Confronting Insecurity in Eastern Europe: Challenges for the European Community

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by

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Preface

This is the fourth joint report linking foreign policy research institutes from the member states of the European Community.[1] **They are: Forschungsinstitut der Deutschen Gesellschaft für Auswärtige Politik, Institut Français des Relations Internationales, Istituto Affari Internazionali, Nederlands Instituut voor Internationale Betrekkingen - 'Clingendael' the Royal Institute of International Affairs and Stiftung Wissenschaft und Politik. For this work they were joined by the Institute of Security Studies of the Western European Union.**

This Report was stimulated by the EC Commission in order to analyse the multiple security-related problems of Eastern Europe and to help determine possible policy orientations by the Community and the member states. All previous reports have attracted wide interest among policy-makers and the general public.

Several researchers from participating institutes have been involved in the preparation of the Report. They include: Falk Bomsdorf (DGAP), Marco Carnovale (IAI), Roland Freudenstein (DGAP), Huib Hendrikse (Clingendael), Hanns Maull (DGAP), Dominique Moisi (IFRI), Friedemann Müller (SWP), John Roper (WEU), Sefano Silvestri (IAI), Hans Stark (IFRI), Trevor Taylor (RIIA), Roberto Zadra (WEU), and Joris Voorhoeve (Clingendael). The latter initiated and coordinated the drafting of recommendations which reflect to a large extent common positions of all the institutes.

During the preparatory meeting several high-level EC-Commission civil servants participated in the dicussions. We are grateful to them and for the material support which was received from the EC Commission services and particularly from the Cellule de Prospectives.

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1 The previous studies were: Karl Kaiser et al., The European Community: Progress or Devline? (London: RIIA, 1983); Europe's Future in Space: A Joint Policy Report (London: RIIA/Routledge & Kegan Paul, 1988); The Community and the Emerging European Democracies: A Joint Policy Report (London: RIA, June 1991).

Special thanks are due to the staff ot the RIIA, where Trevor Taylor worked extensively on the final editing of the text, as did his colleague Margret May. Emma Matanle showed great patience and diligence in preparing a corrected copy of the text.

The content and the recommendations of the Report do not constitute an official statement of the institutes concerned, but remain the responsibility of the indiviual contributors.

November 1992

Cesare Merlini
Chairman of the project

1 Introduction

The early 1990s have underlined the insight of General MacArthur that 'there is no security on this earth. There is only opportunity'. After the cold war there are significant security challenges, even threats, to the European Community, which is under extensive pressures from the East to change course. At the same time, the post-cold war world offers major openings to the EC, in particular the chance to build a united Europe in which all Europeans can benefit. It thus faces a dual challenge: to take advantage of the new situation while avoiding being overcome by it.

The European security agenda of the early 1990s comprised fundamental, interrelated, even daunting political questions. What principles would or should be used to guide and justify the frontiers of states in the east? How were stable and preferably democratic political systems to be established in the newly liberated countries? What would be the fundamental characteristics of international relations in the former Soviet empire? Could Western cohesion survive the collapse of the external threat? Should Western Europe envisage a single security system for the whole of Europe, or would separate if interrelated arrangements be needed for both eastern and western parts, at least for the rest of the decade? At their Lisbon summit on 26-27 June 1992, the EC heads of government acknowledged their aim to address these issues collectively by establishing a common foreign and security policy towards Eastern Europe, including the former Soviet Union.[1] A failure to realize this aim would be serious news for all Europeans.

The earlier comprehensiveness of Soviet domination meant its dissolution left behind many uncertainties, a situation which reinforced widespread feelings of insecurity among the new governments of Eastern Europe. For some, there was a clear fear that Moscow might again become assertive and seek to dominate. For others, the sense of insecurity was not related to any direct threat, but simply to a psychological condition of

[1] Communiqué of the Lisbon Summit, Annex 1.

concern at living in such a changing world. Finally, among some elements in societies, there was serious dissatisfaction with the political status quo. Some movements and even governments felt that aspects of the current situation were so unsatisfactory that it was worth trying to use force to change the position. Such judgments were, tragically, most apparent in the former Yugoslavia, but they had a place also in Transdniestria, in and around Nagorny Karabakh and in several parts of Georgia.

While the EC, by being a model of cooperation and development, was a positive factor for change in Eastern Europe, at the governmental level Western Europe was initially an observer of many Eastern developments. The Soviet empire collapsed from within, not under immediate external pressure, and West Europeans wanted perhaps above all not to get into arguments with a Moscow whose power was failing rapidly and which might become desperate. One prime issue that was unavoidable was the reunification of Germany, the terms of which were settled in the 'two plus four' negotiations concluded in the autumn of 1990.

It was always apparent, however, that Western Europe could not ignore the East, since it would be profoundly affected by what happened there. An impoverished East disrupted by violent conflict could be expected at the least to generate a large number of economic and political refugees. At the most, the end of the Soviet threat might stimulate the collapse of Western solidarity and the end of the West European security community (where the threat and use of force played no part in interstate relations). The shorthand way of making this point became to recognize that security and defence policy in the West could become 're-nationalized', i.e. formulated outside a framework of multilateral organizations.[2]

But Western Europe's concern with insecurity in the East could not just reflect cold calculations of interest about the various forms of fall-out from conflict elsewhere. It was significant that, even from the beginnings of the European

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2 *Statement on the Defence Estimates, 1992*, Vol. 1 (London: HMSO, 1992).

movement after the Second World War, integration was not seen as something for Western Europe alone but as a process which could serve as an example for the rest of the world to build on and emulate. The goal was always unity for all Europe.

There was an emotional, even moral dimension to be weighed. By 1990 the peoples of Eastern Europe had been largely cut off from the West for more than four decades, through little fault of their own. For this they paid an enormous material and spiritual price. Clearly this experience did not offset the centuries of common social and cultural experiences which had given the term Europe its meaning. It was arguable where the outer borders of Europe lay, but it was undeniable that its essence included cities such as Prague, Budapest and Warsaw. West Europeans could identify with all Europeans and, particularly through the Conference on Security and Cooperation in Europe (CSCE) process from 1973 onwards, had pressed for all to be able to enjoy freedom, including the right to travel, democracy and prosperity. The West had long called for open frontiers in a single Europe, reflecting its sense of social justice as well as its view of political interest. With the liberation of the East Europeans, the conscience of West Europeans, as well as their sense of interest, forced them to address the former communist world. However, such judgments must be seen in the light of the very limited contact which West European peoples had had with their Eastern neighbours. These contacts at the popular level, through town twinning arrangements, tourism and cultural awareness, need to be revived on a significant scale.

There was also a global dimension. The post-cold war world included the prospect of a new international order, marked by the *de facto* disappearance of the veto from the UN Security Council. But the UN was clearly overburdened by the events of 1992[3] and looked for support from regional bodies. Much of the world saw Eastern Europe except for the former Soviet Union (FSU) as the natural responsibility of Western Europe. Clearly,

[3] See, for instance, Boutros Boutros Ghali, *An Agenda for Peace* (New York: United Nations, 1992).

such a perspective highlighted the failure of the EC to resolve the enormously difficult problems of Yugoslavia. There could be no optimism about Western Europe's capacity to contribute to order on a global scale if it could not manage the affairs of its own continent.

Two questions of definition must be addressed. First, in this work, the term 'Eastern Europe' is used to include the whole of the former Soviet Union and the countries of its former empire. This is a convenient shorthand which recognizes that many or all of the Eastern countries which are in the CSCE and the North Atlantic Cooperation Council (NACC) have common problems. It does not mean that Azerbaijan should be thought of as part of Europe, nor does it imply that the whole of that area is similar or that it should be treated in a similar manner. Indeed an important question for the West concerns the different ways in which the regions of the former Soviet empire need to be treated.

The definition does not carry any clear ideological message, and does not hint that Russia should be seen as a 'European' as opposed to a 'Eurasian' country. It reflects instead the experience that, because of the nature of security issues, even the Asian states in the FSU could not be profitably excluded from the CSCE organization. It is, however, abundantly clear that Europe cannot be secure unless Russia's interests and concerns are effectively dealt with and accommodated in some way, and that Russia, as a state run from St Petersburg and Moscow, is historically and culturally part of Europe. This study subdivides Eastern Europe into four regions (the Baltic states, the FSU, Southeastern Europe and Eastern/Central Europe), while recognizing that in some senses the European 'strategic theatre' of concern extends into the Far East as well as the Mediterranean and Middle East.

The second definitional issue concerns the idea of security itself. Traditionally the focal point of the concept of security has been the threat and use of force - although, because force has always been used for a range of motives, including economic considerations, the security analyst has never been able to consider the use of force in isolation.

Today, however, there is an assertion that international security should be considered in much broader terms, that economic and environmental issues should often be seen as having the status of security questions because the problems involved threaten the way of life or even the survival of societies. This is almost to argue that a security problem is any 'really serious' problem.

There is some disagreement in principle as to which concept of security to use but in practice there may not be such a gap between the two ideas, since the problems which seriously threaten a society are precisely those which can justify the costs and risks of using military force for their management or resolution. If it is really the case that unsafe nuclear power stations in one country threaten to break down and irradiate the populations of neighbouring states, those neighbours might well contemplate using their armed forces to close down the offending reactors. More generally, the existence of environmental, cultural, migration and other non-military problems linking countries certainly hinders the development of the transnational trust and mutual empathy among peoples which a security community requires. Thus the existence of such problems in Eastern Europe will hinder efforts to put international relations in the East on the same cooperative, peaceful basis as in the West and to create a pan-European security community.

Overall, the problems addressed in this study are diverse, but they have in common the possibility that they could lead at worst to the threat or use of violence by some of the parties involved, and at the least to hindering the development of a genuine security community in Eastern Europe, in which the threat and use of force plays no part in interstate relations.

It is helpful also to have a reminder of some other fundamental conceptual points. Policy is about changing the behaviour of others in a desired direction. When West Europeans considered the East in these terms, it was apparent that they lacked sound information on the region, partly because there was confusion in many areas, partly because the communist system had worked to hide much from the outside

world, and partly because the old order had repressed many emotions and aspirations which took time to emerge from people's subconscious. Thus West Europeans needed, and still need, to understand better what is going on in the East.

There is also a need to specify the kind of change which policy seeks to stimulate. In the West there is a broad understanding of how we would like East European peoples and governments to behave in the security area. We would like international relations to be conducted without reference to the threat and use of force, we would like democratic political systems to operate, but not so that minorities are repressed or human rights abused. Because it is recognized that political stability and peaceful international relations are unlikely without economic progress, we would like to see people making market economies work effectively. But some of these changes may be judged unattainable. Policy may then be predicated on the assumption that they will not occur. For instance, a drastic possible conclusion might be that economic stagnation is unavoidable in Russia for the rest of the decade, and that Western economic and security policies should take this seriously into consideration. In short, West Europeans must know which goals they would like to pursue and which are attainable within a specified time-scale.

Next, problems arise when we start to identify which Western actions will stimulate change in the desired direction. The West would like to engineer major changes in the East but it is not clear how it can act effectively. This is evident from the dilemmas raised by the Yugoslav crisis, but it is also apparent in other spheres. For instance, would it increase Western security on balance for NATO to take Poland, Hungary and whatever emerges from the Czech and Slovak Federal Republic (CFSR)? Many Poles think it would. Many Westerners see things differently.

Thus West Europeans need a fuller understanding of what policy instruments and tactics will best serve their purposes in dealing in the security sector with their Eastern neighbours. As emerges in this work, one difficulty in dealing with the East is

the West's lack of confidence in the policy instruments at its disposal.

This study addresses the three fundamental questions identified so far: what is happening of security significance in the East; at what feasible targets should the West aim; and what instruments should be used? It also addresses a fourth area: who should pay what? How should the financial and other burdens of trying to engineer change in the East be allocated? NATO had endless debates on the allocation of 'roles, risks and responsibilities' over defence against the former Soviet threat. Similar debates are needed about the wider management of security in the new Europe.

In terms of institutions, this study focuses primarily on the European Community. In the past the EC's security and defence roles have been limited and contentious. Yet significantly, even before the conclusion of the Maastricht Treaty, it was acting in areas with security implications, of which the most prominent was its responsibility for coordinating the aid of the G-24 countries to Eastern Europe. The Maastricht documents laid out routes for the further development of the EC's security role. Clearly, the EC will not be seeking to reorganize European security without reference to other organizations, and there are important issues of how the common foreign and security policy (a European Council responsibility) is to be coordinated with trade and related economic matters (Community business proper). Thus a final question to be addressed is how the EC needs to coordinate with other relevant international bodies, including NATO, which has a significant staff and identity of its own.

This study starts by assembling information on risks in four security-related areas - political change in existing states, the economy, the military sector itself and the environment. Where risks have escalated to a significant extent, they must be viewed as threats and as priorities for Western action. The report goes on to identify Western actions to date and assesses their effectiveness, before locating the problems of Eastern Europe in the wider context of West Europe's global problems and concerns. It concludes with some recommendations.

It must be recognized that Western Europe and its allies may have options in some situations which include trying to contain and quarantine a problem as well as attempting to solve it. Apart from any other consideration, the East cannot be allowed to let the use of violence become a reliable way of attracting Western attention and resources. Western Europe's goals should and will be to do what it reasonably can to prevent violence and disorder, but also to isolate itself from such disorder as occurs. Clearly both approaches will have their own costs and risks.

In 1991 a study by the six institutes focused on economic issues.[4] While some real progress has been made, for instance in the conclusion of association agreements with Central Europeans, the recommendations of that study were not pursued in 1992 with the vigour which might have been hoped for. Regrettably, Western Europe is facing challenges and opportunities in the East at a time when recession in the West is pressing the priorities of domestic economic agendas upon leaders in the EC. This report concentrates on the security and order aspects of Eastern Europe, where it is clear that situations will remain ambiguous, uncertain and untidy for some time. Progress in the former Soviet empire will suffer setbacks. The EC must be ready for a sustained and probably costly effort to establish cooperative international relations to the East and to establish a pan-European security system which in due course will not have Eastern and Western dimensions. In the next four or five years the states of the EC will define themselves collectively either as sages and heroes, able to address the long term with policies which transcend immediate national interests, or as ineffective hypocrites, feigning concern and sacrificing long-term security for short-term convenience. Moreover, the nature of the problems means that there will rarely be scope for effective national action: what the European Community countries do together will be what counts.

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4 *The Community and the Emerging European Democracies: A Joint Policy Report*, by six European institutes of international affairs (London: RIIA, 1991).

2 Trends

INTRODUCTION

The sudden dissolution of the USSR at the end of 1991 can be considered the second and concluding phase of the anti-communist revolutions in Europe which began in Poland in the summer of 1980. The developments in Central Europe after the collapse of communist rule had already demonstrated that the prolonged crisis which eroded these dictatorships continued unabated even after the takeover by new leaders and the initiation of transformation policies in political and economic structures. The period of euphoria after the liberation from communism turned out to be short-lived in Eastern Europe as a whole. Since early 1992, it has given way to a deep frustration, in view of the ethnic wars of Southeastern Europe, the difficulties with economic and political transformation in Central Europe, and the frightening uncertainty in the former USSR. Most of the countries that were under communist rule have opted for the most difficult way out: they are introducing the political and economic institutions of Western democracy in a social environment where stressed populations tend to consider their political leaders as either rascals or miracle workers. Any programme of reconstruction must also contain elements of destruction, in order to eliminate the many remaining segments of the communist system. This can only succeed with broad and active support from the population. It is, however, one of the fundamental problems of the abandonment of communism that the leaders of the new democracies are forced to take measures that make the lives of the overwhelming majority of the people more miserable, at least in the short run. A deterioration of most aspects of daily life has undermined belief in the abilities of a democratic political order to solve the most pressing problems. All this is compounded by the fact that, for the foreseeable future, the

post-communist states will not have politico-economic elites comparable in competence to Western elites.

In this chapter, we assess present trends in the twin transition of Eastern Europe from planned to market economies and from Marxist-Leninist political systems to pluralist democracies. In this, we will distinguish between four sub-groups of countries: Eastern/Central Europe, Southeastern Europe, the CIS and the Baltic states.

EASTERN/CENTRAL EUROPE

It is clear that at least in Hungary, Poland and the Czech Lands, some remarkable successes have been achieved in political and economic transformation. In fact, out of all four regions of the European post-communist world, Eastern/Central Europe seems to be most advanced towards liberal democracy and market structures. Nevertheless, the current trends are giving rise to concern. At the very least, transformation in this area is turning out to be more difficult and taking longer than expected both in the West and the East. Slovakia after independence represents a special case: there, party pluralism was established when the country was still within the CSFR, but political trends are now pointing towards a rather authoritarian form of government. Economic transformation there will not be tackled at the same speed as in the other East/Central European countries. All this sets Slovakia apart from Poland, Hungary and the Czech Lands.

Trends in political transformation

The introduction of democracy and the rule of law is as yet incomplete: there remain serious risks of an anti-democratic reversal

All countries of the region can now be said formally to be pluralist democracies, whose governments have emerged from free elections. The introduction of legal systems which guarantee basic rights and conform to the standards set by Western democracies has proceeded well, Hungary being possibly the most advanced country in this respect. But the lack

of experience of the new elites in democratic processes, and the blurred and often contradictory ideas of parliamentary democracy which the East/Central European populations developed in the communist era, should still be regarded as obstacles. Actions to abolish elements in or the whole of the new democratic structures of Eastern/Central Europe could therefore still easily succeed. The 'mildest' version of such an anti-democratic reversal would be for governments to be endowed with extraordinary powers for a limited period of time. In the most extreme case, democratic constitutions would be abolished by force, in order to install dictatorships imposing violent suppression of civil rights. A special case would be an anti-democratic reversal after an election victory by authoritarian/populist or neo-communist parties. However, the most likely form of anti-democratic reversal would be a reaction of the executive to violent upheavals, massive strikes or sudden breakdowns of public order.

In another, slightly different scenario the reversal might (like the coup by Peru's president Fujimori) first be legitimized by the necessity of continuing the economic transformation process (with the claim that democracy is incapable of this), and then be presented as an answer to perceived or real calls from the population for a 'strong hand' (against corruption and other forms of 'structural entropy' - see below).

An anti-democratic reversal *against* the process of transformation would follow more traditional ideological lines involving neo-communism or nationalist-authoritarianism. However, since the vast majority of the political elites in Eastern/Central Europe are committed to democracy and marketization, such change seems conceivable only in the long run - with the arguable exception of independent Slovakia, which will probably cut ties with the donor countries on which the economies of Eastern/Central Europe strongly depend, and bring the EC association process to an abrupt halt.

Generally, anti-democratic reversals, in order to last, would have to rely on three mutually dependent conditions: the consent (tacit or overt) of a majority of the population; toleration by Western governments/organizations; and the

potential for enforcement by police/military structures. It is debatable whether the consent and cooperation of the elite is necessary, but with the Peruvian example in mind, and in view of the fresh memories of anti-communist clandestine structures, one could easily imagine new undergrounds emerging in Eastern/Central Europe in such a case. These might severely hamper attempts to reinforce any anti-democratic reversal. Overall, it is highly unlikely that the three conditions could all be met: the probable lack of coherence of police and armed forces in such developments, and their decreasing strength as the result of austerity policies, are near-insurmountable obstacles to coups. Besides, those forms of anti-democratic reversal that rely on the use of force run the inherent risk of civil war.

All East European countries experience what might be called 'structural entropy'

This term seeks to encompass all phenomena connected to the dissolution, weakening and fragmentation of political, administrative and societal structures (irrespective of whether these structures are pre-communist, communist or post-communist). One of the most prominent political dangers is a further fragmentation of democratic parties which, in all Eastern/Central European states, lack firm organizational structures and stable voter potentials. Poland's parliament is now highly fragmented, with the two strongest parties having only around 12% of the seats each; in former Czechoslovakia, the elections of June 1992 have had similar, although slightly less serious, effects. For the moment only Hungary has a fairly stable six-party system.

There is a risk of further decay in the state's capacity to control the use of force in the face of organized crime and political organizations with quasi-military wings. In Poland, organizations like the lightly-armed volunteer groups of the nationalist KPN party, or the peasant organization *Samoobrona* (self-defence) might emerge as true competitors of the police and military. Throughout the region, armed forces and the police themselves have been doubly weakened by the

revolutions of 1989. Severe budget cuts have reduced them in size, and some elements of these structures may remain uncomfortable with democracy for some time to come. Uncertainty about their new roles, and the stigma of the past (as in Poland, where martial law in 1981 turned out to be a traumatic experience for the army), may contribute to inherent weaknesses and a lack of coherence, especially under strain.

Structural entropy also implies the weakening of other state structures and institutions. The true power in economic decision-making may shift from the executive and parliaments to trade unions or other organizations, especially when democratic institutions seriously lose public legitimacy by voter abstention (which was 58% in the Polish national election in October 1991).

Another important element of structural entropy is growing corruption and 'grey area profiteering', the latter consisting of economic activities which may not be formally illegal, but which make use of existing loopholes in legislation and of institutional weaknesses in the economic system. As was evident in Poland's recent 'Art-B' company scandal, corruption as well as 'grey area profiteering' are likely to strengthen authoritarian tendencies in society and parts of the elite, and they undermine the public's confidence in the democratic political system in general.

If structural entropy develops further in the three countries, it is unlikely that it will spread evenly. The national capitals and the regions bordering the West might experience improvement in economic development and institutional structures while other regions and parts of cities become entangled in the dissolution of structures at many levels of society. To some extent, aspects of structural entropy have turned out to be inevitable side-effects of the revolution of 1989 in all East/Central European countries. The process was visible even in the final years of communist rule, and was to a certain degree indispensable after the collapse of the communist hyper-organization. The crucial question is, when will it become intolerable to major elements of the population (which might revolt and/or migrate as a consequence) or the political elite

(which might consider radical action intended to reverse the course of events)? In the long term, one might envisage an extension of structural entropy - to 'structural collapse', meaning the sudden breakdown of political, social and economic structures, i.e. anarchy, with uncontrolled mass migration as a likely consequence.

There is a strong 'immaterial temptation' across East European politics

Political forces that emerged before, during and after the demise of communism have begun to evade economic and social problems by appealing to non-material interests. Appeals to moral issues and non-material values, when used as an 'escape hatch' from such difficulties, can compound ethnic problems and jeopardize international cooperation. They can quickly assume the character of ideologies. Examples of such tendencies are the nationalist/religious right wing in Poland, with its anti-German, anti-Russian and anti-Lithuanian rhetoric; and Slovak nationalism, in view of the overwhelming social and economic problems the country faces after the end of the CSFR. In Poland, Hungary and the Czech Lands, mainly right-wing groups are demanding the elimination of the former communist elites from all important positions, and their punishment; this is a higher priority than transformation strategies in their respective political programmes.

States break apart under the forces of regional separatism

This risk is already leading to the establishment of two independent states on the territory of the CSFR. While in the Czech Lands the events of 1989 meant a liberation from totalitarian rule, in Slovakia, the revolution was first and foremost seen as a chance for national self-assertion. The ensuing mutual misunderstandings and deliberate provocations, as well as clear differences in economic and political structures, have led to the ongoing break-up of the federation. Although violent conflict seems unlikely, friction between the two is likely to increase. The probable consequence will be a further slide into economic backwardness, increased immaterial

temptation and a constant risk of anti-democratic reversal, at least in Slovakia under Slavomir Meciar.

Structural entropy, anti-democratic reversal and the immaterial temptation may reinforce one another, or at least coexist. Structural entropy may convince elites and/or major segments of the population of the necessity of temporarily or permanently abolishing democratic structures, whereas anti-democratic reversal will probably not only be unable to solve the problems to which it was supposed to be the solution, but become a problem in itself, and actually speed up structural entropy. The immaterial temptation may be prompted by structural entropy, and in itself reinforce the appeal of anti-democratic reversal.

But above all these political problems of transformation, it is economic success or failure that will determine the fate of the new democracies. For the majority of the populations of all East/Central European countries, economic factors were the key to their frustration with communism, and the expectation of better individual living conditions was one of their most important hopes in the revolution of 1989.

Trends in economic transformation

There is no acknowledged blueprint for 'marketizing' centrally planned economies. The developments so far in the three countries of Eastern/Central Europe show mixed results. In all three, the initially high hopes of the populations for immediate economic improvements have been disappointed. Actual standards of living are still in decline. But significant and tangible progress has been achieved, mainly in the fields of currency stabilization, trade deregulation and the supply of consumer goods. As yet largely unresolved are the problems of privatization and the construction of viable social security networks. Although the vitality of newly-founded private businesses, as well as employment in the 'shadow economy' (not officially registered for purposes of tax evasion) are having positive effects on the transformation, they are poorly reflected in economic statistics, and thus are not recognized by citizens and political organizations.

Strategies of economic transformation have ranged from the more careful Hungarian approach (slow deregulation of trade and domestic markets) to Poland's 'Balcerowicz Plan' (with a 'Big Bang' deregulation in 1990). Despite these differences in approach, the economies of Eastern/Central Europe share a number of crucial problems.

Macroeconomic stabilization and the control of inflation
These were the first problems tackled by East/Central European governments after the revolutions of 1989. Poland experienced hyperinflation as a result of 'Big Bang' deregulation and the ending of subsidies for most goods; since then, inflation has slowed to 60-70% in 1991. Hungary and former Czechoslovakia, in more gradual procedures, also deregulated their markets and are currently suffering inflation rates of 30-40%. Deregulation was seen as the basic precondition of marketization because it turned national economies from the distorted prices of central planning to the realistic prices of the market. Many domestic producers were rendered uncompetitive, however, as a result of these changes and the removal of import barriers, and bankruptcies and unemployment followed. Domestic production is still decreasing in the three countries, and is the main element of the ongoing recession. In some prognoses, feeble growth is predicted for late 1992/early 1993 in all East/Central European economies. If 1993 proves the third consecutive year of overall decline, popular resistance against economic transformation is likely to grow.

Budgetary policies have aimed at sticking to the IMF rule that the annual deficit should remain within a certain percentage of GNP (6% in Poland's case). If this goal were significantly missed and if budgetary problems were to be 'solved' by printing money (as seems possible in Poland and Slovakia), a return to hyperinflation would be the likely consequence.

Foreign trade disruption
This has become a major stumbling-block to smooth transformation. The replacement of the CMEA's transfer rouble

by the US dollar in all transactions within Eastern Europe has, first of all, suddenly and vastly increased the raw material prices that Eastern/Central Europe has to pay for Russian and Ukrainian gas and oil. Czechoslovakia, which in early 1990 still hoped to get through transformation without major borrowing from abroad (and had little foreign debt at that time), found itself with a $7 billion debt by the end of the same year. Second, with East/Central European exports little cheaper than Western products, but much poorer in quality, Soviet/Russian buyers switched to Western products. This resulted in the Eastern export markets of Eastern/Central Europe shrinking by 60-80%. The collapse of the Soviet Union, with the ensuing problems of distribution of responsibility between Moscow, the sovereign states, banks and individual enterprises, caused another wave of problems for trade. This loss of export markets is now considered as the primary cause of unemployment in Eastern/Central Europe. Particular problems are posed by the defence industry, particularly in Slovakia. Decreased domestic demand (owing to defence budget cuts) and the post-revolutionary political obstacles to the export of arms to Middle East countries are threatening to lay off tens of thousands of workers. Worker resistance has caused the former CSFR government to break its initial pledge of totally halting arms exports, and there is a growing consensus in most East/Central European states that arms manufacturers constitute some of their most advanced industries and one of the few sectors which might gain hard currency. This means that arms production (and export) is likely to continue for years. But the international arms markets will be highly competitive, as well as full of political risks. Yet early success in the conversion programmes (with or without Western help) is unlikely.

Privatization and the modernization of industry

While small-scale privatization has been largely successful or is at least under way in all four countries, the privatization of the large government-owned industries of Eastern/Central Europe remains to be achieved. The issue of the restitution of property once confiscated by the communist authorities complicates the

process of privatization, mainly because potential buyers will be hesitant as long as there is a possibility that someone else might successfully claim ownership of the firm in question.

But for most of industry, restitution is not the question. The Hungarian model of case-by-case privatization has turned out to be too slow, whereas the Czechoslovak voucher model scheme seems impractical, susceptible to fraud and insider trading, and raises doubts as to whether it will attract the capital and management skills needed for industrial modernization. The Polish mass privatization scheme, with the aid of Western investment funds and fund managers, also has legal loopholes and an unclear financial basis, which is why it too is far behind schedule. Moreover, even successful privatization would be only a necessary, not a sufficient, condition for a viable market economy.

If the necessary modernization of industry is not achieved quickly, key sectors of Eastern/Central Europe's economies will lack competitiveness, be a burden on state budgets, and deepen the productivity and quality gap between Europe's East and West. But even if privatization and the modernization of industry go ahead quickly, the costs in terms of jobs will be high if global competitiveness is the goal. If the nations of Eastern/Central Europe were to reverse their transformation strategies and shift from opening their markets to erecting new protective barriers against Western imports, their industries might survive to a greater extent.

Welfare, services and infrastructure

With unemployment soaring (between 6% and 10%) and purchasing power on the decline, Eastern/Central Europe must build up at least rudimentary social welfare systems. These have, until now, not got far beyond soup kitchens (only Hungary provides generous unemployment benefits). The desperation of the jobless is increasing, as are workers' fears of losing their employment. Elaborate social security systems like those in Western Europe will take years, if not decades, to build up - indeed, the existing extraordinary strains on government budgets might cause cuts in welfare. This in turn could cause

uncontrollable reactions and an escape into crime in the population. IMF- and World Bank-induced austerity policies have already resulted in lower unemployment benefits in Poland for 1992 than in 1991.

The most likely candidates for budget cuts, however, are public services like health and education, where the situation is already poor, even compared with the communist era. Further deterioration in hospitals and schools will increase popular discontent, and might encourage emigration, particularly among skilled segments of the labour force. A deteriorating transport, communications and housing infrastructure is hampering transformation, and deterring potential Western investors. Decay would accelerate if budget cuts were to affect infrastructure programmes.

Legal frameworks and economic institutions

Another major problem for both transformation and foreign investment is the creation of legal frameworks for economic transactions. The legislative processes in all countries have been slow, owing to inexperience among the new elites and political fragmentation in parliaments. Taxation systems, rules for foreign investment, and many other legal elements of functioning market economies are incomplete, and are likely to remain so for years. Moreover, a functioning economic infrastructure, with banks and insurance provision, is only beginning to emerge, and seems fraught with corruption and 'grey area profiteering'. Only Hungary has so far succeeded in creating the necessary legal conditions for a market economy, which makes it by far the most attractive recipient of Western investment. The other countries, especially Poland, are having substantial difficulties with these tasks. If this situation lasts, aspects of structural entropy are likely to be reinforced, and Western investment will be deterred.

Trends in international relations

The end of Soviet domination has let old nationalisms resurface. The will required for international cooperation to solve old

disputes may be lacking in the new elites. Major trends of concern are:

The suppression of foreign ethnic minorities, as is visible in the treatment of Hungarians in Slovakia.

An over-protective approach to fellow-nationals beyond the country's own borders. The pressure from right-wing groups in Poland and Hungary, aggressively demanding more rights for Poles in Lithuania and Hungarians in Romania respectively, is indicative of this risk.

Setbacks in regional cooperation. The process of regional cooperation, initiated under the Visegrad agreement of February 1991, and which has achieved some remarkable psychological and political successes, may be brought to a complete standstill through the break-up of the CSFR. It is doubtful whether the new Czech government will want to cooperate with a nationalist Slovakia within the terms of the Visegrad process. Keeping in mind that the Visegrad process was, first and foremost, an instrument for the limitation of competition in Eastern/Central Europe's 'westward drive', the end of this hitherto triangular cooperation could mean renewed competition among the East/Central European states over integration into the EC. In the long run, this would also reinforce feelings of national isolation, even within the leading transforming countries of the former communist world. This in turn could contribute to political destabilization in the region.

Tensions between East/Central European countries and their Eastern or Southern neighbours. Hungary, in particular, has large minorities outside the country (a total of 4.5 million). At present Serbia has not only created a 'near-Kosovo' situation for the Hungarian minority in Vojvodina, but the Yugoslav Federal Army (as it is still called) has also repeatedly violated Hungarian airspace and fired across the border into Hungarian territory. Hungary is not making any moves to prevent such violations, in view of its relatively limited military resources. The war at its Western border has, however, given rise to a new feeling of insecurity with regard to other potential conflicts in the region involving Hungarian minorities.

SOUTHEASTERN EUROPE

In Southeastern Europe, as well as in the four East/Central European countries, important differences existed between each country, both before and during the revolutions of 1989. Of the communist states on the Balkans, only Bulgaria and Romania were members of the Warsaw Pact at the time of its dissolution. Even here, there was a great difference between the pro-Soviet bias of Bulgaria and the more nationalist policies followed by Ceausescu's Romania since the late 1960s. The political structures of Bulgaria today resemble those of Eastern/Central Europe, while Romania's system remains similar to those of Serbia, Montenegro and Macedonia. While Slovenia and Croatia were by 1989 closest to Eastern/Central Europe in pursuing transformation, Albania, after the spring of 1990, also tried to follow their model, although on a much shakier economic basis. Last but not least, since Southeastern Europe's evolution is shaped not only by its own political transformation but also by the collapse of the Yugoslav Federation, the role played by Greece and Turkey in Balkan security must be noted.

There are, however, some basic similarities among the post-communist countries of Southeastern Europe. Two loose groupings can be distinguished: the fragile but nonetheless pluralist democracies of Bulgaria, Albania, Croatia and Slovenia, and the still semi-communist states of Romania, Serbia, Montenegro and Macedonia, ruled by 'socialist' parties and the same *nomenklatura* as before 1989. Common to all Balkan countries is the fact that resistance against democratic transformation is still strong in the countryside, where the former communist elites still enjoy some support, while the urban population is generally anti-socialist and reform-oriented. Moreover, all the Balkan states face a dramatic decline in standards of living, with some, like Albania, on the verge of economic collapse. Despite achievements in the fields of macroeconomic stabilization and industrial privatization in some countries (such as Slovenia and Bulgaria), unrealistic hopes concerning their economic situation may turn the populations against the necessary measures demanded by

reform policy. Moreover, as the collapse of communism has left behind an ideological vacuum, nationalism, social frustration and old border disputes are combining to increase tension: in former Yugoslavia, they have led to the first major European war since 1945. The issues of ethnic minorities could lead to a return to the type of 'Balkan wars' that Europe saw before 1914.

Trends in political transformation

Democratization and structural entropy

A worrying domestic trend is the continuing fragmentation of the ruling democratic parties, which lack sufficiently firm organizational structures, an adequate social base and stable voter support. *Bulgaria,* at first glance most advanced in political transformation, is being particularly affected. Since the election victory of the Union of Democratic Forces in autumn 1991 (with 34.5% of the vote), Bulgaria has been ruled by a heterogeneous coalition of almost ten parties (social democrats, liberals, conservatives and environmentalists) which might easily split up, especially in view of their disagreements over the speed of economic transformation. This coalition needs the indirect support of the Movement for Rights and Liberties (7.5%), which represents the Islamic Turkish and Pomakish minorities who make up 10% of the population, and of the powerful trade union Podkrepa. The Socialist Party remains strong with 33%, but lacks broad support for a return to power, and is itself affected by divisions between orthodox communists, reform-oriented socialists and anti-Turkish nationalists.

Political fragmentation is not a problem in *Albania* which, after a year of semi-democratic reforms, now has a fairly stable two-party system. The Democratic Party has a clear majority of seats in parliament (92 out of 140) and strong support in all major towns. Social fragmentation, however, is arising from the catastrophic economic situation in the countryside, which has already sparked violent unrest and led to consecutive waves of migration. This social instability is compounded by ethnic factors, such as the growing conflict between Albanians and the

Greek minority in Northern Epirus, and the deteriorating situation of ethnic Albanians in the neighbouring former Yugoslavia (in Kosovo and Macedonia).

Romania has severe problems with structural entropy in general and political fragmentation in particular. The governing National Salvation Front (NSF) is deeply divided between a pro-Roman and a pro-Iliescu faction. The opposition has not yet succeeded in elaborating a common political platform and remains split between two political mainstreams: the liberals and smallholders who are in favour of constitutional monarchy, and the Civic Alliance (of urban intellectuals), which is politically Western-oriented. These splits and divisions could lead to a severe political fragmentation, making Romania as 'ungovernable' as Poland now seems to be. Moreover, the entire transformation process in Romania is hindered by a disintegration in public order. As a consequence of a sharp decline of living standards, Romania has been faced with massive strikes, violent upheavals and regular breakdowns of public order provoked by miners, as well as by militant nationalists in Transylvania who strongly oppose Hungarian claims for regional autonomy. Political instability and social unrest are therefore currently more serious threats in Romania than in Bulgaria or Albania.

In *former Yugoslavia*, one might speak of 'structural collapse', rather than structural entropy. State structures and federal institutions have simply disappeared in the wake of the collapse of the Yugoslav Federation. Roughly speaking, the local elections of 1990 (the last in 'Federal' Yugoslavia) left the country divided into three political camps: conservative/ market-oriented in the north, nationalist in the centre and communist in the south. This seems to have been one of the major reasons for the beginning of the civil war after the declarations of independence by Slovenia and Croatia. The relative weakening of the Federal Army, and the multiplication of paramilitary organizations in Serbian-dominated areas as well as in Croatia and Bosnia-Hercegovina, were further elements of decline in public order and security, before the civil war led to a complete breakdown in the combat zones. Political

parties, however, were to some extent less drawn to political fragmentation than in the other former communist states, since the civil war promoted the formation of so-called 'sacred coalitions' inside each republic, where political homogeneity was perceived as a national obligation. The relatively strong positions of Milosevic (initially) in Serbia and Tudjman in Croatia must be seen in this context.

In the long run, of course, one cannot exclude an extension of structural entropy and collapse over the entire Balkan peninsula, if civil or even international war spreads from the war zones of Croatia and Bosnia-Hercegovina, where Serbia is following a policy of 'ethnic cleansing' in order to expel the nearly two million Muslims from their homeland. If this policy proves successful, Serbia might proceed in a similar manner against the Muslims in Sandzak and the Albanians in Kosovo, which would provoke a mass migration of more than four million people.

Antidemocratic reversal

Although rudimentary party systems have developed in the Balkans, democratic structures and attitudes there are generally far less advanced than in Eastern/Central Europe. Since the vast majority of the political elites in the Balkan countries are former communists committed to a slow process of transformation, a return to (or continuation of) authoritarianism can be envisaged. The question is not whether democratic constitutions are abolished, but whether they are effectively applied. Particularly in the former Yugoslavia, the question of civilian/democratic control over the military and paramilitary forces will become crucial to the installation of democratic structures. Most likely, 'mixed' transition policies will prevail in most countries, such as the combination of authoritarian styles of government with economic transformation (as in Romania) or politically relatively liberal policies with a high degree of state interventionism in the economy (as in Croatia).

The 'immaterial temptation'
Given the history of ethnic and international conflict in the region, political forces in the Balkan countries are obviously tempted to develop ersatz ideologies after the fall of communism, in order to distract their populations from their economic and social problems, and so to stave off mass public protest. Appeals to ethnic, national and religious values are widespread, coupled with the idea of nations 'endangered by internal and external enemies', justifying the use of armed force, as in Milosevic's Serbia. Appeals to the population's own perceived national or cultural superiority substantially aggravate all ethnic conflicts in the region and tend to lead towards regional separatism and military confrontation.

Trends in economic transformation

Political developments aside, economic factors have played a decisive role in the dramatic crisis which Southeastern Europe is undergoing. With one of the lowest rates of development in Europe, the Balkan states are likely to sink ever deeper into poverty. The economic data for each country are very similar: a sharp decline in industrial output, erosion of the standard of living, collapse of foreign trade, rising unemployment, a slowdown in the pace of privatization and increasing damage to the environment. Nevertheless, given differences in their size, development and political situation, the countries will be analysed individually.

Albania
Having been Europe's most 'Stalinized' and backward society until 1989, Albania's economic situation has been disastrous since 1990. Industrial output dropped by 50% in 1991. According to the first official estimate, ten per cent of the workforce are unemployed. Severe shortages of foodstuffs, medicine and fuel are provoking social tensions. Strikes and social unrest, together with a large-scale exodus, have led to a breakdown of collective structures, such as cooperatives and distribution networks. Foreign debt has climbed to $400

million, exceeding the value of exports of goods and services by a factor of five. Economic reforms, such as those legitimizing private property and introducing a system of credit, have so far proved ineffective. Anarchy continues to reign in the countryside, where two-thirds of the population live. Land reallocation and privatization have caused feuds between family clans, as well as wider disturbances. Although Albania is only a poorly industrialized country, it suffers from a depletion of its natural resources and a significant level of industrial pollution.

Bulgaria

The situation in Bulgaria is also critical. Its GDP has dropped by about 25% compared to 1989, and the unemployment rate is 10%. The rate of inflation was brought down to 3-5% in November 1991, after retail prices had soared by 200% in February (and 150% in March), as a result of price liberalization. Consumption was hit hard, net earnings fell by 60%, and the currency was devalued by 300%. The drop in production and consumption is also linked to the collapse of the official trade organization in Bulgaria, which in turn was triggered by the dissolution of the CMEA: export and import values fell by 54% and 64% respectively during 1991. According to the Dimitrov government, which forecasts a further drop in production, an inflation rate around 65% and an unemployment rate rising to 12%, the total performance for 1992 will be poor. Foreign debt has tripled since 1985 and is now $12 billion. Bulgaria has reached an agreement with the Club of Paris about recycling its official debt, but negotiations with the commercial banks, through which the country incurred up to 85% of this debt, are continuing. Clearly, the most important dangers facing the Bulgarian democracy are economic.

Romania

Romania began to implement economic reforms much sooner than Bulgaria and Albania, albeit at a slower pace. From October 1990, prices were progressively freed until state-imposed prices accounted for only 20% of market prices.

Currency convertibility was introduced by November 1991. This gradualism also prevailed in legislative developments, such as in the implementation of a two-tier banking system, privatization in the primary sector (accounting for one-third of the workforce) and the ratification of a comprehensive law on privatization in August 1991. Nevertheless, with an annual drop in industrial output of around 20% in 1990 and 1991, and an annual average inflation rate of 160% (partly due to wage increases to compensate for diminishing purchasing power), economic transformation in Romania proved to be difficult. Despite several currency devaluations, the foreign trade deficit remains substantial. The official figure for the unemployment rate (4-6%) is rather low, but the transition in Romania is fully dependent on an economic take-off which has yet to materialize. Only this, or the institution of a more authoritarian regime, could prevent major social discontent.

Former Yugoslavia

The economic problems of former Yugoslavia are, unlike in the other Balkan states, the direct result of civil war. The most immediate danger is hyperinflation, which is again prevalent in all Yugoslav successor states except Slovenia. Trade among the post-Yugoslav states has broken down in most cases and monetary reserves are depleted. While agricultural production increased after 1990, industrial output has fallen by 20%. Exports and investment decreased by more than 30% in the first quarter of 1992, partly because of the sanctions against Serbia. Unemployment stands at 20%. These data have been recorded on a 'federal' level and Croatia and Bosnia-Hercegovina are proportionally more affected than any other republic. Except for Slovenia, the former Yugoslavia is today characterized by what used to be called 'war economies', which implies a high degree of state intervention and no privatization to speak of. Industries which used to be 'self-managed' are under state control, especially in Serbia and Montenegro. Thus the development of economic structures is running in the opposite direction to all other post-communist societies in Eastern Europe.

It is a widely held view that economic developments, and the political conclusions that parts of the Serbian elite drew from them, were a significant contributory cause of the collapse of Yugoslavia and the ongoing war. After Yugoslavia began to experience serious economic stagnation in the mid-1980s, a key group in the Serbian-dominated Communist Party began to use ethnically-flavoured rhetoric, blaming the two comparatively 'richest' republics, Croatia and Slovenia, for misery elsewhere. This fuelled the existing desire for separation from the Federation in those states after 1989. If economic disruption combined with ethnic confrontation spreads to other countries of Eastern Europe, violent conflicts will probably emerge there too; also the imminent collapse of the Serbian economy could well be a disincentive to peace. Even now, Milosevic and the entire Serbian leadership are facing massive protests. If the war ended, the economic catastrophe (caused by the war) would be the single most important factor in Serbian daily life, and would probably cause violent upheaval. The Serbian leadership thus has little interest in ending the conflict.

International aspects of the conflict in former Yugoslavia

The main danger is the 'Balkanization' of the Yugoslav conflict, where the parties try to draw neighbouring states into the conflict. At least at the beginning of the Yugoslav crisis, Greece, Bulgaria, Romania and Albania all hoped (to no avail) that Yugoslav territorial integrity would be preserved, for fear of the inevitable repercussions that would result from its eventual disintegration. But after international recognition of the newly independent Slovenia and Croatia, and the carving up of Bosnia-Hercegovina, neighbouring countries have radically changed their attitudes. Three main factors justify this change. First, the disintegration of Yugoslavia raises the problem of the future status of at least another two regions: Kosovo and Macedonia. The possibility that these two areas might join Albania and Bulgaria respectively may lead to a general reassessment of borders between the Balkan states. Second, the issue of ethnic minorities is increasingly damaging the relations

between all Balkan states. The third factor is religion: the splits among the three main religious communities in the Balkans are deepening, and their increasing influence on the rise of nationalism should not be underestimated. The Muslims are jointly opposed to the Orthodox communities, which in turn suffer from internal divisions, with Belgrade and Athens opposing the Orthodox Church of Bulgaria.

Worsening relations among Balkan states thus have several origins and contributory factors: growing interdependence between religious and nationalist feelings, which are both increasing; the changing of existing borders; the emergence of new but weak and impoverished states; the oppression of ethnic minorities and the subsequent pressure on the domestic policy of different states. Since the future of Kosovo and Macedonia are at the core of Balkan problems, the four main protagonists of future conflicts will be Serbia/Montenegro (socialist) and pluralist Greece on the one hand, and Albania and Bulgaria (ex-socialist) on the other. It is essential to emphasize that Bulgaria (which could eventually incorporate Macedonia) has entirely reversed its diplomatic position by moving away from Greece and closer to Turkey and hence the Muslim world. This is explained by the fact that one-third of the Macedonian population is made up of Muslims of Albanian origin. The future of Macedonia and Kosovo depends largely on the development of relations between Bulgaria and Albania.

Turkey, which is aspiring to play the role of protector for the approximately seven million Muslims living in the Balkans, is likely to support the anti-Serbian line followed by Bulgaria, Albania and also Hungary. Hungarian opposition to Serbia reflects, first, the oppression which Belgrade is inflicting upon the Hungarian minority in Vojvodina; second, Hungary's traditional ties to Croatia; and, third, the diplomatic closeness of Serbia and Romania, the latter's relations with Hungary being strained over the Hungarian minority in Transylvania. A Hungaro-Bulgarian coalition looks all the more likely as Sofia is facing territorial claims from Bucharest over Southern Dobruja.

Thus two loose coalitions are facing each other: Serbia and Romania (with some similiarities in their political structures),

together with Greece (for tactical reasons), are on the one side; and Hungary, Bulgaria, Albania and Turkey form the other group. The direct involvement of Greece, an EC member state, in the middle of Balkan disputes makes the position of the Twelve particularly difficult. The most important current or potential specific conflicts in the Balkans are outlined briefly below.

Bosnia-Hercegovina
The 'Federal' and Chetnik war against Muslims and Croats in Bosnia-Hercegovina after its declaration of independence in early 1992 has caused the fiercest fighting of the Balkan conflict to date. The 'ethnic cleansing' which, according to CSCE observer Tadeusz Mazowiecki, is practised by all participants, but clearly in its most radical form by the Serbs, is beginning to create situations with far-reaching consequences for the whole of Europe. The dislocation of millions of people and the mutual fear and hatred generated by these acts has already poisoned the atmosphere to such an extent that peace for Bosnia seems unthinkable for the near future, even if the Federal Army should withdraw.

Serbs and Croats
The Serbo-Croatian conflict will almost certainly drag on as long as Serbia holds onto its Croatian conquests. Belgrade, eager to incorporate all the Serbs of ex-Yugoslavia into one 'Greater Serbia', plans to annex more than half of Croatian territory, including Krajina (mostly Serb-populated), Slavonia and a large part of Dalmatia (mostly Croat-populated).

Serbs and the Muslims of Serbia/Montenegro
For the approximately 2.5 million Muslims in Serbia (2 million Albanians in Kosovo and 500,000 Turks in Sandzak in Southern Serbia), the situation is getting worse. The oppression exerted by the authorities in Belgrade will certainly extend to the two million Muslims in the parts of Bosnia-Hercegovina conquered by Serb forces. This deterioration of the Serb-Muslim relationship could reinforce demands for independent states in

Kosovo and Sandzak. It is to be expected that any new Muslim states, as well as Albania and Turkey, would remain anti-Serbian.

Serbs, Greeks and Bulgarians

Belgrade and Athens are, for the moment, on the same side on the matter of an independent Macedonia, both wanting the status quo to remain in force. But Serbians today consider Macedonians as Southern Serbs whom Tito 'made Macedonians' in order to weaken Serbia within the old Federation. Greece, too, denies the existence of a Macedonian nation because Athens fears that the Greek province of the same name might seek to join an independent Macedonia. Athens and Belgrade harshly criticized Sofia for recognizing Macedonia in January 1992. Bulgaria, though acknowledging the existence of a Macedonian state, denies that of a Macedonian nation and considers it part and parcel of the Bulgarian nation. The Macedonians, whose language is similar to Bulgarian, may eventually want to join Bulgaria.

Serbs, Greeks and Albanians

The Albanians present themselves as a divided nation, with 2 million living in Kosovo and 750,000 in Macedonia. Tirana officially demands that Kosovo join Albania and also seems to have designs on Western Macedonia, where the population is predominantly Albanian, and which plays no role in the political life of Skopje. Belgrade, however, considers Kosovo to be the historical cradle of the Serbian nation and is determined to hold on to it.

The many 'economic refugees' from Albania who migrate illegally to Greece, as well as the fate of the Greek minority in Southern Albania, a region conceded by Greece in 1923, are exacerbating the deterioration of relations between Tirana and Athens brought about by the Serbo-Croatian conflict. The Albanians accuse the Albanian Greeks (who number 60,000 according to Tirana and 350,000 according to Athens) of being virtually the sole beneficiaries of the official economic aid supplied by Greece to Albania. Whenever the Greek authorities

forcibly return Albanian migrants to their country of origin, the position of the Albanian Greeks deteriorates. Like the Macedonian question, the Albanian issue widens the base of the Serbo-Greek entente.

Hungarians, Romanians and Bulgarians

Budapest and Bucharest continue to quarrel over the Hungarian minority of Transylvania. For some time Hungary, having been unable to achieve international codification of a 'Charter on the Rights of National Minorities', tried to isolate Romania internationally. Even though this phase of Hungarian diplomacy is over, and Budapest is now trying to ease relations with Bucharest, the potential for future conflict cannot be completely discounted, especially in view of the ever-present 'immaterial temptation' for the Romanian leadership or individual political movements. Moreover, a pragmatic coalition between Belgrade and Bucharest has been formed, potentially directed against Hungary and Bulgaria. Bulgaria is criticized by both Romania and Serbia for having supported the Macedonians and for having annexed Southern Dobruja (formerly Romanian) in 1940.

THE CIS

The sudden disappearance of Lenin's Communist Party and its highly militarized superstate took place in a surprisingly orderly way. Directly after the failed coup of August 1991, the three Baltic countries were recognized as independent states by the President of the USSR and the leaders of all its republics. In December 1991, the leaders of Russia, Belarus and Ukraine decided to dissolve the Soviet Union and to found a Commonwealth of Independent States, open to all former states of the USSR. Eight of them, Moldova, Armenia, Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Turkmenistan and Azerbaijan, became members of the CIS, which covered most of the territory of the former USSR. It was hoped, in the East as well as in the West, that the formation of the CIS would have a

stabilizing effect and prevent chaotic developments. But the Commonwealth became a problem in its own right.

Russia's identity crisis

The relationship between Russia and the Commonwealth was always uneasy. Russia, being clearly the most powerful among the new states, had proudly taken the place of the USSR as a permanent member of the Security Council and had taken operational control over the USSR's nuclear arsenal. Moreover, by far the largest part of the former Soviet Union's armed forces, roughly four million men, came under Moscow's direct command. Yet, within the CIS, Russia had to affirm continuously that it had no intentions of re-establishing the Russian empire. This coyness in relation to what are now called in Moscow the 'nearby foreign countries' caused much irritation in Russia's political elite. The feeling grew that Russia had in fact become the big loser in the liquidation of the USSR, although it was precisely the resistance in Russia that had caused the August coup to fail and the communist system to collapse.

The gosudarstvenniki

Many Russian intellectuals, even some progressive ones, immediately accused Yeltsin of having delivered the lethal blow to Russia as a great power, by destroying the Soviet Union (which had effectively been the Russian empire under a different name). The collapse of the Soviet Union has led to irritation and despair among the 150 million Russian people, the largest group in the CIS. These feelings actually led to a split within the democratic movement, and brought an old and powerful idea about Russia's historical mission into the centre of political debate. The idea concerns Russia's perceived duty to 'organize' the tremendous landmass which connects Europe and Asia. The *gosudarstvenniki,* who defend this idea, form the most important and most vocal group in the debate about Russia's identity. They also think Russia can exist only as a powerful Eurasian state. Most ominously, they dispute the

present borders of the Russian Federation, in effect saying that Russia proper is far larger than the Federation. Exactly where Russia's so-called historical borders are is a matter of controversy among the *gosudarstvenniki*. But territorial revisionism has been threatened, especially vis-à-vis Ukraine and Kazakhstan if they should completely break with Russia by leaving the Commonwealth.

The most powerful spokesman of the *gosudarstvenniki* in Russia's present power structure is Vice-President Rutskoi, a veteran of the Afghan war, promoted to the rank of general in the wake of his bravery during the failed coup, and recently named Moscow's special envoy for the Crimean and Moldovan trouble-spots, where his hard-line approaches seem to have damaged Russia's position within the Commonwealth. His popularity in Russia itself, however, is still on the rise, as are the ideas of the *gosudarstvenniki* in a time of unprecedented soul-searching about Russia's identity.

The 'pragmatists'

The second group in Russia's identity debate can appropriately be called 'pragmatists'; Boris Yeltsin is their most important spokesman. They reject any notion of a new Russian imperialism, and hold the firm opinion that the Russian Federation should not be bigger than the RSFSR of 1991. Moreover, in their view it is vital for the future of all states of the CIS that none of the present borders be changed. This goes particularly for the three Slavic nations, Russia, Belarus and Ukraine. The 'pragmatists' claim that the borders between these three core countries can only remain open if they are recognized as inviolable, providing, of course, that the Commonwealth remains in existence. On this last point, even the moderate *gosudarstvenniki* might agree.

The 'de-imperializers'

For a small group of Russian intellectuals, it is clear that the nationalist eruptions in areas like Tatarstan, Bashkiria and the Northern Caucasus herald a process that will inevitably lead to the dissolution of the Russian Federation itself. In their opinion,

the territory of a truly free, democratic Russia will, in the first place, be determined by all those peoples that had to live under Russian domination for centuries, and now wish to be free.

With the deterioration of relations within the CIS and the growing crisis in all aspects of daily life in Russia, the *gosudarstvenniki* seem to be gaining ground, and the 'pragmatists' find themselves on the defensive. Besides the debate between *gosudarstvenniki,* 'pragmatists' and 'de-imperializers' about Russia's state, its mission and its foreign relations, there is, to some degree, a reversion to the old nineteenth-century debate about Russia's true character, between Slavophiles and Westerners (*zapadniki*). Here the main point of controversy is whether Russia is essentially a European nation or if it must, after the end of communism, follow a different path. The fault lines in this debate are not congruent in all respects with those in the *gosudarstvenniki*-pragmatist dispute; in its importance for the near future, the Slavophile-Westerners debate will be reinforced by social unrest.

Trends in relations among member states of the CIS

When the CIS was founded, it was impossible to say which organizational structure it would take. Contrary to other alliances, this hastily formed association did not derive from an effort at close cooperation; its purpose was rather to loosen the relations between the participating states in an orderly way. When they were still Soviet republics, all fifteen new states were no more than administrative, economic and military divisions of strict, centrally controlled power structures. In order for them to develop into fully sovereign states, it was necessary to establish an organization in which many common problems could be discussed and in some cases solved.

The future of the Commonwealth

The Commonwealth's undeclared purpose, to get rid of a common enemy (the USSR), was certainly on the minds of the leaders of its two most important founders, Russia and Ukraine. Opposition between these two has continued to dominate the

general state of affairs in the Commonwealth and is having a devastating impact on internal developments in both new states. But even though one must doubt whether the CIS has any future in the long run, it is equally clear that all republics will have a large stake in continuing to discuss vital problems related to the dissolution and legacy of the Union. As a centre of coordination, the CIS may therefore be expected to survive for some years if Russia does not attempt to change it into a kind of federation. So far, all efforts to create a mechanism for crisis management on the territory of the CIS, have failed. Moreover, although more than 70 documents have been signed by the CIS summit meetings so far, they are merely declarations of intent, rather than binding treaties; Ukrainian President Kravchuk complained in March that none of them had actually been fulfilled.

Territorial claims and rebellious minorities

As an empire, the Soviet Union was unique in world history, combining an extremely strong unitary state with a federal structure, ruthlessly suppressing all kinds of nationalist movements in the name of internationalism, but at the same time institutionalizing ethnicity at the group level by the creation of ethno-territorial units and at the individual level by the introduction of an internal passport system in which nationality was clearly indicated. Ethnic nationalism was thus simultaneously encouraged and suppressed among the largest ethnic groups of a population that consisted of over 130 peoples. Once the Communist Party's ability to manipulate ethnicity began to wane in the final years of the empire, there was an outburst of ethnic movements and inter-ethnic tension. After the dissolution of the USSR, the potential for inter-ethnic conflicts that might lead to large-scale war is tremendous. Two reasons for violent conflicts are dominant: territorial claims based on so-called historic rights, and the presence of dissatisfied and/or unpopular minorities.

The borders of Soviet republics were often determined at random and, in a way, all new states that emerged from the USSR were, in their present borders, creations of communism.

If the political elites and large segments of the populations of these states are ready to accept the Soviet borders of their countries, interstate war will not occur. It is a somewhat encouraging sign that the CIS was founded upon the principle of the mutual recognition of boundaries, based upon the administrative borders of the Soviet era. The only state in which there are strong pressures to challenge existing borders *and* which has the military capacity to extend its territory is Russia itself. So far, however, Moscow has stated that it will respect the existing borders as long as the CIS is still in being.

More serious is the problem of minorities that want their own ethno-territorial unit. The most dramatic manifestation of this conflict is the struggle of the Armenians in Nagorny Karabakh for the status of what they consider to be a piece of Armenian territory within Azerbaijan. Since the dissolution of the USSR, the hostilities between Armenia and Azerbaijan have escalated into all-out war. The ethnic conflicts in Georgia (Ossetians, Abkhazians) Moldova (Russians in the self-proclaimed Dniestr Republic) and in Russia itself (Chechens) also fall into this category, and many similar conflicts must be expected in the states of Central Asia.

A very explosive situation may occur if the Russians in Ukraine and in Kazakhstan became dissatisfied about their status in the new states. With 11.3 million Russians in Ukraine (21% of the population) and 6.3 million Russians in Kazakhstan (41%), it is to be expected that they will not accept treatment as national minorities but will claim a special position. If they feel that their political, economic or cultural rights are being violated, they will most likely form radical movements for a union with Russia. Moscow considers itself as the protector of all 25 million Russians living in other states of the former Soviet Union, although it is not yet clear in which way it hopes to fulfil that role. If large groups of Russians in Ukraine or Kazakhstan were to ask for support, Russia and its most important neighbours could come close to war.

Friction and potential conflict between Russia and Ukraine

Russian-Ukrainian relations are and will continue to be a key factor in the CIS. Even though the two nations have no history of armed conflict with each other, and even though they are deeply linked by history and culture, there has been a steady and ominous deterioration in their relationship since the end of the Soviet Union.

The first item of dispute was part of the general question of how to deal with the legacy of the Union. While the issue of the land-based nuclear weapons could be managed comparatively easily (with a lot of Western pressure), the haggling over the Black Sea fleet quickly turned into a question of national prestige for each side, and the deals hastily struck by Presidents Yeltsin and Kravchuk were subsequently jeopardized by domestic criticism and action by individual fleet units. Although both sides now seem to have agreed to postpone the solution of the issue, and thus to have defused it, the division of the fleet remains potentially explosive.

Even more serious, however, is the dispute over the territorial future of the Crimean peninsula. The local majority has begun to make moves towards independence, and potentially even a return to Russia. Russian nationalists are demanding a return of the Crimea, while Ukraine is adamantly refusing any change in the present borders.

There have also been severe frictions about economic policy. The Ukrainian drive for independence in matters such as an indigenous currency has been motivated not only by nationalism, but also by Kiev's dissatisfaction about the pace of economic transformation set by the Russian government. Since the Kravchuk government aims at a significantly slower pace, it has an additional vested interest in economic independence. Last but not least, the issue of the strong Russian minority in Ukraine proper could well lead to dispute.

For the near future, as long as moderate leaders are in power in Moscow and Kiev, an all-out war between Russia and Ukraine can be ruled out. If it should occur in the medium term, however, it would have catastrophic implications for the region and the whole of Europe.

Trends in political transformation

Three groupings of states

Despite Russia's deep crisis, it is the Russian leadership that now acts as the driving force in the process of anti-totalitarian transformation in the CIS. The following three groupings of states can be distinguished in terms of their political and economic transformation:

(a) States under the leadership of reformers. These are, for the moment, Russia, Ukraine, Belarus, Kazakhstan and Kyrgyzstan. Their goals are guided by notions of liberal democracy and market economy, although there are differences of interpretation of these terms. The problems the reformers are facing are incomparably greater than those of the East/Central European leaders. Over the next couple of years, the number of people in these countries who will consider themselves the 'losers' of the implosion of communism will be much greater than the number of 'winners'. This creates the risk of violent social upheavals and, in the near future, the danger of fascist-type backlashes.

(b) States under the leadership of former communist traditionalists. The leaders of Uzbekistan and Turkmenistan have kept the totalitarian structures of the communist past completely intact, and would have preferred the USSR to remain in existence. They were in no way prepared to renounce the political and sometimes economic protection that central control from Moscow provided. After being forced into national independence, they adopted the vocabulary of the democratic reformers, and also superficially 'islamicized' their systems. As long as the repressive character of these regimes is maintained, this very underdeveloped and highly polluted part of the FSU will remain fairly stable, but in the long run the potential for ethnic and religious conflict is very high. Tajikistan, which until recently belonged to this category, has undergone a violent reversal of government and now finds itself in a state of civil war - a reminder of how fragile power structures have become even in the Southern part of the CIS.

(c) States where violent conflicts make reform impossible, although their leaders consider themselves anti-communist reformers. This category consists of Moldova, Georgia, Armenia and Azerbaijan. Here, there is a high risk that external powers, both state and non-state actors, will get more and more involved in already violent conflicts. Ever since the dissolution of the USSR, Turkey and Iran seem drawn to intervene in some form. Since Russia considers it a strategic necessity to prevent the direct participation of outsiders in conflicts in the CIS, the threat of international war could suddenly reappear.

The post-Soviet political systems

The collapse of the power structure of the Communist Party's apparatus has not been succeeded by the constitutional and political framework so essential to the building of democracy. In a time of widespread turmoil and desperation, even some reformist leaders advocate the continuing use of existing state institutions, their adaptation to the new circumstances and the postponement of fundamental political renewal. The further development of the post-Soviet systems is completely unpredictable. A return to communism as such can definitely be ruled out, but the 'communist way of doing things' is still around. New forms of dictatorship may emerge from the surviving or renewed elements of the totalitarian system. This possibility is reinforced by the fact that the appeal to 'immaterial values', instead of a search for consensus on tough transformation policies, is becoming increasingly popular among CIS political actors. On the other hand, in many parts of the former USSR, a form of structural entropy can be observed which far surpasses the general weakening of structures in Eastern/Central Europe. Organized crime and tribal loyalties might replace the state as a power factor at many levels of society.

In Russia, whose further development will decisively influence the other reformist states, the identity crisis complicates the problem of establishing a democratic constitutional framework, which is in fact the precondition to all other fundamental changes. Russia's present constitution is

in many respects a relic from the communist past, as are the Congress of People's Deputies, the Supreme Soviet and the local Soviets: all these are institutions in which the anti-democratic traditions of 'Soviet democracy' survive. Russia's constitution still mentions the USSR, which is why it may be used by the most radical *gosudarstvenniki.* The persistent rumours about the possibility of a coup against President Yeltsin are a clear sign that the struggle over the future structure of the political system is far from over.

There are no strong movements to organize and express mass support for political and economic transformation policies. The democrats have split up into several mutually hostile groupings, many of which do not seem to understand the requirements of a democratic system. Fortunately for them, their authoritarian adversaries are equally divided. All post-Soviet states give the impression of a political wasteland in which there is an immense chasm between the leaders at all levels of society and individual members of the population. The existence of a free press in Russia and some of the other new states is one of the few great improvements, but even here authoritarian-oriented groups are trying hard (partly by economic means) to curb the newly achieved freedom of the press. The decisive influence on the formulation and implementation of policy is, to a growing extent, exercised by 'conservative modernizers' who represent established interest groups. Most important in this context are the executives of the large industrial enterprises, as well as the leaders of the armed forces.

The role of the military-industrial complex and the armed forces

Possibly the key element of the old system that poses severe problems for political and economic transformation is the military-industrial complex (VPK in Russian). Consequently, society - especially in Russia and Ukraine - will have to be 'civilianized' if the transformation is to succeed; Russian intellectuals have even called the old Soviet Union a 'military-feudal tyranny'. It is typical of the USSR economy that the real size of its military sector is still unknown. Aleksei Yablokov,

one of President Yeltsin's advisers, has disclosed that up to 16.4 million people work in the defence industries, and that roughly one-third of the Russian population directly or indirectly depends on the defence sector. Besides the fact that there were 'closed cities' in the old USSR, designed by and working exclusively for the VPK, there are many 'normal' cities in which 60-90% of all industrial workers are employed in the defence industries.

By far the largest part of the VPK is concentrated in Russia and the Ukraine. There is strong and well-organized resistance from the leaders of the Russian VPK against any radical economic reconstruction that would break the preponderance of the military sector. These leaders, while not opposed to transformation *per se*, often warn against the threat to social stability that large-scale lay-offs in the defence industries would cause. Their behaviour will make the dismantling of what Boris Yeltsin calls 'the economic basis of totalitarianism' very difficult, if not impossible.

At the time of the Soviet Union's collapse, there were one million career officers in the Soviet forces, 70% of whom were Russian. Despite the existence of a small group of reform-minded young officers, the majority did not want to accept the dissolution of the USSR, and hoped that the CIS could become the instrument for restoring a Soviet Union without the red flag. The envisaged cuts in the armed forces, the withdrawal of troops from Central and Eastern Europe, and the tremendous difficulties in providing adequate housing for the 'returnees' and jobs for the dismissed, may turn out to be socio-political dynamite in view of the fire-power controlled by this most privileged Soviet institution. Breakaway units could become a severe threat to transformation at the local level, and to international peace in former Soviet republics.

The strong position of the leaders of the VPK has hardened the attitude of the reformist generals towards the changes Russia is undergoing. They are deeply frustrated by the increasingly negative image of the armed forces held by the population, especially young people. The Russian Defence Minister Grachev (aged 44), himself a *gosudarstvennik*, has

emphasized that 'the military prestige of a country is not only a political, but also an economic and moral category'. Young and energetic generals like Grachev have already made the military into a political force in Russia. Together with the leaders of the VPK, they will probably have considerable influence on the further development of the transformation process, and also on Russia's behaviour towards other states of the FSU. Grachev has already given stern warnings that he will use military force if necessary to defend the 'dignity' of Russian minorities. Some members of the Yeltsin camp, like Foreign Minister Kozyrev, have expressed their concern over possible attempts by the military (or groups in the military) to hamper transformation or overthrow the democratic government.

Trends in economic transformation

Unlike the East/Central European countries and the Balkan states, the CIS members have spent most of the twentieth century in a system whose main economic feature was central planning. Even before 1917, Tsarist Russia was only beginning to develop those market-oriented structures that were already widespread in Central and Western Europe. One may therefore assume that, irrespective even of the tremendous political obstacles, the development of market structures in the countries of the CIS will be a problem of an entirely different magnitude from that experienced elsewhere in the former communist bloc.

The continuing interdependence within the CIS

The centralist structure of the old Soviet economy meant that economic interdependence within the CIS (and the Baltic states) was extremely high. Since December 1991, it has become abundantly clear that the old 'economic space' that characterized the Soviet economy is a thing of the past. Not only would its preservation maintain centralist structures that would eventually get in the way of any transformation policy, a common economic space would also fly in face of the existing moves towards national independence in many states of the CIS. On the other hand, the different Commonwealth

economies are still strongly interlinked, and any moves by individual states towards indigenous currencies and monetary, financial and customs policies will inevitably deepen the recession in the short term. A total collapse of economic cooperation among the successor states of the Soviet Union (which remains unlikely) would lead to a drop in production and employment of between 30% and 50%.

Only Russia could remain relatively untouched by an end to the CIS economic space. At the beginning of 1991, its trade with other republics of the Union comprised 18% of its net material product. In all other republics, this figure was over 30%, reaching its peak in the Baltic and the Transcaucasian Republics (about 60%) and in Belarus (about 70%). Moreover, only Russia, with its formidable natural resources, has today the potential to profit from export opportunities in the global market at hard currency prices. In order to enable the other states to gain hard currency, the West would have to lower its import barriers considerably (e.g. in agricultural products). As market prices are beginning to have an impact on intra-CIS trade, considerable changes are taking place in trade volumes, to the benefit of Russia and the disadvantage of the other states.

The question as to whether the entire FSU should remain in a 'rouble zone', is being answered by events. Estonia has already officially left the 'rouble zone', and others are preparing to follow suit. Besides the assertion of national independence, the reasoning behind this step is tied to the desire to curb inflationary trends emanating from the Russian Federation, and to diminish the economic impact of local Russian military bases and elements of the military-industrial complex. This does not mean, of course, that the introduction of national currencies will not have any negative effects for the states concerned, especially since citizens and even decision-makers in the non-Russian states tend to consider indigenous currencies unrealistically as a cure for macroeconomic problems.

Macroeconomic stabilization

Of all the CIS members, only Russia has so far come up with a comprehensive, radical economic transformation programme.

Prices have been liberalized in two stages in the first half of 1992, resulting in a hyperinflation that reached 740% for the first five months of 1992. This figure, as well as all others in this section, must be treated with care, even scepticism, since most of the statistics available for Russia (let alone other CIS member states) are of dubious accuracy.

The consumer supply situation has begun to improve, but this is of little help in a situation in which real incomes have dropped by half compared to 1991. The depression Russia finds itself in is clearly apparent in a GNP decline of an estimated 40% between 1990 and 1993. Other factors in the depression are a drop in exports by 29% and in imports by 46%, and a foreign debt of around $40 billion. This depression is particularly intense because in Russia the command economy was abandoned long before anything else was put in its place. The first signs of recovery are now expected in 1994, at best. In the long run, however, Russia's chances of recovery may not be bleak, considering the vast reserves of natural resources which make it the only CIS state capable of a significant export surplus now and in the future.

The mass poverty which is spreading rapidly through all CIS economies is hindering the introduction of market structures. Private demand and the necessary accumulation of capital to encourage investment are lacking; investment in the CIS in 1992 has dropped to half the Soviet level of 1990.

The other CIS states have hardly begun to formulate strategies for the transformation to market structures: some, like Ukraine, Belarus and Kazakhstan, are willing to transform (although more slowly than Russia); others (like most of the Central Asian states) are, for the moment, determined to stick to centralized economic structures. Belarus is strongly linked to the Russian economy, and has no immediate prospects for Western trade. Ukraine, also highly dependent on Russian energy imports, regards economic independence as an inseparable element of political independence and is hoping for improved ties to the West. This might turn out to be a dangerous illusion. The Central Asian states have the lowest economic perfomance levels of the entire CIS, and rapid

population growth. A reorientation towards Iran and Turkey might relieve some of the dependence of the Central Asian states on Russia, but cannot replace it.

Conversion

The conversion of the arms industries from military to civilian production is considered a crucial step in the marketization and democratization of the CIS states, especially in Russia and Ukraine, with their huge military-industrial complex. The idea was that if these industries, with their highly skilled managers, efficient technical personnel and excellent equipment, could be converted to the production of consumer and investment goods, the CIS states might actually make a leap forward in terms of global competitiveness (currently almost non-existent for civilian industrial production). However, conversion presupposes the availability of a tremendous amount of capital which is not present inside the CIS. Its availability in the West is also uncertain. Hence, in order to be able to carry out meaningful conversion programmes, the VPK will have to continue to make profits. These profits can now only be made by the continued development, production and sale (preferably on the global market for hard currency) of weapon systems - a process which will continue for years. This will strengthen the position of the VPK in its old form within the CIS economies.

THE BALTIC STATES

Within the CIS as well as in the West, it was widely assumed that the three Baltic states could, after achieving independence in the wake of the failed coup in August 1991, function as a kind of 'laboratory' for the problems of transforming the Soviet system. Russian democrats called Lithuania, Latvia and Estonia *nash zapad* (our West), and hoped that this region would become a bridge between Europe and Russia. The leaders of the large reform movements in the Baltic states liked to point to the (relatively recent) democratic past of their countries and so strengthened the illusion that their transition to the 'European system' would not be any more difficult than in countries like

Poland and Hungary. But compared to Eastern/Central Europe, their political systems remain in a rather embryonic state, their economies remain far more dependent on developments in the CIS, and within the new political elites sharp divisions about fundamental issues are growing. Economic reconstruction is causing the same destabilizing problems as in all post-communist countries; in short, there is not much reason for optimism.

The Baltic states have the most favourable position of all FSU nations on foreign trade. They are trying to create close ties with their Scandinavian neighbours in the European Economic Space. Nevertheless, Baltic industrial production will continue to depend on sales in the CIS, implying lasting economic ties between the Baltic states and the CIS.

One very dangerous development is the deterioration of relations with Russia, their main and perhaps irreplaceable economic partner. At least for the Russian democrats, this deterioration came as a surprise and a disappointment, after they had supported Baltic independence before August 1991. While the Baltic states have developed good relations with almost all countries of the EC and with the United States, the 'special relationship' with Russia has become so problematical and fraught with mutual distrust that violent conflicts cannot be ruled out. The main issues are domestic problems of transformation, the continued presence of Russian troops and the position of Russian minorities.

Trends in political transformation

More than in other states both in the FSU and in Eastern/Central Europe, the gap between the popular expectations of 1991 and the reality of 1992 is dramatic in all three Baltic states. It seems to have been assumed by many that independence and sovereignty alone would do much to solve the political, social, economic and ethnic problems in the three countries. Moreover, government measures like the introduction of national currencies were often regarded as miracle cures. Accordingly, the realization that many of those beliefs are

illusions has led to a particularly strong sense of frustration and even desperation among the citizens of the Baltic states.

The development of pluralist political structures is in general far less advanced than in Eastern/Central Europe. Political parties are organized on an even more rudimentary basis and, unlike in Eastern/Central or most of Southeastern Europe, the new political elites cannot build upon established structures and administrations of states that were at least formally independent.

The continued presence of Russian troops

Immediately after the USSR's formal recognition of the independence of Lithuania, Latvia and Estonia in September 1991, the Baltic leaders called for all Soviet troops to be withdrawn as soon as possible, and in any event before the end of 1992.

According to conservative estimates, the Northwestern Group of Forces, formerly the Baltic Military District, has some 130,000 men, which can be considered a significant presence in an area of 174,000 square kilometres with a population of roughly eight million. Of these 130,000 soldiers, some 35,000 are officers and non-commissioned officers. Exact figures about the strength and composition of the military units in the Baltic region have never been provided, even after the beginning of withdrawal negotiations. There are no agreements to regulate the troops' presence and heavily armed contingents are widely spread over the entire region, with a strong military presence in almost every major city. All territories under direct military control are completely closed to outsiders, including the Baltic authorities. The Lithuanian President Vytautas Landsbergis recently said that 'this army is moving wherever and whenever it wants. It is behaving as if it was an occupation army and not located in a sovereign state.'

From the beginning, the Soviet military authorities insisted that only a very gradual withdrawal was possible and that it could not begin until 1994, when the pullout from Germany and Poland was to be completed. Part of this reluctance may

stem from the fact that some of the military assets in the Baltic states have important functions in the former Soviet - and now Russian - global strategic posture. After the formation of the CIS and the establishment of a Russian Ministry of Defence, the formerly Soviet military personnel in the Baltic states officially became Russian troops. But this did not change Moscow's attitude to the withdrawal problem. The Russian Minister of Defence declared in May 1992 that only 40% of the troops could be withdrawn between 1992 and 1994. He seemed unimpressed by complaints from the Baltic capitals that the continued presence of these foreign troops was a violation of international law. Under heavy international pressure, President Yeltsin promised to accelerate the process of withdrawal, but he was unable to present a timetable. The agreement between Lithuania and Russia on troop withdrawal concluded (but not immediately signed) in early September 1992 offers some hope.

There are reliable reports that the Russian troops on Baltic territory are highly demoralized. The general attitude in the population towards them is openly hostile and there has been a growing number of serious incidents involving Baltic radicals and Russian soldiers. General-Colonel Valery Mironov, the commander of the Northwestern Group of Forces, has warned from his headquarters in Riga that such incidents could escalate into armed clashes, as has happened in Moldova. Another serious development is the rebellious behaviour of some groups of Russian officers in the Baltic states. They have sent ultimatums to Moscow demanding reassurances about their future social wellbeing before they are withdrawn.

The longer Russian troops remain, the greater the probability that their presence will transform the still relatively peaceful Baltic countries into an area of instability and conflict. This will be dangerous not only to the Baltic countries themselves but also to the reformist Russian government, since any increase in tensions will help nationalist forces in Moscow.

The position of the Russian minorities

In Latvia and Estonia, the Russian minorities make up, respectively, 48% and 38% of the population. In Lithuania the figure is 10%. The fears of Latvians and Estonians of becoming minorities in their own countries played an important role during the struggle for national independence. In their respective capitals Riga and Tallinn, Latvians and Estonians had already become a minority, and remain so. Some towns in these two countries are completely dominated by Russians. It is true that in the referenda about independence, large parts of the local Russian populations voted in favour along with the indigenous Baltic majorities, because they also hoped for a speedier transformation to democracy and market structures outside the Soviet Union. But they were quickly disappointed by the measures taken by the new Baltic authorities. In Estonia and Latvia, the Russians have been deprived of their full rights as citizens. All three Baltic countries no longer recognize Russian as an official language, a further shock to Russians who, in the Soviet era, had never been encouraged to learn the local language. The situation will be particularly troublesome in the highly 'russified' areas, like the Narva region of Northeastern Estonia, where 90% of the population is Russian, and where heavy industry is concentrated. Economic transformation will lead to large-scale lay-offs in precisely these regions, which is bound to cause unrest with ethnic overtones. Threats have already been made by these Russians to create a 'Narva River Republic' and join the Russian Federation. This, in turn, has only fuelled Estonian nationalism.

The Russian government is trying to improve the situation of ethnic Russians in the Baltic states, although with little success. Moscow has sent a memorandum about the 'human rights violations' in Lithuania, Latvia and Estonia to the Council of Europe. Progressive Russian intellectuals have protested against what they consider to be discrimination against innocent Russians. They warn that an aggressive version of the Baltic nationalism which they themselves supported during the struggle for independence is doing great damage to the cause of

democracy in the whole former Soviet Union and will only strengthen the position of Russian reactionary and imperialist forces. Lithuania seems to have less of a problem with its Russian minority, but it has been going through a phase of severe political tension with Poland. Eight per cent of the Lithuanian population is Polish, and the fact that this group was relatively better off in terms of its cultural situation before independence has created a Polish-Lithuanian problem that is still far from being settled.

The position of the Russian minorities has been used by some Russian politicians and generals as a new argument for postponing the withdrawal of Russian troops, and in October 1992 President Yeltsin announced a halt to the withdrawal process. The greatest danger is that Russian soldiers in the area could act as armed protectors of their compatriots coming into open conflict with the Baltic authorities. But in addition, in Latvia and Estonia, influential political groupings now consider it their main task to restore the 1920 borders of their countries. They claim some not very important territories from Russia, lost after the annexation of the Baltic states by Stalin in 1940. Moscow refuses to discuss these claims and is supported in this attitude by Lithuania, which wants to preserve the borders as they existed when the Soviet Union was dissolved. In Russia, but especially in the Baltic states, these ethnic problems are now turning into windows of opportunity for radically oriented segments of the respective leaderships. There is a high probability that the problem of the Russian minorities will become an escape hatch in times of economic and social crisis, an 'immaterial temptation' with dangerous consequences.

CONCLUSION

In all four regions of the former communist bloc, the exit from communism has turned out to be more difficult than expected. First, the general public satisfaction, if not euphoria, has given way to widespread frustration and a loss of faith in the abilities of democratic structures to solve the acute problems of post-communist Eastern Europe. Second, and this explains the first

point to a large degree, the economic transformation towards market structures has taken much longer than anticipated locally - irrespective of the specific road chosen by individual governments. Third, the new elites have encountered severe problems in adapting to the challenges of institutional and administrative reform. Fourth, political parties have in most countries failed to develop into stable structures ready to fulfil the roles of parties in Western democracies. In some countries, indeed, parties barely exist. Moreover, a lasting societal consensus on the very basics of democratic structures and the market economy has not yet been achieved.

This general picture must, however, be refined along the geographic/political lines displayed in the structure of this chapter. Eastern/Central Europe is clearly the most advanced region, as far as political and economic transformation is concerned. On both counts, countries of this region have achieved enough to justify EC association treaties. But even here, problems in the political as well as the economic sphere are hinting at future trouble: a slide to nationalist/populist rule and a standstill in the transition to a market economy cannot be ruled out completely.

Southeastern Europe is now partly ravaged by a war that has brought transformation to a near standstill in the countries directly involved and that could spread to the entire region. Even in the countries so far not immediately involved, the transformation process has been considerably slower than in Eastern/Central Europe. The re-emergence of opposing coalitions of countries around the war in former Yugoslavia might bring a new 'Balkanization' to the region. Southeastern Europe will remain a crisis area for years to come.

The CIS has a politically uncertain future and is on the brink of economic collapse. With its particular legacy of 70 years of communism, transformation there will be immeasurably more difficult than in all other regions of post-communist Europe and, compared with the other regions, it has barely begun. Russia's further development is crucial to the entire CIS: economic and social collapse, or a return to authoritarian rule, would create a crisis area of tremendous size, albeit separated

from Western Europe by a number of more quickly transforming states. These, however, might themselves be destabilized by wars or other dramatic developments in the CIS. The potential for further wars inside or among the states of the CIS is clearly visible. The Baltic states have a better potential for transformation than most of the CIS, but they are also showing signs of severe economic distress. Their economic dependence on Russia in the near future, and the high potential for ethnic conflict, create a number of particular problems for transformation there. If these problems were overcome, the Baltic nations might achieve the transformation level of Eastern/Central Europe in the mid-term future.

All in all, the balance of trends in Eastern Europe in 1992 is not encouraging. Despite many achievements in the transformation to democracy and market structures, the potential for further crises and conflicts is growing. The effects would not be limited to the Eastern half of Europe, but would jeopardize stability and prosperity in the whole of our continent. The next chapter will examine in greater detail the risks and threats to West European security which present trends entail.

3 Consequences and threats for the West

The consequencs of the collapse of the communist regimes in Eastern Europe can hardly be overestimated. These consequences often manifest themselves as risks not only for those nations directly involved, but for their European neighbours as well. To some extent, they may represent direct or indirect threats to the West. On the one hand, problem situations which already existed in the communist era are now intensified. On the other hand, there are dangers, resulting directly from the collapse of the governmental and societal structures in Eastern Europe, which cover political and military affairs, economics, the supply of energy, the question of migration and ecological issues.

Political consequences and threats

The vanishing of the type of stability imposed on the Eastern part of Europe by communist rule has released social energies which, if not channelled and stabilized in the proper way, may cause political damage to all of Europe. The war in Croatia and now in Bosnia-Hercegovina has demonstrated the inability of the European security culture to cope with a brutal conflict, at the very time when Europe is on its way towards deepening as well as widening Western security institutions. This leads to an increased danger that European institutions will be undermined - and thus to a decrease rather than an increase in security.

The same consequence may result from future conflicts in Eastern Europe and the territory of the former Soviet Union. If - and this will be the rule rather than the exception - basic norms of the European security structure, in particular of the CSCE, are violated in the course of such conflicts, a policy of indifference will further jeopardize the European security network. Thus, although these conflicts will not initially involve Western Europe directly, Western security interests will be affected profoundly in several important ways: through the

various forms in which conflicts in Eastern Europe will inevitably spill over into Western Europe via movements of refugees and migrants, through the demonstration effects of violent behaviour, and through the overall erosion of support for non-violent conflict resolution. Against this background it remains an open question as to how a common foreign and security policy on the part of the EC can be developed, let alone implemented.

In the framework of a deteriorating security culture, Europe as a whole may get into an ever deeper dilemma. On the one hand, the principle of self-determination, held in such high esteem, will increasingly come into conflict with the Western interest in stability. On the other hand, not reacting to violations of the principles enshrined in the new European security regime may weaken the CSCE, while reacting strongly and with biting sanctions may be counterproductive because this may ignite the conflicts rather than calm them down. If these dilemmas are not resolved a further destabilization of the CIS countries may result. This in its turn may spread to the West, inflicting political damage also on Eastern Europe. The consequences for Central and Western Europe may then be grave as well.

Authoritarian regimes coming to power in Eastern Europe as a whole could lead to crises and conflicts, the consequences of which would not be confined to the countries in which they occur. The broader strategic environment may be destabilized (e.g. in a Russian-Ukrainian or Russian-Kazakh context) and treaties, norms and rules of conduct may be violated openly. There may be transnational consequences such as mass migration, the spread of conflicts between the minorities concerned in other countries, damage to neighbouring states; a process leading to direct aggression against neighbouring countries may be initiated. In this context it is necessary to consider two questions: how to successfully enforce European security regulations - a question to which there is no optimistic answer - and how to enforce the right of neighbouring states to be guaranteed a safe environment vis-à-vis authoritarian

regimes, especially as regards damage by unsafe industrial equipment and installations such as nuclear reactors.

In sum, the entire European community may suffer severe political damage because it is not prepared to deal with these worrying trends towards anti-democratic reversal.

Europe may, however, also contribute to the establishment of authoritarian regimes. The countries of Eastern Europe, once liberated from communist rule, chose a democratic orientation - not least because they expected the amount of help and foreign assistance necessary for integration into Europe to be given by their new Western partners. Now that in the perception of the East European states and their peoples these hopes have not been fulfilled, disappointment is growing along with economic and political difficulties. The consequence may very well be the further weakening of the young democracies whose social basis has been sufficiently fragile anyway. The same is true for the successor states to the Soviet Union, which have looked to the West for help in getting out of their quagmire. The people in these states too, as well as large parts of the political elites, feel that their expectations have not been realized. A change in political orientation may very well be the consequence. In particular Russia may redirect its policy: it will either pursue a policy of isolation or orient itself more to the South and to the East, adopting a Eurasian approach which will be anti-Western in nature.

Military consequences and threats

The residual threat to the West from the former Soviet army

The direct military threat (an amalgam of capability and intention) against the West from the CIS was minimal by the middle of 1992. This leaves open the possibility that Russia might change course and try once more to dominate by military means the states of Central Europe or the Baltics, for which the West does not (yet) have any direct security responsibility. Russia will also, for the foreseeable future, have powerful nuclear weapons capabilities, which continue to constitute a potential military threat to Western Europe. Moreover in a

couple of decades, after change, reorganization and growth, the Russian Federation might once more become a great military power trying to take over its neighbours. It is for such reasons that the West has a clear interest in the ratification and implementation of existing arms control treaties, especially the Conventional Forces in Europe (CFE) Treaty and the Strategic Arms Reduction Talks (START). Once ratified, these treaties will open the way to further arms control and confidence- and security-building measures.

Nuclear proliferation within the CIS has become a serious threat to wider Western interests. The possibility of Ukraine and Kazakhstan becoming nuclear powers represents a risk to the West but appears more of a direct threat to relations within Eastern Europe because both these republics clearly indicated that it was Moscow, not the West, about which they were concerned. Moreover, the indirect nuclear proliferation caused by nuclear experts from the CIS going abroad and selling their expertise to other interested countries represents a further serious threat to the West. The same holds true for the huge amounts of plutonium (70-80 tons) from nuclear weapons to be destroyed in the process of disarmament. At present there is no possibility of burning these in any sizeable quantities. Their storage sites may therefore be vulnerable to attack by those needing material for nuclear weapons.

The proliferation of chemical weapons may constitute another threat. In the course of open conflict or even war in the CIS or within Russia such weapons could be used - something that would affect all Europe in the long term. Once again, however, the main danger flows from the possibility of personnel proliferation, i.e. from assistance to third-world regimes from chemical-weapons experts going abroad.

Two other dangers need to be addressed with regard to former Soviet nuclear forces. They relate to the growing political entropy noted in the previous chapter, rather than involving any deliberate political or military use by Russia/the CIS against the West. The first is the danger that a small, desperate, even insane element in the CIS armed forces might try to stimulate chaos by launching a strategic nuclear weapon

without authorization. The second danger, or rather set of dangers, is of loss of control over some of the more than 9,000 tactical nuclear weapons in the FSU. This possibility cannot be discounted, especially if Russia descends into chaos. Moreover, a specific sort of loss of control could arise from the physical deterioration of weapons, which could lead to radiation releases affecting the West as well as Eastern Europe itself. There will be insufficient experts to dismantle weapons, and explosions spreading radioactive material may occur. It will also be very difficult and ecologically damaging to dispose of the liquid and solid fuel contained in the ex-Soviet missiles which are to be destroyed under the START agreement.

Military problems and political threats

If the CIS and the rest of Eastern Europe are to become flourishing market economies and pluralist democracies, they will have to overcome a series of problems presented by the resources which in the past have been directed to the military sector. These problems are most pressing in all the former communist countries of Eastern Europe.

First, throughout Eastern Europe armed forces and defence facilities need to be placed under civilian and preferably democratic control; this means the installation of civil service staffs (with capabilities in such areas as defence policy-making, procurement and military doctrine) and the establishment of appropriate parliamentary oversight, even direction, of defence policy. Next, assuming that the CIS will not survive militarily and reflecting the efforts being made by individual republics to establish their own armed forces, the former Soviet army needs to be reorganized. Forces have to be redeployed and accommodated. With or without the CFE Treaty, new force structures will have to be established in the republics of the CIS and throughout Eastern Europe. Again throughout Eastern Europe, military budgets will have to be cut and reshaped. The professionalization of Russian forces, needed for reasons of demography, technology and economics, will present challenges of organization and philosophy. Russia will not need many more professional troops but it will need to release some

and attract others. The armed forces of the new republics and other East European states will need strategies and doctrines to guide their operation and development. Preferably those strategies and doctrines should be compatible with the goals of the CSCE process and the CFE Treaty so that security relations within Eastern Europe as a whole are marked by mutual reassurance rather than by mutual provocation and alarm, leading to arms competition and conflicts. Finally, the CIS probably devoted more than 20 per cent of its overall output to defence. For their economic benefit, the successor republics need to reduce this drastically to four per cent or less, in line with Western efforts. Moreover they need to accompany such a change by utilizing effectively in the civil area the resources previously devoted to the military sector, including both the armed forces which are no longer needed and the human and capital assets previously organized for defence production.

The problems associated with converting the economy and indeed the societies of Eastern Europe from a military to a civil character are legion. No matter how daunting the task, the need to retrain officers so that they can usefully serve the civil sector will have to be addressed. Some 600,000 officers and NCOs may be made redundant from the Red Army during 1992. Industrial conversion efforts in the FSU up to 1992 were not marked by frequent success, but the CIS states cannot afford to write off all the capital associated with their defence-oriented manufacturing enterprises, which number over 2,000. Defence industrial conversion was also a prominent issue in Czechoslovakia, particularly in Slovakia. Defence production in other east European states was more modest, although not insignificant.

Unless all the above problems are reasonably managed across the CIS and, where relevant, in Eastern Europe, the military sector will prove a problem rather than an asset at the state level. The defence enterprises in Russia as well as in Ukraine will strengthen their sales campaigns on the international weapons market and will in particular try to sell their products to third-world countries. The military-industrial complex will make a political virtue out of its economic weakness and will continue to ask for state subsidies - with the implicit threat of

mass unemployment if these demands are not met. The armed forces, threatened by a further loss of social status, by the continued absence of an enemy, by demobilization and a further cut in resources, are beginning to fall apart. The troops are trading and selling whatever is asked for on the market; the officers are starting to engage in the universal privatization process. Moreover, the political leaders of the new regional centres of power tend to look for military support to back up their political activities and in particular the growing independence of their respective regions. This in itself will hasten the disintegration process.

In sum, the armed forces, in particular of Russia, may very well not be an instrument of stability in the hands of a democratically elected government, contributing instead to the growing instability and to the disintegration of Russia.

Political problems and military threats

As noted, Eastern Europe faces many problems of what we have called 'political entropy' and 'immaterial temptation', which either already involve violence or could lead to violence in the near future. Such violence in its turn may imply threats, however indirect, to the West as well. Some of these problems stem from the contrast between the often-asserted abstract right of national self-determination through statehood, and the reality that proposals to change boundaries usually generate strong resistance and that Eastern Europe does not divide up easily into specified areas, each inhabited by the people of one 'nation'.

From the point of view of potential violence, the Ukrainian-Russian conflict is perhaps the most serious 'international' issue in the CIS. At the end of 1992 it was apparent that both sides were working to keep the dispute in check but forecasts of eventual war between the two entities had considerable credibility. Another conflict of similar magnitude may arise if nationalist and/or Islamic forces come to power in Kazakhstan, which until now has been a strategic ally of Russia and a geographic and ethno-political buffer. Such a change might very well lead to the secession of the northern part of

Kazakhstan, with its population of mostly ethnic Russians, which in its turn would provoke harsh reactions from the Kazakh side. This could escalate into a war of considerable size - with consequences which can hardly be overestimated.

Another problem which may generate efforts at military solutions is presented by the 25 million ethnic Russians now living in foreign countries, i.e. in the former Soviet republics. Russia sees itself as the protector of these Russians and claims a specific *droit de regard* over their wellbeing in host countries with a deep-seated dislike for Russians as members of the old colonial state. Until a specific status for these Russians is established and their security is guaranteed, in particular in the Central Asian states, there will always be the danger of military intervention by Russian armed forces - again with grave political consequences for the states concerned. Such a triumph of 'Russia-first' thinking may mean a boost for Russian nationalist forces, which in the framework of such events may even come to power.

Apart from this, there are non-Russian minority problems. By 1992 violence had already occurred in Nagorny Karabakh, South Ossetia, Abkhazia and Moldova - with more conflicts to come. And in Eastern Europe, too, we have to face minority problems: Hungary's borders still reflect its status as defeated nation at the end of the First World War, when the Treaty of Trianon took away much of its former territory. Today perhaps 40 per cent of people who think of themselves as Hungarian live in neighbouring states, including Serbia and Slovakia.

A further possibility is that conflict may arise from regional separatist movements within the Russian Federation itself, where there is no clear idea of which groups can reasonably claim the status of 'nation' entitled to form a sovereign state. To complicate matters further, different groups have a different sense of what they mean by 'autonomy' or 'independence' from Moscow. By the middle of 1992, the people of Chechen Ingushetia were struggling to form two republics in the autonomous region. There was a strong nationalist movement for Tatarstan to become an independent state within the CIS. The oil-rich region of Tyumen was considering whether it

would be better off as a separate entity rather than as part of Russia. The Vladivostok area could move towards independence as its psychological distance from Moscow is stretched by its deepening relations with China, South Korea, Japan and other Asian economies. Some analysts believe that, despite the 1992 Federation Treaty, the Russian Federation in 1992 was as near to a break-up as the USSR was in 1989. Others feel that during 1992 a *modus vivendi* was reached in which the rights of the centre would be accepted in limited defined areas by the regions, which would largely run their own affairs. This model almost has Russia operating on a comparable basis to the Ottoman empire in the nineteenth century. While Moscow may peacefully accept the loss of some areas - and in 1991-2 it clearly pulled its forces out of some areas of violence - it is more doubtful whether it would tolerate the secession of territories if the effect were the removal of its own great-power status.

In contrast to the break-up of the Soviet Union, which to mid-1992 at least was largely peaceful, Yugoslavia's dissolution was marked by sustained violence. Historical ethnic and religious divisions were exacerbated by economic problems and aggressive nationalist sentiments. Without massive movements of populations there is no way to reach a settlement of the Yugoslav problem based on the ethnically coherent, territorial sovereign state. Thus the European Community's efforts to bring peace to the region were based on the principles that the old internal borders of federal Yugoslavia should become, without amendment, the international borders of the new states, and that complex minority rights regimes should be established to protect Serbs in Croatia and Bosnia, Croats in Bosnia and Serbia, and so on. If these guidelines were to be accepted by the main parties to the disputes, they would probably need to be reinforced by peace-keeping forces from the United Nations and some European-North Atlantic body, perhaps the CSCE working with NATO or Western European Union.

The post-Yugoslav wars present four risks for the states of the Community. First, the civil war in ex-Yugoslavia might draw some neighbouring countries into the fighting - most

obviously Hungary might be drawn to protect ethnic Hungarians in Vojvodina; Albania could become involved over Kosovo; and an independent Macedonia might seek to win territory from Greece (see also Chapter 2). The second risk is that Serbs elsewhere in Europe, particularly in Germany, might bring their war to the West. A third risk is that developments in ex-Yugoslavia could inspire in an intellectual, emotional and political sense conflicts in other parts of Europe: if the Slovenians can form a sovereign state, might not Catalan nationalism be reinforced? Might Corsicans also feel entitled to statehood? If the people of Kosovo get to join Albania, how will the Turkish people of Bulgaria react? Few states in Europe could feel comfortable with a crude principle of the right of national self-determination off the leash and running amok. However, an important (admittedly debatable) proposition would be that pressures will develop for the principles which prevail in ex-Yugoslavia to operate also in the CIS. The fourth risk is that ex-Yugoslavia will be seen as a defining test case for EC coherence and effectiveness, and that the Community will fail and thus lose credibility among its own members and in the wider world.

The consequences of civil and economic failure in the CIS cannot be disregarded. If Russia or other republics fall into chaos and civil disorder, the prospect of a seizure of power by the military cannot be discounted. When politicians do not rule a state with any success, the military may always feel that they could do a better job. Once in power they could adopt a highly nationalist and aggressive attitude towards the outside world. Given the paralysis of the political system in Poland, can a military takeover be ruled out in that country?

Summary

There is a residual military threat against the West from Moscow which has to be taken into account. But in the main, the military-related risks and threats to West European security emanating from Eastern Europe are less tangible, more indirect than in the past. They are nonetheless quite serious. The socio-economic and political distortions caused by huge military

industrial complexes constitute massive obstacles to the establishment of pluralist democracies and competitive social market economies. Political entropy in a variety of manifestations, the temptation to resort to ideologies like nationalism, ethnicism or religious fundamentalism, the weaknesses of the new democratic structures and the tendencies towards regional separatism - all these negative trends may foster a recourse to political violence and the use of force. In such circumstances, the huge accumulation of weapons of all kinds, including of tens of thousands of weapons of mass destruction, imply massive direct threats to West European security.

The effects of the economic transformation

Eastern Europe

In the previous chapter, we have noted worrying trends in the process of transforming Eastern Europe's planned economies into internationally viable and socially stable market economies. While there are clear differences between the four sub-regions, between countries and even between regions within countries, the transformation to market economies which are both internationally competitive and socially stable seems far from assured, even for the relatively best-placed states of Eastern/Central Europe. At best, this process plods along with interruptions, compromises and under increasing strain. At worst, it will turn into a general crisis in the market economy and democracy, which would lead to a dangerously unstable situation in Europe.

It is unlikely that even Eastern/Central Europe and Southeastern Europe, let alone the FSU, can guarantee on their own the degree of internal and, perhaps, interstate stability that is so essential for European security. Supraregional involvements that will lead to modernization and thence to greater internal and regional security are also necessary. Renewed orientation towards the East is out of the question for the foreseeable future. That is why the European Community will be of paramount importance in the stabilizing of Eastern Europe, in spite of the current uncertainty over further

integration. This can be deduced not only from the orientation of the foreign trade relations of the countries in the process of transformation. After their failure to join NATO and the psychological effects of the conflict in former Yugoslavia, hopes for a greater involvement by the European Community in supporting regional stability have grown stronger.

A new boost of development in Eastern Europe would be unimaginable without the EC market, and the association agreements are of corresponding importance. Yet, in spite of their advantages, those countries can only partially satisfy the need for modernization that has sprung from the change in system and the desire for political stability and for a psychological orientation towards the future. Non-committal remarks about the possible eventual full membership of East European countries fail to have the necessary psychological effect. Trade barriers remain in precisely those areas in which these countries could deliver and be competitive. The financial cooperation of the European Community with the associate countries is only vaguely described. The liberalization of Eastern/Central and Southeast European imports from the Community is coinciding with diminishing production and a rapid rise in the unemployment level. These facts could ultimately lead to a shift in Eastern Europe's positive attitude towards the European Community.

Because the consolidation of the Community has priority, and because the states of Eastern/Central and Southeastern Europe fail to fulfil the EC's tough membership criteria, membership cannot be expected in the near future. This is not a problem as long as the political and economic evolution of Eastern Europe remains under control. This, however, is improbable. If the European Community were to extend its role above and beyond that defined in the association agreements, at least in Eastern/Central Europe (without necessarily putting full membership on the agenda), it would contribute to a stabilization of Eastern Europe and to a breakthrough in the process of modernization.

Should EC political involvement remain at current levels, then there is little chance of extending the West European

stability zone to Eastern/Central and Southeastern Europe. The dangers for the Community and the European order could be envisaged as follows:

- Permanent instability in Eastern Europe would require emergency help, diverting West European attention from other important tasks.
- A new division would arise between Eastern and Western Europe. In the East, political conflicts would be defined more and more in ideological, nationalist and ethnic terms, and would be settled through force, while Western Europe tried to retain its distinctive communitarian approaches to dealing with economic and political differences. In the longer run, this division would turn out to be as unstable as the old division of Europe, giving way to a renationalization of politics in Western Europe as well.
- The economic, social and political instability of the region would affect Germany first. Instead of acting within the framework of a common European *Ostpolitik*, the Federal Republic would have to act bilaterally or on the basis of a commonality of interests. The opportunity for tying Germany's East European policy into the European Community would be wasted.
- With Germany itself burdened with the task of stabilization, the ability to solve the existing developmental problems of Eastern Europe would be even more limited.

The former Soviet Union

The process of economic transformation in the former Soviet Union gives rise to two main risks:

- The transition to a competitive economy has brought about a crisis characterized by a decline in investments, buying power and demand, and bankruptcies. How long this crisis will last, and what its social and political consequences will be, cannot be predicted.
- The homogeneous economic area formerly constituted by both the Soviet Union and the erstwhile Russian empire is faced with disintegration. In the long run, this may not

constitute a threat. But for the time being any such disintegration would intensify the socio-economic destabilization in the transformation period. It would also encourage, even force, a shift towards nationalist or ethnic economic policies, and thus heighten tensions in these areas.

In the context of economic developments in the CIS, the main threat for the West derives from the fact that the transformation of a planned economy into a market economy brings with it high social costs (unemployment, reduction in living standards and investments) and places extraordinary demands on the people and politicians in the CIS. It is by no means certain that post-Soviet societies will be able to withstand this strain. The huge problems in the transition to a market economy have already lead to widespread dissatisfaction with the political processes of parliamentary democracy and a lack of trust in its institutions. There may very well be a turn to autocratic populism: it is even possible that power may go to nationalist right-wing forces, which would tend to regard the West in antagonistic terms.

If the problems of economic restructuring left behind by the period of planned economies cannot be solved, and the change to a functioning order based on democracy and a market economy does not succeed, including new ways for the successor states of the Soviet Union to coexist and cooperate, then the following dangers, among others, may arise:

- The dissolution of the economic union has the least impact on Russia (see Chapter 2). The possible consequence is the division of Eurasia into 'northern' and 'southern' parts, with chaos in the Caucasus and economic hardship in Central Asia. With persistent economic chaos and the failure of liberal reforms, authoritarian leaders will push reformers out of power.
- Even under the optimistic assumption that production will stabilize in a few years, unemployment will rise dramatically (up to an estimated 30% of the potential workforce). The present social compensation efforts will not suffice. Social

tensions will increase, and the better-placed regions will try to separate themselves from the poorer ones. This, in turn, will accentuate interstate and inter-ethnic tensions.
- For economic as well as political reasons an economic linkage of the CIS countries and particularly of Russia with the West is needed. In order to create such a linkage an extraordinary scale of Western capital transfer (for example, 10-20% of Russian investments) would be necessary. But the economic and political prerequisites for such an influx of foreign capital are clearly lacking. The resulting absence of a comprehensive political as well as economic linkage between the CIS and the West means the absence of a safety belt which could save Russia, in particular, from relapsing into autocratic patterns of government.

The possible consequences of economic transformation in the countries of the CIS in their totality may culminate in the former Soviet Union becoming a gigantic zone in permanent crisis, with the resulting probability that the prospect for a partnership of democratic and market-oriented states encompassing all of Europe would recede into the distance.

Interruptions of natural gas and oil supplies

The dependence of parts of Europe on Soviet energy has turned into dependence on Russian energy and Turkmenian natural gas and on Ukraine and the CSFR as the main transit countries. The loss of Turkmenian natural gas could be compensated for quite easily. This reduces the European dependence problem to Russia and the transit countries Ukraine and Czechoslovakia.

Western Europe, i.e. the European OECD countries, imports 40% of its primary energy supply needs. One quarter of those imports, approximately 10% of the total supply, is delivered by the former Soviet Union, in the form of natural gas and oil. In 1989 Western Europe's oil imports from the Soviet Union represented a 14% share of oil consumption: 13% for the European Community and 10% for the Federal Republic of Germany. In 1990 German oil imports increased rapidly: for the

united Germany they were double what the FRG had imported the year before. This is indicative of the growing flexibility of the oil market, particularly since the mid-1980s after the dramatic decline in prices. In the longer run, however, with reduced competition on the supply side, the oil market might become a seller's market again. According to a study prepared by the International Energy Agency, Middle East countries will have almost to double their oil production until the year 2005 to 32.3 million barrels per day (1989: 16.9 million b/d) in order to cover the world demand of 85 million b/d. This means a growing market power of OPEC countries and a greater dependence on stable deliveries by non-OPEC oil suppliers.

The situation is different in the field of natural gas. Around 20% of Western Europe's gas supply and almost 40% of Germany's now comes through pipelines from Russia and Turkmenia. Europe cannot find easy substitutes for all natural gas coming from CIS countries, although a temporary disruption could be accommodated. It is hard to imagine, however, that Russia could gain an advantage by exploiting this medium-term dependence. It might be more realistic to envisage a terrorist act or a very aggressive policy in the Ukraine or Slovakia.

A special problem is posed by the situation in the countries of Eastern Europe, which were, until 1990, extremely dependent on Soviet energy deliveries. It will take a number of years for this dependence to be reduced to the West European level. A supply interruption for East European countries would strain the European security balance, and they have already asked for integration into the Western supply security system.

The East European countries have made some efforts to reduce their energy dependence on the Soviet Union. Unfortunately, they concentrated their oil diversification policy in 1990 on contracts with Iraq and Kuwait which could not materialize. But other deals with Iran (an agreement to deliver 3.6 million tons in 1992 to Poland), Saudi Arabia, Venezuela etc. have been negotiated. Nevertheless, these countries have a preference for agreements with Russian oil and gas producers because of the better chance for barter deals.

Against this background, wars or serious political conflicts between member states of the CIS, in particular between Russia and Ukraine, as well as conflicts within Russia, could lead to interruption in the flow of these resources. Such interruptions could well threaten the economic security, and hence the political stability, of energy importers *and* exporters in Eastern Europe. In that sense, risks and threats to the energy security of some East European countries could turn into wider threats to European security.

The threat from emigration

The breakdown of communism has also removed the barriers which literally stood in the way of those who wanted to leave the countries where they were suffering repression and serfdom. Now that they are able to travel relatively freely, the question arises as to whether Western Europe will be threatened by huge waves of immigrants leaving their mother countries in Eastern Europe and the CIS. The question is not easy to answer, largely because reliable sources of information do not exist.

There is, however, a creeping immigration from Eastern Europe, in particular from Romania and Bulgaria, in part also from Poland. Moreover, the surge of Albanians seeking refuge in Italy and the waves of war refugees from Croatia and Bosnia show that mass emigration is a real possibility, given one or more of the following preconditions:

- severe domestic crisis, leading to the impoverishment of large parts of the population;
- no prospects for economic reforms or for Western help;
- war;
- environmental catastrophes;
- perceived readiness of Western countries to receive, house and feed refugees.

With regard to the FSU, the dislocation of post-Soviet societies has created a significant structural basis for massive

migration inside the CIS and, under certain conditions, for massive emigration. How this might come about, however, and what direction it might take still remain to be examined.

A sober estimate of possible migration and emigration within and out of the CIS should define and distinguish between individual types of movement. Interior migration must be kept separate from emigration at all times. The West European debates should pay greater attention to the interior migration than they have done, not only because of its potential for becoming emigration, but also because of its destabilizing effect on the destination regions. Regarding emigration to the West, one must differentiate between 'normal' movements, i.e. those caused by material or ethnic factors, and the refugees fleeing natural and technological catastrophes, or wars and pogroms. While the 'normal' migration from countries of the CIS does not seem to be much of a danger, the possibility of refugees fleeing war and environmental catastrophes is ever-present and neither its timing and scale, nor the direction of the ensuing movement, can be precisely calculated. It is this possibility which represents the main threat to the West. It is therefore essential to be prepared for such a contingency.

Ecological consequences and threats

Communism left a terrible environmental legacy in Eastern/ Central Europe and the former Soviet Union. The pollution-intensive modes of industrial development, in which the environmental costs of economic activities were largely disregarded, left many natural and social habitats severely degraded, some destroyed almost beyond repair. The careless methods of disposal (highly toxic waste was often deliberately 'diluted' with household refuse) left many environmental time bombs to affect underground water. Low and shoddily implemented standards of environmental safety left many industrial sites (such as nuclear power stations, nuclear fuel-cycle installations and chemical plants) in which production can only be carried on at very serious risk to human health at the local, regional and even global levels. On top of this, there are a

number of military installations related to all aspects of weapons of mass destruction, which have already caused severe environmental damage and which continue to pose major risks. As a consequence, since the demise of communism the countries concerned, as well as the international community, have confronted two major challenges: to clean up environmental destruction throughout the region, and to defuse the - potentially sometimes extremely serious - risks of accidents.

Where do we stand now with regard to those two challenges? The trends are not very encouraging. As the daunting dimensions of the problems of economic transformation have become apparent, and as industrial production has declined, the loss of economic activity has led to some reduction in emissions. But the slow pace of new investment in the regions under consideration means that there has been little real progress in reducing the continuing degradation of the environment. Thus environmental pressures keep accumulating. Efforts to clean up past environmental damage have hardly started anywhere in the East - the priorities are, understandably but dangerously, elsewhere. And there has also been little, if any, progress towards defusing the many 'environmental time bombs' in the East: nuclear reactors, weapons production facilities, highly toxic chemical and nuclear dumps, emissions of lead, cadmium, mercurium as well as of SO_2 and NO_x.

The risks inherent in these environmental time bombs are, as mentioned, in part structural - they are built into installations as a result of the faulty designs, low safety standards, and shoddy construction work which were so widespread in centrally planned economies. In part, however, these risks are now augmented by a number of additional factors:

- The decay of the old Soviet state and of central political structures has shifted judicial and administrative responsibilities onto new states. These states have begun to assert their own control over facilities on their territories. The result has been some decay in overall administrative control,

unclear responsibilities, and uncertainties about the future of effective administrative and technical control.

- The socio-economic crisis in Eastern/Central Europe and, more severely still, in the CIS has generally weakened the social fabric which ultimately determines the safety of complex and dangerous industrial or military installations. The quality, motivation and dedication of personnel is bound to be affected by the reverberations of this crisis, and the overall impact cannot but heighten the risks of accidents.
- Lastly, as social and political control over events is eroded, social violence has already begun to rise dramatically at all levels - from organized crime through ethno-political conflicts to interstate tensions and war. In such circumstances, sensitive installations could become intended or unintended targets of acts of violence, with potentially catastrophic consequences.

To quantify those risks precisely would be futile. It is clear, however, that the probability of serious environmental accidents was already uncomfortably high before 1989, and that it has increased considerably over the last three years. And it is also clear that, while the brunt of the loss of life, health and environmental safety would be suffered by the people living around the site of any future accident, some of those accidents could also very severely affect people across wide distances, as Chernobyl has demonstrated. The same is true for the devastation and contamination of soil, water, air and atmosphere in the former Soviet Union as well as in other parts of Eastern Europe. These acts of environmental damage are not only threatening to the biosphere in the polluted areas; they can also have an international dimension. The most striking example in this respect - though by no means the only one - is the vast contribution of Eastern/Central Europe and the CIS to global warming which, if not addressed at all or not in time, will have very significant negative implications for the whole of mankind. Another example is the acid rain from which large parts of Western and Northern Europe are suffering, and which

are caused to a large extent by emissions from Eastern Europe, including the CIS.

Present trends thus endanger not only the security of people in these regions, but also the common security of Western Europe. The most severe threats in this sense in the civilian realm stem from:

- Nuclear reactors of Soviet design in the CIS and in Central Eastern Europe. The most worrying nuclear facilities are the Chernobyl-type reactors (RBMK 1000/1500), of which there are eleven on the territory of the FSU. Another serious cause for concern are first-generation light water reactors (WWER 440/230); the International Atomic Energy Agency has identified ten such reactors in the FSU and Eastern/Central Europe as falling into the highest-risk category. Since Chernobyl, there have been several incidents, fortunately of less severity. But the risk of a new major accident seems very high indeed.
- The contribution to global warming constitutes a long-term threat to global security. While the implications of global warming are probably impossible to calculate precisely, the dimensions of the adjustment burden placed - in a highly uneven manner - onto international society are disturbing enough to warrant major efforts to avoid them. The CIS states alone contribute 17-19% of worldwide emissions of CO_2, the major greenhouse gas; emissions per capita in Eastern Europe and the CIS are about 50% above West European levels, and emissions per unit of GNP are at least four times higher. The estimated 24-48% increase of emissions of CO_2 in the CIS to the year 2020 alone would lead to a 5-10% worldwide increase of emissions - contrary to the declared target of the World Conference on the Changing Atmosphere in Toronto in 1988, which recommended a 20% reduction of global emissions of CO_2 by 2005. Global objectives will thus be impossible to meet if Western industrialized countries have to compensate for such increases in Eastern Europe and the CIS (as well as in China and the Third World).

- The environmental degradation of the Baltic Sea represents a drastic example of how local groundwater contamination can turn into a major regional problem. Thus, the river Vistula alone annually transports 1.4 million tonnes of sediment into the Baltic - much of it severely polluted. The accumulated environmental damage has become a major burden on future economic development around the Baltic Sea.
- Lastly, the indirect effects of major environmental degradation and local accidents must also be considered as a threat to our common, and to our West European, security: they could result in major migration movements and socio-economic upheavals, which in turn could contribute to undermining already fragile structures of economic recovery and political stability. In other words, socio-economic and political stability will need a healthy environment in the most precise sense of the word.

Conclusions

The worrying economic trends described in the previous chapter point to a number of very serious risks to a successful economic transition in all of Eastern Europe, albeit with differences of degree. Economic crisis could lead to social revolt and political destabilization, and inflame tensions and violence between states, ethnic groups and regions - just as, conversely, political turmoil is bound to threaten a successful economic transition. The reverberations of economic crisis and social chaos are certain to ignore political borders. The potential of large flows of refugees and migrants, of ecological disasters and of the corrosion of international relations in Europe as a whole constitutes a serious threat to West European as well as to East European security.

4 Policy objectives: security and solidarity

As noted, the new 'Eastern question' is transforming European politics. The thaw of communism has revived history, unleashing old nationalistic conflicts that were repressed but not solved by totalitarian rule. An outright economic disaster, previously concealed by total social and financial isolation, is threatening the fragile fabric of the new democratic regimes. The security situation is being exacerbated by mismanagement of ecological hazards, political and economic migration, and military uncertainties.

But positive factors must be stressed. The military threat of the former Warsaw Pact has vanished. Democratic governments are in place almost everywhere in Europe. Economic and social interchanges between East and West are increasing. There is a sense of a common heritage and a common destiny. The unhappy legacies of communism can slow down and impede these positive developments but it cannot stop them altogether.

The ensuing upheaval has caught Western Europe unprepared in situations where geographic, cultural, political and economic variations are leading to different perceptions of risks and opportunities, and are highlighting divergences among West European countries. Also, the demands for considerable amounts of new investment and capital and for imaginative approaches to development policies in the East are meeting with conflicting priorities.

This gives rise to the question of solidarity, which is of great significance in the area of security. Considerations of social justice and equity can lead West Europeans to make a commitment to manage the common destiny of Eastern and Western Europe. Yet the extent of actual Western commitment will depend on judgments about the range and gravity of the risks and threats looming over Western Europe. Solidarity is only one of the possible answers to the problems posed by Eastern Europe: insulation and containment also are

possibilities. The goal is to attain security in a united European theatre.

Europe in the intersecting web

Western Europe must define its vital interests, weigh the cost of the actions proposed and consider the capabilities of its institutions. Its priority must be to avoid empty declaratory policies, over-committing already scarce resources in the economic and military fields. Already, exaggerated expectations are aggravating our predicament. A new security concept is needed, encompassing a complex web of interests and policies. It must be based on a wide definition of 'Europe' and it should aim at a stable security regime inside and around Europe, by mobilizing the various institutional and operational instruments that are available.

Some common initiatives have been undertaken in the EC and in other allied fora. A framework of so-called 'interlocking institutions' dealing with these problems has been established, essentially comprising the EC, the Western European Union (WEU) - both to be part of the European Union - NATO, the NACC, the CSCE and the Council of Europe. The present structure of European international politics is characterized by a network of organizations with overlapping competencies, different memberships and decision-making procedures, and somewhat diverging focuses.

Globally, there is the all-encompassing United Nations. In Europe, the CSCE has been defined in such a way as to embrace all the FSU republics and is open to the Pacific area as well through the special status applied to Japan. The competencies and roles of the UN and of the CSCE overlap extensively, both being interested in such issues as crisis control, conflict resolution, and state and human rights. The CSCE encompasses a more detailed approach to human rights, democratic institutions, a permanent system for monitoring conflicts and crises, confidence-building measures, arms reduction agreements worked out within its framework, and an economic cooperation basket. The UN has proved its efficiency in actual

crises because its decision-making mechanism, in the Security Council, is less cumbersome and more adapted to world realities than the CSCE. Neither of these institutions, however, has been able to deal effectively with the Yugoslav crisis and both seem to be baffled by crises within and between former Soviet republics.

The Council of Europe includes all European democracies, its main strengths being that:

- it gives out a kind of 'democracy licence', which can be withdrawn permanently or temporarily, helping to establish rules and norms as well as democratic standards;
- it includes a Parliamentary Assembly which has an (albeit limited) exemplary role;
- its Court of Justice can actually implement human rights in specific and general cases; and
- it seems to be the only institution making any attempt to deal with the problems of national fragmentation, regionalism and the rights of linguistic groups, by establishing some common legal ground on rights and obligations.

The OECD, an institution extending beyond Europe, comprises only economically developed countries. Its main political role towards the East has been to monitor the channelling of funds. Its role may develop in the event of a greater assertiveness on the part of the G-7 countries, or jointly with the future of NATO.

The NACC is the extension of the Atlantic Alliance towards the East. It has been both widely praised and criticized. East/Central European countries are interested in it as a preliminary step to entering the Atlantic Alliance and a first institutionalized security linkage with the US, which may increase their national security should serious disturbances arise in their region. The FSU republics are interested mainly in the multilateralization of their new relationships with the US. From a Western viewpoint the NACC's main value lies in the possibility of bringing Russia and the other FSU republics inside a common East-West security network.

EC policies so far

The EC has dealt simultaneously with large ambitions, meagre means and unclear strategies. It certainly remains the most significant international European actor, but its political image has been somewhat diminished by its relative failure in Yugoslavia and by endless bickering on the ratification of the Treaty of Maastricht. In fact, unless there is an early ratification of this Treaty, the perceptions of the EC as a significant international security actor will almost disappear.

The basic framework for a common European policy towards the Eastern countries was the joint EC-CMEA declaration (25 June 1988), followed by the establishment of diplomatic relations with each country and by ten-year commercial and cooperation agreements signed between the EC and all the countries of Central and Eastern Europe between October 1988 and March 1991 (the only exception being a five-year agreement with Poland). The EC has applied the Generalized System of Preferences (GSP) to imports from East European states, including Albania and the Baltic states, but excluding the Commonwealth of Independent States (CIS) and exports to Spain and Portugal. These same Eastern countries are beneficiaries of the PHARE programme, aimed at helping economic reforms and establishing a free market economy. The PHARE budget was ECU 500m in 1990 and ECU 785m in 1991, and should reach ECU 1 billion by the end of 1992. Special programmes for restructuring the steel and coal industries have a separate budget of ECU 200m. In addition the Community has extended special loans to help the balance of payments of Central and East European countries (ECU 2.090 billion, i.e. about 50% of the total contribution of the G-24). On 15 April 1991 the European Bank for Reconstruction and Development (EBRD) was inaugurated, under the auspices of the G-24, with the EC providing 51% of its capital. Moreover, the European Investment Bank (EIB) has extended its activities to Poland, Hungary, the CSFR, Romania and Bulgaria. The EIB is expecting that a total of ECU 1.7 billion in loans will be granted by the end of 1992.

In actual value, trade with the five major Central and East European countries increased during 1991 (imports by 23% and exports by 52%). The trade balance is favourable to the EC (over ECU 1 billion for the period January-September 1991). In November 1991, the EC signed three *European Association Agreements* (EAA) with Poland, Hungary and the CSFR. They included provision for political dialogue and cultural cooperation, as well as financial aid, and aimed at the creation of a *free trade area*. These agreements of 'special' association did not envisage the automatic entry of these countries to the EC, but opened this possibility, and in fact, should help them to attain membership. Similar agreements are being negotiated with Bulgaria and Romania.

The EC already plays a significant international role in the coordination of Western aid to the CIS and has confirmed its interest in the stability of the region by agreeing to contribute to the newly established International Centre for Science and Technology, aimed at checking the 'brain drain' from the former Soviet Union, particularly in the nuclear field.

The EC signed a ten-year trade and economic cooperation agreement with the then USSR, in December 1989. It included items of interest for Euratom, the European Atomic Energy Community (on nuclear research and especially nuclear safety). A renegotiation of this agreement, which should have started after 1990, has not yet taken place because of the events in the FSU and the creation of the CIS. In this radically new situation, the EC Commission envisages the establishment of a new kind of agreement. This would have some similarities with the EAAs, even if it stopped short of granting an explicit association status. Special aid has been granted, including emergency food aid (amounting to ECU 45m) to the CIS and to the regions of Moscow and St Petersburg. The EC has guaranteed a ECU 500m loan by a banking consortium, and has approved further credits amounting to ECU 1.25 billion for all the Central and East European states, including the CIS. Finally it has established a special budget for technical assistance of ECU 450m.

In sum, the EC association policy establishes a political distinction between Central and East European countries and ex-Soviet republics: the former are potential applicants for EC membership; the latter remain in a different category. Problems may arise with the location of the Baltic states in either group. This 'political' distinction has the advantage of clearly limiting the EC framework to the European continent as such, without enlarging it to Asia (or to the entire Eurasian landmass). Yet it raises the question of creating some kind of 'Eurasian' economic space congruent with the political and security space developed by the enlargement of the CSCE and the institutionalization of the NACC, which could eventually include Japan. This issue was highlighted by the WEU Council decision (taken at Petersberg in June 1992) to start consultations on foreign policy and defence matters with a number of Central and East European states, including the Baltic republics but excluding Russia. This reduced European version of the NACC underlines the existence of a key distinction between the West European approach to the security problems of Russia and those of the other East European countries. It could nurture dangerous isolationist perceptions in Russia and hasten the fragmentation of the FSU. Certainly it contrasts with the idea of an undivided European security space.

The EC has played a central role in the economic field, while it has shared responsibilities in the security field with NATO and the CSCE as well as with WEU. However, while some important Western programmes and policy decisions have been implemented, the overall Eastern crisis has deepened, injecting strain and discontent into the West European partnership. Thus the Eastern crisis has become a major internal West European issue.

The main EC problem is that different initiatives, while significant in their own right, are not a substitute for an overall security strategy towards the East. The report on the likely development of the Common Foreign and Security Policy (CFSP), approved by the European Council in Lisbon in June 1992, reaffirmed the commitments made at Maastricht. It appeared at the same time bold and timid: bold when asserting

the leading responsibilities of the European Union (EU), timid when noting the necessary consequences in terms of commitments. It may stimulate expectations more than it generates responses. To explain these EC limitations better we will briefly survey national politics and perceptions.

National approaches

Germany

Any general overview of the various national perceptions and responses so far should start with Germany. This country has a double problem: its unification and the widening of its *Ostpolitik*. While German unification is a 'domestic' West European question, it is affecting the European 'external' Eastern policy as a whole. This is largely due to the unification policy followed by Germany, which combined rapidity, maintenance of domestic political consensus, free market rules and monetary orthodoxy.

This policy involves the mobilization of gigantic financial resources with an anti-inflationary monetary policy, but lacks any coherent fiscal strategy. It is bringing about a transformation and reduction of the economy of Eastern Germany, and increasing unemployment, social tensions, and domestic migration from East to West. At the European level, it is reinforcing an already significant capital drain towards the Deutschmark, putting the European Monetary System (EMS) under enormous strain. While these negative effects are likely to be temporary, the transitional period could last much longer than originally forecast, complicating the achievement of West European economic and monetary unity.

Germany's *Ostpolitik* was originally conceived when the country was divided: unification was seen as a distant goal, to be reached only when the whole of Europe had been reconciled and unified. Yet Germany has unified first. The reaction in Bonn has been to define the need to follow two complementary policies: the intensification of West European integration and the active support of political and economic transformation in Eastern Europe and the Former Soviet Union. Contrary to

conventional wisdom, in German eyes the deepening and the enlargement of the EC should be pursued together.

In fact, German commitment towards the East has been a matter of necessity as well as of choice. Unification has brought Germany nearer to Central and Eastern Europe in many ways, partly because its new Eastern Länder were economically closely linked with the former CMEA countries, and particularly with the USSR. Thus Germany has tried to safeguard as many as possible of these connections in order to lower the costs of unification. In addition, the 'two plus four' treaty, as well as the 1990 German-Soviet agreement, to a certain extent connect the future of Germany with the fate of the Soviet Union and its successor states. Finally, because Article 116 of the Basic Law states that the so-called 'ethnic' Germans living in Eastern Europe are entitled to settle in Germany, the German government is bound to be concerned with their living conditions in their countries of residence. Given these links, Germany rapidly grasped the positive potential of Gorbachev's policy of perestroika, but somewhat overlooked the risk of a Soviet implosion.

Similarly, German policy on the Yugoslav question suffered from misperceptions: the impossibility of keeping the old federation together was correctly appraised, but the negative effects of early and virtually unconditional international recognition of the new national entities was underestimated.

Germany feels overexposed to the effects of changes and crises in Eastern and Central Europe, and is confronted with demands which exceed its capabilities and freedom of action. Thus it has tried to compensate for its deficiencies by recruiting Europe to its cause, and has found it wanting: according to a widespread German perception, there is not too much German influence in the East, but too little non-German commitment to help with the transformation of post-communist societies.

This feeling, coupled with Germany's huge financial commitments for its domestic, bilateral and multilateral subsidies for the economic and social development of the Eastern countries (and of its own new Länder), has bolstered the widespread conviction that Germany's contribution to the

restructuring of Europe is more than the country can bear, and more than its equitable share. Moreover, its own peaceful unification, instead of being perceived as a great achievement, has become a kind of exacting and unwelcome obligation.

Yet German assertiveness has gone hand in hand with German reticence whenever the question of direct military commitments was raised. The existence of constitutional restrictions on external military assignments, apparently embodied in the customary interpretation of its Basic Law, do not justify any marked inconsistency between words and deeds, especially when German policy choices must be implemented by other countries.

Germany's place in Europe has been transformed from the central pillar of a solid Western bloc to the front-line Western edge of a deep chasm created by the Soviet collapse. Inevitably, Germany has felt the need to make urgent decisions, even up to the point of disregarding the different perceptions and the hesitations of its EC partners. It has rightly identified the need to overcome the conceptual and operational deficit of European policy towards the East but, by putting this heavy burden on weak European shoulders, has highlighted the decision-making deficiencies of the European institutions while intensifying the divergences among its allies.

France

A case in point is France, whose reactions to the end of the Soviet bloc have been a mixture of hope and fear: hope that a new all-European perspective could revamp the European (and French) world role, and fear that established intra-European balances and roles would be upset to France's disadvantage. The need to manage the Eastern crises and the Central and East Europeans' appeal for a greater security commitment by the West on their behalf have put the traditional independent French security posture under great strain. To avoid or at least to check the '*Otanisation*' of the new European security framework, France has stressed the primacy of common European security initiatives, including the strengthening of both WEU (in line with the Maastricht Treaty) and the CSCE,

provided that no preferential ties are established between the CSCE and NATO. While most decisions taken by these international organizations (for instance at the Atlantic Council meeting in Oslo in June 1992) respect this request, France's actual satisfaction will eventually hinge on the completion of the CFSP and common defence of the European Union. This objective depends on the active cooperation of the other major European partners, and in particular Germany.

Like all other West European countries, France has only limited economic interests in Eastern and Central Europe, which accounts for only 2% of its exports and 2.4% of its imports - the OECD average - but a more substantial opening of the European internal market to these countries could create significant new problems for French agriculture. At the same time France lacks the pressures of geographic proximity that to a large extent shape German perceptions and priorities.

Thus French political strategy has stressed more the 'internal' than the 'external' requirements of any Eastern policy of the EC, putting the deepening of European integration well before any future enlargement of the EC to the East and Central European countries. Meanwhile, the Eastern countries could be associated with the EC, helped by *ad hoc* financial arrangements and multilateral instruments, supported through the CSCE and the action of Western security organizations, or even called together to form a loose, all-embracing European Confederation. Yet a forum convened in Prague in 1991 to study the possibilities of a pan-European Confederation revealed the existence of a deep division between the organizers (François Mitterrand and Vaclav Havel): while the French had conceived the meeting without the participation of the USA, all the Eastern countries, worried by the prospect of a rejuvenated Russian imperial power, were of the contrary opinion and praised the value of the NACC.

While there is no fundamental inconsistency between the French and the German approaches, the two are not fully coherent either. The main political contrast lies in time-scales: Germany sees issues as pressing while France is more relaxed. The major weakness of the French posture is that, to implement

its policy, Paris needs Bonn while the latter can proceed by itself or with other allies. Despite these problems, French policy has so far effectively constrained and shaped both German and European choices, increasing the likelihood of a stronger European security and defence option and boosting its bilateral ties with Germany.

In the longer term, France seems convinced of the great risk of military over-commitment and the practical futility of attempting to solve the Eastern crises simply by ever larger injections of economic aid. Thus, apart from the search for a greater security role for WEU (as distinct from NATO), it has not backed a rapid enlargement of common European responsibilities towards the East. On the contrary, it has actively pursued more modest bilateral approaches with most Central and East European countries (excluding the former Yugoslavia and Albania). A large French military contingent has been put under the UN command in Bosnia and Croatia, and French forces are taking part in the European humanitarian efforts. Thus France is confirming its interest and commitment while also maintaining a greater freedom of action, and may be waiting for the development of more satisfactory and coherent strategies.

The United Kingdom

The UK approach is largely different as far as NATO or Europe are concerned, but is equally prudent on substance. Although it has no important economic relations with the former CMEA countries, it believes that it is important for Western Europe's security to promote their economic and political development. Since it lacks the resources for a massive aid programme to the East, it concentrates on low-cost and low-profile technical help, aiming at raising the East Europeans' ability to run their own affairs effectively in economic terms and democratically in political terms, and hoping that the investment of fairly modest resources will have substantial pay-offs. One of the reasons for this low-key approach is that the British government has limited leverage on the choices of its private sector.

Meanwhile, the UK maintains its traditional view on the role of NATO, which is seen as providing direct security guarantees for the West, and only indirect reassurance for the East. In particular, the UK is not yet ready to see NATO transformed into a collective security organization, as opposed to a collective defence organization. The main British point remains that the American military presence in Europe is of great value in any foreseeable future scenario; it sees the Atlantic Alliance as essentially a way to sustain this presence.

The UK has promoted a more cautious attitude than that of France or especially Germany on questions related to national self-determination and change of borders by force. In particular, it does not accept the idea that the principle of self-determination *per se* can be a basis for international order, in Eastern Europe or elsewhere, preferring regulation through multilateral CSCE mechanisms. While opposing in principle the use of force to solve international border disputes, it is not necessarily willing to pay a heavy price to rectify changes. The British government fears the possibility of involvement in a protracted war.

As far as *peace-keeping* operations were concerned, the British approach was to stick to a strict interpretation of the term, which implied that peace-keeping forces could be used only when there was some peace to keep, with the agreement of the major contenders. *Peace-making* or, even more, *peace-enforcing* were a completely different matter that would require a much greater military and political commitment, since it meant waging wars. In practice, the deepening of the Yugoslav crisis is forcing the UK into 'humanitarian' commitments that may easily escalate into military operations of greater consequence, somewhere between peace-keeping and peace-making.

The UK viewpoint on the question of enlargement versus deepening of the EC is even less clear-cut. Britain favours a somewhat rapid enlargement of the EC, which could include, by the beginning of next century, some Central European countries. At the same time it would not like to extend the economic cooperation automatically to the political and security fields. But this British preference is in clear contrast with the

letter and the spirit of the Maastricht agreement, which makes all EC members eligible to be full WEU members. Even if the Petersberg declaration of the WEU Council identifies various possible 'levels' of security and defence policy cooperation, once a new country becomes a member of the European Union the choice among these 'levels' clearly rests on the candidate country's sovereign decisions. Thus the UK recognizes that it may have to accept changes, but it would nonetheless try to limit them as much as possible, for instance by requiring that no new state could become a WEU member if it was not a NATO member as well. This position could come under stress should such 'exceptions' as Sweden, Finland, Austria or Switzerland became EC members and then apply to WEU as well.

Italy

Italy is interested in the East for economic reasons as well as for reasons of geographic proximity. Italian economic interests are centred more on the CIS (and on Russia in particular) than on the other Central and East European countries, even if significant private investments are currently under way in Poland and the other Central European countries. The Italian government has attempted a kind of 'multilateralization' of its regional relationships with the establishment of the Central European Initiative (CEI), which presently links Italy with Austria, Poland, the Czech and presumably also the Slovak Republic, Hungary and Slovenia. It also has 'linkages' with Switzerland, Croatia, Bosnia, the republic that is still called Macedonia and Bavaria (the only sub-national state). The CEI has 'frozen' relations with the new Serbian Yugoslavia.

This initiative is said to be 'complementary' to the relations of these countries with the EC, and aims to increase investment in several fields, particularly infrastructure and communications, and to foster better trade and economic relations among the partners. The CEI has played a limited political role, especially during the first phase of the Yugoslav crisis. In practice, its ambition seems to be to redesign in a less conflictual way the geopolitical and economic concept of *Mitteleuropa*, by enlarging it towards the peninsulas of Italy and the Balkans. It has the

great merit of introducing multilateralization into a region generally dominated by bilateral policies. The exclusion of Germany as such has been variously seen as a plus or a minus depending on the occasion, but it certainly limits the economic significance of this grouping. The escalation of the war among the former Yugoslav republics is diminishing its initial economic and political interest.

As far as the CIS is concerned, Italian direct assistance to these countries (funds actually disbursed as of November 1991) was the second biggest contribution after Germany (which represented 52% of the total). The Italian involvement, at 8.7% of the world total, was bigger than America's (6.1%), Japan's (4%) or that of the EC (4.5%). Italian credits promised to the East are largely absorbed by the CIS (around $4.5 billion) and particularly by Russia, yet Italy is still the largest investor in joint ventures in Ukraine (the USA being second and Germany third), although the total amount of these investments is still fairly small. The main problem in this respect is the deep economic and administrative crisis in the FSU, which slows down both investment and trade.

In political terms, the Italian position favours the deepening rather than the enlargement of the Community, with some exceptions for states considered ready to join (mainly the EFTA countries). Yet the Italian government has repeatedly affirmed that joining the EC means first a political commitment to the final federal objectives set out by the Treaties, and recently reasserted at Maastricht.

The Netherlands

The Netherlands has adopted a special aid policy for Eastern Europe. Its main goal is to support the development of democratic and constitutional states, the transition to market economies and the integration of Eastern Europe into the world economic system. Bilateral Dutch aid includes both export and investment promotion tools and funds, and assistance programmes for management, education, administration and infrastructures.

The criteria set out for long-term aid programmes seem particularly difficult to meet, and the Netherlands (like all the other Western donors) has experienced serious delays, bureaucratic constraints and increasing running costs. To counteract these negative factors, the Dutch government plans to shift funds from bilateral aid to co-financing and multilateral programmes.

A second issue, which the Dutch share with the other donors, is the competition for aid funds between the South and the East. The Netherlands grants more aid to developing countries than the target set by the OECD (0.93% of GNP as compared with 0.7%). The question has been raised as to the extent to which funds for assistance to Eastern Europe should be additional to or drawn from the existing development aid budget. This competition for funds is present also in all the major European countries, which allocate to development aid smaller funds than the OECD aid target. The present economic recession makes such competition even sharper.

Western Europe's central role

In some economic and political definitions, Europe extends from the Atlantic to the Pacific, coinciding with the northern hemisphere. In institutional terms it is centred on the European Union, but it is associated with other organizations such as the CSCE and NATO. In security terms Europe can be seen variously as an American rampart, a united European fortress, the next conqueror of defenceless Eastern lands or the divided and weak focus for a westward thrust of new Asian powers. These definitions are too varied to inspire a clear common strategy. The fact is that Europe is a process, not a fixed reality, and models diverge greatly according to their different time-scales. A functional, problem-solving approach can help Europe out of this difficulty.

It is very likely that Western Europe will have to develop its policies much further east than expected, as far as the Pacific Ocean and China. Some help may be forthcoming from Japan, even if it is limited mainly to the Asian regions of Russia (and

provided that the current dispute over the Kurile Islands will not remain a stumbling-block). The United States will be greatly interested and committed to the preservation of military stability, but its economic contribution will stay modest.

A large burden will fall on West European shoulders. Western Europe will have to find both the best way to integrate Eastern Europe, including the former Soviet Union, into the world market, and the means to sustain domestic stability through improved international cooperation. This will be a truly tough assignment, especially if the CFSP remains at the level of generic declaratory commitments.

In functional terms, a credible European response should seek CFSP policies that are *wider than for the traditional European space,* but carried out through institutions, decision-making mechanisms and political responsibilities structured around a clearly identified European base. To meet the new challenges it is first necessary to know *who* will meet them. Europe as a whole should be transformed, but the European Union should become the engine of the process. Thus it must withstand a serious test of efficiency and solidarity.

As we have seen, many international organizations have significant competencies and means, and must be enlisted in a common crisis management effort. Certainly the UN, the CSCE and NATO will play a prominent role in the security field, while no economic strategy will be successful without the assistance of the IMF or the agreement of the G-7. It will suit the West to have multiple capabilities and options to act as NATO, as Americans or as Europeans, under different kinds of institutional and legal arrangements. Both the Gulf and the Yugoslav crisis followed this pattern, the first having seen the primary commitment of the US, with the practical backing of NATO and other Western allies, and the second seeing the beginning of a West European leadership which required equivalent commitment and help from the US and from the Atlantic Alliance.

Some future scenarios of Western commitment centre on the development of the NACC. One idea is to build on the Marshall Plan experience to create a new European area of economic and

military stability and security around Western and particularly American leadership. This would involve the joint management of economic aid (along the lines of the OEEC model) and security guarantees (like the NATO model). A second approach would develop relationships between NATO and the CSCE, aiming at the stabilization of the entire European theatre.

The main problem with these ideas is that they put NATO under great strain by giving it responsibilities well beyond its original Treaty obligations, and by radically changing its agreed strategy (and eventually its military structure). In fact both these approaches call for a European and Atlantic Alliance strongly committed to solving Eastern problems, but proceed from the assumption of a strong, unchallenged and continuous US leadership which could mobilize important European and Japanese economic assets. It is very likely that such a perspective would conflict with both American and West European domestic perceptions and priorities.

The EU has the obligation to shoulder a greater burden of European security, in the wider meaning of this word. It can do that because it integrates, through a 'subsidiarity' mechanism, the basic economic and political functions of its member states with the aim of increasing their ability to reach common objectives. Confronting a confused, evolutionary situation, the EU is the one European institution potentially capable of adapting its structure and powers to address simultaneously two different but interrelated sets of questions: general problems of the 'international order', and management problems related to national situations.

EU should share security responsibilities

The main West European objective is to secure stable and peaceful relations with and in Eastern Europe. To attain this objective a number of different policies and intermediate or functional aims can be identified, some attempting to build on CSCE principles and others reinforcing all-European integration and solidarity. While the key dimension of these objectives is security, the EU will remain for a long time more a

civilian than a military actor, and will address complex crises involving both dimensions. While the civilianization of international relations is a long-term objective of the EU, the *legitimate* use of force remains an essential element in any civilian society. This does not necessarily mean that the EU should develop a complete military and defence identity, but it should still have the capability to deal with all the possible aspects of policy. A failure to do so would greatly diminish its effectiveness.

The problem is both institutional and substantial. At the institutional level, the strictly *functional approach* followed by the Maastricht Treaty weakens the crisis management abilities and powers of the community institutions by setting rigid, predetermined limits to their competencies, and by excessively distinguishing between national and European means. The concept of *subsidiarity*, while useful in promoting a compromise between the sovereignty of nations and the growth of supranationalism, may have paralysing effects.

In terms of substance, weak common institutions cannot overcome the enormous strains created by the economic and monetary unification process and will be even less likely to manage important international crises successfully. Already, the inability of the international security system to deal effectively with the Yugoslav crisis has had a divisive effect on the existing alliances and on the international order.

A practical European approach to the new situation requires the full utilization of several international institutions. The UN can provide international legitimacy for collective action and can be usefully employed to bridle global threats like nuclear proliferation: a full and authoritative EC/EU presence in UN decision-making bodies could increase the effectiveness of both organizations.

Changes in the international setting strongly suggest better use of the United Nations for many different purposes: building consensus, helping the US superpower to cooperate with the other important powers, 'saving face', establishing a framework for diplomatic exchanges and negotiations, supplying peace-

keeping forces and observers, impartial fact-gathering, and assessing relative responsibilities.

These points raise the question of the best way for West Europeans to be represented in the UN Security Council. The presence of France and Great Britain gives Europe but an indirect voice, while other European states might be uncomfortable with an increase in the permanent members of the Security Council. While a range of possible changes are conceivable, stronger European Political Cooperation (EPC) on Security Council matters might mitigate some limitations of the present regime.

The CSCE and NATO, which are more focused on Europe, are evolving towards a complementary security role. The CSCE offers to all European-related powers a practical forum to discuss a large number of problems and crises, without predetermined obligations. It could be helpful to establish channels of communication and to define levels of commitment even during the worst crises. NATO, by contrast, has an obligation to military solidarity. It gives direct and indirect reassurance beyond the general guarantees embodied in the UN Charter and in the CSCE. The EC member states make up the great majority of NATO's membership and could comprise, after the eventual enlargement of the Community to include the EFTA counties, about one-third of the CSCE's membership. The EC states have agreed to build a common defence policy, which may in time develop a common defence. While a distinction can be accepted between the operational *control* over military forces and the *political authority* that will decide when to activate military and security alliances, no coherent European security system can be established without the active contribution of the EU.

The CFSP may find it worthwhile to define a distinction along these lines between *defence* and *security* policies. In a CFSP context defence could deal with the basic military problems of the EU space (defence against attacks and threats, including unconventional ones, directed against the European territory or population). Security would embrace external crisis management and military intervention, as well as global issues

like non-proliferation. This distinction may facilitate cooperation among the various institutions involved with European security and defence matters.

Western solidarity and burden-sharing

Any balanced approach to the Atlantic partnership requires a common American and European approach to crisis management strategies and principles. There is a need to devise efficient burden-sharing schemes: relying on a US unipolar regime could result in the Allies relinquishing their responsibilities by fostering the notion that all will be well if left to Washington. But no international order could be based on the assumption that only the Americans can lead, in every crisis or circumstance. Burden-sharing requires the establishment of a new multipolar security regime in which responsibilities will be shared, but in which solidarity will be assured. This same problem of burden-sharing applies to intra-EU relationships, involving crisis management, security or international economic commitments.

One definite West European aim is to reverse the negative economic growth of Eastern Europe while maintaining and reinforcing free market economies and rules. Economic aid is a necessary means to this end. The high cost and the relatively slow impact of economic aid policies require a high level of multilateral coherence and continuity: bilateral 'exceptions' or preferences may weaken the entire effort and delay the desired results. It is especially important to consider possible problems with third countries, which may be interested in similar aid from the West, and may rightly fear both competition for limited funds and political discrimination. The global effects of economic actions specially tailored to satisfy a single country or to fulfil a specific political aim should be carefully considered. Similarly no economic development policy should be implemented without the backing of all relevant Western countries. This is not to say that 'singularized' or 'discriminate' economic strategies are necessarily counterproductive, but they should be made acceptable to the other interested parties.

Moreover, on the positive side, when incentives are used to favour the economic development of some country, regional cooperation schemes should be encouraged as a substitute for enhancing bilateral relations (which may cause negative political reactions). In general, the economic development of Eastern Europe should take place through increasingly free trade, even if exceptions may be allowed for specific items over limited time periods.

Bring the Russians in

The EU must clarify some basic policy choices. First of all, it must be agreed that, unlike a common market, the EU cannot be enlarged indefinitely. On the contrary, the real question is how to develop forms of integration linking the EU with other international actors. This question is logically tied to a strategic decision on the boundaries of European security commitments. Such commitments will be influenced by the intensity of the integration sought between the EC/EU and the country concerned.

The CIS is of fundamental significance. A distinction between it and the other Central and Southeast European states can be maintained, but it would be a mistake to completely cut off the CIS from the former European members of the Warsaw Pact and CMEA, for both economic and political reasons. The EC/EU should strive for more balanced relationships, which could rule out the absorption of Central and Southeastern Europe inside the EU.

A 'Russia first' West European policy may be desirable, especially when dealing with the CIS. It is unlikely that the EU or NATO could effectively extend security guarantees to CIS republics, as they could to Russia. It would be advisable to strive for multilateral security cooperation, centred on Russia and on CIS engagements, to contribute to settling or at least containing nationalistic conflicts and crises. In purely security terms, the independence and security of the Baltic states should have second place behind the maintenance of strategic stability. While the West should make clear that it will not condone the

illegitimate use of force by Russia, or by any other power, it must also envisage the possibility that force may be used without the West being able or willing to act militarily.

More generally, the EU should make clear that self-determination and independence are not absolute rights and will not be supported automatically. In an interdependent world, with nuclear weapons, there are no such things as unlimited sovereignty and freedom of action. Modern doctrine, and a global vision of common interests and basic human rights, suggest some limitations to the principle of state sovereignty.

To avoid ambiguities, the matter of the lawful coercion of states in what might be considered internal affairs should be further clarified by common agreements. What it is needed is a clarification of at least three possible cases:

- *Humanitarian interventions*, to prevent or stop the widespread violation of human rights;
- *Security interventions*, to halt the imminent or continued use of weapons of mass destruction;
- *Environmental interventions*, to block or contain the release of materials causing severe and widespread damage to the climate, land or sea.

A balance must be struck between individual rights, state powers and the prerogatives of the international security system. The EC/EU should commit itself to the definition and defence of such a balance.

Concentrate on preventive diplomacy and economic crisis management

In security policy terms, a new strategic theatre has been extending directly into Central Asia, with links to the Middle East, and has been giving greater attention to the Mediterranean area. This larger theatre demands greater strategic flexibility and discrimination.

Simple *recognition* of the existence of a risk or problem does not require concrete steps, and the first European aim should be to reduce uncertainties and open-ended commitments. *Crisis management* strategies aiming at crisis resolution are particularly expensive and uncertain. The present situation highlights the need for *crisis prevention* policies, which means dealing with various kind of risks (ecology, proliferation, migration, etc.) *before* they reach the crisis level. Should this approach fail, an attempt to work out *risk-reduction* policies can be made, using various aid and assistance policies and the development of international norms and procedures. These would involve monitoring compliance with international treaties and agreements and setting specific rules related to such issues as human rights, personal responsibility and accountancy. A predefined system of *incentives and disincentives* may positively influence the behaviour of local actors.

Thus confronting and managing risks will require different levels and intensities of commitment, and acknowledgment that crisis management is not simply a military affair. One of Europe's strengths lies in its command of important economic leverage and in its ability to manage international coalitions of rich and relatively powerful allies. A sensible strategy of crisis management, therefore, should try to make a better use of this position of relative advantage.

Economic sanctions can serve as a political *signal*, clearly establishing the stance taken by the West, confirming its internal cohesion and demonstrating its willingness to act against unacceptable behaviour. Also, and more significantly, economic carrots and sticks may be devised to influence the behaviour of countries. In general, international economic policy can withstand a large degree of political conditionality without adversely affecting the smooth working of free market economies.

A first question is how new economic actors can gradually be included in the international economic management system without changing the traditional rules too much. A second question is whether economic policies can be devised that are in line with preventing or managing local crises. The two

questions are linked: a new economic actor strongly integrated with the Western mechanism of global economic management is likely to have many vested interests in common with the West and will therefore be more amenable to moderation and more willing to help. While economic integration naturally cannot guarantee the alignment of local powers with absolute certainty, it can definitely help. Certainly the reverse holds true: economic isolation encourages irresponsible behaviour.

The second question may be assessed on the basis of previous experiences. Economic measures of crisis management include:

- Economic aid (before, during or after a crisis);
- Free, or almost free, military assistance;
- Sectorial limitations on trade, such as arms export regimes, the Coordinating Committee for Exports (CoCom) and the Missile Technology Control Regime (MTCR);
- Economic sanctions;
- Trade embargoes.

The European ability to utilize economic means of crisis management must be increased, partly by directing them to achievable ends. Economic sanctions can seldom stop ongoing wars. However, it is possible to use economic sanctions and incentives to influence the behaviour of local actors. Economic instruments may be a particularly good *containment* tool and help *crisis prevention*.

'Positive' economic interventions might be easier. For example, the EC has proposed to help Israel and the Palestinians economically, and to allow Israel to join the new European economic zone, on condition that the peace process achieves some positive results. A similar approach has been envisaged over the Cyprus crisis.

Accept the burden of military responsibilities

If economic sanctions are not successful, the continuation of the unacceptable behaviour may diminish the credibility of those who have imposed them. In this case more forceful decisions

and actions should be considered. Thus economic sanctions should not be applied without a clear idea of follow-on steps.

First, a policy of *assistance* may be attempted, symbolized by direct, peaceful intervention (involving humanitarian aid, peace-keeping or observation forces, and so on). But clearly, the option of *containing* actual conflicts and wars through direct military intervention, deterrence or other means should also be maintained. Finally, the option of a fully-fledged *military intervention* remains the final step of any credible crisis management policy.

In practical terms, if the EU wants to maintain the entire array of options described above, it must strengthen and reform its military organization, because the European powers currently have only a very limited transport capacity for the projection of military forces overseas or even to Eastern/Central and Southeastern Europe. They also lack communication and intelligence capabilities.

Effective modern military strategy requires a complex management system, fully integrating a very large number of electromagnetic, optical and space technologies, as well as advanced materials. Past experience has shown that whenever technological revolutions of this importance reach the battlefield, small numbers of well-trained and well-armed professionals can overwhelm a much larger force of less well-trained and less well-armed opponents. At the same time, greater centralization and dependence on the smooth working of a highly complex set of interrelated and sophisticated technologies create new weaknesses. The sheer quantity of military hardware and software deployed in the Gulf before the crisis, the time-span it required to become fully operational, as well as its costs, give rise to some apprehension about the capacity of the West to mount such operations repeatedly.

Nuclear deterrence is also changing. While the CIS nuclear capabilities are still important enough to justify the continuous need for some form of extended nuclear deterrence for Western Europe, the prospect of nuclear (and chemical) proliferation, and of increasing military instability to the East and South, is

establishing the need for more 'discriminate' forms of nuclear strategy.

In one scenario, contingencies which might require a nuclear response seem to be very remote. Other scenarios suggest the immediate necessity of maintaining a highly credible (and thus workable) nuclear deterrence posture, and some rational escalatory options. A number of such scenarios can be envisaged, highlighting various possible nuclear threats linked either to traditional or to new nuclear proliferation threats. Disarmament is a useful answer mainly in a clearly identified situation and a stable political and strategic environment. If the environment changes, the answer should change too. These changes are particularly alarming in the realm of mass destruction technologies. No EU security policy can avoid this issue, even if the main responsibility will continue to rest on the shoulders of the nuclear powers.

The EU will be a kind of nuclear actor, because two of its members have nuclear weapons, because a majority of its members possess relevant nuclear technologies, and because it is a pillar of a nuclear-armed Alliance. That is why it seems only logical that the EU will attempt to identify the content and forms of the new nuclear posture for Western Europe - as suggested by President Mitterrand - and a non-proliferation regime to be established after 1995, with new codes of conduct, obligations and verification mechanisms, adapted to the changing circumstances. This is particularly relevant to the question of involving Russia and the other CIS republics into a common security system. At the same time, the problem of maintaining and strengthening deterrence should be confronted, with the aim of maintaining a fair balance of risks and responsibilities inside the Atlantic Alliance and among the members of the EU.

There is an urgent need for a new multilateral crisis management policy, which will have to consider all the interrelationships between regional crises and global problems (East-West, trade, financial and economic management, resources, technology, demography, etc.), and which will require a better working of the Western system of alliances. A

new coherence and a fair balance of power and responsibilities between the USA and its main allies in Europe and elsewhere will be required. It means that a stronger political and managerial cohesion of the Western system is also urgently needed, including some form of common security and foreign policy as well as joint military planning. A multi-purpose system, which can be called upon to deal with multi-directional risks, in a variety of geographical theatres, with a highly discriminate strategy, utilizing different mixes of national and multinational forces in order to manage various kinds of crises, is enormously different from the present Atlantic Alliance, which is geographically circumscribed, strategically unidirectional, and strictly defensive. What is required is much more similar to a real Community, a new international protagonist acting in the world with the same determination and flexibility that is normally associated with national states.

The need to combine different kinds of leverage; the ability to deal with the superpowers and with local countries at the same time, and the necessity of enrolling the allies in a common strategy to be pursued both locally and internationally, both militarily and through other means: all this can be summarized as the capacity to manage a 'coalition strategy'. This requires a *better integration of the various decision-making machineries involved in crisis management, both at the national and at the European levels.* The latter in particular require major revisions if the aim is to improve the collective European crisis management ability. To deal with these problems, Western Europe should develop a decision-making process capable of mobilizing a variety of civilian and military resources. It might accommodate a number of incompatible and conflicting competencies at various decision levels, but it should at least be able to determine the main aims to be reached in common.

5 Policy recommendations

Our policy recommendations take their cue from the two fundamental objectives which have been pursued in West European integration since 1950: to make war between our countries impossible and to lay the foundation for prosperity by integration into an economic union. Today, the objectives of West Europeans with regard to Eastern Europe are to build peace in the region, and to encourage the transition towards pluralist democracy and social market economies. But new tasks have to be added, such as the prevention of environmental disasters.

We are aware that the pursuit of these objectives runs against two adverse factors: the intricate situations in all East European countries and the current state of weakness of all Western economies. We had to strike a compromise between recommending ideal and bold solutions and needing to take reality into consideration.

Yet we believe that the leadership of Western countries has not demonstrated enough clearmindedness and resolve in confronting the historic challenge that comes from a changing Europe - indeed it has not shown leadership.

True, the growth of the unparalleled array of our institutions must be protected, our economies must be revamped, our societies can only gradually be opened to the influx from the East. But more can be done.

As we said in our previous report, the West cannot shield itself from the painful delivery of democracy and free economy in the former communist countries. Even local threats can have ramifications for all of Europe, and it is not helpful to see a national or sub-regional risk (e.g. the war in former Yugoslavia) as an isolated matter from which Northwestern Europe can protect itself. Its consequences are felt all over the region. The same applies to economic and environmental disasters, as Chernobyl made clear. Europe may not yet be united by strong common institutions. But it is certainly 'united' by grave common risks.

We assume in the light of the decision of the European Council at Lisbon that policies towards Eastern Europe will become more proactive and closely coordinated. In this process, we consider it important to give proper attention to integrating economic, political and security measures in a long-term perspective. The European Commission should equip itself with the means to coordinate economic policies towards Eastern Europe with foreign and security policies developed under the CFSP. We have therefore structured our policy suggestions under four headings: risk assessment, risk reduction, crisis management, and international policy instruments. Under each heading, we attempt to cover political, military, socio-economic and ecological aspects.

Risk assessment

(1) A system has to be established for early identification of all conflicts which could turn into serious violent confrontations.[1] Such a system should comprise both official and private networks. The intelligence systems of West European nations which were directed against the Soviet threat should be redirected at gathering intelligence about the new threats of political instability and violent conflict. Given the costs of intelligence, enhanced cooperation among European intelligence services should be explored, particularly through the planning units of the Ministries of Foreign Affairs, the EC and WEU, and linked to the Crisis Prevention Centre of the CSCE. The EC's Cellule de Prospectives would be linked to this network to coordinate analysis of relevant information.

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1 All over Europe, especially in Eastern and Southeastern Europe, various political conflicts are smouldering, which may disrupt the peaceful development of the nations concerned and even flare up into civil and international war. A recent study identified 62 current and potential conflicts of ethnic, religious, secessionist or other territorial nature in Europe and another 12 in the Caucasus. These 74 conflict areas do not include the non-European parts of the former USSR. See Hugh Miall, *New Conflicts in Europe: Prevention and Resolution* (Oxford: Oxford Research Group, July 1992).

(2) It would be useful to create in addition a pan-European network of non-official research institutions for international relations to meet and exchange studies on a regular basis. Participants should come from both East and West European countries. The present cooperation among seven institutes could be the foundation. Cooperative research work should be encouraged, involving Western and Eastern research centres, to analyse potential intra-European conflicts and the problems of political and socio-economic transformation in Europe, especially in the most unstable areas.

(3) The degree to which human rights and rights of minorities are respected in Western and Eastern Europe needs to be monitored more systematically. Human rights are a part of the agreements through which Poland, Hungary and Czecho-Slovakia are associated with the EC. The EC has to monitor human rights behaviour in the countries concerned as part of the conditionality of the aid package, but several other institutions have a role to play in this regard, particularly the European Parliament, the Council of Europe, the CSCE, the European Bank for Reconstruction and Development (EBRD), and various national and international non-governmental bodies such as Amnesty International, Helsinki Watch Groups, and other private organizations.

(4) The assessment of ecological risks and threats needs to be improved by more systematic data collection and analysis of nuclear and other toxic waste dumps, and waste disposal. Data are needed on the destruction/dismantling of chemical and biological weapons sites and facilities. The European Commission should make a thorough review of the present international provisions for identification of risks and early warning against non-political, man-made and natural disasters whose consequences transcend national borders.

Risk reduction

Political

(5) The established democracies of Western Europe should increase and better coordinate their assistance programmes for the promotion of viable, democratic institutions, covering such topics as democratic party organization, parliamentary procedures, public administration, the role of civic interest groups (including environmental associations), independent journalism and the organization of elections. The assistance of OECD members to Eastern Europe concentrates strongly on economic and technical projects, while the soft side of democratic values and procedures is mainly, and appropriately, left to private institutions; yet these important tasks justify the allocation of significant resources. The establishment of the PHARE Democracy Fund in 1992 with ECU 5 million is a useful beginning. This programme needs to grow significantly.

(6) Regional and sub-regional political, socio-economic and technical cooperation within Eastern Europe must be further encouraged to build up multilateral solutions to joint problems. Development and environment projects involving international cooperation in Eastern Europe should be given priority.[2] The long-term goal of West European policy must be to promote cooperation and integration so as to reduce the importance of borders.

(7) On the basis of the CSCE's Charter of Paris and the human rights treaties of the UN and the Council of Europe, rules and norms of tolerant, democratic behaviour have to be developed. Of special importance are a further development of rules on:
- the human rights of minorities along the lines of the EC-sponsored agreement accepted by Croatia;

2 We refer to the recommendation in our previous report (p. 83), which has become even more urgent.

- the peaceful settlement of conflicts, covering procedures of international mediation and reconciliation, the jurisdiction of legal institutions, and other preventive diplomatic measures, such as monitoring missions and peace-keeping forces;
- procedures for border adjustment by mutual agreement, after democratic consultation of the population;
- procedures for peaceful secession, after democratic consultation of the population.

Western Europe should continue to involve Eastern countries in a pan-European process of rule negotiation and implementation.

(8) Capabilities should be further developed to (a) send monitors to areas of tension; (b) make available experts for mediation, good offices and adjudication in the framework of the peaceful settlement procedures of the CSCE and the UN; and (c) deploy preventive peace-keeping forces. These services should be provided by the CSCE and the UN and could be supported by NATO and WEU. Such services could be made available at the request of states feeling threatened by neighbours or civil war, but all CSCE members should accept in advance that such services may be provided to themselves or their neighbours on the basis of a qualified majority decision of the CSCE.

(9) Whenever acute bilateral issues like border disputes or the treatment of minorities exist, internationally assisted commissions of the concerned countries should be established to identify solutions. When no immediate solutions are acceptable to the countries, international mediation or legal frameworks should be used.

(10) The CSCE states should commit themselves to implementation of a catalogue of political, economic, technical and military sanctions against violation of CSCE rules and norms (see Recommendation 7). These sanctions must be

proportional, flexible and plausible in relation to the violation concerned. More systematic study should be given to economic sanctions. Political sanctions should include the possibility of exclusion from membership of the CSCE and, where appropriate, other institutions. Given that many conflicts in Eastern Europe involve the breakdown of state structures and clear lines of official responsibility, legal mechanisms to try gross violations of international law as crimes should be strengthened, making use of the International Court of Justice and the European Court of Justice, which deal with fundamental human rights. Crimes against humanity should be further defined and the European Court of Justice modified so as to be better able to enforce the law.

(11) We recommend that all financial assistance and special trade benefits be clearly tied not only to economic, but also to political conditions on (a) the human rights record, (b) the treatment of minorities, (c) reasonable progress towards a pluralist political system and the rule of law, and (d) good foreign policy conduct in accordance with the CSCE rules. The European Commission should assess and report annually to the Council of Ministers and the European Parliament on the progress on these four points. This assessment should be the basis for the application of conditionality. In the longer run, these assessments should be made by the CSCE. Only humanitarian and ecological disaster assistance and disaster prevention schemes should be exempt from conditionality (see also Recommendation 23 for conditions relating to energy markets).

(12) The legacy of weapons of mass destruction accumulated in some of (Eastern) Europe demands decisive efforts to:

- contain the risks of horizontal and vertical proliferation of nuclear, chemical, and biological weapons;
- prevent accidents and theft in weapons-related installations, including storage sites for fissile material

accumulated from dismantled tactical and strategic nuclear weapons. The best institutions to deal with proliferation issues in Europe are, first of all, those with global tasks, such as the UNSC, the IAEA and the relevant regimes for controlling exports of nuclear and missile technologies, as well as technology for other weapons of mass destruction.

To meet non-proliferation objectives, the European Community should give priority to the extension and enhancement of the NPT after 1995, under the leadership of the UN Security Council (UNSC). In addition, the Twelve should further the pursue their already crucial role in non-proliferation, so as to reach the 1995 deadline with an effective and strong policy. We note that:

(a) through Euratom they supplement an already overcommitted IAEA in safeguard controls;
(b) having agreed that nuclear non-proliferation is a priority area for a CFSP, they can offer a leading example of common action by both nuclear and non-nuclear weapons states;
(c) they are in the process of establishing coordinated and effective controls over their nuclear and dual-use exports.

(13) In addition to the US, both France and Britain ought to assist the CIS with nuclear disarmament programmes. Euratom should be involved in the disposal of nuclear materials and their utilization for peaceful purposes.

Socio-economic

(14) The OECD countries should pledge to continue overall levels of financial support to Eastern Europe at least at 1991 levels, retaining flexibility in the actual allocation of funds between countries and sectors to achieve the optimum

impact. The ratios between committed and disbursed assistance should be improved. As with the former Marshall Plan organization, a central coordinating body should be invested by the G-24 with some independent authority to allocate resources made available through the various national and international channels. The presently pledged levels of financial assistance should be sufficient in principle, but the assistance is badly coordinated, and actual payments lag far behind. This can be attributed only in part to problems in the recipient countries.

(15) The European Community should take appropriate initiatives in the OECD framework to ensure that during the coming few years payments by East European countries to service and reduce their external debt will not compromise their efforts at restructuring. A comprehensive creditor approach or debt purchases could be considered by the EC.

(16) The energy sector of Eastern European and CIS countries has a particular strategic role in economic transition: for all economies, enhanced efficiency in energy use will not only increase economic efficiency, but also reduce damage to the local, regional and global environment and (in the case of resource-rich countries) provide additional hard currency earnings. The energy sector offers unique opportunities for East-West, regional and sub-regional cooperation in the whole of Europe. Multilateral cooperation would also reduce the energy security risks which European countries face.

(17) Perhaps even more important than financial support for a successful economic and political transition is technical assistance and training. Since skilled manpower resources are even scarcer than money, effective coordination by the EC of the technical assistance of OECD countries should be given high priority.

(18) By far the most effective economic tool available to the Community to support the economic and political transition in the East is access to export markets for East European products. The Community should further liberalize market access for agricultural products, textiles, steel and other labour-intensive products for which Eastern Europe has a comparative advantage. Means should also be explored to encourage agricultural trade between Eastern Europe and the CIS member states with food deficits. We refer to similar recommendations in our previous report that the EC should resist protectionist temptations.

(19) In the economic transition in the East, more attention will have to be given to the role of the state in shaping economic development and in providing a minimum of social protection. The experiences in Japan and the East Asian economies may provide lessons which should be studied closely and possibly applied practically in an adapted form. Among the tasks of the state may be the identification of priority sectors and the channelling of investment and technology into these sectors.

(20) A considerable share of the PHARE resources currently has to be spent on emergency assistance, such as food aid to Albania. We recommend that the PHARE programme concentrate on structural aid and that a separate budget be adopted by the EC for emergency assistance.

Ecology

(21) OECD countries should assist East European governments in strengthening effective administrative control over redundant military nuclear and chemical sites and materials, and other civilian installations with high ecological risks. Using Euratom as well as other elements of non-proliferation regimes, proposals for shifting towards supranational supervision and even management

should be developed. The ecological risks of nuclear power stations, military nuclear facilities and chemical weapons are very serious.

(22) West European countries should strengthen the system of 'adoption' of nuclear power stations whose operational safety can be improved. This adoption of eastern power plants by Western plants and nuclear research institutes should be coordinated jointly by Euratom and the IAEA. For reactors which pose unacceptable environmental risks, the Community should urge shutdown at the earliest possible opportunity and strongly encourage and support measures to develop alternative power generation capacity based on oil or natural gas (which is at present flared in huge quantities).

(23) Certain types of concessional aid should be made subject to conditions concerning environmentally and economically beneficial energy policies, such as price liberalization for energy products, to protect the global climate. East European energy prices, which are generally below world market level, foster the wasteful use of energy.

(24) High priority should be given to the implementation of the Baltic Convention, which aims at reducing pollution of the Baltic Sea by 50% by 1995 at the latest. This effort offers, apart from its substantial direct benefits, good opportunities for sub-regional cooperation.

Military

(25) The time has come to strengthen the biological weapons convention by adding an international inspection regime, at least in the CSCE countries, if not on a global level. Arms control agreements and their implementation should be promoted in the CSCE. This applies not only to conventional arms reductions in the CFE Treaty, but also to chemical and biological disarmament agreements.

(26) As defence policies evolve in Eastern Europe, it will be vital that states should neither adopt policies nor strive for capabilities which are perceived as threatening by their neighbours. In this context, Confidence-Building Measures (CBMs), such as officer exchanges, multilateral training facilities, zones of limited force deployments and even multinational units, should be developed to minimize tensions in the CSCE area. Sub-regional and bilateral efforts can strengthen the general CSCE framework.

(27) The preventive stationing of peace-keeping formations by the UNSC or the CSCE in areas of interstate tensions could have an important role in reducing military risks in Europe. This has implications for training, force planning and equipment. The costs of these operations have to be shared by the CSCE members.

(28) To support civilian and democratic oversight of defence in Eastern Europe, Western technical aid to the military and civilian defence sectors of East European states should be increased: for instance, substantial numbers of Eastern military officers could be trained in Western staff colleges. In addition, Western procurement and civilian defence management techniques should be made available to the East.

Crisis management

Political and military

(29) European security is but a part of global security and all members of the CSCE should contribute to the construction of a global collective security system based on the UN Charter. We refer to the objectives formulated by the extraordinary session of the UN Security Council in January 1992, the report *An Agenda for Peace* by Boutros Ghali and the autumn 1992 statement to the General Assembly by Douglas Hurd on behalf of the Community.

CSCE members should train and assign forces for UN peace operations and place them at the disposal of the UN Secretary-General, as a few countries have already done. They should also pay off any arrears in their financial contributions to UN activities.

(30) All European members should make the necessary preparations to contribute to international peace operations. Specifically, Germany should settle its domestic debate about participation of German military forces in peace operations in such a manner that it can contribute significantly to multilateral peace-keeping and peace-making operations on the basis of decisions taken by the UNSC or the CSCE. The effectiveness of the contributions of West European countries could be enhanced by coordinating their contributions to UN and the CSCE peace operations through NATO or WEU.

(31) It is clearly necessary to improve the decision-making mechanisms of the CSCE, making them more rapid and efficient. Although the long-term goal should be qualified majority voting, the 'consensus minus one' rule may remain for the moment. Yet it should be reduced in impact by some practical measures. One way forward could involve increased use of 'specialized regional groupings' charged with specific missions. The Council of Senior Officials (CSO) should be strengthened by its transformation into a Committee of Permanent Representatives, assisted by a CSCE Secretary-General and supervising all the other offices created by the CSCE. Some participants in this study favoured the setting up of a European Security Council, similar to that of the UN. Others feared that such a Council, weaker than that of the UN, would be ineffective and yet would diminish the already ineffective powers of the UNSC. These participants suggested that the CSCE should stress a subsidiarity principle according to which the most internationally legitimated body, the UN, should act first, but that all other international and national bodies

would have the responsibility to activate it or to substitute for any eventual UN inactivity. This would call for formal institutional linkages between the CSCE and the UN from one side, and among the CSCE, NATO and the EU/WEU on the other side. Europe should not normally burden the UN with the operational maintenance of peace in Europe: Europe should normally provide its own peace-keeping forces under Chapter VIII of the UN Charter.

(32) According to both groups, the political nature of the CSCE agreements should be expanded and strengthened through the establishment of a formal Treaty. It seems contradictory to claim that the CSCE will act as a regional organization of the UN, and at the same time to deny legal standing to it. A further point regards the CSCE expenditures. A shortcoming of the present CSCE regime is the weakness of its financial basis. The CSCE cannot claim budgetary allowances from national Treasuries. It has to survive on *ad hoc* decisions and on the negotiating and mission budgets of the Foreign Ministries. A greater CSCE role needs a sizeable and secure CSCE budget.

(33) The two present permanent UNSC members from the European Union, France and Britain, should adopt a coordinated policy in the Security Council, and reflect the views of all the EC members, expressed in a common foreign and security policy, especially in matters concerning peace in Europe. The members of the European Union should regularly discuss their UN policy with France and Britain. We refer to the report on joint action agreed upon by the European Council under Portuguese chairmanship in 1992. Over time, should the European Union states succeed in developing an effective CFSP, the logic of separate British and French permanent seats on the Security Council would be eroded. Should provision for a single permanent seat for the countries of the European Union be established, room would be made on the UNSC for permanent Japanese membership. This would not

increase the total number of seats with veto powers. The UNSC should not be changed in ways likely to weaken its decision-making ability.

(34) At the request of the CSCE, NATO and WEU should make available forces for peace-keeping operations. Member states should earmark and train national forces and make available equipment and infrastructure for rapid deployment in case of peace operations, in close coordination with NATO and WEU. Efforts to put together multinational units for peace operations should be undertaken.

(35) The importance of establishing an adequate pan-European security framework is so urgent that we recommend action along different lines should the UNSC and the CSCE membership prove unable to agree on necessary action. If the CSCE remains unable to build up an effective regional machinery for collective security under the UN Charter, there will be need for recourse to other international institutions. Specifically, the North Atlantic Cooperation Council might then be called upon to develop appropriate rules and institutions in cooperation with NATO to help stem any tide of regional conflict in Europe.

Socio-economic and environmental

(36) European states should increase their support for the efforts of the UN High Commissioner for Refugees to render assistance to the present 2.5 million refugees from the former Yugoslavia.

(37) European nations should not burden UNHCR with European refugee problems while there are very serious refugee problems in poorer regions of the world. The members of the EC and the CSCE should consider the establishment of a European refugee assistance organization working in close coordination with UNHCR.

This European organization should also help the countries of Central and Eastern Europe to design appropriate policies for dealing with possibly very large flows of refugees from Eastern Europe and CIS states in the event of the further spread of civil unrest, abject poverty and war.

(38) The European Community should reinforce its emergency fund for disaster relief and other urgent humanitarian assistance, such as is currently given to Albania, in order to prevent structural aid funds being used for relief purposes (see Recommendation 20).

(39) The EC should promote the setting up of a pan-European Disaster Relief Coordination office, similar to the UN Disaster Relief Organization, which has remained too small to fulfil its task. Member states could earmark national relief capabilities for international action and form a rapid action force for non-military emergencies such as natural and industrial disasters, nuclear power meltdown and accidents involving weapons of mass destruction.

(40) The EC should include in its economic policies towards Eastern Europe measures to encourage the dissolution of monopolistic structures which could be abused to aggravate international conflicts. This is particularly relevant to energy production and transportation. A natural gas pipeline should be built from Russia via Belarus and Poland to Western Europe. This would increase the foreign exchange income of Russia. In the event that such pipelines or similar examples of structural dependence are used as a weapon in conflicts between countries or regions, the EC should take the matter to the CSCE on the basis of the European Energy Charter. If necessary to resolve a dispute, the EC could threaten withdrawal of further economic assistance from guilty parties.

International policy instruments and resources

(41) International security requires additional funding. We recommend that novel ways be sought for generating additional resources for international peace operations, such as the suggestion of the UN Secretary-General to impose a levy on international air traffic, arms exports and/or defence budgets. If these are not feasible on a global scale, they should be applied on as wide a regional scale as possible.

(42) A fair distribution of the burden of international assistance has to be encouraged. At present, some countries (e.g. Germany) carry a far larger load than others in financial and refugee assistance in proportion to their population and GNP. We recommend that the OECD develop an index of international assistance which comprises various forms of international assistance and relates to GNP per capita. In the case of development assistance, the Development Assistance Committee reviews annually the efforts of its members. A similar committee should be set up for assistance to Eastern Europe, compiling data and comparing burden-sharing among OECD members. To begin with, the European Commission might start this for its own members. The purpose would be to obtain reliable and comparable statistics and commit members to greater solidarity.

(43) The main challenge for Europe is how to extend to Eastern Europe the 'security community' which was built up in Western Europe after the Second World War. Without it, Eastern Europe will fall further prey to the kind of civic unrest, socio-economic dislocation, ethnic strife and political violence that we already see in Southeastern Europe. Since our previous report, the Twelve have made an important step forward by signing the Maastricht Treaty. We believe, however, that its provisions for a common foreign and security policy, as well as for a

common environmental policy, are inadequate. Therefore, we recommend that preparations be started for practical amendments to introduce qualified majority decision-making gradually in both fields. If and as long as this is not feasible, owing to opposition from individual members, stronger joint action has to be prepared by groupings smaller than the Twelve. The WEU framework may lend itself to qualified majority decision-making as a precursor to the European Union's security policy.

(44) The European Commission should become the central coordinator of all political, economic and environmental support to Central and Eastern Europe and the CIS countries. It should be allowed a stronger role in the coordination of member states' bilateral policies and be given some independent authority in the allocation and disbursement of funds as well as the evaluation of assistance results.

(45) The management of security in Eastern Europe will require effective coordination among several international organizations. We recommend that regular formal meetings be held between relevant sections of the EC, WEU and NATO staff. Formal contacts, for the purpose of efficiency and effectiveness, need to be underpinned by informal contacts based on *ad hoc* cooperation in activities of common concern. Should the staff of the CSCE grow, they would have to be integrated into the network of contacts and cooperation of the other international organizations.

(46) The environmental problems of Western and Eastern Europe are largely inseparable because of their common air, rivers, seas and increasing economic integration. Environmental policy-making is still extremely weak, not only at the national but also at the European level. Environmental and nature conservation policy is spread over the EC, the Council of Europe, and the UN's Economic

Commission for Europe (ECE); the Paris Charter of the CSCE also mentions environment as a common policy goal and, in consequence, a protocol of the European energy charter is being negotiated. We recommend that these different initiatives are coordinated and merged into a pan-European ecological charter, which should at least reflect the present EC, Council of Europe and ECE rules and regulations. An important objective of a European ecological charter is to design environmental protection standards for the entire European area. At present, West European states are concentrating their anti-pollution policies on additional improvements in their own national space, while the marginal returns on extra efforts in neighbouring Eastern Europe would be many times higher. This applies particularly to air and water pollution. Only a Europe-wide ecological policy can effectively apply the principle that international pollution should be countered at the source.

Summary

This list of 46 policy recommendations can easily be criticized for being too tall an order, given the present state of confusion and disagreement among the Twelve. These recommendations have indeed not been scaled down to fit today's lack of progress in tackling Europe's urgent common problems. Rather, we feel that many of them may not yet go far enough and should be developed further to arrive at even more action-oriented proposals. We hope that they serve at least as an encouragement for bolder thought and action than the present stagnation (if not disintegration) of the European Community seems to suggest. If this stagnation and inability to deal adequately with the risks in Eastern Europe persist much longer, the EC will lose its impetus as the most advanced international organization and might even run the risk of declining into a weak European customs union, rather than continuing its development into a full European Union.