. It is significant in this respect that there have been few signs of a traditional Christian social democracy or Catholic centre party emerging. The markedly secular outlook of the market-oriented (and otherwise emphatically right-wing) Liberal-Democratic Congress (KLD) seemed to attract as much opposition from the Church hierarchy as did the left-wing SLD and, even more, the Union of Labour. In common with SLD, KLD and UD a vote for the UP was condemned from one pulpit in the east of Poland as sinful - although the UP at least, after theological consultation, received confirmation that while support for the UP might constitute a sin it was, at least, not a mortal one. (*Gazeta Wyborcza*, 09.09.93) The common cause between liberals and the left over the Church question (one of particular

prominence in Polish political life) may well have facilitated adoption by the SLD of more liberal economic views - and helped to broaden its base beyond more traditional left-wing, economically revanchist sectors.

Polish conditions may therefore provide some explanation for the unexpected success of post-Communist forces in the recent elections, their ability to combine diverse forces in an unconventional coalition and to carry it through to a sizeable parliamentary majority. Whether they also afford a basis for the formation of a viable government coalition and produce a framework for stable political rule is another matter. A matter of days after the election OPZZ had already taken a leaf out of Solidarity's book and made it clear that the union did not see its role as one of sustaining any future government in the implementation of policies of further liberalization and market reform that would cause greater impoverishment of employees and pensioners. Far from extending an umbrella over the government it would not, said OPZZ leader Ewa Spychalska, even offer it a handle. Before there was

any sign of a new government or indication as to who would form it, she announced that her group (which provided 61 deputies - 80 per cent of whom had been nominated directly by the union) would not accept any seats in the cabinet and would insist on the abolition of the payroll tax, full indexation of pensions and increases in budgetary allocations within six months. SLD leader Kwasniewski's initial view was that the one promise the SLD was committed to fulfil in 1994 was the indexation of revenues and pensions - and that this demand could be met through the level of economic growth anticipated. Nevertheless, indications soon emerged that SLD would consider raising the budget deficit by 1 to 1.5 per cent of GDP and, by the end of September, SLD economic spokesman Józef Oleksy was suggesting that if funding for essential purposes was lacking there was certainly some possibility of a "slight, temporary, non-inflationary" increase in the deficit. It was unlikely, however, that full accommodation of the different interests within SLD could be achieved unless what appeared to be basic principles of party policy were seriously compromised.

Peasant Party and Union of Labour

If relations within the SLD itself provided one prospect of future conflict, tensions were also evident in differences between potential partners in a government coalition - although most of these could be directly traced to ambiguities within SLD policy itself. The most obvious initial candidate for such a partnership was the post-Communist Peasant Party (PSL), which held the second largest number of parliamentary seats. Simple calculation of parliamentary arithmetic thus prompted consideration of a coalition between the two largest parties which had, moreover, major historical links and could together deliver a handsome parliamentary majority. But informed political opinion soon established that this was an unlikely outcome. It would



Polish Prime Minister Waldemar Pawlak

come uncomfortably close to a reincarnation of the Communist order and would threaten to come into direct conflict with much of the post-Communist system now in operation. It might well also be politically suicidal for the leaders of the former opposition parties. (*Polityka*, 25.09.93) In some ways, too, as Kwasniewski admitted at an early stage, relations with the PSL might be more difficult than with the post-Solidarity Labour Union, the third main left-wing force in the new parliament. Questions of the budget deficit and of state subsidies for farmers and agricultural produce immediately came into play here. For its part PSL was also more inclined to enter into coalition with the Union of Labour than with the SLD, which it mistrusted for its "liberal" tendencies.

From both sides, then, the Union of Labour emerged at an early stage as a key component in any left-wing coalition, although different priorities were obviously in play. The obstacles to drawing the UP into a governing coalition were in fact considerable. Opposition to elements of the market reform programme which the SLD supported remained strong, and the party's economic spokesmen continued to reject the formula surrounding the National Investment Funds through which it was proposed to implement mass privatization of the large state-owned enterprises. But elements of more deep-rooted cultural orientation also persisted, and there was resistance to bridging the gap between a party that had grown out of Solidarity and formations that derived from the Communist establishment so soon after the last phase of the lengthy conflict had been fought between them. UP objected, for example, to the elevation of Leszek Miller, implicated in illegal activities by virtue of his responsibility for the receipt of Soviet funds, to ministerial rank. Its electorate had, stated UP leader Ryszard Bugai, expected rather that it would go into coalition with the Democratic Union and there were clearly fears for the long-term prospects of the new party if it were to link up with the far larger

Waldemar Pawlak, PSL leader and Prime Minister

"If we look at the people who voted for the PSL, then we see that the social base of the party, like that of the Peoples Party in Austria or the Centre Party in Sweden, are the slightly left-leaning small property owners. But from the point of view of basic values, the PSL is more on the right: we respect tradition and religious values."

Interview in *Die Zeit*, 29 October 1993

and politically ambiguous post-Communist forces. The Union of Labour thus finally rejected the invitation to join the coalition and, on 13 October, SLD and PSL announced their partnership and intention to propose Pawlak as prime minister. Whether the coalition turns out to be as doomed as political observers suggested immediately after the election remains to be seen. The Peasant Party's undoubted appetite for power, and the equally strong desire of many of its supporters to taste the fruits of office, certainly helped to calm potential disquiet in that quarter. The multifaceted identity of the SLD similarly provided sufficient flexibility to overcome the previously identified obstacles to coalition formation. The apparent modesty of the SLD in agreeing to cede the premiership to Waldemar Pawlak may well also prove to be a wise move on the part of the SLD in case things get out of hand and, say, left-wing populist tendencies within both the government and the country as a whole intensify and lead post-Communist Poland into even more turbulent waters.

The Polish Church

On a different level, relations with the Catholic Church have also come into prominence. With the failure of the Christian National Union (ZChN) to clear (in association with its coalition partner) the eight per cent barrier for entry into parliament and the lack of success of other mainstream right-wing parties in gaining any seats, there emerged a clear role for the PSL to play as a leading defender of Christian values and the position of the Church in Polish society. While socio-economic pressures pushed PSL to the left in distinction to the rightist (liberal) tendencies of the SLD in this area, the temptation of establishing privileged relations with the Church promised to pull PSL to the right - and away once more from the proclaimed secular position of the SLD. The Union of Labour, it might be noted, was known for a stronger secular orientation than was the SLD which in fact, as inheritor of the PZPR tradition, could draw on extensive experience of coexistence and tentative collaboration with the Church (back in 1988 the PZPR had, indeed, been inclined to abandon existing abortion legislation in order to gain Church support).

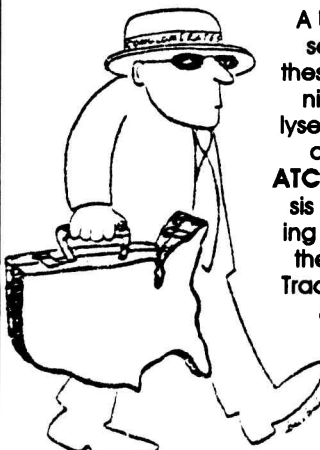
Potential problems of coalition relations thus lead back once more to questions of SLD identity, the

priority of different policy objectives and, fundamentally, to the essential credibility of the SdRP/SLD only three and a half years after the core party had emerged from the ruins of the PZPR. Was the conversion to capitalism and market forces a genuine one, or was the residual commitment to intervention and the demands of its major trade union partner likely to take precedence? Was it a true convert to parliamentary democracy or would, as Adam Michnik feared, the old apparatus ballast direct a relatively enlightened but vulnerable leadership along the paths of previous political practice? Perhaps Kwasniewski was premature in declaring, shortly before the election, his own version of the end of history and in stating that politics was now a matter of deciding detail rather than facing the grand questions of historical choice. (*Rzeczpospolita*, 03.09.93) It seemed likely after the election that Poland, and no less the SLD, faced a number of quite major questions and that the time of decision was by no means past.

Footnotes

1. M. Dehnel-Szyc and J. Stachura, *Gry polityczne*, Warsaw 1991, p. 78.
2. T. Zukowski, "Wybory parlamentarne 91", *Studia Polityczne*, vol.1, no.1 (1992), pp. 39-50.
3. S. Gebethner (ed), *Polska scena polityczna a wybory*, Warsaw 1993, p. 20.

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What the Polish workers think

by Juliusz Gardawski and Tomasz Zukowski

The present article is part of a series which we began to publish in the weekly *Polityka* in the summer of 1993. The material in this series comes from the work carried out since 1991 by the "Labour" research group, a project financed by the Friedrich Ebert Foundation in Germany with the goal of documenting the social and economic living conditions of the Polish workers. Our conclusions are based on interviews carried out over this period with 4811 workers in 461 enterprises, both privately and publicly owned.

Talking with workers in Poland today, it is very easy to establish which problems have become the key ones. In the light of the overall political development, it comes as no surprise that the long-term prospects for employment in their particular area of skill is seen as number one priority. The risk of redundancy because of restructuring in the enterprise ranks as the second major problem. In third place, the workers tend to name their general worries about the future of the Polish economy and the consequences of economic development for the political and trade union movement.

The views of the workers concerning the form of economic development seem to remain fairly constant. Since 1991, when this research project began, the "moderate reformers" have been consistently the numerically strongest group, followed by the "traditionalists" and the "liberals". A not insignificant number of workers expressed only very vague preferences or no preferences at all with respect to the form of economic development.

The fact that the moderate reformers have remained dominant within the working class has been of crucial importance because it is this fact which has made the economic changes in the country possible in the first place. If it were true, as has often been erroneously stated, that traditionalist ideas dominated among the workers, then the systemic innovations of recent years would never have been possible.

The traditionalists

Let us look more closely at this traditionalist group. Their demands and preferences could be described in

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the following way: introduction of upper limits on income, reduction of the differentials between top and bottom wage groups, central direction of enterprises, clear economic priority for the state sector. To use sociological jargon, the traditionalists represent a view which could be described as "egalitarian-statist".

Workers in this group also would like to see a greater influence for organisations expected to protect workers interests. They demand that the trade unions should concentrate their activities in this sphere.

Over time, the views of the traditionalists have changed somewhat. In early 1991, when this survey began, their views were often contradictory. On the one hand, they wanted direct and strict direction of economic enterprises by the state while, on the other hand, wanting to see hard competition between such state-directed enterprises. This contradiction was a product of the early widespread belief in the positive advantages of competition which, it was still thought in 1991, would have no negative social consequences. This early confidence in the mechanisms of competition has declined sharply.

In the spring of 1991, roughly a quarter of Polish workers were traditionalists; today that number has fallen to around 12 per cent. Support for radically egalitarian ideas and measures has declined considerably over the past two years.

The liberals

At the opposite pole to the traditionalists are the liberals, that sector of the workers that clearly supports all ideas for the modernisation of the Polish economy. Defenders of this camp are prepared to pay the price of the disadvantages that this modernisation may bring: unemployment and the sale of enterprises to foreign capital (something associated with unemployment in Polish attitudes). The number of workers who support economically liberal positions is quite small, just a few per cent of the workforce. In the past few years this already small group has declined by half, from 6 per cent to 3 per cent of the workers. Of some interest is the fact that a significant proportion of "liberal" workers have lived and worked in the West for a longer period.

The moderate reformers

The consistently largest group inside the Polish labour movement over the past three years has been that of the moderate reformers. They are about 50 per cent of the workers. The moderate reformers are in favour of a market economy and accept, at least to a certain extent, the idea of the privatisation of industrial enterprises. But the kind of market economy they want

is one which offers the workers guaranteed employment with decent living conditions.

The numerical strength of the moderate reform group over this period does not imply that their views have remained unchanged. Our research clearly points to a gradual change in their attitude to the chief mechanism of the market economy - competition. In the beginning the notion of competition was thoroughly "mythologised". It was almost universally assumed that competition provided a guarantee for wages that were really related to productivity, and that only those would be threatened who were either unwilling to work or were too lazy. With time, however, a large number of workers began to see competition as a "blind force" that could operate against the interests of everyone, the productive and hard-working as well as the lazy.

Although they now tend to see competition in a different light, the principle of competition is still in general defended by this group. Although it can lead to injustice, it is still necessary. According to one of the workers: "New ideas and new solutions are created by competition. It is only in the bitter struggle of competition that the defects in our economic production can be recognised and overcome."

The workers' views on market competition could be described as follows: although the concept of "market economy" has been clearly "demystified", it is, nonetheless, accepted as an unquestioned norm in every judgement about the economy. Many workers that we spoke to were highly critical of the post-Communist system in Poland but the existence of the market economy was accepted as a permanent and unalterable fact of economic life. One worker expressed a typical opinion on the possibility of a return to a planned economy when he said: "The government should not stick its nose into enterprises. That's no longer acceptable. These times are gone." This same worker, it must be pointed out, was against the privatisation of his enterprise and thought it should remain state property.

The moderate reformers' support for the laws of free competition begins to be qualified, however, whenever their own social position is threatened by market measures. Thus they reject unemployment as an instrument of economic regulation.

Privatisation

Among supporters of moderate reform there is a great variety of views on the question of forms of ownership. In a rather complex and confusing situation, the workers try to adapt rationally to their concrete situation and attempt to secure for themselves a secure position which will enable them to satisfy their basic needs.

There is a growing support among the workers for diverse forms of small property ownership. There is general support, for instance, for private crafts and for workers' shares. With respect to such shares, the general view is that property privatised in this manner should be distributed as equally as possible. These preferences have been quite commonly expressed within the Polish working class since the mid 1980s.

Supporters of reform also favour widespread privatisation based on Polish capital. In 1991 66 per cent of Polish workers supported the view that "Polish capital should be given more opportunities to establish large enterprises"; in 1993 support for this view had risen to 82 per cent. In 1991, 65 per cent of those questioned supported "the sale of state enterprises to Polish

capital"; in 1993, 73 per cent supported this option.

We should view all such statistics with caution, however. The high level of support for privatisation by Polish capital arises in a situation where foreign capital is seen as "colonising" Poland and wanting to turn Polish workers into "worker slaves". The statistics point to a very clear fear of foreign capital: in 1991, 55 per cent supported the view that "foreigners should be allowed to establish large enterprises in Poland"; in 1992, this support had sunk to 42 per cent, while only 15 per cent still supported the sale of state enterprises to foreign investors. There is also another fact which throws a peculiar light on the workers' support for privatisation by Polish capital: as a general rule, the workers who supported such privatisation attached a condition which, in the nature of things, would be very difficult if not impossible to meet, namely, that the capital used in such privatisation should not have been acquired by speculation by only as a result of honest work.

Another important statistic also demonstrates the relative and qualified nature of the Polish workers consent to home-made privatisation, namely, the degree of willingness to work in a private Polish enterprise. In 1993, only 4 per cent of those questioned would want to work in such an enterprise. Around 50 per cent said they would prefer to continue to work in the state sector, while around 20 per cent saw some future for themselves in the independent crafts. Another marginal detail of interest: among the minority of workers who said they would prefer to work in a privately owned enterprise, most preferred an enterprise with some foreign ownership to a purely Polish one.

During the past three years, the supporters of moderate reform have also changed their attitude to state intervention. Because of the growing fear of unemployment, there is a greater support for state interventionist measures. In particular, there is growing support among these workers for the view that the big industrial branches of the economy should remain in state hands.

The private economy

The complexity and diversity found in the workers' attitudes to private capital is rooted in the personal experience of many of them. About half of the Polish workforce outside of agriculture works in private enterprises, generally small and medium-sized firms. The working conditions in these private enterprises provide little basis for optimism. But it is in these small private enterprises, generally ignored in public opinion and academic research, that the new economic structure of Poland is being created. The interviews we carried out over this period provided a clear picture of these conditions, and we will quote from some of them.

"The work in a private enterprise is much harder", one of the workers told us. "For a start, we have to work longer hours. The eight hour day is gone; we don't even talk about it any more. The ten hour day is now the rule."

There is also widespread concern about the poor and unsafe conditions of work: "I worked on a lathe in one such enterprise. The machines are so close together and the working space is so constricted that the filings are flying all around you." Another worker on a similar theme: "The machines we work with are so old. I don't know where they buy them, maybe at some auction or junk sale, who knows. Then the whole lot is banged

together here and they get it turning over. The cog wheels are completely worn out and the machines are noisy, but they turn over somehow and the owner rakes in the profit."

The workers also complain that any kind of inspection by the labour inspector has become a rarity: "Previously we were visited quite often by the inspector. And even when the manager was forewarned, at least it meant that the place was cleaned up and we were given new work clothes. But now inspection is a thing of the past."

In state owned enterprises there is, under ordinary circumstances, a climate of mutual support, determined by common interests, between the ordinary workers and the lower levels of management (foremen, etc). When a worker moves now from a state-owned enterprise into the private sector, from one day to the next he or she moves from "the warmer atmosphere of relationships and alliances" into the "heat of the jungle", into the struggle of one against all, where each worker can rely only on himself or herself alone. The foreman becomes "a slave driver, an oppressor, who drives the workers until they sweat. He is on the other side of the barricades."

One of the consistently expressed fears of the workers we interviewed was the fear of sudden and completely arbitrary lay-offs. In this context, it is worth mentioning that in none of the newly established private enterprises is there any kind of worker representation.

When asked if there was any possibility of establishing trade unions in their private enterprises, these workers treated the question as a joke. They are overwhelmingly of the opinion that only a strict control by the state (something like the workers inspectorate) could enforce humane and civilised working conditions.

Attitudes to the past

Although they expressed such views on the role of the state in ensuring safety and decent working conditions, the majority of the workers questioned in 1993 were opposed to central state planning of the economy and against extreme egalitarian attitudes. So there is no observable return to traditional values. The experiences of the past few years have brought about a noticeable change in attitude to the period of so-called "real existing socialism". In the late 1980s and at the beginning of the 1990s, the rejection of the old system was sharp and unequivocal; today one frequently meets the view that, although the old system is gone once and for all, the new system is in no way superior. Only one worker in five is convinced that in the past three years "there has been a change for the better"; one worker in three agrees that "living conditions have got worse". As many as 24 per cent maintained in 1993 that "nothing has changed".

Half of those workers questioned agreed with the view that "socialism is a good idea and without deformations it would be the best system". 37 per cent rejected this view. In 1991 it was rejected by 58 per cent.

These changes in opinion that we have described clearly have to do with the difficult living conditions of the workers and with the loss of the sense of security that existed under the old system.

Longer conversations with a smaller number of workers confirmed the conclusions of the larger survey: at the present moment, there are two diametrically opposed viewpoints to be found inside the Polish

working class. The majority holds the view that it has lost any chance of a dignified and worthwhile life while the minority believes that this chance has only now arrived.

For both groups the notion of chance or opportunity is the key: "The situation has got much worse. You can't find a flat any more. Earlier, you had to wait for a very long time, that's true, but at least the opportunity existed. Today, it simply doesn't exist any more."

The view was quite frequently expressed that "the worker is not respected". As one worker said: "In the previous system the peasant or worker was somehow valued for their work. They weren't such nothings as they are today."

In the thinking of workers at a very low social and material level, even the memories of the once hated food cards and queues has undergone a change: "When we had these cards, then the people went into the shops and bought what they needed. They were better off then than now. It wasn't an easy matter to get hold of these cards, but at least we weren't beggars like we are today."

The workers who think that, in spite of everything, things are getting better rather than worse also admit, of course, that there are many problems. These are mostly young and relatively well educated people with secure and good accommodation (this is a very important factor). They see the present economic changes as offering an opportunity for individual advancement: "Look at what's on offer in the shops and think about what there was a few years back. Now, if you have money, you can go and buy what you wish. I don't have to stand in a queue any longer and plead to buy something. Of course, not everyone can earn money, but a person has a chance now, and that is a source of hope. Previously, everything was so hopeless."

Supporters of systemic change also point to the freedoms that they have acquired, that they can now "read any book they want to". We were surprised at how infrequently the workers mentioned Poland's reattainment of national independence, its freedom from the Soviet Union.

Let us summarise: the system of "real existing socialism" as a structure, as a network of institutions, as a catalogue of social regulations has ceased to exist as the reference point for the hopes and visions of the Polish working class. Polish workers betray no nostalgia for the political epoch that has ended. However, they are becoming increasingly critical of the new economic order in the country which so clearly conflicts with their needs and interests. What they want is a market economy that brings no great disadvantage to "the ordinary man in the street", one in which the costs of the transition are not paid for by the ordinary worker.

Populism

Whether realistic or not, this view of things plays an important role in contemporary Polish politics. Since the needs and desires of the workers are far from being satisfied, the fear is often expressed that the workers will be susceptible to populist slogans. We also tried to find out, in our survey, the degree of support for populist demands among workers in medium and large enterprises. This is important because the success or failure of Poland's economic restructuring will depend to a great extent on the attitude of the workers in such

enterprises.

Our research showed that in certain sociologically definable groups of workers there are majorities that support the following views:

- * They think that developments in recent years have led to a deterioration of living conditions and they have a negative opinion of the attempt, begun by Balcerowicz, to introduce a market economy in Poland.

- * They believe that strikes are unavoidable and they express their readiness to support strikes and to participate in a general strike.

- * They hold the political setup that emerged out of Solidarity responsible for the deteriorating situation in the country.

- * They have no confidence in either the government, the president, or the parliament.

- * They have a relatively low assessment of the institutions of political pluralism (parties, free press, etc.).

- * They are pessimistic about their own future and have an above-average fear of losing their job.

They also support economic policies that respect the principles of egalitarianism, fear the "dark forces" that threaten Poland and believe that hard-working and gifted people have fewer chances of getting ahead today than they did under the old system. They also believe that Poland should be governed by the workers and their organisations.

These political viewpoints, which we would describe as populist, are expressed with varying degrees of intensity by about 40 per cent of the Polish workforce. We must be aware, however, that this populist camp does not present a unified or coherent viewpoint.

Among the poorly educated and socially weak workers one finds a numerically significant group that combines these populist views with the call for "a strong man". This populist milieu, however, is not only very fragmented but also has no central political representation.

The statistical data don't point to any immediate danger for democracy in Poland. Almost two thirds of all Poles (62 per cent) consider a democratic form of government to be the best and only 9 per cent think that the country would be better without parliament. Three quarters of the population support the view that although democracy has led to mistakes it is the only alternative. It is of some interest, however, that in the consciousness of many Poles the concept of democracy is associated more with prosperity than with with personal freedom or individual influence on decision-making.

In this situation, the economic problem of deteriorating job opportunities or limited prospects for employment and individual development becomes an eminently political problem. After the election the Polish government will have to pay particular attention to those layers of society hit hard by the transition: the workers, the under-qualified white collar workers, the peasants and youth. ●

Another Pilsudski?

Helsinki Watch Report on Poland

The US based Helsinki Watch published in August 1993 a report on the threats to freedom of expression from President Wałesa, the Suchocka government and the new Christian Democratic right. It is to be hoped that the humiliation of the divided new right in the Polish elections and the defeat of the Democratic Union will have provided a decisive set-back to such moves. President Wałesa's plans however remain obscure. His launch of a new ostensibly "non-political" presidential bloc, the name of which shared an acronym with the pre-war formation supporting the dictator Pilsudski, aroused widespread comment. This formation succeeded in scraping into parliament with sixteen seats.

The abuses reported by Helsinki Watch give graphic illustration of the authoritarian style with which Walesa could be expected to govern, given a free hand. Whilst he has no short term possibility of imitating President Yeltsin's firm hand with recalcitrant "Communist" parliaments, there is every indication that he remains ready to ride in on a white horse, given the political opportunity.

Helsinki Watch reports a spate of criminal prosecutions against individuals for "slandering" the head of state, under article 270(1) of the Polish penal code, which dates from before "the change" and provides that "anyone who publicly insults, ridicules and derides the Polish nation, Polish People's Republic, its political system or its principal organs is punishable by between six months and eight years imprisonment".

Convictions under this provision include that of a night watchman who after abusing President Walesa in a conversation at a bus stop, was given a suspended sentence of one year's imprisonment and fined three million zloty (about a month's salary), and the case of two students convicted and fined 2.5 million zloty each for "abusing and discrediting" President Walesa.

The most notorious of these cases concerned the journalist Ryszard Zajac, who was imprisoned for ten months in January 1992 for the heinous crime of describing local Solidarity figures as "clots" and "small time politicians and careerists" and going on to allege that the local authority aspired to the role of a Communist Party committee. Although he lost his appeal, after a major political row, Zajac was released.

The Report also discusses attempts by the Union of Christian Democrats to exploit the provision in the penal code for a fine or a two year term of imprisonment for "offending religious sentiment". The targets have been rock groups, films and journalists. So far none of these prosecutions has been successful.

David Holland

Solidarity breaks with the liberals ..too late

Report on the Solidarity Congress of June 1993

by David Holland

The collapse of the Suchocka government after its defeat by one vote in a parliamentary vote of confidence on 28 May 1993 set the scene for the marked shift to the left which emerged in the Polish general election held on 19 September 1993.

The way was prepared for this upset of the neo-liberal project by a wave of radicalisation in the workers' movement, particularly vividly expressed in strikes in the public sector, especially of teachers and health workers.

Solidarity and the government

The evolution of Solidarity in this period is particularly noteworthy, as it took a sharp step to the left, distancing itself from the "post-Solidarity" governments of the last three years in a qualitative manner, by mandating its parliamentary fraction to vote against the government in the vote of confidence and threatening a general strike.

Solidarity made every effort to maintain a distance from workers (such as the teachers union ZNP), which were organised by the post-communist OPZZ trade union federation. Nevertheless, it was forced into increasingly radical gestures by fear of being outflanked by its rivals in the OPZZ and the workerist breakaway Solidarity '80.

The fruit of Solidarity's intimate relationship with the governments of the last three years, responsible for the "big bang" integration of the Polish economy into the capitalist world economy, with consequent catastrophic impact upon production, living standards and employment, were seen in the September elections, in which 61 trades unionists from Solidarity's chief rival, the OPZZ, were elected to the Polish parliament as part of the Democratic Left Alliance slate. Solidarity, by contrast, was marginalised. Its candidates in the elections failed to pass the 5 per cent threshold for admission to the new parliament.

It remains to be seen whether the OPZZ group will be compromised in the eyes of the workers by the

association with the SLD in government. Initial indications are that the OPZZ leadership understands this danger. The leader of its parliamentary group, Ewa Spychalska, has denied that it will form a separately organised faction in parliament. However Spychalska has already indicated dissatisfaction with privatisation plans, to which the SLD leadership is committed. The new Pawlak government has given ample grounds for scepticism about its plans in the labour movement by its haste to reassure the IMF that it will continue a policy of budgetary stringency. This will give scant room for revindictory claims by the trade unions.

That these claims will be pressed is illustrated by the stance taken at the 28 September meeting of the ruling body of OPZZ, which called for a 100 per cent increase in pensions and increases of the lowest pensions from 35 to 40 per cent of the average wage. OPZZ also protested against withdrawal of public funds from trade union sanatoriums, which they say will mean closure of 100 sanatoriums and thousands of redundancies and served an ultimatum on the new government that it would withdraw its support from the new government if it failed to end the unpopular pay-roll tax on enterprises, which sharply penalises pay increases in state owned enterprises.

Trade union asserts itself

We reprint below some fragments of the proceedings from the Solidarity Congress in June 1993, illustrating its break from the former Solidarity luminaries in the Democratic Union, which formed the core of the governments of the last three years and has now been unceremoniously ejected from office. The sense of growing frustration and disillusion is readily apparent. Belated recognition of the need to intervene in its own right in the political sphere, rather than trust its liberal intellectual allies from the 1980s is also very apparent. For the moment, the ground which would be taken up by a Polish Labour Party has been occupied by the post-communist SLD and its OPZZ allies on the one hand and the social democratic Union of Labour, which has some base in the Solidarity apparatus on the other. However, the recomposition of the Polish left and labour movement is as yet incomplete. It remains to be seen whether Solidarity will be able respond to the political challenge which now faces it and make a constructive contribution to that process.

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



Appeal from the Fifth Solidarity Congress to Polish Society, Zielona Gora, 25-27 June 1993

Our Fatherland is in danger

We all know what is threatening the country and particularly workers and their families, who are experiencing the painful present situation and open social injustice.

A year ago the Fourth Solidarity Congress adopted a resolution calling on members of the union to carry the Solidarity revolution to a conclusion.

In the elections in September a decisive battle will take place over the shape of Poland, for at least one generation of Poles. Our chance of success will depend upon a high turn-out and the identification of able, honest, competent people, guided by their hearts as well as their brains, to carry out the reform programme.

Our opportunity lies in the choice of the best people, who will sever once and for all the connection with governments which have sought personal or party advantage at such a difficult moment for Poland and the families of working people. If after the September elections, those who have brought the country to ruin continue to participate in government, then the hopes born in August 1980 will be destroyed.

We have had enough of the paralysis of the state, the incompetence of government and the exclusion of public opinion from decision making on the destiny of Poland. We want a democratic Constitution of the Polish Republic and a coherent and efficient legal system resting upon it. We want a wise and effective parliament, efficient government and a conduct of affairs which does not put economic considerations at loggerheads with social justice. Among other things, we expect the development of universal education and a share for all Polish people in national assets and not only the rich and the select few.

"In August 1980 our struggle began for today and the farther future. We can and must win this struggle, but only as free, honest people in solidarity and faithful to the social teaching of the Church. We have this opportunity by advancing to the elections with Solidarity."

The attitude of the Union towards the situation in the country and the parliamentary elections:

"Four years after the victory of Solidarity the aspirations of Polish people have been subjected to a grave test. The manner in which the present political elite has conducted government is arousing ever greater opposition and willingness to bear the costs of reconstructing the state has dramatically collapsed.

The negative social response to the consequences of the Solidarity victory has its roots in the following factors, amongst others:

- the absence of a coherent socio-economic strategy on the part of the government;
 - economic decisions often favouring the interests of narrow political groups;
 - tolerance towards corruption;
 - the growth of poverty;
 - the continuing influence of the communist nomenklatura in crucial areas of state financial administration and in the administration of justice;
 - the arrogance of the governing elite;
 - the degradation of important areas of social life, such as education, science, culture and health services;
 - the breach of trade union rights;
 - the sluggish progress towards the creation of a new legal and constitutional structure for the Third Republic.
- After four years, we still do not have a new constitution.

All these phenomena gravely threaten a deepening of the political, economic and social crisis. Solidarity has a moral and statutory duty to defend in parliament the standard of living, working conditions, the right to dignified wages and respect for human rights. We must also fight against the ever more aggressive attacks on trade union freedoms.

The fundamental condition of the realisation of these tasks is the involvement of the union in the legislative process. Therefore Solidarity itself must have its own representation in Parliament, in order to carry forward the Solidarity revolution in a way which will make Poland secure.

The Fifth Congress of Solidarity declares that the union will seek its own representation in the Sejm and the Senate, without restricting the number of its candidates. The Solidarity parliamentary group should represent the position of the union in social and economic matters and the future of the system. The union should also not be passive in the approaching local government elections. There too the destiny of Poland is being determined.

The Fifth Congress of Solidarity considers that the most important tasks facing the new parliament are:

- the introduction of a new constitution;
- the introduction of a new package of regulations governing relations at work;
- the improvement of the relationship between living costs and wages;
- an active struggle against unemployment in town and country, by measures to create jobs and defend existing ones;
- the introduction of social welfare measures by the state, which will diminish the present dramatic growth of poverty. A threshold should be established for poverty below which people are not allowed to fall;
- changes in the state budget which will guarantee the financing of education, science and health services;
- a reform of social insurance, consisting of a strengthening of the relationship between the level of contributions and the level of services and the participation of the insured in the administration of the fund;
- the introduction of health and safety insurance on the basis of the principles of social solidarity and self management;
- the proper adjustment of the taxation system to the real socio-economic situation in the country, amongst other things a just distribution of the tax burden,

regardless of the form of ownership of an enterprise [this refers to penal taxation of state owned enterprises]

- the elaboration of serious steps to ensure access to their own flat for every family;
- the reorganisation of the process of privatisation and reprivatisation, particularly in regard to removing the obstacles to endowing the work-force with ownership rights;
- the introduction of real steps towards guaranteeing the participation of all citizens in the privatisation process;
- the introduction of an institutional framework of the state treasury [this refers to a form of ownership of state enterprises transitional to privatisation transl.]

- the defence of Polish industry and agriculture and the introduction of policies to promote them and encourage exports;
- the speeding up of a law on "lustracja" [this refers to demands for calling officials of the "old" regime to account for abuses in the past - transl.]
- the introduction of a proper system of accountability in economic matters;
- the defence of trade union rights;
- the restoration of trade union property [this refers to confiscations during the martial law period - transl.]

The liberation of the country and of the nation from the remnants of Communism and the need to ward off enormous social costs arising from the changes and their unequal distribution, together with guarantees of the sovereignty of society as a whole and the co-administration of national assets, will demand enormous efforts from Solidarity, not infrequently sacrifices and determination. It will require too a definite and direct influence on the parliamentary level. Solidarity will struggle for dignified conditions of life and work in our country."

The union and the economic situation (Resolution no. 9)

"The dangerous process of deepening economic recession is continuing. As a result it is impossible for many areas of social activity to function. This gives rise to a real danger of the collapse of civilization, in terms of both the nation and the state. The absence of a conception of economic development adds force to the following tendencies and all their negative consequences:

- the declining profitability of farming;
- the collapse of factories;
- the growth of unemployment;
- the declining standard of living;
- the disorganisation of the market.

As a result, government revenues are falling and demands upon them from growing needs are rising. We recognise that if this situation continues, a fundamental threat to national interests is posed. We expect from the parliament and government of the Polish Republic the working out and implementation of a programme of economic growth and industrial policy, which will ensure the normal functioning of all structures of the state as well as the establishment of a concrete programme of social policy which guarantees social protection from having to bear excessive costs of the systemic transformation.

We regard the situation as an extreme one and we warn against any continuation of disregarding public opinion in the conduct of government."

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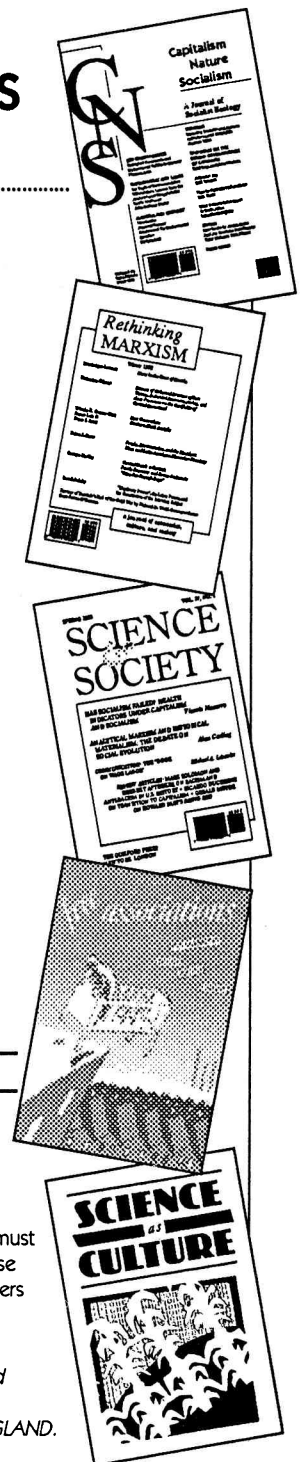
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Who's who in the SLD

Włodzimierz Cimoszewicz

43 years old. PhD in international law. Academic at Warsaw University, with a pig farming enterprise in Białystok for the last eight years. He joined the Polish United Workers' Party (PUWP) at the age of 21 "I could only realise my ideas there." He was secretary of the Party committee in the high school. In 1989 he was a PUWP MP. Head of the SLD national committee and presidential candidate. "I feel a moral responsibility for the situation of the country in the years of Party governments, to which I belonged, but I have nothing with which to reproach myself," he said.

The Council of Europe has appointed him to its legal commission on decommunisation in Central and Eastern Europe.

What were the best and worst things about People's Poland in its final four years? "Next question please." When do you think things were best? "Now." What should be the priorities of the SLD? Cimoszewicz suggests: "More competence, more sensitivity, more honesty."

His book *Time of Retribution (Czas Odwetu)* is dedicated to: "all those who have the courage to remember that they once lived in the Polish People's Republic and were convinced that they lived in Poland".

Aleksander Kwasniewski

President of the Social Democracy of the Republic of Poland (SDRP). 39 years old. A member of the PZPR from 1977 to the end. Graduated from the University of Gdansk as a Transport Economist. Journalist on *ITD* and *Standard of Youth*. Sporting interests. A member of the governments of the latter half of the 1980s, he was responsible for Youth and Sport. President of the Polish Olympic Committee (1988-92). chaired the Social Political Committee under Rakowski.

"We do not repudiate any of our antecedents, not Puzak, nor Cyrankiewicz [Polish Socialist Party figures, the first in underground opposition to the post war regime, the latter in prominent collaboration with it and eventually Prime Minister - transl], not Gomulka, Kania, Gierak, or Jaruzelski. Not even Bierut. We draw inspiration from Marx, Engels, Lenin and Gramsci - all of them !

When were things better? "Things are better now. Now democracy has been achieved, we must benefit from it." He has not eaten meat since May and does not drink vodka, but he promises not to make his diet compulsory for the rest of us. Witty.

Three proposals for the SLD government? "Reinvigorate the economy, put the budget in order and adopt a constitution."

We reprint below biographical notes and responses to questions put to the top twenty members of the Democratic Left Alliance (SLD) national list of candidates in the recent Polish elections, all of whom were elected, published in Gazeta Wyborcza on 25/26 September 1993. Gazeta supports the Democratic Union and the SLD members questioned were all at one time members of the old Communist Party (PZPR). The biographical entries are edited and translated by David Holland.

In Poland there are now tendencies acting for growth, so he plans to adopt the principle of "not hindering them".

Ewa Szychalska

When Solidarity was banned, she observed that: "the establishment of a trade union with the leading role of the Party written into its constitution is a lesser evil than passively waiting." She rose in the OPZZ from February 1983 onwards. She became its President in December 1991. She did not belong to the PUWP.

44 years old from Warsaw. After architectural training, she studied as a teacher and at the Central Committee Academy of Social Science. She taught blind children and then in 1980 established Solidarity in the Grunwald Housing Co-op.

"In the People's Republic things were more secure, there was social security. People's Poland was worse as regards freedom and the rule of law. But reflecting on the future of my children, I was less worried then." Her husband, a pensioner, looks after the home and two children, with Ewa's assistance.

Leszek Miller

47 years old. From January 1990 to March 1993 he was General Secretary of the SDRP and is now its Vice President. Just before the dissolution of the Sejm, his parliamentary immunity was lifted, in connection with loans to the SDRP from the Soviet Communist Party.

Technical school graduate. Worked as an electrician until the mid-1970s in the Liniarski Industrial Plant. Joined the PUWP in 1969 because "he wanted a say in what was going on in the factory". From 1977 he worked for the Central Committee as an instructor. In the years 1986-88 he was First Secretary of the Provincial Party Committee in Skierniewice. Later Central Committee Secretary until the end.

"The SLD should undertake the enactment of a new constitution, according to its own conception of society, guaranteeing equal status to the different sectors of the economy and pursuing a social policy which will not leave each individual isolated to struggle for survival."

Jozef Oleksy

In the PUWP from 1968. 47 years old from a workers' family. Graduated from the SGPiS [Poland's LSE - transl.] in 1969 with a doctorate in economics. Worked in the Ministry of Education from 1969 and in the Department of Ideological Instruction of the Central Committee 1977-81. He was then Director of the Central Control Commission of the PUWP, Secretary of the Provincial Party committee in Biały Podlaski

1987-89 and Minister responsible for liaison with trade unions in 1989.

From 1991 he was a member of the Presidium of the Executive Committee of the SDRP and is now Vice President. He was an MP for the last two parliaments... Able to improvise, witty and elegant. Closely connected to MPs such as Niesolowski and Lopuszanski. He frequents left wing salons. He likes the political intrigue of the lobbies. He specialises in foreign policy.

Izabella Sierakowska

47 years old, Vice President of the SDRP. MP in the last two parliaments. Shone as an opponent of the restrictive abortion law.

After studying Russian in Rzeszow, she became a full timer in the local teachers union (ZNP) and an activist in OPZZ. She was a delegate to the Tenth Congress of the PUWP [which took place in 1981 during the heroic period of Solidarity and veered in a liberalising direction - transl.] Her husband, father, brother, aunt and uncle all belonged to the Party.

When decomunisation began in Czechoslovakia, she remarked: "For me the Czechs are no example to follow. They are always the first to put their hands in the air. Communism is a fine thing. Do you know its basic principles? Internationalism, humanism ... these are beautiful things."

Waclaw Martyniuk

44 years old. A member of the PUWP from 1976. Graduate of the Poznan School of Economics (1972). Worked in the Zywiecki Fur Factory and in the Borynia and Krupinski mines. He was Vice President of the OPZZ from 1986. An MP in the last parliament and a member of the executive of the SLD parliamentary group. President of the Foundation to support Entrepreneurship and Limit Unemployment and Vice President of the GKS Zory sports club.

Jerzy Szmajdzinski

41 years old. Graduate of the Wroclaw Economics Academy. In the eighties an activist in youth and sporting organisations. Vice President of the Polish Olympic Committee 1988-91. An MP in the last parliament of People's Poland and in the first of the Polish Republic. Member of the Commission of National Defence. From March Secretary General of the SDRP.

He did not want to answer any questions: "We do not have to concern ourselves now with how long we were members of the PUWP."

Zbigniew Kaniewski

45 years old from Bialogard. Graduated in geography in Gdansk. From 1991-93 he was a SLD MP from Lodz. He is not now a member of a political party. He joined the PUWP in 1979 because a "left wing attitude to the economy" appealed to him and "it connected him to activities in the trade unions."

After 13 December 1981 [the date of the proclamation of martial law - transl.] "he looked after the property" of the branch trades unions ["official" trade unions, formally dissolved with Solidarity and subsequently reconstituted as the OPZZ constituent unions - transl.] In 1982 he founded the Independent and Self Governing Trade Union Federation of Light Industry (part of the OPZZ) and afterwards became its head. Under its current name, it had 700,000 members in June this year.

He had a better material position in People's Poland, because the earnings of a union full-timer are related to the top earnings of factory workers. In parliament he wants to see a new constitution adopted, fight for a social safety net for ordinary people and put state enterprises on a healthier basis.

Marek Borowski

SLD economics expert. 47 years old. Interested in foreign trade. Expelled from the PUWP in 1968 for organising a demonstration in the SGPiS [Polish LSE - transl.] "This was a great nuisance for me. I considered that I was acting in accordance with the Party's principles." He was blacklisted from work in foreign trade. Employed by the "Centrum" chain of shops. Rejoined the Party in 1975, although "he did not express repentance". In the PUWP to the end and then in the SDRP. In 1989 he was Vice Minister of Domestic Trade. From 1991 an MP.

Jan Zaciura

59 years old. During martial law, he was Vice President of the ZNP [teachers' union]. He has been its President for a year. Worked in education on the Baltic coast. PhD in political science.

A member of the PUWP since 1961. "I believed that I would be better able to realise my professional aspirations in the Party. I was committed to the unrealised ideological values of the Party, like a young girl going to her first communion." "People's Poland was worse from the point of view of the availability of consumer goods, but in the 1960s it was not difficult to maintain a family."

"It was thanks to People's Poland that I was able to complete higher education and do a doctorate. That is why I will be calling for free education and also for increases in the wages of those working in the public sector and in pensions."

Jacek Zochowski

52 years old from Warsaw. Professor of Cardiac Medicine. A member of the PUWP from 1980. "After my higher degree (habilitacja) in the medical academy, I thought I could go on to further postgraduate work (docent), if I joined the Party. I was ward head in a clinical hospital serving the Ministry of the Interior. The position required membership of the PUWP, but this was still my choice." A member of the PUWP until the end. Now not a member of a political party. "In People's Poland there was an aspiration for some kind of change, for freedom. I wanted a great transformation of thought, which would cause us to become a European country. Now this hope no longer exist. Change will be slow and gradual." In parliament he wants to improve the health service and defend the pharmaceutical industry.

Piotr Ikonowicz

Under forty, for many years he accompanied his father on foreign trips (to Spain and Cuba amongst other destinations) as a correspondent of the Polish Press Agency. This gave him his knowledge of languages and his fascination with the partisans of Che Guevara and ETA. Studied law at the University of Warsaw. Showed talent as a journalist and translated books by Russian revolutionaries banned by Stalin.

In 1981 he worked with the Solidarity Information Service. Interned. In autumn 1991, he "founded the PSP" [Polish Socialist Party]. Its radicalism and links

with Trotskyists were the cause of splits in the PSP. Boycotted the Round Table and the elections flowing from the Agreement. Said that: "Police clubs had effectively beaten out of him the idea of pacts with Communists."

In parliament he will defend the welfare state and call for the substitution of a self-management chamber for the Senate. "Because who is the more free? A worker in unemployed splendour, or a worker in People's Poland, who could find work anywhere?"

Danuta Waniek

Joined the PUWP in 1967 because: "she wanted to take part in a huge social advance, particularly of women, as it happened." 47 years old. Postgraduate qualifications in law in the Institute of Political Science of the Polish Academy of Science.

She ended her career in the PUWP as First Secretary of the Party Branch at Warsaw University. After the dissolution of the Party, she created the Democratic Union of Women. Amongst the most important tasks for her parliamentary club she sees: "an honest verdict on the past, so that the young will see that People's Poland was not all bad."

Jerzy Jaskierna

43 years old from Kudowa Zdroj from an intelligentsia family. Qualified in Law. Worked at the Jagiellonian University. Joined the PUWP as a student in 1970. "I was a member of the Union of Socialist Youth, a youth activist. The Party was the natural course of development."

In 1981 she was the president of the Polish Union of Socialist Youth and three years later General Secretary of the Movement of National Rebirth (PRON - a martial law regime political front organisation). From 1987-90 she was an adviser in the Ministry of Foreign Affairs and a counsellor in the embassy in Washington. In 1991 she became an SDRP MP.

"The Party was a good organisation." She also has positive recollections of the PRON: "This was a period of systemic experiments, changes, the creation of a Constitutional Tribunal. We need to hasten to a situation in which revenues from taxation and duties are devoted to pensions and social policy."

Maciej Manicki

39 years old. Co-founder and Vice President of the OPZZ, SLD MP in the last parliament. Not a member of a political party. A machine mechanic and shipping office functionary, he worked in the Szczecin shipyard Gryfia. Put forward the idea of parliamentary collaboration between the OPZZ and Solidarity.

Anna Bankowska

49 years old from Znin. Graduate of the Economics School in Poznan. In 1986, she was Deputy Director agricultural machinery factory INOFAM in Inowroclaw. In 1991, after its transformation into a State Treasury Company, she joined the board of directors. She joined the PUWP at the age of 20, because "at that time one had to." She did not occupy any Party office.

People's Poland was better because it was more tranquil. "People had greater stability, psychologically and in terms of income. They didn't have to worry about tomorrow. But people now can choose and express their views." An MP in the last parliament. After the dissolution of parliament she went back to INOFAM as director of marketing.

Jozef Kaleta

68 years old from a farming family. Professor of economics, head of the Finance Faculty at the Wroclaw Academy of Economics and for fourteen years rector of this establishment. Not a member of a political party now.

"In Peoples Poland I did not have the opportunity for a professional position, like the one I have today, but the majority of people lived better then." He wants "equality of treatment of the private and state sectors, that is an end to the payroll tax and to dividends [discriminatory fiscal measures bearing on the state sector enterprises - transl.] and restoration of the state monopoly on spirits and tobacco. I am definitely a critic of Balcerowicz."

Tadeusz Iwinski

48 years old. Brought up in Piaseczne near Warsaw in a family of "working intellectuals." Professor of human sciences. Member of the PUWP from 1967. Delegate to the last Party congress. "I wanted to affect the destiny of the country." In the 1980s, he was head of the Department of Capitalist Political Systems in the High School of Social Science, attached to the Central Committee. Today he works in an academic institution in Olsztyn and in the Polish Academy of Sciences.

He wants to reform laws which: "have bad social effects, such as those restricting abortion and on taxation policy. Without resorting to printing money, budgetary policy should be changed, so that the SLD can carry out its election promises."

Longin Pastusiak

Political scientist. Specialist on America. Professor. 58 years old. From a family of Lodz textile workers. He joined the PUWP in 1961, after returning from the USA, where he studied international relations: "This was the post- October wave of reform. We had to build democratic socialism." [the reference is to October 1956 and the wave of de-Stalinisation and associated workers council movement - transl.]

What was good in people's Poland? "The feeling of security, greater social equality. People's Poland gave individuals more possibility of defending themselves. You could appeal to the local authority for example.

What was bad? "Restrictions on freedom, the subjection of individuals to the interests of the Party, the mono-Party culture, the absence of free elections, censorship, difficulties with travel.

Vice President of the World Association of Political Scientists, he has published 40 books on the USA. Academic at the Polish Institute of International Affairs. "From tomorrow I will be unemployed. They have abolished us. Some will find jobs at the Ministry of Foreign Affairs, but there's no place there for me." He does not belong to the SDRP. "I stood in the elections with the SLD, because I identify with working people."

Independent Armenia: no way out

by Vicken Cheterian

The popular demonstrations in Yerevan in February 1988 didn't only instigate a revolution in the political sense but revised the self-definition of Armenian national identity. During the Soviet period, the ideology of the Armenian Communist Party was curiously nationalist in essence. Remembering the horrors of the Armenian genocide during the first world war and in the wars that followed between independent Armenia and Azerbaijan in the years 1918-1920, Armenian historians considered independence to be a danger, something that could expose the people of Armenia to new wars and to genocide from its Turkic neighbours. The only guarantee of physical survival and prosperity, it was said at the time, was the Soviet Union or, more explicitly, the protection given by Russia in exchange for Armenian loyalty.

Independence

The first demonstrations in Yerevan exhibited a rather naive faith in Gorbachev, the one who promised democratisation and who would correct the historic error of Stalin by uniting the mainly Armenian populated Karabakh with Soviet Armenia. But Gorbachev not only failed to bring justice to Karabakh; he also failed to protect the Armenian population of Azerbaijan from the pogroms in Sumgait, Kirovabad and Baku. The Soviet Union was no longer a guarantee of security; the old world order thus collapsed for the people of Armenia.

Anti-Russian sentiment then grew rapidly and, in a country with an Armenian population of over 93 per cent, Russification became a hot topic. The Karabakh movement, in its turn, became radicalised and rejected the ideological basis of Soviet Armenia.

The Karabakh Committee, which evolved into the Armenian National Movement currently in power, hoped that, with the fall of the USSR, Armenia would be able to escape the political domination of Moscow. They also hoped for better relations with Turkey, which was seen as a modern, westernised state that could serve as a natural outlet for Armenia to the Western world. Plans were discussed to enlarge the Turkish port

of Trabizon, which would serve as a link between the Caucasian states and Europe. With the help of the well-established Armenian diaspora in North America, France and the Middle East, Armenia hoped to make rapid progress towards restructuring its Soviet industry and creating a service sector.

Armenia proclaimed its "sovereignty" on 23 August 1990 and then declared its "independence" after the referendum of 21 September 1991. But now, after only two years of independence, the principal ideas of the independentist movement are being severely challenged by developments. The early hopes for cooperation between Armenia and Turkey in the framework of "Black Sea Economic Cooperation" have been overshadowed by the Karabakh events. With the fall of the Soviet Union, the conflict escalated into a full-scale war. Azerbaijan is inhabited mainly by ethnic Turks and Turkey has geopolitical interests there, since it is the link between Anatolia and the Central Asian Turkic republics. Nationalist circles in Turkey are pressing for more active support for Azerbaijan while public opinion in Turkey and Turkish media coverage of the war very soon became anti-Armenian.

Another obstacle that stands in the way of better relations between Armenia and Turkey is the still unresolved problem of the Armenian genocide in Turkey in 1915. The Turkish government, up to now, has refused to recognise that this genocide even took place. Although over 30 per cent of the population of Armenia are the grandchildren of refugees that escaped from Ottoman territory, the new Armenian authorities had hoped that the problem could be ignored. As Jirair Libaridian, deputy foreign minister and himself a diaspora Armenian, said in an interview earlier this year, "Il faut dépolitiser cette question qui a été politisé par la diaspora". (*Les Nouvelles d'Arménie*, May 1993) Ter-Petrossian even sacrificed his first foreign minister, the American Armenian Kaiji Hovannessian, for making a speech in Istanbul which mentioned the genocide and which criticised the Turkish government for giving military assistance to Azerbaijan. In spite of this, Ankara has refused to exchange diplomatic representatives with Yerevan and it keeps its borders with Armenia closed in support of the blockade by Azerbaijan.

Unable to improve relations with Turkey, Armenia found that it needed Russian protection. Unlike its neighbours, Georgia and Azerbaijan, Armenia became a member of the Commonwealth of Independent States

Vicken Cheterian is a writer on Armenian affairs and is currently working on an aid project in Armenia.

(CIS), this membership being mainly a symbol of its alliance with Russia. Armenia is one of the few independent post-Soviet republics that is not in a hurry to see the last Russian soldier depart from its territory. On the contrary, its borders with Turkey and Iran are being protected by CIS, mainly Russian, troops, without which Turkish threats of military intervention, after each major Azeri defeat, would be taken more seriously in Yerevan. Local press reports say that the Russian divisions had been transported from the ex-GDR to the town of Gumri near the Turkish border.

Russia is also the main supplier of funds to Armenia. According to the economics ministry, the Russian government made a loan of 209 thousand million roubles this spring. This far exceeds Western grants and credits, which are not much over 90 million dollars this year.

Isolation

Armenia has progressively found itself more isolated. With a mainly mountainous terrain of 29 000 square kilometers, the country has no outlet to the sea and also suffers from not having secure routes to the outside world. Since 1989 its borders have been closed by Azerbaijan, cutting off most of the land routes between Armenia and its traditional economic partner, Russia. The war and chaos in Georgia has now cut the last land link with Russia and armed bands are demanding high sums to allow the passage of lorries to Armenia. It is only with Iran now that Armenia still has any kind of normal border situation. For over a year, there has been a temporary bridge over the river Arax. But this whole area was a closed zone during the Soviet period so the road network is under-developed and not really in a usable state. So the air routes remain as the only means of communication and transport. This has the effect of making consumer prices in Armenia twice what they are in Russian cities and making Armenian industry uncompetitive. Roughly a third of the population affected by the earthquake of 1988 still doesn't have proper housing and these people have to live in metal containers because of the lack of construction materials and finance.

Armenia's other dilemma is its lack of energy sources. The closure of the Medzamor nuclear power station after the earthquake and the ending of gas supplies that used to come through Azerbaijan have left Armenia with a chronic energy shortage. The most difficult period is during the winter months when the temperature at night drops below minus twenty Celsius. The people are afraid that the horrors of last winter, when they were left without gas and with only two hours of electricity per day, will be repeated again this year. The food shortages would have caused mass starvation if the international community had not organised emergency humanitarian aid.

Most of the factories in Armenia are either closed or function at a fraction of their capacity. Unemployment is high, officially at 75 000 in June of this year in a country of only 3½ million. In most cases workers are just sent on enforced vacation without pay. Those who are fortunate enough to have work receive between 5 000 and 15 000 roubles a month, roughly between five and fifteen US dollars. The country has also had to take in over 300 000 refugees from Azerbaijan, most of whom find no work and depend on charity to survive. Although life in Moscow is described with horror in the Western press, for most Armenians even

this would be a dream: gas, water, lower consumer prices and wages two or three times higher than in Yerevan.

The contrast between the hopes generated by independence and the bitter reality of the past two years has cost Ter-Petrosian his popularity. Some currents from the Armenian National Movement have joined opposition forces; the ones that remain have become state functionaries. The campaign against the Russian language, supported by the authorities, has marginalised the Russian-oriented intelligentsia.

Corruption was widespread in the Caucasus under Brezhnev. But the disintegration of the old economic ties, combined with the weakness of the new state structures, has created ideal conditions for the growth of economic mafias. The functionaries in power, anxious about the instability of the political climate and the future of their positions, have turned to corruption and bribery. As the energy crisis in the country developed and the state was unable to secure deliveries of oil to meet basic needs, the mafia took over the petroleum business. Oil lorries travelled to Georgia where they bought petrol from Azerbaijan to re-sell in Yerevan, generating very high profits for the mafia. These new rich then invest their money in Moscow or buy luxury imports (German Mercedes or US Cadillac). Very little is ever invested in the Armenian economy.

The Karabakh war

While the 1915 genocide against the Armenians is at the root of the self-identity of the Armenian diaspora, the Karabakh cause became the ideological cement that led Armenia into independence. The situation in Karabakh is still a priority in the politics of Yerevan, where politicians, in power and in opposition, link the fate of Karabakh with the survival of Armenia itself. When the ANM came to power, it revised its demand for the immediate unification of Karabakh and Armenia. The official version of state policy for the past two years has been that "Armenia has no territorial claims on Azerbaijan but it supports the right of self-determination for the Armenians of Karabakh". This was in order to avoid a direct confrontation between Armenia and Azerbaijan. A claim on the territory of Karabakh would have been an obstacle to independent Armenia's attempt to gain international recognition, since "territorial integrity" is one of the principles asserted by international diplomacy. When Azerbaijan declared its independence from the USSR, at a time when Armenia was not ready for unification, Karabakh declared itself an "independent republic" in December 1991. This was after a referendum in which 94 per cent of Karabakh Armenians who participated voted for independence. The independence of Karabakh, however, is not recognised by any state, including Armenia.

The war in Karabakh is costly for Armenia. In addition to military support, Armenia sends daily supplies of materials such as flour, fuel and medicines. While Yerevan has four hours of electricity each day, Stepanakert has electricity for almost the whole day supplied from Armenia through the Lachin corridor. Because of the conflict, Armenia is blockaded, international investment is hindered and economic reform is made extremely difficult. Yerevan, therefore, has every interest in finding a solution to the Karabakh conflict.

In May 1993, Ter-Petrossian campaigned in Armenia and Karabakh for an international peace plan, as part of which Karabakh would withdraw from Kelbajar, the Azeri region between Armenia and Karabakh occupied by Karabakh forces in April 1993, in return for a cease-fire. In June, Ter-Petrossian asked for the resignation of the Armenian defence minister, Vazken Manoukian, known for his ambitious military plans in Karabakh. But the Karabakh offensive continued. In July, Karabakh forces occupied the Azeri town of Aghdam and in August they attacked Fizuli, Djebrayil and Koubatli regions in an attempt to reach the Iranian border.

Are there differences between Armenia and Karabakh? The State Committee for Defence, which holds power in Karabakh, and its president, Robert Kocharian, are politically close to the Armenian National Movement. The oppositional Tashnaksutiun Party, which dominated Karabakh during the first half of 1992, has little to say on strategic decision making. Therefore, in theory there is no political competition between Yerevan and Stepanakert. In Yerevan, however, the social and economic situation is the primary concern while in Karabakh the main issue is the military one. Karabakh leaders have also established direct contacts with Moscow, which diminishes their dependence on Yerevan.

How was it possible, after a devastating winter, when all production was paralysed, when the country was on the brink of collapse, to make military gains in Karabakh? One explanation is that Armenia and Karabakh are "on the right side", the side of Russia. Russia is trying to bring Azerbaijan, with the rest of Transcaucasia, into its sphere of influence. The war in Karabakh serves this end. But one has to say that the military victories of Karabakh are fictitious. Today, Karabakh forces are occupying barren ground, destroyed villages which they can neither rebuild nor populate. But to defend this they have to mobilise the entire population of Karabakh. This war is consuming the last energies of Armenia, Karabakh and Azerbaijan and it is endangering their fragile independence.

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Review

Alexander Yakovlev, *The Fate of Marxism in Russia*, Yale University Press, 1993, £19.95 (\$27.50).

Alexander Yakovlev is not the first high-ranking Soviet Communist to renounce *all* of his previous convictions. From about 1988 onwards, personalised recantations of old ideological faith became quite common and, in the process, they clearly helped to sustain and buttress the delegitimisation and de-mythologisation of the traditional pillars of the Soviet structure of power.

Alexander Tsipko, the prominent philosopher and highly placed academician in the Soviet intellectual hierarchy was really the trendsetter here and, in a forward to Yakovlev's own book, he gives fulsome praise to the author for demonstrating more definitively than anyone else (himself included) the extent to which the Soviet peoples paid the price for Marx's "prejudices and illusions".

Avoiding any tone of cynicism or even suspicion of the lateness of Yakovlev's conversion, Tsipko makes it plain that the impact of this latest "revelation and ... purification from the Communist delusion" will be that much stronger and valuable precisely because the recantation comes from a person who "fully drank of the cup of his former beliefs".

Yakovlev himself never refers to Tsipko's formative influence on his own process of intellectual transformation, but the similarities between Tsipko's much earlier critique of Marxism and the latest offering from Yakovlev is very apparent.

Another prominent example of this Communist *mea culpa* was Oleg Bogomolov in 1990. In a truly remarkable piece of expurgation titled "I Cannot Absolve Myself from Guilt", Bogomolov wrote at length on the problem of atonement, repentance and purification that he, and others in the Communist movement, now have to face up to. (*Ogonyok*, no. 35, 1990) What Bogomolov yearned for was some kind of personal (and societal) salvation and he clearly felt that this could only be achieved by replacing his old faith (Marxism) with its exact antithesis.

This sense of moral torment for the apparent wrongs that he has lent his name to is an ever-present factor in Yakovlev's book and his is forever reliant on spiritual, almost mystical arguments in his attempt to wash away some of the "stains" left on him by the earlier influence of Marxism.

Nowhere is this more apparent than in Yakovlev's critique of the materialist underpinnings of Marxist philosophy. In a passage remarkable devoid of any analytical substance or depth, Yakovlev makes the claim that all materialist philosophy cannot help but lead to fetishism, thereby "enabling the problem of spiritual choice to be removed and thus eliminating personal responsibility, sin and repentance". Materialism, he continues, disarms a person spiritually, making him vulnerable to ideological manipulation. "From the perspective of materialism, the human being is a functional phenomenon, merely a particle of nature, one of the ways material systems function. Marxism therefore is ideologically related to authoritarianism."

It is not just the materialist component of Marxist philosophy, however, that is to blame for the evils unleashed on Russia in the twentieth century. The whole philosophical labyrinth of Marxism is subject to

vehement attack. From the notion of class struggle to alienation, from the Hegelian-based system of dialectics and the "negation of the negation" to the concept of freedom as recognised necessity, Yakovlev writes like a man possessed, yearning to excoriate himself from such devilish designs.

Writing about the impact of Bolshevism on Russia in this century, Yakovlev says that his primary aim is to understand why Marxism could have been successfully transplanted on to Russian soil in the particular way that it was. The fundamental specificities of Bolshevism are therefore crucial to his analysis. But his conclusions are remarkable imprecise, if not obscure: Bolshevism is "a struggle against what is or seems to be visible in conditions where nothing, or almost nothing, is known about everything or nearly everything, that is invisible, concealed, innate and rich in content".

Yakovlev seems unable to decide whether Bolshevism was a peculiar Russian phenomenon or not. Bolshevism is sometimes cast as the logical successor to most aspects of Russia's traditional political culture; at other times it is seen as a total negation of that culture.

Theoretically and historically, Yakovlev's book leaves a lot to be desired. This, of course, doesn't detract from its value as propaganda for the new order in Russia. It is only from this viewpoint that a quotation from the former US Secretary of State, James Baker, warrants inclusion on the book's front cover: "One of the architects of perestroika meets Marxism on its own intellectual turf and beats it."

Yakovlev's empirical analysis of the Gorbachev reform era is even more disappointing. There is little in the way of new insight and virtually nothing at all is revealed about the internal workings of the old party structure or the internal debates and struggles that went on prior to or during the reforms. Even more remarkable is the fact that Gorbachev barely merits mention. The reforms themselves are defended. As to any mistakes that might have been made, Yakovlev is quite adamant that "it would be wrong to blame any of us for them; that would be too simple and vulgar". In this book, everything that Yakovlev had previously believed and worked for is denied totally. But nothing is offered which really explains this process of intellectual transformation. In his famous book, *The Rites of Passage*, the social anthropologist Arnold van Gennep writes about the threefold process that involves firstly "separation" from one's traditional form of identity; an in-between phase of "liminality" where an individual, having lost the orientations of his past, has yet to find his social bearings; and a final phase of "incorporation" or aggregation of the values and symbols conducive to one's new social identity.

Yakovlev takes us through none of these phases in his own passage of ideological/intellectual rites. And while Tsipko refuses to countenance any cynical motive in Yakovlev's transformation, a more circumspect reader might not be quite so charitable.

Jeremy Lester