

IEEI

43<sup>TH</sup> CONFERENCE  
OF DIRECTORS AND REPRESENTATIVES  
OF INSTITUTES

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" L'EUROPE DANS UN ORDRE INTERNATIONAL  
CHANGEANT " .

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QUEL AVENIR POUR L'EUROPE

LISBON, 7-9 NOVEMBRE 1991

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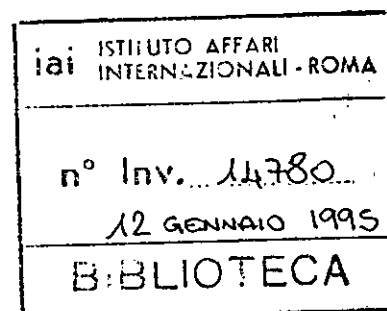
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**EUROPE IN A CHANGING WORLD**  
**13th conference of directors and representatives of institutes**  
Instituto de estudos estratégicos e internacionais  
Lisboa, 7-9/XI/1991

- a. Programme
- b. List of participants
  - 1. "The new world conditions and Mercosul"/ Hélio Jaguaribe
  - 2. "Yugoslavia: origins of the crisis"
  - 3. "The European neutrals facing the challenges of the Post-Cold-War era"/ Hanspeter Neuhold
  - 4. "Neutrality in a new Europe"/ Bo Hult
  - 5. "The European policies and Central European countries"/ Maciej Perczyński
  - 6. "A Hungarian view on neutrality"/ János Matus
  - 7. "Regional cooperation in the South-East Europe: challenge of the last decade of the 20th century"/ Edita Stojic, Slobodan Stojic



IX CONFERÊNCIA INTERNACIONAL DE LISBOA

# QUE FUTURO PARA A EUROPA

7, 8 E 9 DE NOVEMBRO DE 1991

NINTH INTERNATIONAL LISBON CONFERENCE

# EUROPE IN A CHANGING WORLD

7TH-9TH NOVEMBER 1991

# PROGRAMA

**Quinta-feira**

**7 de Novembro**

**10.30 h Sessão de abertura**

Eugénio Ramos, Secretário de Estado da Defesa  
Michel Vauzelle, Presidente da Comissão de Política Externa da Assembleia Nacional Francesa  
Jorge Sampaio, Presidente da Câmara Municipal de Lisboa  
Embaixador José Calvet de Magalhães, Presidente do IEEI

**14.30 h TEMA I A UNIÃO POLÍTICA E O EQUILÍBRIO EUROPEU  
QUESTÕES DE POLÍTICA EXTERNA E DE SEGURANÇA**

*Presidente:* Álvaro de Vasconcelos (IEEI, Portugal) · *Orador:* Gianni Bonvicini (IAI, Itália)  
*Comentário:* Joris J. C. Voorhoeve (Clingendael, Holanda)

**16.30 h TEMA II PROCESSOS DE INTEGRAÇÃO REGIONAL NO DEBATE SOBRE A NOVA  
ORDEM INTERNACIONAL**

*Presidente:* José Manuel Durão Barroso (Portugal) · *Orador:* Hélio Jaguaribe (IEPS, Brasil)  
*Comentário:* Armando Antunes de Castro (ISEG, Portugal)

**O PAPEL DA COOPERAÇÃO REGIONAL E DA COOPERAÇÃO INTERNACIONAL  
NA RESOLUÇÃO DOS CONFLITOS**

*Orador:* Ali Karaosmanoglu (DPE, Turquia)  
*Comentário:* Predrag Simić (IIPE, Jugoslávia)

**20.30 h Jantar oferecido pela Câmara Municipal de Lisboa em Montes Claros**

**Sexta-feira**

**8 de Novembro**

**9.30 h TEMA III A AMÉRICA DO NORTE E A URSS NA NOVA ARQUITECTURA EUROPEIA**

*Presidente:* Adriano Moreira (ISCSP, Portugal)  
*Oradores:* Simon Serfaty (SAIS, Estados Unidos), Oleg N. Bykov (IMEMO, União Soviética)  
*Comentário:* Helmut Hubel (FDGAP, Alemanha), Yannis Valinakis (ELJAMEP, Grécia)

**14.30 h TEMA IV PERSPECTIVAS PARA UMA EUROPA ALARGADA.  
QUESTÕES POLÍTICAS E INSTITUCIONAIS**

*Presidente:* José Calvet de Magalhães · *Oradores:* Jaime Gama (IEEI, Portugal), Dominique Moïsi (IFRI, França)  
*Comentário:* Olav F. Knudsen (NUPI, Noruega)

**17.00 h TEMA V O CONCEITO DE NEUTRALIDADE NUMA NOVA EUROPA**

*Presidente:* José Medeiros Ferreira (Portugal)  
*Oradores:* Hanspeter Neuhold (AIIA, Áustria), Bo Hult (SIFA, Suécia)  
*Comentário:* János Matus (HIIA, Hungria), Guilherme d'Oliveira Martins (Portugal)

**Sábado**

**9 de Novembro**

**9.30 h TEMA VI A POLÍTICA EUROPEIA DOS PAÍSES DA EUROPA CENTRAL E DE LESTE**

*Presidente:* Vitor Constâncio (Portugal)  
*Oradores:* Jirí Valenta (IIR, Checoslováquia), Maciej Perczyński (PISM, Polónia)  
*Comentário:* Alexandru Farcaş (ADIRI, Roménia), László Láng (CERC, Hungria)

**11.30 h Encerramento**

João de Deus Pinheiro, Ministro dos Negócios Estrangeiros  
Álvaro de Vasconcelos, Director do IEEI

# PROGRAMME

Thursday

November 7th

10.30 h Opening session

Eugénio Ramos, Secretary of State for Defence  
Michel Vauzelle, Chairman, Parliamentary Defence Committee, France  
Jorge Sampaio, Mayor of Lisbon  
José Calvet de Magalhães, IEEI Chairman

14.30 h SESSION I POLITICAL UNION AND THE EUROPEAN EQUILIBRIUM.  
FOREIGN AND SECURITY POLICY OPTIONS

*Chairman:* Álvaro de Vasconcelos (IEEI, Portugal) · *Speaker:* Gianni Bonvicini (IAI, Italy)  
*Comments:* Joris J. C. Voorhoeve (Clingendael, Netherlands)

16.30 h SESSION II REGIONAL INTEGRATION PROCESSES  
AND THE DEBATE ON THE NEW INTERNATIONAL ORDER

*Chairman:* José Manuel Durão Barroso (Portugal) · *Speaker:* Hélio Jaguaribe (IEPS, Brazil)  
*Comments:* Armando A. de Castro (ISEG, Portugal)

WHAT ROLE FOR REGIONAL AND INTERNATIONAL COOPERATION  
IN CONFLICT RESOLUTION?

*Speaker:* Ali Karaosmanoglu (DPE, Turkey)  
*Comments:* Predrag Simić (IIPE, Yugoslavia)

20.30 h Dinner offered by the Lisbon City Council at Montes Claros

Friday

November 8th

9.30 h SESSION III THE UNITED STATES AND THE SOVIET UNION  
IN THE NEW EUROPEAN ARCHITECTURE

*Chairman:* Adriano Moreira (ISCSP, Portugal)  
*Speakers:* Simon Serfaty (SAIS, United States), Oleg N. Bykov (IMEMO, Soviet Union)  
*Comments:* Helmut Hubel (FDGAP, Germany), Yannis Valinakis (ELIAMEP, Greece)

14.30 h SESSION IV FURTHER ENLARGEMENTS OF THE EUROPEAN COMMUNITY.  
POLITICAL AND INSTITUTIONAL ISSUES

*Chairman:* José Calvet de Magalhães · *Speakers:* Jaime Gama (IEEI, Portugal), Dominique Moisi (IFRI, France)  
*Comments:* Olav F. Knudsen (NUPU, Norway)

17.00 h SESSION V THE CONCEPT OF NEUTRALITY IN A NEW EUROPE

*Chairman:* José Medeiros Ferreira (Portugal)  
*Speakers:* Hanspeter Neuhold (AIIA, Austria), Bo Hultdt (SIFA, Sweden)  
*Comments:* János Matus (HIIA, Hungary), Guilherme d'Oliveira Martins (Portugal)

Saturday

November 9th

9.30 h SESSION VI THE EUROPEAN POLICIES OF EASTERN AND CENTRAL EUROPEAN COUNTRIES

*Chairman:* Vitor Constâncio (Portugal)  
*Speakers:* Jiri Valenta (IIR, Czechoslovakia), Maciej Perczyński (PISM, Poland)  
*Comments:* Alexandru Farcaş (ADIRI, Romania), László Láng (CERC, Hungary)

11.30 h Closing session

João de Deus Pinheiro, Portuguese Foreign Minister  
Álvaro de Vasconcelos, IEEI Director

A IX Conferência Internacional de Lisboa tem o alto patrocínio da Câmara Municipal de Lisboa, e o apoio do Ministério da Defesa Nacional e do Gabinete de Informação e Imprensa da NATO. Agradecemos igualmente a colaboração do Ministério dos Negócios Estrangeiros e da Marinha portuguesa.

Fundado em 1980, o Instituto de Estudos Estratégicos e Internacionais é uma organização independente, declarada de utilidade pública, que tem por principais finalidades promover a investigação e contribuir para o debate em questões de política internacional, defesa e segurança.

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INSTITUT D'ETUDES STRATEGIQUES  
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n° Inv. 14780

12 GEN. 1993

BIBLIOTECA

The Institute for Strategic and International Studies (IEEI), founded in 1980, is a nonprofit, independent organization, designed to provide research and information and foster debate on international affairs, defence and security matters.

The organization of the International Lisbon Conference is one of the IEEI's regular activities. The present Ninth Conference, held under the high patronage of the Mayor of Lisbon, is sponsored by the Portuguese Defence Ministry and NATO's Information and Press Office. Special thanks are also due to the Ministry for Foreign Affairs and to the Portuguese Navy.



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# IEEI INSTITUTO DE ESTUDOS ESTRATÉGICOS E INTERNACIONAIS

\* 13th Conference of Directors and Representatives of Institutes \*

\* 9th International Lisbon Conference \*

EUROPE IN A CHANGING WORLD

November 7th-9th, 1991

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## REPRESENTANTIVES OF INSTITUTES AND SPEAKERS

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Director

Austrian Institute for International Affairs

### BELGIUM

Tony Hollants van Loocke

Director

Institut Royal des Relations Internationales

Miss Bockstaele

Institut Royal des Relations Internationales

Jacques Vandamme

Chairman

Trans European Policy Studies Association (TEPSA)

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Hélio Jaguaribe de Mattos

Dean

Instituto de Estudos Políticos e Sociais, Rio de Janeiro

### CZECHOSLOVAKIA

→ Jirí Valenta

Director

Institute of International Relations

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Chairman, Parliamentary Foreign Affairs Committee

Dominique Moïsi  
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Forschungsinstitut der Deutschen Gesellschaft für Auswärtige Politik

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n° Inv. 14780

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INSTITUTO DE ESTUDOS ESTATÉGICOS E INTERNACIONAIS  
INSTITUTE FOR STRATEGIC AND INTERNATIONAL STUDIES

IX CONFERÊNCIA INTERNACIONAL DE LISBOA  
13ª CONFERÊNCIA DE DIRECTORES E REPRESENTANTES DE INSTITUTOS

QUE FUTURO PARA A EUROPA?

9TH INTERNATIONAL LISBON CONFERENCE  
13TH CONFERENCE OF DIRECTORS AND REPRESENTATIVES OF INSTITUTES

EUROPE IN A CHANGING WORLD

THE NEW WORLD CONDITIONS AND MERCOSUL

Prof. Hélio Jaguaribe

Lisboa, 7-9 de Novembro de 1991

# THE NEW WORLD CONDITIONS AND MERCOSUL

Helio Jaguaribe

Institute for Political and Social Studies

## I. PRESENT CHARACTERISTICS

The world system resulting from the second world war has been submitted to profound changes in the course of the last decades and, particularly, since the last three years.

There is, probably, a wide consensus, among the students of the subject, concerning the fact that five major traits - some coming from preceding periods, some very recent - characterize the world today; (1) the collapse of world communism, (2) the emergence of post-industrial societies, (3) the formation of mega-markets, (4) the aggravation of the North-South gap and (5) the lack of rational management for major collective interests of mankind.

### The collapse of communism

From a strategic point of view the most important world event, in the last decades, has been the collapse of international communism, resulting, more immediately, from Gorbachev's reforms, since the second half of the 80s and, at a deeper level, from the long crisis of the regime in the Soviet Union and in Eastern Europe. The communist experiment had been able, if at an intolerable human price, to convert, from the Russian Revolution to the second world war, an agrarian society into an industrial one and, since the Soviet first atomic bomb, in 1948 and the successful launching of Sputnik, in 1957, to bring the Soviet Union to strategic parity with the United States.

Gorbachev's reforms, with their innumerable implications, were essentially determined by the acknowledgment, by the new leaders of the country, that the regime had exhausted, since the

days of Khrushchev, in the 60s, and irreparably, since the 80s, its potentialities and its legitimacy. Notwithstanding its successes in building a large heavy industry and one of the two more powerful military machines in the world, the bureaucratic and totalitarian system proved unable to create the necessary incentives for most activities. A growing gap was separating the military apparatus from its social and economic supporting bases, rendering increasingly less possible the sustainment of that apparatus. Gorbachev's reforms were a late enlightened attempt to prevent the complete collapse of the economy and the desintegration of Soviet society, using the last material and institutional resources of the country for its profound reorganization in the direction of a modern social democracy.

The frustration of the coup managed by the "band of eight", in August 1991, produced the final collapse of the important residual elements of the Soviet coercitive system that had survived Gorbachev's reforms. The Soviet president was restored to his post, after three agonizing days. In exchange, however, the powerful centrifugal forces compressed inside the Union, once liberated from their former constraints, imploded the system. Only 10, of the 15 Republics, have accepted to sign a new version of the Union pact. That version, however, is an extremely loose one, depending, for the definition of the relationships between the Republics and the Union, on further negotiations. The Soviet Union became a vague entity, whose actual shape is still to be defined. Very probably, it will present different levels of association between the Republics and the Union, from loose federation to simple agreements for economic cooperation. The Republic of Russia, in a way or another, tends to become the actual inheritor of the former USRR.

#### Non-European communism

Even a succinct reference to the collapse of world communism requires a brief clarification concerning the situation of non-European communist countries. While the desintegration of the communist model, in Europe, affected its validity throughout the world, the situation of communist regimes, outside Europe, is very different, according to whether we consider, at one extreme,

the Cuban case and, at the other, the Chinese model.

In Cuba, as well as in North Korea, we have the case of regimes surviving by the sheer strength and obstinacy of their leaders. It is very difficult to suppose such survival can be long.

In China we have quite a different situation. Communism was used as a motivational force and an institutional machinery to put into motion the most extraordinary experiment of our time for overcoming underdevelopment. From chronic famine, social destitution and total lack of rural education, the Chinese experiment has been able, in few decades, to provide food, shelter, employment, education, public sanitation, health care and legal protection, to 1.2 billion people, that is, about a quarter of mankind.

Under the leadership of Deng Xiaoping Chinese communism became, for all practical purposes, an enlightened developmental authoritarianism. A contemporary and Chinese equivalent of the enlightened authoritarianism of the 18th century. As any regime, in general, and all authoritarian regimes, in particular, the recent Chinese model has many defects. In the Chinese conditions, however, only such enlightened authoritarianism would be able, from the level of development already achieved by the first phase of the regime, to move it, as it is being successfully done, to the gradual institution of a market economy. It is the maintenance of that authoritarianism that has prevented China from suffering the disruptions that have so severely affected the Soviet Union, because the latter was compelled to suppress authoritarianism before achieving its economic reforms.

#### Post-industrial societies

Another extremely relevant trait of our time is the emergence of post-industrial societies. The new technological revolution, based on Einstein's and quanta physics, on molecular biology and many other scientific advances, is creating a new information tertiary society, in which the innumerable applications of microelectronics and other devices are extraordinarily increasing its productivity. It has generated, vis-a-vis merely

industrial societies, a gap comparable with the one that has separated the latter from the agrarian societies. Japan and the United States, followed by some European countries, are leading the process.

Among the many consequences of the decisive role that technology came to play, as the most important factor of production, a less expected and desirable one, which is increasingly observable, is the mercantilization of knowledge. Since the Renaissance and, particularly, the Enlightenment, knowledge has been understood as a common good of mankind. Sciences were an open field to all researchers. Leading universities, in the United States, Europe and Japan, were open to qualified applicants from the whole world and would give their students the best knowledge in any field of study. Now, as the applications of science became the source of technological innovations, applicable knowledge has been converted into the most valuable economic asset and is being increasingly protected by legalized secrecy, controlled, rather than by Universities, by the laboratories of the large transnational corporations, in the latter's benefit. While the gap separating underdeveloped societies from the advanced ones has tremendously expanded, with the latter's conversion into post-industrial societies, the way to reach that level has been rendered much more difficult by the patents and secrecy protecting technological innovations.

### Mega-markets

The new requirements for economic competitiveness, closely connected with the emergence of post-industrial societies, have led to the formation of regional mega-markets. Starting with the European Community, that will become a close system in 1993, there is a spreading trend for the organization of huge common markets. The U.S. and Canada, with Mexico manifesting its intention to join them, are forming a North American common market. Japan is conducting arrangements, in Asia, for a large Japan-led economic system. At a much smaller scale the southern countries of South America are creating MERCOSUL, integrating them into a South Cone common market.



Mega-markets are being organized under the umbrella of a liberal discourse. Enlarging the frontiers of former national markets, through the formation of a multinational economic system, is presented as a way to gain, by scale economies, larger productivity and capabilities for research and development, so reducing costs and prices and improving the quality of the products, for the common benefit both of members and non-members of those markets. As a matter of fact, however, as the European Community is illustrating, liberalism is an export policy for the mega-markets, while neo-mercantilist devices are protectively adopted against competitive non-members, in the benefit of member's productive and employment facilities.

Mega-markets, even when not actively pursuing protectionist policies, will substantially increment intra-markets trade, at the expenses of free international trade. Isolated countries, accordingly, will tend to suffer trade restrictions.

#### North-South gap

The North-South gap, as it is well known, is a relatively recent historical event. Civilized societies had, all over the world, the same basic level of life up to the Renaissance. The mercantilist revolution started creating differences in favour of countries engaged in world trade and colonialism. The industrial revolution generated a fast increasing advantage for the industrial societies, vis-a-vis those remaining simply agrarian. The new technological revolution, as formerly observed, is multiplying that advantage by an immense factor in the benefit of post-industrial societies.

The continuously aggravating North-South gap is not only morally unacceptable, but constitutes a factor of increasing destabilization of the world order. At the normative and axiological level, a prosperous social democracy will not be able to preserve its values and institutions if forming a small northern island of educated and affluent people, surrounded by billions of uneducated and miserable human beings. At the level of current life, the coexistence of the two societies in a planet unified by instantaneous communication and increasingly closer economic and

technological interdependence, will not be viable. The same factors that have compelled northern elites to incorporate their own masses into higher levels of education, income and participation, will compel the North to incorporate its southern proletariat. That process, however, as its historical precedent, is going to take a long time. The longer it takes, the worse will be the challenges to a stable world order.

It is important to acknowledge, in what concerns the probable future development of the countries of the South, that they present very different capabilities for overcoming endogenously their own underdevelopment. Only countries endowed with very favourable levels of national viability are likely to achieve, if in the course a long time, the domestic sedimentation required for endogenously overcoming their underdevelopment. China, in Asia, Brazil, Argentina and Mexico, in Latin America, are good illustrations of the case. Most underdeveloped countries, particularly in Africa, will require substantial foreign aid and a rather favourable international environment for attaining their development. Present international conditions, with the continuous aggravation of the North-South gap, are not going in that direction.

#### Collective interests

The extraordinary development of technology, in the course of the present century and, particularly, in the last decades, has submitted the world, in multiple ways, to pressures that have increasing distabilizing effects on the equilibrium of various global systems and have created collective needs that require a rational and equitable management.

The planet's ecological system is severely challenged by multiple effects of the industrial civilization, presenting a fast decreasing capacity for its self-recovery. The survival of man, as a species, is severely menaced, in a not too long future, by irreversible ecological degradations. The global systems of communications, transportation, information, nutrition, health, peace maintenance, law enforcement, concerning the whole world, cannot be rationally managed by the isolated action of national

states. Most national states, moreover, have not the capability for significant contributions for that purpose. Only rational and equitable forms of international management can take care of those problems and attend major collective interests of mankind.

The United Nations have been designed to perform that function and have developed specialized agencies to attend several of those demands. The U.N. machinery, however, has neither the material means nor the political power to accomplish that job. For one thing, it has been, up to very recently, paralyzed by the East-West confrontation. For another thing, the great powers have not actually transfer to the U.N. the means and the authority to allow it to perform the rational and equitable management of the main collective interests of mankind. As a matter of fact not even the small current contributions to the U.N. are being timely paid by many countries (arrears are more than US\$ 670 millions), the United States being the larger debtor.

## II PROBLEMS OF TRANSITION FROM BI-POLARITY TO MULTI-POLARITY

### Pax Americana

The transition from the bi-polar world derived from the second world war to an emerging multi-polar new world order is currently processed in the framework of a relatively mono-polar Pax Americana, conditioned by several constraints.

Converted, by the collapse of international communism and the domestic troubles of the Soviet Union, into the single operational superpower, the United States have some of the conditions for the exercise of world hegemony, but are submitted to several limiting constraints. The most important ones are domestic, related to economic deficiencies and to insufficient popular support for exacting international actions. Important fiscal and trade annual deficits, that have reached the order of hundred billions - fiscal deficit of ca. US\$162 billion, in 1989, trade deficit of ca. US\$116 billion, in the same year and a U.S. foreign debt in the order of US\$600 billion - prevent the U.S. from financing, with her own resources, expensive international actions. The American citizens, on the other hand, although rejoicing with the increased international prestige of the country and with her leading world role, are not prepared to endure new efforts, both in taxes and in human lives, to support external American activities. From another perspective the U.S., as a leading Western nation, have to take into account the Europeans and the Japanese. As a power with broad international interests, they have to maintain a reasonably balanced position in important regional conflicts, such as in the Middle East and in the Indian subcontinent.

The result of a world primacy submitted to those limiting constraints is a relatively conditioned Pax Americana. The Gulf war provides a good illustration of it. The United States proved to be the only power with the capability and the resolve to immediately adopt an effective political and military action to

reverse the annexation of Kuwait by Saddam Hussein's troops. But they had to act within the framework of a Security Council's mandate, in close consultation with the G-7 and their substantial (US\$40 billion) financial support and in alliance with as many Arab countries as they could manage to mobilize.

A Pax Americana under the constraints formerly mentioned tends to be a temporary occurrence. It cannot provide the stable, rational and equitable order required by the world. It tends to evolve either in the direction of the mono-polar consolidation of an American led world system or in the direction of an institutionalized multi-polar world, operated by a renewed and reinforced United Nations. While the two possibilities are actually opened, there are strong indications that tend to favour the second alternative.

Whereas a conditional Pax Americana is unlikely to stay for a long time, it is necessary to acknowledge that the more probable emergence of a United Nations operated multi-polar new world order may take some years. The Europeans are confronted with the complex task of reaching, for the Community, a satisfactory operational coherence, both economically and politi-cally. A task complicated by the events in Eastern Europe and the pressure of ex-communist countries to join the European Com-munity. The Japanese, on the other hand, have to find a world role compatible with their economic and technological supercompe-titivity and the several limitations to which they are exposed, from their still unsurpassed ethnocentrism to the weaknesses implied in an excessive dependence on external markets.

The transitional period that will correspond, for some years, to a conditioned Pax Americana, presents some great risks to the world. The Americans were able to formulate and implement a global strategy for the contention of Soviet power. They keep being unable to formulate and still less to implement a rational and equitable global project for the world. At a global level, major collective interests of mankind, urgently requiring rational and equitable regulations and management, will continue, under Pax Americana, to be inappropriately approached. Among other menaces, there is a growing danger of severe and eventually

irreparable ecological deteriorations. On the other hand, the fact that a relatively declining power, as it is currently the case of the United States, is not submitted to satisfactory external checks, is likely to induce such power, as the historical experience indicates, to abusive behaviors vis-a-vis weaker partners. American interventions in Granada and Panama appoint in that direction.

#### An interim world order

Is it possible to minimize the risks presented to the world, as formerly discussed, by the transitional period of a conditioned Pax Americana? The question may receive a positive answer, insofar as some basic conditions would be satisfied. What is essentially at stake is the generation and reinforcement of conditions, inside and outside the United States, that would work in the direction of a rational and equitable world order, preventing the practice of acts of arbitrary violence or ingerence in the affairs of other countries.

There is in the United States a very important sector of public opinion, tendentially representing a majoritarian view, that favours the establishment of a rational and equitable world order, presses the government in that direction and is opposed to American arbitrary interventions in other countries. That important current of opinion can be reinforced by many ways

It is possible, on the other hand, to mobilize in countries of the OECD, of the Third World and in what remains of the Soviet Union, the support of public opinion and of governments for going in the same direction. What is necessary is to organize a system of coordination, actively supported by some key countries, operating inside and outside the United Nations, and in close cooperation with enlightened American sectors, for the improvements of the world system, the maintenance of peace and the prevention of arbitrary interventions of a country in another one.

## III. THE CONSTRUCTION OF MERCOSUL

Precedents

Argentina, Brazil, Paraguay and Uruguay have signed, on March 26th, 1991, the Treaty of Asuncion, creating the Common Market of the South-Mercosul. That treaty establishes that, from January 1st, 1995, the exchange of goods, services and factors, among the four countries, will be entirely free, without any customs or non-customs restrictions, in the framework of a common external custom for the members of the Common Market.

That treaty is the culmination of an integrative process that comes, more remotely, from the creation of the Latin American Free Trade Association, in 1962, including the South American countries and Mexico, which has had relatively modest results. More immediately, MERCOSUL represents the mature state of a cooperative process started in 1979, with the tripartite agreement among Argentina, Brazil and Paraguay, for the utilization of resources and facilities in the Paraná river. A decisive step was taken, by Argentina and Brazil with the signature, in 1986, of an agreement for a Program of Integration and Economic Cooperation, formally converted, in 1988, into a Treaty of Integration, Cooperation and Development, to which Uruguay has been incorporated.

The creation of MERCOSUL, in 1991, is an expansion of the former treaty, including, additionally, the participation of Paraguay. Chile and Bolivia are regarded as possible rejoiners of that Common Market, in the next years and, after five years, other South American countries may qualify to join, if accepted by consensus of the members.

The South Market

MERCOSUL is, on the one hand, the culmination of an enlightened process of conversion, into close and friendly cooperation, of a former long relationship of rivalry and disputes between Argentina and Brazil. On the other hand, stimulating that cooperation, the Common Market of the South is an answer of

the member countries to the challenges directly and indirectly presented by the formation of regional megamarkets. The European Community, notwithstanding its liberal discourse, is seen in the South Cone as an emerging Fortress Europe, that will substantially reduce Latin American exports to Europe. Current estimates are admitting that such reduction will be of the order of 30% for Argentina and Uruguay and of about 10%, for Brazil.

The formation of the US-Canadá-México common market is seen, although in a different light, as an additional challenge to the Southern countries. The Northern Market, distinctly from the European one, is open to the South American countries. The immense differences of economic and technological levels between the two large South American countries and the United States, however, present to them a severe risk of eliminating most of their industrial enterprises, if important preventive and corrective measures are not previously adopted.

MERCOSUL is considered to be a necessary intermediary state for the adjustment of the member countries to the possibility of a future panamerican free market and, in general, to their complete opening to the international market. In the new conditions of the world, formerly discussed in this paper, countries at a middle level of development, such as Brazil and Argentina, may suffer a devastating elimination of most of their industrial capabilities, if indiscriminately open to the manufactures of advanced countries. MERCOSUL is planned to increase the productive competitiveness of its members, enabling them, at a later stage, to join a panamerican free market, as proposed by the Bush Initiative. It is in that sense that an agreement has been signed, between the four southern countries and the U.S., on June 19th, 1991.

MERCOSUL is a rather small common market, seen in an international perspective. The U.S.-Canada-Mexico free trade area combines a population of 359,6 million and a GDP of US\$5,845.3 billion. The European Community (including former East Germany) represents a population of 354 million and a GDP of US\$4,967.7 billion. MERCOSUL represents a population of about 190 million, with a GDP of about US\$ 483 billion, that is, 10% of the European Community GDP.



MERCOSUL  
MAIN DATA

13.

Itens	Argentina	Brazil	Paraguay	Uruguay	Mercosul
Population 70	23.9	95.8	-	-	-
80	28.2	121.3	-	-	-
89	32.4	147.4	4.2	3.1	189.1
GDP % 79	21.8	43.1	-	-	-
80	55.3	252.3	-	-	-
89	79.4	390.4	4.8	8.4	493
P/Capita 70	910	450	-	-	-
80	1960	2080	-	-	-
89	2520	2649	1.030	2620	2.554
Agreg. % 70	13.2	11.5	(1965) 37	(1965) 15	-
GDP 80	8.3	10.5	-	-	-
89	12.7	8.9	29	11	-
Indust.% 70	38.1	35.6	(1965) 19	(1965) 32	-
GDP 80	37.5	41.2	-	-	-
89	43.5	44.3	32	28	-
Export. 70	1.8	2.7	-	-	-
\$ bi 80	8.0	20.1	-	-	-
89	9.2	34.4	1.3	1.6	46,5
Ind.Prod.% 70	13.9	16.2	(1965) 8	(1965) 5	-
80	23.1	38.1	-	-	-
89	31.4	49.7	8	38	-
Agric.% 70	85.6	73.3	(1965) 92	(1965) 95	-
80	71.2	50.2	-	-	-
89	65.1	31.9	92	61	-
Import. 70	1.7	2.8	-	-	-
\$ bi 80	10.5	25.0	-	-	-
89	4.2	20.0	1.2	1.3	2.67
Ind.Prod.% 70	58.6	63.2	(1965) 70	(1965) 60	-
80	71.7	38.5	-	-	-
89	68.4	50.4	66	72	-
Agric.% 70	14.6	12.5	(1965) 14	(1965) 10	-
80	9.3	10.9	-	-	-
89	8.1	9.6	12	7	-
Imp.Princ. 70	EEC 32.5	USA 32.2	-	-	-
Suppl. % 80	USA 24.8	EEC 30.2	-	-	-
	EEC 29.7	M.East 32.2	-	-	-
	USA 21.4	USA 18.6	-	-	-
89	EEC 27.5	EEC 26.8	Braz. 22.2	Braz. 29.1	-
	LA 33.4	USA 26.2	EEC 20.0	EEC 20.9	-

Sources: "L'Etat du Monde, 1995", Paris, Ed. La Découverte, 1990; For lines indication on year 1965, "World Development Report", New York, Oxford Univ. Press, 1991.

Notwithstanding its relatively modest proportions MERCOSUL confers important benefits on its members. Such benefits present three main aspects. In terms of trade, the combined exports of the four members represented, in 1989, a total of US\$46.5 billion, and their total imports, US\$ 26.7 billion, representing, respectively, about 40% and 30% of the Latin American totals.

Probably still more important are the possibilities that will be opened by MERCOSUL cooperation in the fields of science and technology. Both Brazil and Argentina have important scientific and technological capabilities, presenting a wide margin of complementarity. Both countries suffer, in many fields, from the lack of sufficient "critical mass". Their joint efforts will provide them, to a large extent, with that critical mass necessary to reach levels of international competitiveness. In a historical moment characterized by a strong propensity for the privatization of sophisticated technologies, developed, off university campi, by the laboratories of large transnational corporations and protected by secrecy, patents and rights of intellectual property, the development of a good margin of endogenous capability in applied science and technology is a decisive requirement for economic development.

A third relevant advantage to be reaped from MERCOSUL by its members is of a more general economic and political character. The South Market will enable its partners to benefit from a significant increase of their scale of production and corresponding possibilities for raising their international competitiveness, preparing them for a future integration in a panamerican market and in the international market. It will also substantially improve their international bargaining position, giving them better conditions for negotiating their foreign debt and for setting better terms of exchange with the EEC and other macro markets.

The most important, however, of those advantages of a general character, resulting from MERCOSUL, will be the imposition, on its members, of stricter rules of rational behavior for their macroeconomic policies. Argentina is setting the pattern in currency stabilization, that will have to be followed by the other

members, if the South Market is ever to be a functional arrangement. Fiscal, monetary, investment, trade, labour and social security policies, among others, will have to be reciprocally compatibilized and adjusted to appropriate rational norms.

#### Concluding remarks

In the present world conditions, briefly discussed in the first session of this paper, middle level countries, such as the members of MERCOSUL, are confronted, in the course of the next few years, with a very sharp alternative. Either they succeed in reaching significantly higher levels of modernization, within socially equitable terms, developing and improving their productive capabilities, and rate of public rationality, or they will tend to sink to Fourth World levels comparable to the poor Afro-Asian societies.

The middle level attained by countries such as Brazil and Argentina, in the 70s, corresponded to a certain stage of the world industrialization and to a certain phase of their own social development. Twenty years ago Brazil, the most successful industrial society in the Third World, had a level of industrial development, comparatively to advanced European societies, which roughly corresponded to the situation of the latter in the 50s. Today, the gap has more than doubled.

Equivalent considerations can be presented in the field of social development. A country like Brazil was, up to the 30s, a society under the control of its notables. It has managed, with relative success, to become a well running middle class society by the 50s and 60s. Its transition from middle class society to mass society, latently through the 70s and openly through the 80s, has not been successful. The country was not able to build the agencies and rules of political mediation that could compatibilize - within its economic and social conditions - a mass democracy with a satisfactory level of public rationality. The same can be said of Argentina's Peronism.

Now, in the early 90s, such countries have exhausted the possibilities of their former statu quo, both domestically and internationally. If they do not succeed to jump ahead, in the direction of an accelerated socially equitable modernization, they

will undergo a severe degradation. They will be abandoned by the best sectors of their elites, pulled by more successful areas of the world and will tend to integrate the vast external proletariat of the West in the 21st century.

MERCOSUL gives an important contribution for an accelerated modernization of its members, imposing on them - if the South Market actually comes to be more than a sheer paper treaty - the necessity of a rational and socially equitable management of their domestic affairs and international relations.

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EUROPE IN A CHANGING WORLD

Pedrag Simic  
YUGOSLAVIA: Origins of the Crisis

Lisboa, 7-9 de Novembro de 1991

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B e l g r a d e

## YUGOSLAVIA: ORIGINS OF THE CRISIS

The question that foreigners most frequently asked Yugoslavs during the 1970s was: "What will happen in the country after President Tito dies?" They typically answered with self-confidence that political inheritance of "Tito's" Yugoslavia is sufficiently firm to outlive the charismatic marshal. It seemed that reasons to support their self-confidence were abundant: in 1948 Yugoslavia experienced the conflict with Stalin, becoming the first country to leave the communist block; Yugoslav self-management has for years attracted attention as a more humane and democratic alternative to the Soviet model; during 1950s and 1960s economy developed more or less successfully; as one of the founders and leaders of the non-aligned movement Yugoslavia became the respected and influential member of international community, while occasional eruptions of nationalism between Yugoslav republics were suppressed by undeniable authority of Tito, the League of Communists and the Yugoslav Army.

However, less than a year after marshal's death Yugoslavia faced the first major challenge when in April 1981 mass demonstrations of the Albanian minority broke out in the southern province of Kosovo, demanding that this province obtains the status of the seventh Yugoslav republic. Post-titoist Yugoslav communist leadership managed to temporarily suppress these demonstrations by force and political means, only to face a new, much more serious challenge in the months that followed. During 1970s economic growth in Yugoslavia was mainly sustained owing to considerable borrowing abroad. When global debt crisis broke out in early 1980s, Yugoslavia with a foreign debt of some \$20 billion became one of the most seriously affected developing countries,

since foreign debt servicing at that time required more than 40 per cent of the country's foreign currency receipts. Unwilling to undertake major economic reforms, Yugoslavia entered a decade-long period of economic decline, which has completely eroded the legitimacy of the ruling party, which led the country into increasingly profound economic, social and political crisis.

The reason why relative political consensus among the Yugoslav political elites prevailed during 1980s first of all should be sought in strategic interest of the West to safeguard the stability of Yugoslavia, which represented the "buffer" between the Warsaw Treaty and NATO in Europe since early 1950s. Under such circumstances, economic and political shocks in Yugoslavia opened scope for intervention by the U.S.S.R. and Warsaw Treaty, with immediate consequences on the overall geo-political balance in Europe. The last occasion when it became directly apparent was during the 1981 crisis in Poland. Increasingly obvious inability of Yugoslavia to resolve its crisis./1. and changes in Eastern Europe brought about by Mikhail Gorbachev's policy in the Soviet Union caused, however, that strategic interest of the West for Yugoslavia start to diminish. Formerly leading reform socialist country, Yugoslavia lagged more and more behind the changes in Eastern Europe./2.

/1. "Continuous economic crisis of the eighties - high foreign debt, galloping inflation and declining living standard - turned Yugoslavia into the West's worrisome child. Washington and Brussels started to fear that Yugoslavia's economic breakdown might have unforeseeable political consequences. All measures undertaken by the West to support Yugoslav economy - refinancing of foreign debt, granting of new loans, and cooperation agreement with the European Community should be considered in this light." Jens Reuter: Yugoslavia's Role in Changing Europe in: D. Muller et al. (eds.): Unification of Germany and Unification of Europe - Perspective for the Nineties" (in German language), Institute for International Politics and Economy, Belgrade, 1991, p.

/2. "With ending of the cold war and reduction of interblock confrontation in the second half of eighties, Yugoslavia has lost its key role in the West's strategic thinking. The country was no longer the element of balance between the East and the West that no one could deny. To the extent that reform processes in former Moscow's satellite states attracted at-



Profound internal crisis and changes on the East of continent have entirely eroded the legitimacy of the Yugoslav post-titoist leadership and created a political vacuum in which historic animosities between the Yugoslav ethnic groups came into the foreground. Efforts by the Yugoslav federal governments, particularly of the Prime Minister Ante Markovic, to implement necessary economic and political reforms collapsed under the resistance of republican elites, which increasingly resorted to political mobilization on nationalist grounds as the background of their legitimacy. This has led the country into the situation of ethnic conflicts which in 1991 escalated into open armed clashes.

Generally, one may say that the crisis in post-titoist Yugoslavia came about as the consequence of three groups of factors: collapse of the specific Yugoslav model of socialism, profound and unexpectedly quick changes in the Soviet Union and Eastern Europe, and aggravation of historic animosities between Yugoslav nations. In spite of thirty years of reforms which made Yugoslavia a unique case among socialist countries, disintegration of post-titoist Yugoslavia demonstrated that the "Yugoslav model" essentially kept all the "fatal weaknesses" (73.) of the Soviet model of socialism which brought about its historic collapse.

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tention on the West, the interest for Yugoslavia was gradually diminishing. Yugoslavia was no longer the problem of global importance for the two super-powers, but at best a European issue at the continent's periphery. The important factor was how quick will reforms on the East progress. What lasted nine months in Poland took only nine weeks in GDR and only nine days in Czechoslovakia. Yugoslavia lagged enormously behind this process of democratic transformations." op. cit., p.

73. The term was first used by Chinese economist Jiang Yifei. See: Jiang Yifei: The Theory of an Enterprise-Based Economy, Social Sciences in China, No. 11/1980, p. 48.

### Tito's Heritage

Victory of Tito's partizans made Yugoslavia come out of the World War II as a communist state. In the period between 1945 and 1951 Yugoslavia has been consistently introducing the "soviet model" in which it sometimes even went ahead of other East European countries./4. In the foreign-policy area Yugoslavia became a part of an emerging eastern military block./5. Even after the conflict with Stalin in 1948, by forced collectivization of land Yugoslav communists tried to prove their dedication to the Eastern block. Only in early 1950s under an increasing military threat from the East, Yugoslavia asked the US for help. Between 1951 and 1954 Yugoslavia has entered the strategic alliance with the West undertaking certain military obligations in case of a military conflict between the eastern and western military alliance in Europe./6. However, while the influence of relationship

- /4. Thus, for instance, on the conference of European communist countries held in 1947 in Czechoslovakia, Yugoslav communists criticized French and Italian communists for their "revisionism"; the paper of the newly established Information Bureau of communist countries started to be published in Belgrade, etc.
- /5. After the end of World War II there were threats of a direct military confrontation between Yugoslavia and the US, particularly after two US Air Force's planes were shot down above the western part of the country in August 1946. At that time chief commands of the US and Yugoslavia undoubtedly had plans to engage their forces on opposite sides in case of confrontation between the eastern and western coalition. Compare: Anton Bebler: US Strategy and Yugoslavia's Security in: W. Richey et al. (eds.): American and Yugoslav Views on 1990s, Institute of International Politics and Economics, Belgrade, 1990.
- /6. In addition to concluding the defence alliance with Greece and Turkey (so-called "Balkan Treaty") Yugoslavia has undertaken to protect northern Italy from penetration of soviet troops from Hungary, thereby becoming de facto a segment of the western military alliance at that time. According to western sources, during late 1940s and early 1950s Yugoslavia has received some \$2.2 billion worth of aid from the West, of which some 90% came from the US. The total amount of various forms of assistance provided to Yugoslavia by the West amounted to some \$15 billion. Compare: Ivo Viskovic: Rela-

with the US and West European countries led to dramatic reversal in the Yugoslav foreign policy, changes within the country were much slower and incomplete.

In early 1950s Yugoslavia faced a double challenge. On the one hand, conflict with the Soviet Union and other communist countries caused an identity crisis of Tito's regime, which was compelled to secure its legitimacy by thoroughly redefining its ideology starting with the critique of Stalinism. The solution was found in Karl Marx's late works and the idea of self-management as the "only true form of socialism", which was introduced in June 1950 by the Law on Transfer of Management of State Enterprises to Workers. On the other hand, alliance with the West has forced Yugoslav communists to open up toward western cultural and political influences. However, liberalization soon reached its political limits, which was clearly demonstrated in mid-1950s in connection with the conflict between the Yugoslav communist top leadership and Milovan Djilas, who became the most famous Yugoslav dissident. In this way the Communist Party has clearly shown how far it was willing to go in the liberalization process - until late 1980s position of the communist elite and principal elements of the communist authority remained domain reservée which was beyond suspicion. Outside this framework, unlike the U.S.S.R. and Eastern Europe, Yugoslav communists were willing to accept changes, which allowed Yugoslavia to become the most liberal communist state during the following decades.

The climax of this process was marked by the 6th Congress of the Yugoslav Communist Party, held in Zagreb in 1952 (/7.) and 7th Congress, held in Ljubljana in 1958./8. However, Stalin's

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tions Between Yugoslavia and the United States of America, in: Yugoslav Survey, Vol. XXIX, no. 1, pp. 130-132.

- /7. At this congress the party changed its name into the League of Communists of Yugoslavia, thereby expressing its new ideological orientation.
- /8. The new Programme of the LCY adopted at this congress is still the most liberal programme of a ruling communist party.

death and changes in the Soviet Union introduced by Nikita Krushchev announced the end of the Yugoslavia's strategic alliance with the West and gradual shift in its policy. Nevertheless, Yugoslavia did not come back under the umbrella of Eastern block, but instead found its international position within the non-aligned policy, which Tito defined together with the Indian Prime Minister Nehru and Egyptian President Nasser by the end of 1950s and beginning of 1960s./9.

Internally, cosmetic changes of the soviet model reached their limits in Yugoslavia by the end of 1950s and beginning of 1960s. Reasoning of the Yugoslav communist leadership at that time was under strong influence and works of reform-oriented economist from Eastern Europe (/10.) who determinedly advocated market-oriented reforms of administrative-planned-economy. By early 1960s Yugoslavia started to open toward the west in intellectual sense and Yugoslavs were the first citizens of a communist country who were allowed to travel freely abroad (/11.), which also resulted in faster penetration of western ideas and considerable liberalization in science and culture. In the first half of 1960s the first market-oriented economic reform was carried out and enterprises obtained much greater competences, state has reduced its influence on the economy, for the first time after World War II individuals were allowed to set up private enterprises, while economic relationships with western market economies began to expand rapidly./12.

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/9. The first conference of non-aligned countries was held in Belgrade in 1961.

/10. For example, Oskar Lange, Yevsey Liberman, Wlodimjerz Brus, and others.

/11. By mid-sixties Yugoslavs started to leave the country in large numbers in search of work in West European countries, in particular West Germany, France, and Sweden, which has relieved Yugoslav enterprises from surplus labour, while remittances sent by these workers became the country's important source of foreign currency.

/12. In 1968 Yugoslavia became the first communist country which allowed joint ventures in its economy.

Initial results of economic reform were encouraging - economic growth rates in Yugoslavia at that time were relatively high, relieved of much of administrative restrictions enterprises were increasingly successful on the local and foreign markets, foreign-exchange receipts increased, living standards of citizens rose from year to year - to put in a nutshell, the "Yugoslav model" at that time was successful, which earned it an exceptional international reputation.

On the negative side, however, Yugoslav reform raised a number of problems, above all because of incompatibility of market economy and political democratization with the monopoly of communist party's authority. In the economic sense, Yugoslavia at that time had to cope with rising inflation, sharp distinction between successful and unsuccessful enterprises, with rising number of unemployed, rising social differences, persistent foreign-trade deficits, corruption and a whole range of other phenomena, which the communist economic, legal and political system kept under control with increasing difficulty. In the political sphere, liberalization raised the problem of growing opposition to the regime, which at that time, however, was still leftist./13. The most serious challenge to Tito's regime nevertheless was brought about by renewed national aspirations of certain Yugoslav nations and ethnic minorities, which contributed to serious political conflicts which broke out among the communist party leadership in the second half of 1960s. Initial efforts by Yugoslav communists to push national conflicts in the background by creating the Yugoslav nation failed and the idea was abandoned after the fall of prominent Serbian communist Aleksandar Rankovic, who was purged in 1964 together with a group of his associates in police apparatus.

The turning point in the League of Communists' policy occurred in 1968. The first in a sequence of events that led Tito

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/13. Among the opposition prevailed the ideas of the "new left" which, at that time, were very influential in the US and Western Europe.

to retreat were mass student demonstrations in Belgrade and other Yugoslav cities, on which they declared political demands addressing serious criticism to the communist leadership because of their privileges and corruption. During the same year the country also experienced the first mass demonstrations of ethnic Albanians, who demanded greater political and cultural autonomy, including the establishment of a separate Albanian republic in Kosovo. Although these political protests were suppressed by force and political means, the Party's conservative wing felt rather alarmed and demanded that reforms be abandoned and that the country turn to tried Bolshevik forms of authority. Soviet intervention in Czechoslovakia and emergence of Breznev's doctrine of "restricted sovereignty" of communist countries in the same year, however, were the causes of a true panic among the top Yugoslav political leadership, who became aware of fragility of their position.

In spite of the fact that both liberal and nationalist opposition to the regime was suppressed, in late 1960s and early 1970s Yugoslavia has completely abandoned reforms in both economic and political sphere. During that period Tito won in a political confrontation with most liberal and nationalist-inclined younger-generation communist leaders in Serbia (/14.), Croatia (/15.), Slovenia, and Macedonia. Their place was subsequently taken by politicians who used to be elected during the 1970s only according to the principle of political loyalty to Tito and Party veterans. Abrupt interruption of the process of transfer of authority from veterans to younger generation of politicians and

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/14. At the beginning of 1970s under the slogan of struggle against "anarcholiberalism" and "technomanagers", Serbia has witnessed a purge of several thousand politicians and company directors, while most modern enterprises, organized according to western models, have been broken into hundreds of fragmented "self-management" units. Serbia has never managed to offset the consequences of this purge.

/15. Showdown with nationalistic but also with liberal-oriented "Croatian spring" occurred in 1971, when most younger generation Croatian communists have been removed.

"negative cadres selection" during 1970s largely explain the total failure of the Yugoslav communist leadership in post-titoist period in overcoming the growing economic and political crisis.

Thus the Yugoslav communism faced the second identity crisis in its post-war history, because it became obvious that further market reforms and continuation of political democratization would irreversibly destroy the very foundations on which the power of the communist party rested. Return to the former regime, however, was not feasible because of disastrous critique of stalinism in Yugoslavia during the 1950s and 60s. Faced with such alternative top Yugoslav communist leadership again resorted to proven methods from early 1950s - the solution was "neither capitalism, nor stalinism", i.e. "new qualitative stage in the development of the Yugoslav socialist ~~self-management based on~~ authentic Marxism". The main ideologist of the Yugoslav party during the 1970s, Slovenian Edvard Kardelj, developed in early 1970s an entirely new ideological platform referring to Karl Marx's late works (Kardelj's ideas about self-management and federalism were actually much closer to the thinking of French XIX century anarchist Jean Joseph Proudhon and European XIX and XX century anarcho-sindicalists). Considered within the broader scope of development of communism in the second half of the XX century, one may say that this shift of the Yugoslav communism in terms of its motives, depth and extent is only comparable with the "cultural revolution" in China.

Kardelj's ideas have been included in the 1974 Yugoslav constitution (which is still in force), so-called Associated Labour Act and a number of other statutes and codes adopted during 1970s. With them the ideas of market economy and political pluralism were abandoned altogether and replaced by concepts of so-called "associated labour", "compactual economy" and "socialist self-management". The main idea was that in a "self-managed society" the role of enterprises and market is taken up by "communities of freely associated producers" who regulate their mutual relations by agreement. All economic processes become subject to agreement between workers and their associations, while

effects of market relations and free competition were entirely disregarded. Within the political system, Kardelj has largely adopted the demands of national movements from 1960s, transferring most of political competences from the federal level to the level of federal units (the only areas that remained in the competence of federal organs were defense, foreign policy, foreign economic relations and a number of other issues), with republics and autonomous provinces having almost equal competences.

Utopian by its contents, Kardelj's economic system was completely unfeasible in practice. However, owing to accumulation from the former period and uncontrolled borrowing on international capital markets (/16.) the Yugoslav economy functioned seemingly successfully during 1970s. Federal units have used their newly acquired power to build quasi-autarchic economic systems, reducing trade between republics to minimum. Foreign loans were largely used to build factories that never started to operate and to "buy social peace" by subsidizing unprofitable enterprises and enormous public expenses. In an attempt to ensure legitimacy for their authority, local political elites at that time started to systematically instigate nationalism, opposing the federal government and increasing tensions between nations. Behind slogans on self-management and "associated labour" started the comprehensive process of restoration of state socialism, with the only difference that main centers of political power were created not at the federal but at the level of eight Yugoslav federal units. This led to what would later be named "polycentric statism" (/17.), i.e specific polycentric political system in which eight Yugoslav federal units and equal number of communist

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/16. Under constitutional changes of 1970s the Yugoslav National Bank has entirely lost control over borrowings made abroad by republics and provinces. When the Yugoslav debt crisis broke out in 1981 the federal government was forced to engage foreign agencies to make the inventory of Yugoslav debts abroad.

/17. Compare: Naydan Pasic: Interests and Political Processes, (in Serbo-Croat language), Komunist, Belgrade, 1983.



parties, each by itself, developed independent and mutually confronted party states.

Although all the elements of the future Yugoslav drama were already on stage during 1970s, the system functioned owing mostly to the effect of five factors. First, with support of "his" party and army, Tito was an unquestionable arbiter in all political conflicts. Second, in spite of growing economic crisis living standard of Yugoslavs continued to increase during the 1970s. Third, Yugoslav communism continued to enjoy great political legitimacy. Fourth, in spite of mutual animosities, none of the Yugoslav federal units was truly jeopardized. Fifth, tensions in the relations between East and West brought about by Soviet Union's intervention in Afghanistan and Yugoslavia's active role on the global (through the non-aligned movement) and European scene (through CSCE) worked cohesively.

None of these factors outlived Tito, who died in May 1980.

#### Crisis of the eighties

During 1980s three main elements of the Yugoslav model - self-management, federalism and non-alignment - began to gradually experience crisis, deepening the regime's legitimacy crisis, and exacerbating the differences between Yugoslav nations and ethnic minorities.

Problems in economic relations with other countries, in particular the debt crisis, forced the Yugoslav federal government in early 1980s to introduce tight restrictive measures. Economy, used to do business in quite different conditions, had difficulty in adjusting. The immediate consequence was sharp fall in the living standard of Yugoslavs, who again, after many years, had to cope with shortages and galloping inflation.<sup>/18</sup> An attempt to implement the programme of market-oriented reforms in the first half of 1980s, contained in the so-called Long-Term Programme of Economic Stabilization (1983), failed because of resistance of  
<sup>/18.</sup>In 1989 inflation in Yugoslavia reached a record-high rate of nearly 2500%.

federal units that became autonomous and unpreparedness of the federal leadership to face the programme's social consequences. The programme of political reforms in mid-eighties had similar fate. This has fully revealed all the weaknesses of the constitutional system of 1970s and together with increasingly apparent inability of the Yugoslav political elite to reach consensus on any major issue, undermined the legitimacy of the League of Communists, and hence self-management, as the key element of the Yugoslav model.

"Polycentric statism" and declining legitimacy of the regime during 1980s contributed toward strengthening of nationalism and centrifugal tendencies in Yugoslavia. The first open challenge to post-titoist Yugoslavia came from ethnic Albanians, when less than a year after Tito's death mass demonstrations broke out in Kosovo, demanding that Kosovo obtains the status of the seventh Yugoslav republic./19. Although federal leadership reacted sharply, seeing in this demand the first step toward complete separation of Kosovo from Yugoslavia and its subsequent merger with neighboring Albania, the problem could not be solved. Moreover, Albanian separatism only added fuel on the fire of Serbian discontent with constitutional solutions of 1974, under which Serbia de facto lost control over both its provinces./20. On this

/19. Underlying this problem is the conflict between Albanians (constituting 90% of the province's population), who claim to have ethnic rights, and Serbs, who claim historic rights on Kosovo (the medieval Serbian state was established and in 1389 destroyed on this territory, by which Kosovo became the heart of Serbian national identity). More about the political movement of the Yugoslav ethnic Albanians see in: Mark Baskin: Crisis in Kosovo, Problems of Communism, March-April 1983; George A. Harvalas: Albanian Irredentism vs. Serbian Ethnocentrism in: T. Couloumbis & T. Veremis: Yearbook 1989, Hellenic Foundation for Defence and Foreign Policy, Athens 1990; Pedro Ramet: Problems of Albanian Nationalism in Yugoslavia, Orbis, Summer 1981, and Elez Biberaj: The Conflict of Kosovo, Orbis, Autumn 1984.

/20. From the first communist agreement about the future political system of Yugoslavia (1943) Tito has followed Lenin's thesis that in multinational states "the most dangerous nationalism is the one of the largest nation" and thesis of the Communist International that "Serbian hegemony was the reason for fall

matter the interests and viewpoints of Serbian communist elite coincided with those of the Serbian intelligentsia (up until then they were sharply confronted), leading to change at the top of the Serbian party, when Slobodan Milosevic was elected to this office in 1987./21. Expressing the requests of Serbian nationalism, Milosevic became the first Yugoslav communist leader who openly opposed constitutional solutions of 1974, and thus the entire Tito's political heritage./22.

Although leaders of other Yugoslav republics were probably ready to accept to some extent the changes in relationship between Serbia and its provinces (which were carried out pursuant

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of the Kingdom of Yugoslavia". According to the opinion of contemporary Serbian intellectuals that was the motive of the "weak Serbia - strong Yugoslavia" policy, which was concretized by establishment of autonomous provinces (the only in Yugoslavia) on the territory of Serbia. The official explanation for the establishment of provinces was that it would solve the problems of Albanians (in Kosovo) and Hungarians and some twenty-odd national minorities (in Vojvodina). When in 1974 pursuant to constitutional provisions provinces became "constituting elements of the federation" Serbia found itself in an asymmetric positions in relation to "its" republics. Neither in legislative, nor in executive, nor in judicial aspect the Republic had any competence on the territory of provinces which, on the other hand, have been represented in the Serbian Parliament. Thus characteristic protectorate of provinces over the Republic has been established, so that the republic was reduced to so-called "Serbia Proper". Discontent of the Serbian communist elite with this position became already expressed during last years of Tito's life in so-called "Blue book". However, at that time Tito banned its publishing in fear that Serbian nationalism may escalate.

/21. "Phenomenon Milosevic" represents certainly one of the most important features of the Yugoslav political scene during the eighties, which definitely influenced further course of events in Yugoslavia. See more about this issue in: Profile: Serbia's Milosevic, Orbis, Winter 1991, and series of texts by S. Djukic published in the Yugoslav newspaper Borba during August 1991 under the common title Slobodan i slobode (Slobodan and Liberties).

/22. That would become the reason why many commentators felt that S. Milosevic was "the first Yugoslav politician who realized that Tito had indeed died".

to constitutional changes in Serbia in 1989), the emergence of Milosevic's supporters in another Yugoslav republic - Montenegro - and change of Montenegrin leadership have triggered the alarm. The first reaction came from Slovenian communists, who openly opposed Milosevic's Serbia by supporting the demands of ethnic Albanians and opening scope for strengthening of the Slovenian nationalism./23. In Croatia and other republics reactions ranged between reserved protest and search for common language with S. Milosevic's ideas. Escalating nationalism in Serbia (which for the first time in its history pursued separatist and "Greater Serbia" ideas instead of "Unitarist", i.e. pro-Yugoslav viewpoints) until the beginning of 1990s has caused the chain reaction of nationalism of all Yugoslav nations. In view of the fact that except Slovenians, ~~all other nations~~ (particularly Serbs and Croats /24.) live in diaspora, mixed with other nations, it is almost impossible to draw ethnic borders in Yugoslavia. Explosion of nationalism in 1990 and 1991 in all Yugoslav republics, which typically presented maximalist (/25.) territorial claims, brought

/23. At that time Slovenia became the most liberal Yugoslav republic in which criticism of the Yugoslav communist ideological inheritance grew louder and louder. "Slovenian spring" of the second half of 1980s represents certainly the second major step toward democratization of the Yugoslav society after Serbian "liberalism" of the end of 1960s. Resistance in other parts of the country and strengthening of rightist forces on the Slovenian political scene contributed, however, toward prevalence of nationalists in this republic as well, so that the chance was missed for Slovenian opening to have more substantial influence on democratization processes in Yugoslavia by the end of 1980s.

/24. According to the 1981 census only slightly more than 76% of all Serbs in Yugoslavia lived on the territory of Serbia, while some 3 million Serbs lived on the territory of Bosnia & Herzegovina, Croatia and other Yugoslav republics. To somewhat lesser extent this was the case with Croats as well (22% Croats lived in Bosnia & Herzegovina and Vojvodina).

/25. Matching demands by Serbian nationalist "that all Serbs should live in one state" (which would encompass large portions of the territory of Bosnia & Herzegovina and Croatia) are demands of the Croatian nationalists for "Croatia within its historic borders" (which would encompass the entire territory of Bosnia & Herzegovina, smaller parts of Vojvodina

about mutual conflict of national programmes and growing chauvinism. The fact that these processes coincided with the first free multiparty elections in Yugoslav republics after World War II (1990) has buried hopes for the country's democratization, because with rare exceptions some 250 newly founded political parties offered exclusively nationalist programmes, which differed only by national affiliation and degree of militancy (except declarative support of "market and democracy" only a negligible number among them offered comprehensive programmes of economic and political reforms)./26.

The third cornerstone of Tito's model - non-aligned policy - inspired confidence at the beginning of 1980s. Aggravation of relations between the US and the USSR after the Soviet intervention in Afghanistan and Tito's firm resistance to attempts by Fidel Castro and the "progressive wing" to bring the movement into the "natural alliance" with the eastern bloc by the end of 1970s have

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and Montenegro), Albanian nationalists about "Greater Albania" (including Kosovo and parts of Montenegro and Macedonia), etc. Although these conflicts are not new in the history of southern Slavic nations in the XIX and XX century, establishment of a common state represents until today the only compromise solution which enables all southern Slavic nations to live within the same country. The only alternative to this solution in the XX century were armed conflicts accompanied, as a rule, by genocide of national minorities. This was fully expressed during World War II in which 1.7 million Yugoslavs lost their lives, mostly in ethnic conflicts and in concentration camps (the most famous one was Jasenovac concentration camp in the so-called "Independent State of Croatia", where according to the US wartime intelligence some 700,000 people have been liquidated, mostly Serbs, Jews, and Gypsies).

/25. Because of resistance of republics, during 1990 and 1991 it was impossible to carry out free multiparty elections for the federal parliament, which would be the only way to induce representatives of different national and political options to mutual linking and cooperation. This created a paradox situation in which the only market and liberal oriented political force in Yugoslavia - Prime Minister Ante Markovic's federal government and their political party - remained without democratic electoral legitimacy, and hence without true power in the country.

contributed to considerable international credibility of non-alignment. In spite of that, non-aligned failed in their efforts to set North/South relations on different grounds by introducing the "new international economic order" project. This has marked a final failure of the movement's efforts to expand their activities beyond the framework marked by East-West conflict to relationships between developed and underdeveloped countries. When in mid-eighties M. Gorbachev introduced new ideas to the USSR politics and thus set in motion irreversible changes in the entire eastern block, the non-aligned policy started to lose its *raison d'être*. Yugoslavia's efforts in 1989, when it became the chairman of non-aligned, to start "modernization" of the movement, never went beyond bare rhetoric not only because of escalation of the Yugoslav crisis, but also because of overall marginalization of the international role of the Third World countries after the beginning of revolutions on the east of Europe.

The last attempt to prevent the complete collapse of the system, impending ethnic conflicts, and begin gradual transformation in Yugoslavia was made by Prime Minister Ante Markovic. Although in his inaugural address he mentioned building of a "new socialism" as target of his programme, it was obvious that this only served to calm down conservatives, while the true aim was radical transformation of the Yugoslav political, legal and economic system toward market economy and political pluralism./27. After his convincing appearances on the domestic and international scene earned him Western support, in December 1989 he revealed his package of reforms, which partly contained measures aimed at slowing down hyperinflation (/28.), and partly measures

/27. Markovic's reforms have in a way tried to maintain the continuity of reforms of mid-sixties. This is supported by the fact that some creators of the latter (e.g. Kiro Gligorov) have been included in Markovic's expert team.

/28. In this respect A. Markovic's programme relied on ideas of J. Saxe: devaluation of the national currency, its linking to the German mark in relation 1:7, introduction of internal convertibility (until October 1990 Yugoslav banks have been freely selling hard currency to citizens), etc.

aimed at long-term structural transformation of the Yugoslav constitutional and economic system. The initial results indicated qualified success - inflation was reduced, foreign-exchange reserves sharply increased to almost \$10 billion, liberalization of prices and some 80% of imports increased supply and destroyed monopolies on the Yugoslav market, during a year some 50,000 private enterprises were registered, foreign investment reached record high level compared with preceding 20 years, etc./29. In the foreign-policy field, Mr Markovic's government and federal parliament already since mid-1989 started sharp reversal "toward Europe" announcing his intention to make Yugoslavia a full member of the Council of Europe, EFTA, OECD and associated member of the European Community./30.

Social consequences of Mr Markovic's "shock therapy", dissolution of the League of Communists of Yugoslavia (/31.) and first multiparty elections in Slovenia and Croatia early in 1990 have substantially changed the entire political environment, leaving the federal government without political support. His belated and half-way attempt in 1990 to establish his own party - Alliance of

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/29. For a detailed analysis of Ante Markovic's reforms see: Desimir Guzina: Reform of the Economic System and of the System of Foreign Economic Relations - From Administered to Market Economy - From Closed to Open Economy, in: W. Richey et al., *ibid.*, pp. 129-142.

/30. In Slovenia the loudest advocate of the "European orientation" became the League of Communists, which replaced its red flag with a blue flag with yellow star, bearing resemblance to the EC flag. Also, some of the most severe criticism of the Yugoslav non-aligned policy came from this republic. They pointed out that Yugoslavia has to abandon the Third World and "join Europe". During 1990 these ideas have been more or less accepted by many other political parties in the country.

/31. XIV Extraordinary Congress of the League of Communists of Yugoslavia broke down in January 1990 when Slovenian delegation left the congress after the attempt of the Serbian leader S. Milosevic to establish "unity of communists on authentic elements". Since the Croatian delegation was against the proposal to proceed with the congress without Slovenians, the Congress suspended its work, putting an end to nearly 70-years long history of the Yugoslav communist party.

Yugoslavia's Reformative Forces - failed in the elections in four remaining Yugoslav republics in the second half of the year./32. First open attacks on Mr Markovic's reforms came from Serbia, which was particularly affected by them due to its "heavy" industrial structure. Seeing in Markovic's policy the competition to the League of Communists of Serbia (which in the meantime changed its name to the Socialist Party of Serbia) shortly before multi-party elections in this republic press in Serbia undertook fierce propaganda campaign against Ante Markovic. Not long afterwards, however, even greater challenges to federal government's authority came from other Yugoslav republics - Slovenia and afterwards Croatia and other Yugoslav republics according to their one-sided decisions ceased to pay customs and taxes into the federal budget. "Run on banks" and mass purchase of hard currency started in Slovenia. Foreign currency was subsequently transferred to banks in neighboring Austria, so that the government, faced with rapidly declining foreign-currency reserves, had to stop free sale of foreign currency and thus de facto give up on internal convertibility of dinar. Faced with substantial deficit of the republican budget, at the end of December Serbia issued nearly \$1.7 billion without federal government's authorization. Escalating nationalism, inter-republican conflicts, reciprocal economic barriers and inability of the federal government to do anything have eroded the reputation of Ante Markovic, who until mid-1991 tried to preserve the main results of the reform by resorting to conservative monetary policy and extremely restrictive use of modest hard currency reserves./33.

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/32. Ante Markovic has probably made a mistake when creating his own political party he became a direct rival to national parties. Perhaps the model of the Spanish "Monkloa pact" (which played the key role in transition from dictatorship to democracy after Franco) could have been a better framework for political compromise. Nevertheless, some feel that Ante Markovic "could have become the Yugoslav Adolfo Suarez only if there was the Yugoslav Juan Karlos".

/33. About \$4.5 bn by the middle of 1991. Already in April 1991 severe restrictions have been introduced on the right of owners of foreign-currency accounts to withdraw their deposits



Disintegration of the League of Communists of Yugoslavia, failure of Ante Markovic's reforms, loss of authority (and true power) of federal institutions and blockade of multiparty elections for the federal parliament by republics who became autonomous resulted in a situation where the Yugoslav Peoples' Army remained as the last federal institution. As long as the Yugoslav federal Presidency (eight-member organ consisting of representatives of all republics and provinces) seemed to perform normally, the army mainly remained outside political conflicts. However, when in May 1991 Serbia and Montenegro refused to consent to the election of the Croat Stjepan Mesic to the office of the President of the Presidency (/34.), the Army remained without political control. This has created a political "vacuum" which the army faced when after the proclamation of sovereignty of Slovenia and Croatia on June 25, it was ordered by the federal government to "reestablish legal order on the western borders of Yugoslavia.

This has set the scene for the Yugoslav tragedy and civil war that followed in subsequent months.

#### From Lenin to Self-Management and Back

Considering a broader perspective, one may conclude that the development of the Yugoslav model of "self-managed socialism" followed the logic of development of all communist societies, showing undoubtedly the results and limits of this form of social organization. In this respect one may identify five main stages, which show that the Yugoslav model, in spite of its numerous

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from Yugoslav banks. However, very few banks were actually able to meet even these restricted obligations toward their clients, so that foreign-currency deposits in Yugoslav banks (some \$12 billion) have been practically confiscated in spite of guarantees given by federation. This has completely destroyed the citizen's confidence into the financial system and federal government.

/34. One of the reasons for this was his statement that he "will be the last President of Yugoslavia".

specifics, in essence remained within the framework of the Leninist model of socialism./35.

First, in Yugoslavia as in other socialist countries people became gradually aware that this model has definitely exhausted its development potentials and became an unsurmountable obstacle which has to be removed in order to overcome growing structural crisis, and society become involved in contemporary civilization's processes./36. Compared with the Soviet Union, China and other communist countries, Yugoslavia was specific mainly in that it first faced this problem in the foreign-policy area, when it left the block of communist countries, which triggered the thirty-year long process of reforms. Only in late years of Tito's life and, in particular, after his death, the system definitely failed and this happened in the very moment when these processes have spread through all European communist countries.

Second, in Yugoslavia, as in other communist countries, the way out of the crisis has been sought in market economy and pluralistic democracy. Unlike other communist countries, who decided to undertake these changes motivated primarily by internal reasons, impetus for reforms in Yugoslavia came from abroad, i.e. from need of the country to adjust its internal development first to the strategic alliance with the US and Western Europe, and then to its new non-aligned policy. In this respect communist Yugoslavia, until the most recent wave of changes in Eastern Europe, has probably done the most.

Third, reforms in Yugoslavia between 1950 and 1980 proved that "repairs" i.e. half-way reforms of state socialism cannot change its structural flaws. In spite of numerous reforms the system remained essentially the same, burdened by all weaknesses

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/35. A broader comparative analysis of reforms and disintegration of the Leninist model of communism can be found in: P. Simic: Change in Socialist Countries: Contents and Prospects, Journal of East and West Studies, Seoul, 1990, Vol. 19, no. 2, pp. 111-130.

/36. Compare: Janos Kornai: Economics of Shortage, North Holland, Amsterdam 1980.

faced over the past four decade by the Soviet Union, China and other communist societies.

Fourth, inconsistency of economic and political changes, which as a rule stopped when they disputed the system's main premise - unlimited power of the communist party - caused the crisis of reformative programmes and their ultimate abandonment. Even modest attempts of changes, after initial success, raised numerous problems which the communist system was unable to keep under control (inflation, mass bankruptcies, rising unemployment, excessive investments, increasing internal and foreign debt, loss of control over macro economic processes, accelerated widening of social and regional differences, growing opposition to regime, eruption of nationalism and separatism, etc.). This would trigger the chain reaction, because after micro economic reforms it was necessary to carry out macro economic reforms, and then legal and other reforms and ultimately raise the question of political changes, i.e. demolition of the monopoly of communist party's power. Progress of reforms inevitably eroded the system, while attempts to keep changes within its framework deprived market mechanism of its true meaning. In Yugoslavia this was unquestionably demonstrated by abandonment of reforms in mid-sixties and failure of reformative programmes of 1980s. In essence, the reason for failure of market and democratic oriented reforms was structural incompatibility of the communist and market-pluralistic forms of social organization.

Fifth, the crisis of the model and failure of attempt to transform it caused the final crisis of the entire system which in Yugoslavia as well as in other European communist countries fell apart by the end of 1980s and beginning of 1990s. The entire history of reforms in these countries proved that the system cannot be changed but instead has to be replaced.

Collapse of the League of Communists and communist ideology in Yugoslavia did not, however, bring about the collapse of the system, which continued to exist with unchanged symbols in the form of numerous nationalisms. The whole system of political mobilization, indoctrination and collectivism, as well as most mem-

bers of the former communist elite quickly adjusted to new conditions. Unwilling to undertake true changes, and in face of rising economic crisis, social protests and increasing intellectual confusion, new political forces could maintain their position only by persistent escalation of ethnic animosities and political mobilization on national grounds, which inevitably led to open conflicts between nations. Thus in fact the former totalitarianism was replaced by the new national totalitarianism. However, numerous vital political institutions were destroyed, as well as mechanisms which kept together the "second Yugoslavia", releasing centrifugal forces which brought the country on the brink of total civil war.

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EUROPE IN A CHANGING WORLD

THE EUROPEAN NEUTRALS FACING THE CHALLENGES  
OF THE POST-COLD-WAR ERA

Hanspeter Neuhold

Lisboa, 7-9 de Novembro de 1991

Hanspeter Neuhold

# THE EUROPEAN NEUTRALS FACING THE CHALLENGES OF THE POST-COLD-WAR ERA

The recent fundamental changes in Eastern Europe and as a result in East-West relations have reversed the main preoccupations and the foreign policy priorities of the neutral states of Europe (Austria, Finland, Sweden, and Switzerland).

1. Previously, their prime concern was the military situation in Europe. They were less afraid of an isolated attack by one of the blocs than of the likely spillover of a major armed conflict between the two alliances. The neutrals also had to worry about lagging behind more and more in the continuous arms race between the two superpowers and their allies. Arms control agreements concluded during the Cold War did by and large little to stop, let alone to reverse, that competition; they even channelled it in a qualitative and therefore destabilizing direction.

These anxieties have receded into the background. On the one hand, an armed confrontation between the two blocs can today be ruled out for the simple reason that one of them, the WTO, has been dissolved. Nor do its former members show any desire to set up a similar institution in its stead (the Soviet Union - or Russia - will, however, remain a major military power).

To make matters better for the neutral states of Europe, the CFE and STAR(T) Treaties are not just windowdressing, but will, if ratified, considerably increase security on the Old Continent by establishing lower conventional and strategic nuclear balances between the contracting parties. Unilateral announcements by the Presidents of the two military superpowers concerning the destruction or withdrawal of tactical nuclear weapons and other disarmament, arms control, and tension-reduction measures, as well as the ongoing negotiations in Vienna on troop cuts reinforce this welcome development.

On the other hand, this is not to say that permanent peace has "broken out" in Europe. The previous scenario of a major showdown between NATO and the WTO was bound to wreak havoc on the entire continent; for the same reason, however, the likelihood that it would actually materialize was considered very low,

provided the two sides behaved rationally. Conversely, the main present threat of limited internal or international war is characterized by less disastrous consequences but higher probability. In point of fact, unsettled ethnic scores and territorial claims from the past, as well as new conflict potential, abound in Europe, especially, but not exclusively, in its Eastern part.

For the European neutrals this state of affairs means that armed neutrality has not become obsolete. In particular, this lesson was driven home to Austria by the recent tragic events in neighboring Yugoslavia during which Yugoslav aircraft violated Austrian airspace and Austrian troops were deployed along the country's southern border as a precautionary measure. The task the neutrals face just like the other European states is a restructuring of their armed forces according to the "leaner but meaner" formula, i.e. increased mobility and modernization, while at the same time cutting troop numbers. An example is provided by the Swiss concept "Army 95" that envisages a reduction in mobilization strength from 625,000 to some 400-450,000 men but simultaneously stresses the higher flexibility of these remaining forces.

2. Until the late 1980s, the neutrals felt that they had coped with the problems of (West) European integration as members of EFTA and by entering into free-trade agreements with the EEC and the ECSC in 1972/73. The new dynamics infused into the EC in the wake of the 1986 Single European Act raised the increasingly alarming specter of growing discrimination for non-members. For a while, the three-level "global approach", as it was called in Austria, seemed to offer an adequate solution: arrangements between the EC and EFTA members as a whole, bilateral sectoral agreements between the Communities and individual EFTA countries, and the autonomous implementation of EC decisions by them.

Austria was the first EFTA member state to realize that this formula would not accomplish its declared objective of full participation in the substance of the Community's internal market. Austria therefore decided to "go it alone" and applied for EC membership in 1989. Faced with economic difficulties like Austria several years earlier, Sweden followed suit in July 1991. After the successful conclusion of the negotiations on the European Economic Area (EEA) in October 1991, Swiss Foreign Minister René Felber announced - to the surprise of many observers - that his country would also seek admission to



the Communities at a date yet to be fixed. Finland, where a debate on joining the EC is also going on, can be expected to take the same step in the foreseeable future. The EEA will thus only be a transitional stage for most EFTA countries on their way to full membership in the Communities.

The crucial next move now lies with the EC. Its response to the applications by the neutrals will in turn depend on its decision concerning the creation of a Political Union and military cooperation/integration. The most severe quandary for the neutrals would be caused by a European Defense Community with mandatory participation of all EC members in some kind of alliance or collective security system. However, some existing member states are likely to object to such an ambitious scheme so that optional military cooperation, most probably within the WEU, seems to stand a better chance of success.

In its "avis" on Austrian membership issued in July 1991, the EC Commission came to the conclusion that Austria was a uniquely qualified candidate in economic terms. Its accession would be a gain for the Community. However, the EC also raised the neutrality issue. Whereas Sweden remained silent on the matter, Austria had stated, in its application, its assumption that as an EC member it would still be able to live up to its neutrality obligations and to continue its neutrality policy as its specific contribution to peace and security in Europe.

In light of a narrow interpretation of the provision by the European Court, the "avis" rejected the Austrian reference to Article 224 of the EEC Treaty as a solution to the problem. This Article exempts member states from their Community duties if, among other things, they fulfill obligations undertaken for the maintenance of international peace and security. Austria argued that its neutrality served this purpose and entailed obligations envisaged in Article 224.

The Commission rather calls for a new definition by Austria of its neutrality or an exception from the Treaty embodied in the instrument of accession. However, it also points out that the problems caused by Austria's neutrality should not be insurmountable in the negotiations on admission.

The EEA will, in the main, extend the four freedoms of the EC's internal market to the EFTA members who will have to accept the "acquis communautaire", viz. the rules and regulations adopted by the Communities in the past. It remains

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to be seen, however, whether the EEA Treaty will ultimately be ratified by all parties concerned. The need for a referendum constitutes a particular obstacle for Switzerland; approval of the EEA by a majority of the Swiss voters and cantons is anything but a foregone conclusion. The negative outcome of the referendum on UN membership in 1986 does not augur well for the popular vote on the EEA.

3. In the past, East-West relations were often so strained that the neutrals had to worry that their "bridge-building" services (good offices, mediation etc.) would not be wanted by the conflicting parties. They nevertheless managed to contribute to the preservation and strengthening of détente between the two blocs. In particular, they played a useful role within the N+N group in the CSCE process, above all during the Madrid Follow-Up Meeting which could be called the "heroic" phase of the group.

Today, the N+Ns are faced with the opposite problem: relations between (former) adversaries are so good that they may not need third-party assistance. Furthermore, disintegration trends manifest themselves not only within the blocs (one of which has already fallen apart completely) but also within the heterogeneous N+N group. Its commonality of interest was, in fact, limited to the maintenance and promotion of East-West détente and the need to join forces if the voices of its members were to be heard and listened to by the blocs.

In the future, apart from the EC, various issue-oriented political coalitions and groups of neighboring countries are likely to replace the rigid structures of the past in a more complex and possibly confusing new European system. The Nordic Council and the *Pentagonale/Hexagonale* are relevant examples from the point of view of the European neutrals.

4. To further complicate matters for these states, the compatibility between (permanent) neutrality and participation in the UN system of collective security has ceased to be a mainly academic issue, due to the recent *rapprochement* between the permanent members of the UN Security Council after the end of the Cold War. Although the military action against Iraq did not constitute collective security enforcement measures in the strict sense, it confronted Austria in particular with a grave dilemma, because Austria is the only European neutral whose neutrality is placed on a legally binding foundation and who is a member of the United Nations. It is rather doubtful

whether the principal Austrian reasoning aimed at squaring the circle, viz. that UN military sanctions do not lead to a war as defined under classical international law in which the obligations of neutrality would have to be complied with, but amount to mere "police measures", is tenable in the long run in a genuinely functioning collective security system.

5. The most fundamental question the neutrals are confronting concerns the abandonment of their status. On the one hand, the end of the Cold War brought about the disappearance of their prime "conflict of reference" and thus the loss of their main function. It should also be borne in mind that neutrality is not an end in itself but a means to achieve higher political objectives, first and foremost the maintenance of the independence and the protection of the territorial integrity of the country concerned. This means-end relationship is expressly stated in the Austrian Neutrality Act of October 26, 1955.

On the other hand, it ought to be pointed out again that limited armed conflicts - in which neutral states could play a constructive role - have by no means been banned, neither from Europe nor the rest of the world. Moreover, neutrality has become part of the political culture and is even said to be a feature of the national identity of the European neutrals, including the latecomers to the "exclusive club", Finland and Austria. The termination of neutrality would therefore give rise to serious domestic political (and legal) difficulties, especially if a referendum is required for it. Although the "purist" Soviet position on neutrality has recently mellowed considerably, international problems could also arise, in particular for those states whose neutrality is anchored in international law.

Consequently, it is tempting for a neutral to avoid an "agonizing choice" by claiming to simply adapt neutrality to changing circumstances whenever it deviates from established neutrality rules and practices. However, such "reinterpretation" of neutrality, for example by restricting it to the two military obligations laid down in Article 1, paragraph 1, of the above-mentioned Austrian Neutrality Act (non-membership in military alliances, refusal to allow foreign military bases on neutral territory) should not be stretched too far. Neutrality ought not to be transformed into the opposite of its traditional essence, for instance by permitting neutrals to take part in wars for a "just cause".

Rather, it would be more honest and politically wiser to admit that neutrality has served its purpose and abandon it at a certain point.

6. Finally, it is not yet quite clear whether the neutral states of Europe are an "endangered species" on their way to extinction by joining an EC with a joint foreign policy and common defense system sooner or later, or whether neutrality is an attractive option for other countries.

The debate on adopting neutrality has receded into the background in East Central Europe, as it is no longer relevant for the countries concerned as an offer to obtain Soviet consent to their withdrawal from the WTO and the CMEA and for moving closer to the EC. However, the refusal of NATO to admit Czechoslovakia, Hungary, and Poland and to extend its protection to them, as well as the awareness that their EC membership is still a long way off, may reopen the discussion on how to fill the security vacuum in the region.

It is also interesting to note that in its moves toward independence and especially toward its own armed forces the Ukraine has announced its wish to become neutral in October 1991. However, what exactly Ukrainian leaders mean by neutrality remains to be seen. In a similar vein, President Landsbergis of Lithuania announced the month before that his country wanted to pursue a policy of neutrality. He added at the same time that Lithuania aimed at a common defense policy with Latvia and Estonia. If Landsbergis referred to an alliance, this project would be contrary to one of the "hard core" principles of neutrality.

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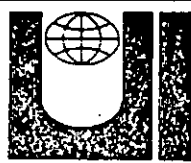
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EUROPE IN A CHANGING WORLD

NEUTRALITY IN A NEW EUROPE

Bo Huldt

Lisboa, 7-9 de Novembro de 1991



13th Conference of Directors and Representatives of Institutes  
Lisbon, November 7-9 1991

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Neutrality in a New Europe  
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Bo Huldt

Swedish Institute of International  
Affairs

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Speaking in Lisbon, it would be no exaggeration if one were to say that the events of the last few years for the neutrals have had effects not unlike those of an earthquake - the very foundations of their policies would seem to have collapsed with the end of the Cold War and a new Europe emerging that is integrating from the Atlantic to the Urals. Whether this latter phenomenon is really what we are witnessing is perhaps still somewhat debatable but we are nonetheless being confronted with a Europe that now seems so different that the neutrals are compelled to reconsider their policies and positions in a way they have not had to do since 1919. For at least one of the European NN-countries the end of the Cold War has had catastrophic consequences - Yugoslavia.

In Europe pre-1989 the neutrals saw themselves - not without reason - as bridgebuilders, barriers and buffers - as useful, rational, virtuous and secure. In the new Europe all of this is open to question. Already in 1989, Austrian Chancellor Vranitzky made the profound observation that "Nobody lives on a bridge" - and the doubts have been growing ever since. The question now seems less whether neutrality is compatible with participation in European integration than whether "security" in any meaningful sense can be found outside or on the sidelines of an integrating Europe. Under the rules of the Cold War system, the neutrals pursued aloofness from the East-West confrontation, keeping their territories fortified places or sanctuaries denied both sides in the conflict. Security was found in "Alleingang"; in the Europe now emerging security is supposedly defined in terms of cooperation and participation - security is common rather than national. The strange logics of the matter is that the neutrals, the "Alleingångers", were the ones pursuing these notions of "common security" - and that they are now, somewhat hesitatingly, facing the consequences of their thinking.

What has to be recognized is that the neutrals have experienced a process of Europeanization stretching over some fifteen years - since the beginning of the Helsinki CSCE dialogue in 1975. Participation in the European Conference on Security and Cooperation gave the neutrals something which they really did not have before - a policy on Europe and on European security. The effects were revolutionary. In the first years of the CSCE there was considerable hesitation among the neutrals about the scope of the process and about their role(s) therein. With the Stockholm conference 1984-86 their usefulness had become almost dramatically apparent. With the Paris Charter of November 1990 Europe was already entering a new phase where this usefulness appeared something largely of the past - but the neutrals having now on the other hand discovered that they had become Europeans. It was no longer conceivable to think of security outside of a common, European framework. "Alleingang" in the old sense had come to an end.

The Europeanization of the neutrals is now entering a second phase where security in the old "metallic" sense seems replaced by a much more complex challenge - that of the European Community. Europeanization is certainly not a challenge only for the neutrals. In the EFTA context it is worth noting that the neutrals - at least in their own minds - seem to have far less problems with Community membership than do the NATO members of the EFTA group, Iceland and Norway. Austria and Sweden have already applied for membership and Finland is currently expected to follow in the spring of 1992. What is then left of neutrality?

Let us first observe that the interpretation of the current European situation is not identical among the Central European and the Nordic neutrals. While the Central European view appears conditioned by the dissolution of the Eastern Bloc and the emergence of new security problems - Yugoslavia, the return of aggressive nationalism and of old, bad history - the Northerners maintain that nothing has really changed in the Strategic North: In Central Europe everything has changed and neutrality in the Cold War sense makes no sense, in the North there is still the Kola peninsula, US Maritime Strategy, air borne and amphibious dangers and a continuing confrontation between the two military superpowers. Here, neutrality still makes sense as a national security policy aimed at reassuring both parties that neither will have access to Finnish or Swedish territory. The Nordic view does not exclude understanding of changes on the European continent but there is a deep concern with Soviet and Russian developments which could make the Nordic neighbourhood a very windy place.



Despite the particular Nordic perspective terminology is changing. When the new Swedish government presented its programme to the Swedish parliament the word neutrality was not used - the term was non- or, perhaps more correctly, not-alignment ("alliansfrihet"). There is still a "hard core" unaffected by the changing European landscape: Swedish security and defence remains a national concern, alliance membership is inconceivable. How the lines will be drawn, for example in terms of security cooperation, peace-keeping or even peace-enforcement operations within a developing and unionizing European Community of which Sweden now plans to be a member, remains to be seen - when we reach these bridges.

"Neutrality" has been far more than a specific government policy - it has been a part of the identity of a group of European countries, each unique in its historical experience. "Swedish" and "neutral" have been thought of as synonymous. Historically, however, Swedish foreign policy has had two components in the 20th century: on the one hand, "Alleingang", national defence and neutrality; on the other hand, international solidarity, as defined most explicitly during the League of Nations years of the 1920's - when "neutrality" was quite clearly seen as a fall back or reserve position. Entering a new world, post Cold War neutrality, would thus not necessarily be against the traditions of Swedish foreign (and security) policy.

We are now in a phase of transition from the Cold War order to something else, we do not quite know what. This is also a period of education - both for the neutrals and for those aligned (or formerly aligned). An ironic twist of the developing relationship between NATO and the former East European seems the possible creation of a "forum" or "council" for the former enemies - while the neutrals will stay outside. In that sense, to be outside this possibly new NATO mechanism would define the continuing status of the "neutrals". How this will be combined with the developing CSCE structure and a future European architecture is another of the growing number of uncertainties with which not only the neutrals are confronted.

The Gulf war - in which the European neutrals hardly played a distinguished role - challenged old thinking also among them; in the Swedish debate there was a tendency to talk about neutrality and about "parties to a conflict" despite the fact that this was a conflict between the UN, the international community, <sup>and Iraq</sup> (and that the <sup>latter</sup> "party" had no legitimate case at all.

European neutralities have different roots. Swedish neutrality has never been understood as permanent in the sense that neutralities guaranteed through international treaties could be said to be. The Swedish position was always seen as something for Sweden itself to define. If permanent neutrality is not the case then neutrality has to be defined in relationship to something. Here the issue in the North has been and still remains strategic stability. And this is not seen as incompatible with integration and the common interests and security of a widening and deepening Community.

What remains to be discussed is whether the present European situation - or conceivable developments arising therefrom - could entrust the European neutrals, to the extent that they still see themselves as such or are seen by others in that way, with particular tasks in the building of a new European security order. The Swedes and the Finns are likely to see themselves as having a special role vis-à-vis the Baltic republics - which is again ironic given the past history of Russian-Swedish/Finnish fighting over these same lands. Investment and aid programmes will be forthcoming from the Nordic countries to the Baltic republics. Whether there is a similar neutral role in Central and Eastern Europe is more doubtful. In the Balkan context, re Yugoslavia, Austria is less likely to be seen as neutral. The possibilities remain to be analysed for special neutral roll-acting.

In the early phases of East and Central European emancipation from the Stalin empire various schemes <sup>were suggested</sup> for a wide cordon sanitaire from the North Cape to the Black and Mediterranean Seas that would include both the old neutrals and a growing number of new neutrals, including all of the Warsaw Pact except the Soviet Union, . . . With the desintegration of the Soviet Union itself, further candidates would seem possible to identify. Enthusiasm for this grand scale neutralization project seems, however, at least in the Swedish discussion, to have faded, the new project instead being based on the idea of an ever-widening Community.

Our main scenario for the future, whether in Brussels, Stockholm or Vienna, remains a European structure centered on the "Community" as a dynamic concept. In an all-European integration process "neutrality" can only appear a temporary device, part of a transition regime as a means of reassurance and confidence-building until that moment comes when we are ready to dispose of the old insurance policies. We must, however, also think in terms of alternative scenarios - different Europes - without that thinking preventing us from working full strength for the success of the integration process. Here, there may remain a Hamlet-like dilemma for the neutrals - old thinking to be overcome.

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EUROPE IN A CHANGING WORLD

THE EUROPEAN POLICIES AND  
CENTRAL EUROPEAN COUNTRIES

Maciej Perczyński

Lisboa, 7-9 de Novembro de 1991

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## THE EUROPEAN POLICIES OF EASTERN AND CENTRAL EUROPEAN COUNTRIES

The collapse of socialism in the countries of Central and Eastern Europe is undoubtedly the most important historical event of the close of the 20th century. It is a fact of not only national and regional, but also worldwide significance. Though it is still hard to say how the gap left by the disintegration of this system will be filled, one thing is obvious: it spells the rise of a totally new pattern of international interdependences on all three of their planes: the political, the economic and the military. The consequences of this process are likely to vary through time. In the long run there will probably emerge a completely new world order with the dimensions of a whole new era in history. But in the intermediate periods, we might well witness developments that threaten to destabilize and disorganize international relations rather than produce stable conditions. The qualitative change that has already taken place in the structure of international relations is that the fall of the socialist system marks the end of an epoch of international security based on East-West confrontation and military equilibrium. The confrontational system of international security is clearly evolving towards a cooperative system.' An immediate possibility of military confrontation between East and West has ceased to be the chief bearing in quests for institutional formulas that can help to ensure world peace.

But have these new circumstances made the world a safer place? There is no question that the risk of global conflict has now been largely eliminated. On the other hand, it is evident that the chief source of threats has shifted from the sphere of international relations (especially at the global level) to that of regional, local and national dangers. Here the changes in progress are creating areas of contradiction and conflict that are by no means isolated from the configuration of world relations. Particular attention should be drawn to the following elements in the new situation.

First, the new system of cooperative security now taking shape is incapable in the short term of creating the necessary instruments of cooperation. Lack of compatibility between economic systems, an obstacle that cannot in the nature of things be removed overnight, means that in the sphere of economic cooperation (and this has to form the material substance of a cooperative security system) no rapid and radical change can be expected. The old nexus of ties has ceased to exist; a new one has yet to arise in its place. As a result is that the scale of cooperation between the two segments of the world system known as East and West is contracting rather than, as it should be, expanding. This is also due to downturns in economic activity and recession in the postsocialist countries that have nothing to do with the pattern of world relations, but are an inevitable by-product of systemic transformations and part of their social costs. In these circumstances the historic breakthrough in the sphere of political rapprochement between Eastern and Western Europe goes hand in hand with a further deepening of the economic gulf between the two halves of the continent. This widening East-West gap could seriously jeopardize progress in the sphere of political rapprochement since it is a *sui generis* source of potential conflict.

Secondly, the systemic transformations in Central and Eastern Europe, although proceeding in the right direction and of historic significance, are growing out of a badly devastated soil. Leaving aside any attempt to draw up an overall balance sheet of the past forty years in Central and Eastern Europe, one thing can be said beyond all doubt: the societies of these countries have been profoundly crippled by the system under which they lived and which was not of their choosing. As well as triggering an explosion of freedom and opening up prospects of building a democratic system the fall of socialism also brought to the surface of social life all the things which had been kept firmly suppressed beneath the carapace of totalitarianism and its ideology. Thus along with such noble ideals as constructing a civil society and plans for creating a system of social and economic relations measuring up to the achievements of contemporary civilization, there have also appeared programs and ambitions that are a contradiction of the aims that inspired the overthrow of the old system.<sup>22</sup>

A typical example is the violent resurgence of nationalist, xenophobic and, not infrequently, antisemitic tendencies. In this same category belong populist currents of irrational egalitarianism and ideological and religious intolerance. It would of course be an oversimplification to say that all these phenomena were engendered by the old system and that the new conditions only brought them into the open. Nevertheless there is no disputing the fact that the severance of Eastern and Central Europe from the mainstream of civilizational progress in the world created a congenial soil for the germination of various social deformities. The notorious dissonance between profession and practice typical of totalitarian ideologies was perfect nourishment for the growth of such deformities. Central and Eastern Europe is not the sole breeding ground of all sorts of ailments of the social organism nor does a democratic system automatically mean their eradication by democratic means. So their emergence at a time of systemic transformations need not in itself have been a cause for concern. What is immensely disturbing, however, is that the impulse has come from a deterioration in the living standards of a vast majority of society, polarization of levels of life and growth of income disparities. This is a situation which fuels moods of popular frustration and encourages phenomena which in normal conditions would remain marginal but in the context of the changes in progress could develop into social movements capable of destabilizing the process of systemic transformations. The threat here does not come in the first place from forces associated with the old regime (the new populism is invariably anticommunist), though they, too, are not averse to making what capital they can. It may be that my judgement of these processes is too strongly coloured by the situation in Poland where the victory in the 1990 presidential election of the demagogic populist Tymosiński over Tadeusz Mazowiecki, the legendary leader of the purest current of the Solidarity movement, and the incredibly primitive and antediluvian views paraded by some of the parties competing in the 1991 parliamentary election are symptoms of a trend which is already alarming and could become even more dangerous in the future. The destabilization of Yugoslavia is an example of an attempt to deal by force with problems of a different kind but these,

too, have their source in the legacy of the old regime which left the nationality question unresolved.

I feel it is essential to draw attention to these two factors since the contribution of the countries of Central and Eastern Europe to the shaping of a new Europe and a new world order will depend on the extent to which the obstacles described above can be overcome. They have less to do with choice of long-range strategic options (since that choice has in effect already been made) than with the ability to surmount the barriers to attainment of these strategic objectives. These could interfere with or even wholly destabilize the course of systemic transformations. Each of the countries concerned has in this respect its own traditions and its own specific short-term goals.<sup>23</sup> That makes it hard to talk of any common *European policy* pursued by these countries or of a common attitude to the creation of a new world order. If, however, we pass over the Soviet Union whose problems add up to a major political, social and economic topic in themselves and try to pinpoint the main bearings in the policies of the countries of Central Europe which will determine their place in Europe and the world it seems possible to single out a number of strategic tasks with which these countries will be confronted in their drive to consolidate the positive trends in the process of change and secure a strong position in the emergent system of regional and global relations.

Among these tasks the following stand out:

1. Acceleration of systemic transformations as a precondition of stimulation of economic growth and construction of democratic social and government institutions;
2. Shortening of the route to the European Communities;
3. Ensurance of a proper place in the international security system and especially its military structures;
4. Development of an appropriate system of subregional ties and broader participation in the world economy.

1. *Acceleration of systemic transformations.* Acceleration and radicalization of reform are now the watchwords most frequently



invoked by all political forces in the postsocialist countries. That is understandable since the lack of visible progress towards the changes for the better promised by the new governments are the chief spource of popular discontent. With the benefit of two years hindsight it is clear that the difficulties involved in systemic transformations have turned out to be much greater than anticipated. They have been encountered in a large number of areas. Here I will focus only on those that are directly connected with the international social and economic ties of the group of countries in question. The most serious logjams appear to have arisen in the sphere of changes in the property structure.<sup>4</sup> These of course are the decisive factor in making systems compatible and so forming new international interdependences. First and foremost, it has been found that privatization cannot be carried out as swiftly as nationalization was in the past. All that was required in the latter case was a single piece of legislation, whereas effective privatization or even reprivatization entails a lengthy process of construction of a capital market, creation of new management structures and a new banking, financial and credit system. It is, therefore, a process which, though central to economic policy, cannot be forced through precipitately. In the light of this all schemes for a one-off distribution of property among the public or free issues of fictitious shares and securities are demagogic gimmicks which, if followed through, could only lead to chaos and deep regress in economic development. Moreover, the process of privatization cannot be made subject to one-sided ideological options since there is then a danger of losing sight of what is still the dominant feature of the present structure of the economy. By this I primarily mean the public sector which in the new conditions has been pushed into a situation of complete rundown and collapse. In the period of systemic transformations 'public sector' cannot be treated as a dirty word or there will shortly be few assets left that are still privatizable. The public sector cannot, unfortunately, be 'abolished'. That was done in the past with the private sector and, though even easier, the consequences in the final analysis were disastrous. One has, therefore, to agree with the warnings that inordinate acceleration of ownership changes

will indeed produce capitalism - but with a bolshevik, not human face. In an overheated political atmosphere commercialization of the public sector as a preliminary but *indispensible* phase of privatization is having a very uphill passage, falling foul of the difficulties that are always produced by a state of uncertainty and lack of prospects. Acceleration of change should, therefore, be chiefly a matter of developing a sound platform for stimulating economic activity in all sectors so that privatization can go forward in a context of development, not degradation, expansion not recession.

Another field in which the lessons of the past two years offer food for thought is *the functioning of the market* under conditions of systemic transformations. This is a sphere in which we still seem to be harbouring many unjustified illusions which it is time to start shedding. It is now taken for granted that a market is an indispensable condition of effective systemic transformations.<sup>5</sup> Socialism tried to manage without one. History has demonstrated that economic development can dispense with socialism, but not with a market. The creation of market relations in the majority of the postcommunist countries of Central Europe represents, therefore, a historic breakthrough for the first period of systemic transformations. In Poland that was done radically: by drastic and painful, but effective shock therapy. It is now coming in for increasingly widespread criticism and repudiation of Balcerowicz, the architect of Poland's market reform, has become almost the done thing. I do not subscribe to this criticism, though I would be reluctant to recommend such shock treatment as a universal remedy. In Poland it was feasible because a radical overhaul of price structures and incomes policy was undertaken in a situation in which the inevitable hardships and sacrifices involved for could be counter-balanced by achievements in the political sphere. Recovery of independence and formation of the first noncommunist government, one which commanded popular trust, were compensations that enabled the operation to be performed without protest from the public and with its full understanding. For devising and carrying through an efficacious method of transformation Balcerowicz deserves to be commended, not

condemned. Not that his program was free of any major shortcomings as social practise subsequently brought to light since it was not long before the flaws in the doctrine on which the program was based began to make themselves felt. Its basic premise was that creation of a market is not only a necessary but also a sufficient condition of continued progress in systemic transformations. Though it would be an obvious oversimplification to say that the further course of events was left in the control of the free play of market forces and the 'invisible hand', the fact is that the extent of government intervention was restricted, in accordance with the IMF philosophy, chiefly to regulation of the money market. It was thought that this would be enough to cause both supply and demand to react as required. Life has shown that in the specific circumstances of systemic transformations the projected direction and effectiveness of spontaneous reactions do not tally with the assumptions and expectations of the doctrine. The market proved a necessary but insufficient condition of progress in systemic change. It seems a fair conclusion that this 'insufficiency' derives from a deliberate abdication of the interventionary and regulatory role of government.<sup>65</sup> The formula adopted was what I believe to be the mistaken one of limiting the function of the state to an absolutely indispensable minimum. However, it is only marketization of economic relations that creates proper opportunities for interventionary and regulatory measures consistent with the aims of economic policy. For both the chances and *the necessity* of intervention are increased: it is hard to expect the old components of the national economy (enterprises) which are products of a totally different era to be capable on finding themselves in a market environment of the reactions that can be counted on in a market economy with established traditions and mechanisms. It is, therefore, my opinion that the call for acceleration should also apply to development of an intervention mechanism. Its role in economic life will have to keep growing at least until such time as a completely new degree of economic maturity and a thorough remodelling of its structure have been achieved.

Lastly, there is the third factor which has to do with the scale and direction of external assistance. Its role in the different stages of systemic transformations varies. In the countries which were the first to go down this road, that is, Poland, Hungary and Czechoslovakia, it performed a very important function, taking the form of aid essential to tiding them over the hardest period of shortages. It will without a doubt help to ease the difficulties facing the republics that have recovered independence as a result of the breakup of the Soviet Union. The countries of Central and Eastern Europe have this stage far behind them and external assistance, though still badly needed, must serve different purposes. It is still frequently repeated that the West does not appreciate the changes taking place in the east of Europe and is failing to give them adequate support. No doubt this is true as far as it goes, but taking a realistic view of the situation I cannot see the West's commitment to humanitarian aid to an ever growing number of countries being substantially increased. Not, for that matter, that it is humanitarian aid that is needed. What is becoming increasingly vital is Western involvement in fostering mutually profitable partnership between the postsocialist countries and Europe and the world. Here it is not direct assistance but development of appropriate conditions for trade, industrial participation and cooperation in the capital market that can be of basic significance to the pace of systemic transformations and economic stabilization in the countries of this region. This problem is a subject of wide-ranging international discussion and action by various global and regional institutions. However, in my opinion, the factor of crucial importance to speeding up ownership changes and turning round recession is an influx of *foreign capital* for the restructuring and revitalization of industry. This is not a question of improving the terms and expanding the volume of development loans. Foreign credit is becoming increasingly tight and the postsocialist countries' ability to absorb it effectively is still inadequate. What they need is not so much direct credit support as foreign capital prepared to become involved in expansion of industrial enterprises *in its own interest*, not by way of 'assistance'. The countries of Central and Eastern Europe are now an

extremely attraction area for capital expansion: they represent a huge market and have considerable resources of relatively high-skilled and cheap labour. Conditions exist, therefore, that offer foreign investment a significant 'comparative advantage' over the traditional capital export regions. In spite of that the flow of direct investment and the scale of joint ventures are very meagre and have contributed little to the restructuring of industry in these countries. It is not hard to account for this. The basic obstacle is the still high risk factor.<sup>7</sup> Foreign investors are not yet convinced that their funds will be committed to stabilized economies where there is no danger of upheavals and market dislocations exposing them to losses. Another barrier is a social climate that still tends to deter investment. Fears are frequently voiced in these countries that their weakness will be a temptation to foreign capital to come and buy out their economies. This is a significant political factor which impedes the enactment of legislation opening the door wider to foreign investment. The real problem is not that foreign capital might come and buy out the national wealth but that it is staying away and not participating in the restructuring and expansion of industrial capacities. Neither of these obstacles are insuperable. Fears of investment risks could be basically reduced by the establishment of an appropriate *system of guarantees* by both governments and international financial and banking institutions for which the methods of operation in this field are familiar territory. The example of some of the newly industrialized nations of South-East Asia (Korea in particular) is evidence that a properly developed system of investment guarantees is a powerful spur (material and psychological) to influxes of capital. This is a sphere that has been totally neglected in relations between the West and the countries of Central and Eastern Europe. For their part popular fears of threats to the national interests arising out of foreign investment on any substantial scale are being gradually dispelled by life itself and positive experiences of the results of capital cooperation. Internationalization of capital is one of the more important features of every modern economy and a major stage in civilizational progress. The public in the postsocialist countries is coming to terms with this

truth and realizes that adoption of new patterns of behaviour is one of the preconditions of becoming part of Europe and the mainstream of world civilization.

2. *Shortening the route to the European Communities.* The fastest possible progress towards membership of the European Community is the principal strategic foreign policy objective of the majority of the countries of Central Europe.<sup>22</sup> This is only natural since for a number of years the EEC has been Europe's economic centre of gravity and close integration with this locus is a goal pursued not only by the postsocialist countries. The prospect of becoming part of the European Community enjoys immense popular support in Central Europe. 'Return to' or 'joining' Europe are phrases that acquired great political resonance almost as soon as systemic transformations were launched. In the intervening two years assessments of the chances of attaining this goal have become far more realistic. At first 'joining Europe' seemed to be the solution to all the problems of reform. Under strong pressure from public opinion some countries (e.g. Hungary) even submitted official applications for EEC membership. They could not be accepted. Today the limitations and barriers to rapid integration with Europe are much more clearly perceived. A belief is also growing that any premature measures could hurt both sides since there can be no doubt that the basic requirement for joining the European Community is *systemic compatibility*. For the whole process of European integration according to the most effective, which is the one adopted by the EEC, the automatic extension of the area of the Community to economies with a relatively low degree of market system maturity would be disastrous and wholly contrary to the requirements of the present stage of West European integration. This entails construction of a single market (1992) which is synonymous with a far-reaching deepening of integration processes in both the economic and political spheres. For a great many reasons the countries of Central Europe have a stake in the success of this process. A single market offers them new trade creation opportunities. Consolidation of the political unity of the Community is equally vital and beneficial. For the neighbours of

Germany an important consideration is the fact that their western borders will be borders not only with the German state but also with an united and politically integrated Europe. It also has to be said that premature incorporation of the economies of Central Europe into the EEC would be extremely damaging to many branches of production in the postsocialist countries. They would be unable to withstand the competition of Western Europe's high-powered industry and agriculture, which would spell the rapid demise of basic areas of the economy. The economic dislocations in the eastern half of Germany that followed unification are a telling example of the dangers inherent in such a situation. Germany will cope, but Poland, Czechoslovakia and Hungary which do not have eponymous opposite numbers in western Europe would have to rely on their own frail resources. If hasty and premature decisions would be unfortunate all round, lack of prospects or an unduly protracted process of integration with Western Europe would have equally dramatic consequences. Thus the optimum solution seems to be association status and efforts to make the most of its privileges and, no less important, obligations. For the accepted model of association creates an asymmetrical approach to the question of opening up markets that is favourable to the countries of Central Europe. At the same time it holds out prospects of advancing towards pan-European integration as systemic compatibility is gradually achieved. Definition of the conditions of further progress in this field is of crucial importance in signposting and disciplining changes in the market systems and economic mechanisms of the countries of Central Europe. I doubt that anything better can be thought of for the moment and it can only be hoped that the conditions of association will be observed by both sides and the process of association embrace a steadily growing number of postsocialist countries.

3. *Construction of new security structures.* If in the economic sphere a proper formula has now been devised for the integration of the Central European countries with Europe the question of the model and guarantees of military security still remains open. In Central Europe there has arisen a kind of 'security vacuum'. The disbandment

of the Warsaw Treaty Organization that was the inevitable result of the political and systemic changes in this part of the world has created a situation in which the former Treaty members have been left stranded outside any system of alliances. Though none of them are at present threatened and all welcomed the collapse of the old system of military ties (which was simultaneously a system of political dependence), prolongation of this state of affairs is not in the long run possible.

As I wrote earlier, the world is in no danger today of a global conflict, but regional tensions and the question marks hanging over the outcome of the process of systemic transformations in the Soviet Union do not give the countries of Central Europe the sense of security that is essential to development in all areas of social life. Uncertain prospects prevent the countries of this region from framing an effective defence doctrine, while neutrality or nonalignment is not in the present circumstances a viable option. There can be no doubt that, despite the disbandment of the Warsaw Treaty, NATO will continue to perform the basic function of an organization watching over international security. So the simplest and most logical solution would be for the newly independent countries of Central Europe to join the NATO defence system. Small wonder then that proposals to this effect are being continually advanced by significant political forces in Central Europe. The response from NATO has not been positive. I see little reason for surprise at this: extension of NATO territory to the borders of a Soviet Union in process of transformation and its once constituent but now again independent republics would not be a step welcome or approved in Russia and the other sovereign republics of the former Soviet Union. It would not advance the proper development of either global structure structures or relations between the republics that have hived off from the Soviet Union and the countries of Central and Western Europe. Instead, therefore, of ineffectual bids to join NATO, the countries of Central Europe are tending more and more often to enter into intensive cooperation with this organization in all possible fields. This includes action aimed at strengthening the



defense capability of their armed services, that is, cooperation in officer training and participation in rearmament and organization. If anything is to come of the long-term plans for joining NATO, a certain level of *compatibility of military systems* has to be attained. For moves in this direction there is broad scope for initiatives which nothing and nobody should obstruct. On the other hand, construction of institutionalized military structures should be transferred to another sphere. It is likely that progress in the political integration of Western Europe will be accompanied by the creation of new European military structures. In terms of the interests of the countries of Central Europe it would be best if these were buttresses of, not alternatives to, NATO. In such a situation institutionalization of the countries of Central Europe's military ties with West European structures would represent a huge step towards the forging of bonds of alliance capable of ensuring proper conditions of national and international security in this region. Given the unpredictability of the course of social and political processes in Central and Eastern Europe, formalization of military ties would also be of considerable significance for the control of conflicts which at this point in time it is impossible to foresee. This is all the more necessary in view of the inevitably dwindling trust placed in the old structures. The Conference on Security and Cooperation in Europe, which to my mind still has many purposes to serve, no longer enjoys the same degree of prestige, social support and trust that it once commanded. Despite the breakthrough achieved at the Paris summit in 1990, it remains an institution associated in the popular association with the period of coexistence, not a new world order. That lends all the more weight to initiatives aimed at creating new security structures, especially in the military sphere, within the framework of the CSCE process. From this point of view very serious consideration needs to be given to the recent Polish proposal tabled at the meeting of CSCE representatives in Prague (24 October 1991) for the establishment of a joint CSCE peacekeeping force.

4. Lastly there is the fourth problem connected with the endeavours of the countries of Central and Eastern Europe to establish a new pan-European order: subregional cooperation in Central and Eastern Europe. It can be said with absolute conviction that the road to the European Community will not be made shorter by a complete disruption of economic ties and cooperation between the countries of Central and Eastern Europe. No one will of course shed any tears over the demise of the Council for Mutual Economic Assistance since it is an organization which has left a very negative mark on the economic history of the region. However, with it there also collapsed a whole system of subregional ties, which has led to a drastic decline in economic relations between the former member countries. Estimates put it at 40 per cent over the last two years. This has had a disastrous influence on the economic development of the countries in question. For many branches of industry and agriculture there is no hope in the short run of finding alternative outlets for economic expansion. Many, too, face complete bankruptcy as result of the severance of the old ties. Nor has much been gained from the changes made in the forms of settlements and commercial contacts. There is of course no need to regret the elimination from the payments system of the 'transferable ruble', a unit of account which totally distorted cost-effectiveness calculations and was an affront to the basic principles of commerce. It has now been replaced by convertible currencies and settlements linked to world prices. Introduction of convertible currency settlements, though right in long-run terms, has, however, created a situation in which each country tries in dealings with its partners to sell the maximum and buy the minimum for convertible currencies. This fact in itself acts as a brake to the growth of trade. Meanwhile economic recession and the problems of overcoming both the objective and subjective costs of systemic transformations are making the public increasingly less willing to sustain sacrifices and hardships. It seems, therefore, a matter of extreme importance to break the deadlock in economic relations between the postsocialist countries of Central Europe and the Soviet Union. There are chances of doing so, but their translation into practice is extremely difficult for political,

technical and even psychological reasons: understandable suspicions have grown up between the former CMEA members. It seems that their shared past and experience of socialist integration are more of wedge than a bond. Yet for many years to come the postsocialist countries will be wrestling with similar transformation problems. In spite of everything they will be linked by that common past when the design of their economic was predicated on easy access to each others' markets. A rapid switch to Western markets is simply not possible because of the shape of their production facilities, let alone their technological and quality standards. That makes it necessary to devise sensible interim arrangements and take advantage of the complementariness of their economies. But that requires looking for specific forms of exchange and synchronizing measures aimed at a thorough remodelling of the mechanisms of international cooperation. All of this should be an inducement to developing institutional forms of subregional linkages with a wholly new rationale.

In my opinion, construction of subregional cooperation institutions of a new type in Central Europe should be based on the following principles. In contrast to the tasks and aims of the CMEA, which were coordination of production targets and conclusion of agreements on reciprocal supplies, the new organization should concentrate on an orchestration of the conditions of trade that enables economic relations to be put on a full market footing as quickly as possible. This means devising by means of consultation commercial policy instruments which further an intensification of the flow of goods, services and capital between different countries. The principal elements in this arsenal should be tariffs policy, means of settlement, exchange rates, and the price-determining components of economic policy. A typical example of this last category is the methodology of tax assessment. Complete arbitrariness and discrepancy in this area will lead to the possibility of framing proper terms of international competition.

The new subregional cooperation organization should not be equipped with any obligatory decision-making powers of a supranational character. This is not to question the principle of supranationalism

as such in the process of subregional integration. The growth of international interdependences at a certain stage raise the necessity of limiting sovereign national powers in the interests of the grouping as a whole. But that is not the point in the process of multilateral cooperation in Central and Eastern Europe since in the case of the postsocialist countries subregional cooperation is not an end itself but only a means to a different strategic end. This objective is the admission of these countries to West European integration and the conversion thereby of subregional integration into a pan-European process. An ordering of relations on the subregional plane is, therefore, in the final analysis a means of opening these countries to the world, not of locking them up in the old structures of dependence to which there can no longer be any return.

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n° Inv. 14780

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EUROPE IN A CHANGING WORLD

A HUNGARIAN VIEW ON NEUTRALITY

János Matus

Lisboa, 7-9 de Novembro de 1991

HUNGARIAN INSTITUTE OF  
INTERNATIONAL AFFAIRS

A Hungarian View on Neutrality

János MATUS

Paper presented at the conference on "Europe in a  
Changing World Landscape"  
Lisbon, November 7-9. 1991.



35 years ago, the Hungarian Prime Minister Imre Nagy declared the neutral status of Hungary and called upon the United Nations and the Great Powers to accept and guarantee this neutrality. It was a desperate move by the Hungarian revolutionary government on the 1 st of November 1956, in the face of advancing Soviet troops preparing an attack against the Hungarian capital. Neutrality was declared one and a half years after the Warsaw Treaty had been signed, of which Hungary had become a party. The decision to leave the military organization had strong popular support, because it was widely believed that it was against Hungarian interests.

However, the declaration of neutrality could not hold up the Soviet military intervention and the imposition of a new government on Hungary. That experience was the source of an important conclusion, namely, that neutrality cannot be a realistic foreign policy option without firm international guarantees.

In the period between 1956 and 1989 neutrality was a kind of political taboo in Hungary, though many people considered it as a desirable political status. An unexpected public discussion was initiated in February 1989 by a statement of the Soviet academic Bogomolov, who stated, that Hungary may leave the Warsaw Treaty without any damage to the security of the Soviet Union. Having analyzed the possible motives behind this statement, we came to the conclusion, that it was meant to demonstrate the seriousness of the changes in the foreign and security policy of the Soviet Union toward Eastern Europe. The speech by made president Gorbachev in the General Assembly of the United Nations in

December 1988 was the first major signal in this regard. During the year of 1989 leading Soviet politicians indicated on a number of occasions that Eastern European allies were completely free in deciding their political and economic systems.

The Bogomolov <sup>&</sup>statement, and especially its reference to a possible Hungarian neutrality encouraged public debates. The opposition parties, which started their activities nationwide that year, joined the debate. Representatives of the government proposed a cautious approach. They argued, that until the CFE agreement was signed, and the withdrawal of Soviet troops from Hungary was completed, Hungary should not leave the Warsaw Treaty. They also said that the Warsaw Treaty was going to collapse very ~~soon~~, there was no need for any unilateral Hungarian action which might adversely effect the European balance.

The opposition was divided. Some were in favor of immediate withdrawal from the Warsaw Treaty, others advocated a more gradual course of action. Western politicians and people from academic circles also suggested a more cautious strategy. Since the elections in March 1990 were won by the Hungarian Democratic Forum, which followed the more ~~cautions~~ line in connection with the Warsaw Treaty, the democratically elected new Hungarian Government acted in harmony with the other member states in the dissolution of the organization. Since the summer of 1991 former members of the WTO have in fact been neutral without having declared it. They are not members of any defense or security organizations and they have a lot of uncertainties concerning their security.

The question of Hungarian ~~security~~<sup>neutrality</sup> has emerged again in the course of the discussion of the Hungarian - Soviet bilateral treaty. The Soviet side insisted upon the inclusion of a security paragraph in the treaty, which would prevent any of the parties from joining a third organization perceived by the other party as a hostile one. Hungary, of course, could not accept this demand because it would have been a restriction of its sovereignty. This Soviet claim was dropped immediately after the failure of the military coup in August this year.

During the debates on the Hungarian-Soviet bilateral agreement it became clear, that the Soviet side would have preferred a neutral status not only for Hungary, but also for Poland and Czechoslovakia. Soviet party bureaucrats, through the press, expressed criticism of the trilateral cooperation of Poland, Czechoslovakia and Hungary and proposed a Soviet-Finnish type cooperation. It became clear at this point, why professor Bogomolov raised the issue of Hungarian neutrality in early 1989. By the beginning of 1991 it became obvious that on the demand of the military leaders the Soviet government wanted to turn its former allies into a neutral buffer zone.

Poland, Czechoslovakia and Hungary rejected the Soviet demand, because they saw the restriction of their sovereignty in it. However, for unknown reasons, Rumania accepted the proposed security paragraph and signed the treaty. Now, after the failed military coup, they want to reopen the discussion and change that paragraph.

In the new situation the option of neutrality is

becoming less attractive and less realistic for Hungary. Firstly, because in the past decades the idea of being neutral expressed a desire to get out of the sphere of the influence of the Soviet Union, and this goal has been achieved by other means. Secondly, Hungary does not have the economic potential to support armed forces, which are necessary in/ a neutral state to defend itself. Thirdly, in our opinion the meaning of neutrality is quickly changing in this transitional period, and it would be unwise to commit ourselves to something today which might change considerably tomorrow. Fourthly, the principal foreign policy goal of Hungary is to join the Western European organizations, first of all the European Community. The Hungarian government has already expressed its readiness to cooperate not only in economic, but also in foreign policy and security fields as well. A declared neutral status may cause further difficulties in this very complicated process.

After the collapse of the WTO and CMEA a vacuum has been created in Eastern Europe from the point of view of the European security system. Though many specialists contest this notion saying, that what happened is exactly the opposite, a normal situation, the sovereignty of a number of countries has been restored; but both sides agree on the proposal, that new risks, new sources of danger have emerged in this transitional situation. There is a general agreement that economic crisis and nationality conflicts are the most acute dangers. The countries of the region can answer these challenges only if they cooperate with each other and with Western European integrations. This is a period, when conflicts must not be solved with military force,

but with cooperation in every sphere. The tragic civil war in Yugoslavia is a serious warning sign in this regard. I believe, that cooperation should not be blocked even with such noble concepts as neutrality.

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EUROPE IN A CHANGING WORLD

REGIONAL COOPERATION IN THE SOUTH-EAST EUROPE:  
CHALLENGE OF THE LAST DECADE OF THE 20th CENTURY

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Lisboa, 7-9 de Novembro de 1991

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## REGIONAL COOPERATION IN THE SOUTH-EAST EUROPE: CHALLENGE OF THE LAST DECADE OF THE 20TH CENTURY

We are witnesses of unexpectedly quick and deep changes in the Danubian region and in Europe, and they all open new possibilities to us, possibilities for various and full forms of cooperation among countries and peoples who live in the Danubian region. It goes without saying that this new climate opens new spaces for numerous non-conventional models of cooperation not only in the Danubian region but inter-regionally too. In saying so we have, first of all, in mind the linking of various models of cooperation already existing in the narrower or broader surroundings of Yugoslavia, as are "Hexagonal Cooperation", the cooperation of Balkan countries, "Alpe Adria", and the similar.

We have to underline that the negative processes of international community development in the last four decades urged surprisingly quick changes in the system of bipolarity in the world and at the same time made space for strengthening of regional factors in international relations. Under such conditions, undoubtedly, the advantage of international subsystems explicitly came into existence, based on geographical factor (Europe, Mediterranean, the Balkans, the Danubian, Black Sea region, etc.).

### 1. SOME REFLECTIONS ABOUT REGIONAL COOPERATION

The crucial hypothesis of the Center for neighboring countries and regional cooperation is, that within the



continent, unlike to the past, regions have to be formed on the basis of a new criterion, and it is, instead of military and political measures from the past, the principle of utilizing a natural resources jointly and the necessity to protect it. In central part of the continent, which includes a part of eastern Europe, the Danube is the most important resources. Therefore, the regional model is named as the Danube - Regional - Model (DRM), instead "Central", "South-East" or "East" Europe.

Those investigations are of multidisciplinary character and can encircle a broad range of themes, as are: geography, history, culture, economy, national and foreign policy of one region or subregion.

When we follow today the Danubian region, especially after so significant and deep changes which have taken place with an unperceived speed at the end of 1989 and in the course of 1990, we have to be aware of quite a train of factors which direct us to extraordinary possibilities for cooperation, in spite of historical, religious, cultural and ideological-economic obstacles. Regardless to the complexity of the Danubian notion, negative historical experience, differences and antagonism of higher and lower degree, the Danubian area as a subregion becomes more and more a real factor of international relations within Europe, and Europe with other parts of international system.

Our concept is based on the fact that the informal kinds of gatherings are relatively new tendencies concerning international relations. Those phenomena appear outside of existing institutionalized forms of cooperation and based on flexibility, non-formal contacts of diplomatic and other factors, always directed towards the realization of one or more distinctly determined aims, being of interest for many more countries of one region, and also being of interest, broadly speaking, for a world-wide area.

Finally, we may say that those non formal programmes of cooperation do not represent an alternative to the existing institutionalized models of cooperation. This is to say that it is not a substitute. On the contrary, based on achieved positive results they can stimulate institutionalized processes of linkage and integration in one region

(geographical zone ). The advantage of non-formal forms of cooperation and political gatherings is the real desire for cooperation marked towards a clearly defined target, and towards coming to a decision, based on wide consensus of all factors taking part in this process.

The term "region" is usually applied as a synonym for geographic entity, meaning at the same time a national or multi-national geographic area where certain natural, productive, cultural and other resources are to be found. This is to say, we have a geographical entity possessing determined elements of links, being at the same time recognizable ones.

Together with this conception there appears parallelly the term "regionalism", which in its essence means political tendencies in favour of regional autonomies. That means we have in mind an attitude that a geographic area possesses determined historical, cultural and social preconditions so as to be considered a geographical entity, i.e. region. On national level this conception, is brought to direct opposition with centralism, i.e. social conflicts which can be understood as political demands of one social or national group recognized territorially. Markussen emphasizes that regionalism did not have much experience nor particularly significant conceptual development up to the creation of state as a political organization with territorial disposition.

Motifs for regional expressions can be of different nature (political, economic, historical, cultural, ethnical, linguistic, etc.). On a broader international plan, it could be said that regionalism understands a more or less formed collective conscience of belonging to one region, this is to say, to a geographical space with determined likeness and historical heritage. Accordingly, regionalism is not by itself progressive or retrograde as it is very often mentioned in some of the studies of this phenomenon. Their character primarily depends on historical moment when it has been created and on objective political relations inside a national, or multinational state, i.e. broader area where they are manifested.

## 2. REGIONAL COOPERATION IN THE FRAME OF EMERGING NEW INTERNATIONAL ORDER

It is a well-known fact that the Persian Gulf War showed all the seriousness and complexity of regional problems, which were, during the period of the so-called "Cold War" pushed back, solely by the logics of the East-West relations, i.e. by explicitly division of the world in two military-political blocs and by antagonistic philosophy of life understanding and all other aspects of their organization. The system of security under such conditions was designed on "balance of fear" principle and equal possibility for mutual self-destruction. Regional problems under given conditions were treated in the sense of realizing spheres of influence of one or the other super-power, this is to say, not in the interest of the regions themselves in the so-called "Third World", where it was only possible to make use of local wars with the intention to strengthen the given sphere of influence, or to restore it. As far as Europe is concerned, we were witnesses to a very clear division between the East and the West, which means, the impossibility for opening new spaces for positive movements and gatherings on regional and sub-regional levels.

It is obvious that the years of 1989 and 1990 brought substantially new conditions on our Continent, but at the same time extraordinary euphoric high spirits after the fall of the Berlin Wall. These events showed without ambiguity that one page of the newest European history had ended, and that the countries of the former East Europe had started towards political democracy and transformation of their national economies, based on the principles of market economy. This very fact caused fundamental changes in the relations among West and the former socialist countries as there did not exist any longer military-strategic motifs and impulses from the previous period. However, it should be immediately mentioned that the challenge of the countries of the so-called South-East Europe was really very complex and under those euphoric circumstances insufficiently studied and analyzed, so that almost parallelly with the Persian

Gulf crises all the complexity and danger of the radicalization of regional problems in Europe was shown, where the bursting out of clashes of regional character would have unforeseeable consequences on the new European structure, and, generally speaking upon peace in the world.

Relatively successful ending of war operation in the Gulf and actions in these, circumstances undertaken on international plan, announced the contours of a new structure of international relations, which still did not get, in general, terminologically accepted definition. In this case, we would say that it is very important to emphasize the endeavour of Mr. Lawrence S. Eagleburger, former Ambassador of the USA to Yugoslavia, and at the

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present counsellor of State Department, to name this whole transitory phase - the era of "post-cold war", whereby specially significant position belongs to Central and Eastern Europe when having in mind the foreign policy of European Community and the USA.

This new era in international relations is basically characterized by transitory process of economic transformation on world level (from centralized planned economy to free market economy), which, inevitably leads to establishing democracy of Western type in the world. Also it is noticeable that, after the war in the Gulf the system of international relations has substantially changed as regards more fluidity and communications among its most significant factors.

The best illustration and challenge as for this complex process is seen when Yugoslavia is regarded, Yugoslavia, a country which surmounts its crisis after the Second World War. It is a notorious fact that Yugoslavia is one of the basic factors that the peace and security in this region relies upon, thanks atmostly to its exceptional geographic strategic location (Central Europe, Mediterranean, the Balkans, Danubian region, etc.). It is just out of this fact that the International Community is very much interested and active in trying to stop the current armed clashes in Yugoslavia. However, it is significant to point out the specification as regards the complexity of Yugoslav ethnic map and problems emerging out. Namely, as the sociologist

from Zagreb B.Puhovski says, socialism operated to international clashes blazed up during the Second World War - as being an enormous refrigerator where they were kept till then frozen. And now, being re-frozen, they continue to express themselves. Being in a difficult economic situation, somehow similar to other ex-socialist countries, in Yugoslavia also the new leaders offered national concepts of state and national programmes of mobilization. All parties being winners at election, and the majority of opposition parties in all the Yugoslav republics took that path. Some wish for "national clean" and "independent" state (as if it would be at all possible with us), and the others would want the whole population to live in one state (although it is in this area of ours a rare privilege). Some are, remembering the ways of "cleaning" during the Second World War (it is only now that the cavities of thousands of Serbian origin victims executed by the marionette Independent State of Croatia, during the Second World War), determined to struggle for their autonomy, hoping to have it done to prevent such "cleanness" in the future. Others understand it like loosening of territory, as the territory is still considered in praxis, to be the crucial factor of state power. Keeping the old concepts of national states, national parties, national programmes and nationalism, as mobilizing factors, ethnical clashes in Yugoslavia, and speaking broader these of South-East Europe, in the Balkans, in the Danubian region, become and stay - irreconcilable. Therefore, it is indispensable to oppose to these principles, which governed in whole of Europe in previous centuries - new principles which already rule, for instance, as those in Scandinavia. Today, we are even more convinced than at the time when we initiated the Conference "Danube - the River of Cooperation", that the skeleton of the new concept for existence in this area is: regional cooperation.

The Renaissance of DRM, as a positive process in the so-called "New European Architecture", which comprises also all those new aspects of formal and informal (alternative) cooperation among countries of that region, meeting at the present moment decisive phase of its evolution, facing the historical responsibility of all peoples living in this

region. It should be done so in order not to repeat the mistakes from the past, especially those phenomena as are historicism, national egoism and territorial pretensions do not disconnect the positive tendencies originated with the ending of the cold war.

### 3. EXPERIENCES OF REGIONAL COOPERATION IN SOUTH EAST EUROPE

Just in this part of Europe, thanks to new favorable conditions, quite a few of new forms of regional and subregional cooperation appeared (Alpe-Adria, Adriatic project, regional group "Pentagonal" now "Hexagonal", Balkan cooperation, etc.), as a proof that two parallel processes occur: one on the continental level ( Conference on Security and Cooperation in Europe - CSCE ), and the second on regional and inter-regional level, with the aim to open space for new forms of cooperation and political gatherings among countries belonging to different military - political blocks in the past. It is necessary to mention again that the Danubian region passed, starting after the Second World War, through different phases and forms of cooperation, mainly conditioned and limited by the political, military, economic, and other barriers, so much characterized for Europe in the "Cold War" era and block division.

Having in mind experiences, as well as current changes in East- and Middle- Europe, and by all this the contemporary movements in the development of international relations in the world, the idea of the Danube as a river of cooperation, - a natural resource - a focus of new gatherings in Europe, - seems today realistically possible to be achieved in spite of actual retrograde situation. This is precisely the reason why the Center for Neighboring <sup>and Regional Cooperation</sup> Countries has started last year, parallel with the research of real possibilities for the advancement of cooperation in the Danubian region, with researches which would present a theoretical basis of this idea of ours.

The value of the Danube as a vital water resource essential to human lives and their various economic

activities, coupled with its capacity of world communication line, has always encouraged various wishes for using and making possession of this waterway and its shores a great attraction. In the past such aspirations, depending on the times and their attributes, were the cause of military conquest and political domination or other factors relevant for international concord and cooperation. The economic interests for cooperation in the Danubian region emerge out of the fact that the Danube river represents a first-rate natural resource for many economic activities. It equally represents a natural water-way, a source of potential hydro-energy, irrigation and melioration systems, a rich reservoir of fishes and the source of tourist economy and concurrent activities. It emerged however, that the rational and complete exploitation of this natural wealth - if it was to be properly organized - would certainly require comprehensive international cooperation. Bearing in mind that different countries may well have different economic interests, it is increasingly realized today that the exploitation of the Danube must be considered within a broader context, giving due account to all feasible forms. It is in the interest of all the Danubian countries, wishing to make comprehensive use of this river, to adjust their policies in this respect and conclude relevant agreements.

We have to underline again, that due to its strategic importance this Danubian region has always been the scene of notable historical events. All those have left their marks on the region. In this part of Europe there are not only many links but also a mutual merging and mingling, more so than elsewhere on this continent, it is the meeting-point of many different nations, cultures, religions, economics and even political options.

In the past there were attempts to establish multilateral cooperation along the Danube in keeping with the international relations of the times as far back as the 19th and the early 20th century. Most of them were founded on the principle of regionalism and federalism. However, all these plans failed. The reasons were multiple, the most important being: disagreement among the various partners regarding internal structure and operative methods in

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cooperation; some of the partners were not wholly honest in cooperation harboring secret reservations of their own; the strength of contemporary integral nationalism was underestimated, and often it was far stronger than any desire for broader supranational cooperation; priority was always given to individual national or regional interests, an intention easily discerned by the potential partners; the plans - especially during the 19th century often lacked societal elements, economic and of a welfare nature; none of the contemplated plans met with the approval of the population and therefore lacked any firm support; most often the sponsors of cooperation had little or no authority, belonging to peripheral groups or being political emigres; the great powers were suspicious of any new patterns emerging in this region.

This region has once again become the site of a turning-point in European history and international relations, as well, as human society in general. Although encouraging people in these parts, it is at the same time arousing some concern. For, hand in hand with emerging democracy and rational economy, there are also occurrences such as to remind one of Fascist atrocities and the horrors of war. Giving due account to their various national distinctions they can only hope to assert themselves given coordination throughout this region.

Another lesson is that nationalist tendencies in economic life always come to the fore when political leaders proved unable to ensure normal social development. It frequently happened, that political voluntariness meddled in the economy, hardly ever respecting the laws of development, and pursuing stubbornly the principle of national exclusivity. However, the objective laws of economy being inevitable crises always erupted.

#### 4. FINAL REMARKS

If anything has been learned from the past helping to avoid the snares of an extreme nationalism, then the current changes will lend a powerful incentive to the new functional



association of peoples in this region, not on bloc foundations, but on the basis of economic, ecological and cultural cooperation. These new forms of gatherings will make it possible to make the best possible use of common natural resources, such as is the case with the Danube river.

We have to be aware of quite a train of factors which direct us to extraordinary possibilities for cooperation, in spite of historical, religious, cultural and economic obstacles. Regardless of the complexity, negative historical experience, differences and antagonism of higher and lower degree, the DRM becomes more and more a real factor of international relations within Europe, and Europe with other parts of international system. The intensification of the cooperation inside the DRM, covering different areas would promote closer links among the Europeans on national and regional levels. The DRM might become a reliable tie yielding to obvious advantages, economic benefits and to the strengthening of common human values in international relations.

Finally we could stress that when once a subsystem is restored in practice, it is necessary to identify all those inner interactions which manifested their corresponding regularity (history-cultural inheritance, the level of interaction among the countries of that region and the participation of those countries in international system) in order to make possible to identify it.

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