Future in the Making: 

Opportunities... Choices... Consequences...
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Introduction

The Civic Education Project (CEP) held its ninth annual International Student Conference, “Future in the Making: Opportunities… Choices… Consequences…”, from 24th–29th April 2001 in Budapest, Hungary. The conference brought together an impressive group of outstanding students representing 21 countries across Central and South-eastern Europe and Eurasia - almost all of the countries in which CEP currently operates. While these countries reflect great diversity, they also share the same possibilities at the end of the first decade after the fall of communism. The 2001 Conference focused on comparing the diverse experiences, and on looking to the possible futures, through addressing a range of specific issues - Security, Statehood, Identity, Nationalism and Culture; International and Domestic Economies - Regulation, Reform and Corruption; Minority, Individual, and Group Rights; Democratization and Self-government; Social Protection, Poverty, and Migration; Control and Roles of the Media; Womens’ Roles in post-communist structures; and, Environmental Impacts of Transition. As always the conference provided a collegial and dynamic forum for learning new skills, developing and challenging ideas, as well as fostering understanding and dialogue among the participants.

Recent years have seen substantial opportunities for talented students from Central and Eastern Europe and the former Soviet Union to travel to the West for additional academic training. While these opportunities to learn in the West are essential to the experience of top students, CEP feels strongly that students must have the opportunity to interact with their peers from other countries of the East. The student conference remains one of the few academic events in which these students have the chance to meet their colleagues from neighboring countries and to discuss directly with them the pressing issues faced in the region. Under the guidance of their CEP Fellows, over one hundred and twenty student participants presented their original academic papers. The papers published here were recognized by a panel of CEP Fellows as being the best presented at the conference.

We would like to extend a special Thank You to all of the sponsors and individuals who have made this conference possible. We are especially grateful to the Higher Education Support Program of the Open Society Institute for its ongoing primary support of CEP programs. Special thanks are also extended to the Central European University, which served as a welcoming host for this event. CEP is grateful to Pepsi-Cola Hungary, Pearson Education, the Delegation of the European Commission to Hungary, Citibank, International Committee of the Red Cross for their generous assistance and participation in the conference.

Oleksandr Shtokvych
Conference Director

&

Dave Carter
Editor
Civic Education Project

The Civic Education Project (CEP), founded in 1991, is an international non-profit organisation dedicated to assisting democratic reform by supporting higher education in Central and Eastern Europe, the former Soviet Union and Mongolia. CEP works to strengthen the development of future generations of social science academics throughout the region, and to help build inclusive academic networks locally, regionally and globally. It pursues these goals through its teaching fellowships, the targeted support of promising young scholars and through the acquisition, development and exchange of knowledge, resources, and methods focused on student-centered learning and academic excellence. Believing that the academic community constitutes a critical part of civil society, CEP also promotes the engagement of universities and scholars with their wider communities.

CEP began in 1991 by placing fifteen Western social scientists at eight universities in Czechoslovakia. The Visiting Lecturer Program quickly grew to include placements at host universities across much of post-communist Europe and Eurasia. In 1996 the Eastern Scholar Program was launched to help universities in the region retain promising young social scientists who are essential to the revitalization of departments and to the sustainability of reforms in higher education. The synergy between these two programs has become the foundation of CEP’s on-going work and has led to the decision to rename the programs the Local and Visiting Faculty Fellowship Programs. CEP now has more than 270 Fellows teaching at nearly 100 universities in ten Country & Regional Programs: Belarus, Ukraine & Moldova; Bulgaria & Macedonia; Caucasus (Armenia, Azerbaijan, Georgia); Central Asia (Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, Uzbekistan); Czech Republic & Slovakia; Hungary; Poland & the Baltics (Estonia, Kaliningrad, Latvia, Lithuania); Romania; Russia; and Southeast Europe (Albania, Kosovo, Montenegro, Serbia).

The Local Faculty Fellowship Program represents a conscious strategy to combat “brain drain” from universities in the region by supporting talented individuals who, after studying abroad, return to university positions in their home countries. CEP offers them financial, institutional and professional development support for two academic years, as well as opportunities for further professional growth as CEP alumni. Without this assistance, many of these scholars could not pursue or develop their academic careers. The Visiting Faculty Fellowship Program brings scholars from around the world to teach for at least one academic year at universities in the region. By introducing critical thinking, academic writing, research and analytical skills, Visiting Fellows expose their students and faculty colleagues to a new and exciting range of materials and methodologies. Visiting and Local Faculty Fellows have numerous opportunities to work together as part of an international network.

CEP Fellows are also involved in numerous projects that support their teaching and extend its impact. Specific areas of focus include curriculum development, faculty training, and improvement of library resources. In addition, CEP and its Fellows organize and participate in faculty and student academic conferences, roundtables, debates, moot courts and other events. The Fellowship Programs also promote professional development and collaboration in teaching and research. CEP’s longstanding commitment

* The use of specific place names does not reflect any position on questions of changing or maintaining current internationally recognized borders.
to teaching excellence is furthered by the Teaching and Learning Initiative, which aims to promote the best educational practices through training events, workshops, conferences, and the provision of teaching materials. In an effort to broaden their reach, many of these events and activities involve non-CEP colleagues who have had limited exposure to Western methods. The Academic Network Initiative provides a framework for regional and international collaboration and exchange of ideas and scholarship. Each CEP discipline area is provided with a web-based virtual environment, as well as logistical and financial support for academic projects. CEP hopes this initiative will contribute to the development of sustainable academic linkages based on the needs and interests of scholars in the region.

Acknowledgements

Oleksandr Shtokvych organized the conference. His task was made considerably easier by the hard work of Anna Krassovics, Gabriella Kulik, Judit Párkányi, József Puruczky and Judit Szucsik.

The task of selecting 13 of the nominated papers for final publication fell to: Dave Carter, Frank Dalton, Carter Johnson, Pavlo Kutuev, Madeleine Reeves, Olivia Rusu-Töдереан, and Changzoo Song.

Daye Thurbin edited the text of each paper for this publication.

The final text was put together by Dave Carter and Gabriella Kulik, and was laid-out by Judit Kovács.

And, of course, the success of the Conference and the quality of the scholarship contained in these covers is due to the hard work of many CEP Fellows, and most especially to the dedication of all of the students who applied, and took part in the conference.
Opportunities...

The Czech Banking Reform: Biggest Free Lunch Ever?
Oldrich Bures
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The Czech Banking Reform: Biggest Free Lunch Ever?

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Introduction

The transformation of the Czech banking system has been a hot topic since the Velvet Revolution and it is very likely to remain topical for a long time to come. While there has been a broad consensus regarding the necessity of banking transformation, there have been major disputes concerning the methods, timing and sequencing of the reforms. The decision to use primarily Czech capital to finance the costly transition from a centrally planned to a market economy has further complicated the complex task of banking reform. The restructuring of the Czech banking system has become a protracted and extremely costly project, which has cost Czech taxpayers hundreds of billions of crowns. A striking feature of the Czech banking transformation is the failure of the Czech state to assume its proper regulatory and supervisory functions in the financial and banking industry—functions that are crucial for proper functioning of any market economy.

Several foreign institutions analyzed the Czech banking transformation. The European Union has been one of the critical voices:

The failures of the financial sector, combined with deficiencies in the enterprise sector and weaknesses of the legal system, have allowed the development of some inappropriate business practices. This has manifested itself in the stripping of assets from enterprises by managers, known in the Czech Republic as “tunneling”, which has affected many of the industrial companies privatized through the coupon privatization scheme of the mid-1990s, in addition to investment funds, and agricultural co-operatives.¹

In its recent report Progress Towards Accession 2000, the European Commission (2000) pointed out that further improvements are necessary, especially in the area of state regulation and supervision of financial markets:

The Czech Republic can be regarded as a functioning market economy. .... However, measures need to be taken in order to ensure fiscal sustainability in the medium term. Progress has been made on further restructuring and privatization of banks. The strengthening of proper supervision in the financial sector is crucial in order to reinforce macro-economic policies and to foster economic activity. The prudential
regulations should be implemented without further delay. Moreover, every effort should be made to maintain the momentum in the process of restructuring and privatization of state-owned enterprises and to effectively implement the recent amendment to the bankruptcy laws. Effective action must be taken to strengthen corporate governance and the enforcement of laws.  

Almost the entire Czech political elite criticized this EU report as being too pessimistic, too critical, and ignorant of recent positive trends. The objective of this paper is to provide a brief analysis of the Czech banking transformation and of its impact on the Czech economy. The hypothesis is that the lack of effective state regulation and supervision has been one of the most serious flaws of the entire Czech banking transformation. Most contemporary economists would concur that a competitive market economy requires effective state regulation and supervision in order to prevent fraud and corruption. The banking and financial sectors in the Czech Republic are not yet effectively regulated and supervised. Because the government delayed necessary reforms, taxpayers are now left with a massive bill. Despite the efforts of the current Social Democratic government, the banking transformation is likely to enter Czech history textbooks as one of the biggest free lunches ever.

**Historical Overview**

If we want to analyze the Czech banking reforms after the Velvet Revolution, we first need to understand the development of Czech banking system before 1989. A brief historical overlook is necessary to get to the roots of the many problems that plagued the Czech-banking sector since 1989.

The Czech banking system has a long tradition dating back to the Hapsburg Monarchy. However, the Nazi occupation, followed by the repercussions of the 1948 Communist coup, was disastrous for the relatively stable and well-functioning banking system of the First Republic (1918–1938). During the years of the Protectorate Böhmen und Mähren, most banks were closed or forced to join German banks. In 1945, the remaining banks in Czechoslovakia were nationalized through a presidential decree, and their number was further reduced when the Communist Party came to power in February 1948. This was part of the Soviet-type system of central planning, which was implemented also in Czechoslovakia. A monobank, called the State Bank Czechoslovak (SBCS), was created in 1950. This organization was to exercise all functions and services, which are normally provided by commercial, investment and central banks—it controlled funding of budgets (both central and local), currency policy, gold reserves, credit and investments management, money exchange etc.

Apart from the SBCS, only two other banks (both with limited status) were established. Ceskoslovenska Sporitelna (CS) was created to manage private savings, loans and credits for citizens, and the Zivnostenska Banka (ZB), the biggest bank of the First Republic, was limited in its operations to Prague and London. In Prague, ZB provided the same functions as CS, and in London ZB was used to communicate with Western banks—an attempt to create the illusion that they were dealing with an independent commercial institution of their kind.

During the attempted reforms in the 1960s, Ceskoslovenska Obchodni Banka (CSOB) was created, mainly to finance foreign trade and to manage all activities concerning COMECON transactions. CSOB was also state owned, and the companies that owned shares in CSOB were themselves state-owned. Further reform attempts were made toward the end of the 1980s, including the creation of three additional banks (Komercni Banka, Vseobecná Uverova Banka and Investicni Banka). These plans were, however, executed only after the dramatic events in 1989.
The Initial Reforms—Voucher Privatization

In 1989, the situation in the Czech banking system was critical and demanded immediate reforms. The very nature of the banking system was outdated and unsuited for the planned transformation of the 'socialist economic jungle' toward a functioning market economy. Especially the burden of bad (classified) loans, which in the following years proved to be much heavier than originally expected, had to be dealt with quickly and with special care. Moreover, since foreign capital was very scarce at this time, domestic Czech banks had to finance the costly transformation and the privatization of the economy. There was a wide-spread sentiment that some form of privatization was needed to create a new structure of owners, preferably private ones, who would be profit-motivated and who would force the banks to behave according to the rules of the market.

Banking reform was a hot topic on the agenda of the first post-communist government. In 1990, a modified version of the communist idea of splitting the ineffective monobank was adopted and a number of state-owned banks emerged: Všeobecná Úverová Banka (VUB), Zivnostenská Banka (ZB), Komercní Banka (KB), Investicní Banka (IB), Československá Sporitelna (CS, reformed status) and Československá Obchodní Banka (CSOB, reformed status). All banks got the status of state-owned joint-stock companies. In February 1991, SBCS announced the launch of a “Consolidation Program.” Most shares of the state-owned banks were transferred to the newly created National Property Fund (NPF). At the end of 1991, as part of the Consolidation Program efforts, NPF transferred 30 CZK billion to the banks for their re-capitalization [Varho 2000: 17 citing OECD Economic Survey 1996].

All banks (except for CSOB) were included in the first of the two waves of mass voucher privatization, which was the Czech solution to the problem of redistributing state-held assets into private ownership. It should be noted that voucher privatization was not the only method of privatization, which was available to policymakers at the time. For example, open tenders for direct sale could have been used instead of the voucher method. Open tenders could have attracted significant strategic foreign investment (SFI) participation in the privatization scheme, and that was precisely one of the reasons why it was not very popular in the Czech government until late 1995, when the discussions about further privatization of major banks were restarted. The fear of selling out the ‘national jewels’ were perhaps justifiable due to the initial low valuation of the crown, which made Czech companies rather cheap for foreign bidders. However, SFI is arguably one of the best privatization methods in terms of achieving competitiveness as well as stabilization of the banking sector.

The successful privatization of Zivnobanka, which was sold to two foreign banks in 1990, did not influence subsequent policy choices and seems to have been forgotten by Czech governments for a long time. Although its overall performance has been excellent, and even though ZB constantly gets the highest ranking among all Czech banks, the Klaus government saw ZB lending policies as too conservative. As Varho notes:

“In an interview in mid-November 1998, former premier V. Klaus admitted that there was a ‘practical’ fear (as opposed to an ‘ideological’ fear) that had banks been sold off quickly, there would have been less money available to finance the privatization of the ‘real’ economy. The former premier cited ZB and its conservative lending practices at the beginning of transformation as an example of what would have happened. Klaus recognized that ZB was simply acting prudent given the circumstances, but must have felt that he needed to avoid such banking prudence if the ‘Czech Way’ was to be realized.”

Officially, however, Prime Minister Klaus did not admit that the ‘Czech way’ of privatization was detrimental to prudent banking behavior. Thus, it has been usually argued that mass voucher privatization was chosen
in Czechoslovakia mainly because it was viewed as being relatively “fair” in the sense that everybody could participate. At the same time, it was hoped that voucher privatization would facilitate the creation of an educated and involved class of new private owners. These new owners were not intended to be citizens lacking both the knowledge and ability to invest effectively. Still, all Czechs age 18 and older were allowed to participate. The real, albeit somewhat unexpected winners of voucher privatization, were the investments funds (IPFs), which obtained 71.4% of total vouchers. This outcome has, however, had serious repercussions for the banking sector, which deserves further analysis.

As mentioned above, the banks were to finance the economic reform in the Czech Republic. The effect of voucher privatization, however, was that relatively few big banks became owners of more than 2/3 of all privatized enterprises, either directly or through the investment funds they established. Officially, there was a 20 percent restriction placed on the banks’ ownership of an IPF; but in reality, of the approximately 280 IPFs existing in the Czech Republic during privatization, seven of the top ten funds established by market capitalization were bank funds. The 20% limit was avoided by setting up separate investment companies that were fully owned by the banks. It is interesting to note that only CSOB, which was not included in the voucher privatization scheme, did not participate in the IPF contest.

This avoidance of the laws, together with unclear regulations and weak enforcement, led to the downfall of the Czech voucher privatization. The banks became owners of the very same enterprises that owed them most of the money in unpaid loans. Instead of demanding re-payment of their loans, as any prudent bank would do, state-owned banks pumped even more money into these inefficient companies. It is still debated to what extent these infusions of funds were driven by concerns about layoffs, by the vain hope that, somehow, these companies would get back to profitability and repay their loans, or by the explicit knowledge by bank management that these funds would never be repaid. Still today, these transactions have not been properly investigated, and the more time passes, the less likely we will know to what extent there were illegal transactions involved.

What we know for sure is that the final result of the voucher privatization was an obscure, highly interconnected and non-transparent ownership structure in the Czech economy. Kommercni Banka, for example, has business ties with at least half of all Czech companies, which raises concern that the bank holds its client-companies hostage in non-market based transactions by virtue of their ownership stakes. Today, the state still controls significant assets of shares in the major banks, either through the National Property Fund (NPF) or through the Restitution Investment Fund (RIF).

Continued state control had the following repercussions for Czech banks:

• First, the major banks were deemed “politically too big to fail”, which could be explained either by social consideration or by the political power lodged in large institutions that are unwilling to be split up, sold, or closed down.

• Second, these banks have not learned to be competitive in the marketplace, simply because they were not forced to be competitive. The state was a constant source of backup and source of bailout. Every Czech government since 1989 has used billions of crowns for bailing out inefficient banks, in the process creating a system-wide moral hazard. Bank managers had no strong incentives to perform, as there was always the possibility of future government support or bailout. Equally important, or even more important, was the fact that the leaders of banks were not punished for bad choices (and some were rewarded for purposeful bad choices).

• Third, these big banks were overly interconnected, creating systemic risk for the entire financial system. The banks not only had the same main shareholder—the state—but they cross-owned
each other’s shares. For example, the bank-dominated IPFs as a group held 32.5 percent of the shares in Ceska Sporitelna, while private investors participating in the voucher privatization (DIKs) owned only 4.75 percent.16

In sum, we may say that despite the original goals of voucher privatization (i.e., the creation of a new class of responsible non-state owners both in the financial sector and in the ‘real’ economy), the transfer of ownership rights to private citizens and/or privately owned economic subjects remained unresolved. As Pavel Mertlik, Czech Finance Minister until April 2001 put it:

“The functional definition of the ‘Czech’ concept of “privatization” and “privatized property” is therefore in fact just a negative form relating to SOEs, budgetary organizations, and contributed organization: „privatized means something that was in the form of an SOE or a budgetary or a contributed organization, which means in some unshared public ownership form, and that is no longer in such unshared public form. One may thus concisely conclude that “privatized” in Czech Republic mean just "transformed from unshared public ownership into shared ownership, public or private."”

Although voucher privatization may be politically expedient, the Czech experience demonstrated that it is likely to result in bifurcated ownership structures, in which the state retains a core-investor-size stake.18 Therefore, Czech voucher privatization can be characterized as the longest way from socialism to socialism. A second round of ownership transfer was required to bring about independent non-state governance and establish real and functioning markets.19

Lack of Regulation and Supervision

Apart from the persistence of state ownership, the other major downside of Czech privatization was that the speed of implementation exceeded the pace at which proper legal, regulatory and institutional controls were put in place. This is not to claim that there were no changes at all but that these changes were unsystematic and far too slow. Thus, the Czech Republic has not only failed in privatizing the banks in the voucher privatization scheme; it has also failed to establish proper regulatory systems.

Specifically, the changes in banking regulations introduced in the 1990s tended to be insufficient, belated and often ambiguous. For example, Law No. 21/1992 introduced new legal status for banking institutions. A bank was defined as a joint-stock company or a state institution, which, based on the license of Central Bank (Czech National Bank—CNB), accepts deposits and issues loans. The law for defining saving institutions and other non-bank type institutions, which used to have a strong tradition during the era of the First Republic, was introduced as late as 1995.

The minimal capital needed to obtain a banking license was 50 Kc million in 1990. This amount was increased in the following years—in 1991 to 300 Kc million and in 1993 to 500 Kc million. While some said it was too little, too late, others, like Mervart,20 argued that this increase of minimal capital requirement was a disadvantage for Czech banks. They needed to keep much higher reserves compared to banks operating in the EU, where only 5 EURO million (roughly 180 Kc million) were required to set up a bank. Authors such as Varho21 argue that the initial requirement of 50 Kc million was way too low, and even when increased later on, CNB did not put much effort in verifying the source of capital, nor did it really intend to scrutinize the submitted business plans.22 The loose licensing policy on behalf of the Central Bank was arguably one of the causes for the problems of small Czech banks, which were stuck with many bad loans.23
The high number of bad loans has forced a series of bankruptcies and major existence troubles among the small and medium size banks. Their creation in the first years of transformation was very spontaneous and their management often had no experience with banking at all. In 1993, a CNB inquiry revealed that out of 46 banks under Central Bank supervision, only 5 could be classified as having no problems. The percentage of bad loans often increased to such levels that even in a lax regulatory environment, bankruptcy became the only option. In the case of the first bankrupted bank in the Czech Republic, AB Banka, this percentage was as high as 91 percent right before its closure in 1993. These percentages of bad loans are not explainable only by lack of experience, but also by the fact that banks were tunnelled by management and shareholders who were given cheap loans and did not pay them back. This was exacerbated by the common practice of dishing out huge loans to unprofitable enterprises, as well as loans given to friends and political allies.

Even though such practices became increasingly commonplace and well known, the Czech state and its police organs have been slow to respond—that is, to investigate suspicious loans and losses and to prevent future losses through proper regulation and supervision of banks. Finally, in October 1996, the problems of small and medium banks were addressed by the Central Bank in cooperation with government institutions. But it was a late and partial effort: Emergency consolidation and stabilization programs were introduced by the Central Bank to improve the bad situation of these banks. Through a newly set up company Ceska Financi (CF), owned by the Central Bank, the classified loans were bought from small banks using the money of KoB and CNB. This way, the banks were given time to concentrate on stabilizing their portfolios, training their management, and preparing turnaround programs. The problem may well have been postponed for the future, as banks will have to buy back these loans within seven years, if they haven’t been resolved by CF. The key aspect of the new action program was that participating banks had to give up control over their operations and have to respect the orders of Central Bank. But it was only a temporary solution.

A more effective, cheaper and long-term solution would have been prevention—including clear and enforceable laws and more careful license regulation, followed by strict supervision. Both the government and the CNB failed in this respect. As already mentioned, the voucher privatization actually did not privatize much, and the banks, even though theoretically state owned, were largely left to their own devices. As Varho points out, the Czech State has not proved a good bank owner: “With a few specific exceptions, there is little evidence to suggest that the Czech government actively interfered with bank policies on the basis of its ownership position... In reality, these shares were treated passively, probably to deflect criticism of state interference. This set of circumstances created an even worse outcome wherein “privatized” banks were left essentially without any owners at all and with no possibility for a core investor to emerge... Ownerless and without direction, management was left to sort out these institutions with little more than that which they happened to bring with them. Success, therefore, depended almost entirely on the character of management and their willingness/ability to bring about fundamental changes to banks operations using only those assets available to them.”

Left with no interested majority owner, the management of big banks (often closely tied to political circles) also accumulated many new classified loans. When the Social Democrat government finally decided to move on with the privatization of major Czech banks, it was too late. In the past two years, the state has pumped more than 50 Kc billion in CS and KB in a number of repeated bailouts. While this shows that the optimal time for privatization had already passed, it can be argued that the sooner KB is privatized the better. The series of bailouts have become a serious burden for the national budget, which is showing increasing deficits despite increasing economic growth.
The lack of regulation and supervision has also had a negative impact on those banks that were eventually “truly” privatized. Most of them by then welcomed foreign capital. Incidentally, the Czech state has not always been successful in privatizing the banks, either. The privatization of IPB, for example, had for a long time been considered a success story in the Czech Republic. IPB was the first of the major Czech banks to be privatized by a foreign investor: Nomura Securities paid some 2.9 billion Kc for a 36 percent state-owned share in the bank. The bank announced restructuring and expansion plans and quickly established itself as one of the most progressive banks in the Czech Republic. This all changed in the summer of 2000 with a sudden forced administration by CNB, followed by a quick takeover of IPB by CSOB. It was a surprise when the first rumors about IPB’s financial problems were followed by the sudden action of CNB. The following investigation revealed that IPB was not as healthy a bank as was widely believed: Specifically, IPB suffered from the problem of interconnection with its client companies, which IPB owned either directly or through one of its subsidiaries. IPB was issuing loans to these companies without any reasonable estimate of their repayment capabilities. A CNB analysis revealed that IPB had about 24.6 Kc billion classified loans to the business sector. As a result, IPB had severe problems in maintaining the legal capital adequacy ratio. Other recently revealed problems were liquidity and assets restructuring problems and possible criminal activities of IPB’s management, including irregularities in the sale of companies controlled by IPB, money laundering, etc. Regardless of the merits of the response taken by CNB and the Czech government, the impact of the IPB crisis on the credibility of Czech banking sector has been tremendous and largely negative, both domestically and internationally.

The IPB crisis has been the latest, and so far the biggest, shock for the Czech financial sector. It has, however, only revealed (on a much greater scale) the old flaws of Czech banking reform—the lack of transparency and effective state regulation and the resulting prevalence of semi legal and illegal transactions. This is why, in my view, Czech privatization can be characterized as the biggest free lunch ever. It has made the Czech Republic famous for its long tunnels. According to the new director general of Konsolidacni Banka L. Reznicek, the state will have to take over some 100 Kc billion of classified loans from the IPB portfolio alone. In this context, many wonder where all the money went and how it is possible that it took so long before the regulatory and control mechanisms were tightened. The IPB crisis was only the latest indication that there is still a lot of work to be done here. The EU Report (European Commission 2000) mentioned in the introduction offers a brief but informative evaluation of the IPB crisis: “Although intervention by the authorities might have been the only available option under the circumstances, it should have been possible to avoid such actions by strong, independent, supervision of the banking sector.”

Cost Analysis of the Czech Banking Reform

The cost analysis of the Czech banking transformation can actually be interpreted as a cost analysis of the entire economic transformation, given that Czech banks played a prominent role in the privatization of the Czech economy. A special institution—Konsolidacni Banka (KoB)—was established as part of the CNB “Consolidation Program” in order to cope with the pre-1989 loans (including the famous TOZ credits). These so-called “old loans” were a huge burden for the newly established state banks. Their total value was estimated to be 110.4 Kc billion and they were to be paid back until 1999. However, some of these loans can never be paid back either because many of the debtor companies do not exist any more or because they are bankrupt. It is clear that the state would have to absorb these loans in some way in order to enable the new banks to function reasonably. Transferring the old loans to KoB would have not been such a bad choice, had its function been limited to managing these pre-1989 loans.
Indeed, until 1995, KoB has not issued any new loans but since then, KoB started to issue loans to those sectors of the Czech economy, which the commercial sphere considered too risky to invest in. These projects included loans to machinery, agriculture, and chemical industries, as well as technology investments and infrastructure reconstruction projects such as new railway corridors and new airplanes for Czech Airlines. These capital injections could be regarded as efforts aimed at breaking the recession gridlock in certain industries; they could also be regarded as essential for improving infrastructure as a basis for stimulating long-term economic expansion.

However, the real problem lies elsewhere: KoB was used to dealing with the consequences of the failure of the Czech state to assume its proper regulatory, supervisory roles in the banking sector. Instead of strict regulation and supervision, Czech State got involved in protracted banking privatization, whose main feature became the above-mentioned massive bailouts.

De facto, KoB was selected to act as a kind of ‘bad loans hospital’. The increasing losses of KoB are the best indicator of the costs of Czech banking reform. To get an impression of the extent and depth of the crisis of Czech banking (and the costs to the economy and taxpayers), it suffices to look at the recent activities of KoB. In 1999, KoB created a special division—Revitalizing Agency (RA)—to deal with the critical financial situation in major Czech companies. The task of the RA is to maintain production, restructure the companies and find them a responsible majority owner. To make the RA more independent of political pressures, the management was selected from the private sphere. In 1999, the Lazard Brothers consortium was selected to manage the RA in open tender.

KoB was also used during the recent preparations of the privatization projects for CS and KB. In 1998, CS was once again ‘sanitized’ by the state to make it more attractive for strategic foreign investors. In the first round, 33 Kč billion of classified CS assets were transferred to KoB. In the second round, KoB issued guarantees for an additional 84 Kč billion worth of classified loans, which remained on the balance sheet of CS after privatization. Two additional transfers of classified assets to KoB were due to the preparations of KB for privatization. In August 1999, the worst part of the KB portfolio, worth about 23.6 Kč billion, was transferred directly to KoB. The market price of these assets was judged to be only about 0.4 Kč billion, showing that the likelihood of repayment was virtually zero.

In March 2000, KB transferred an additional 60 Kč billion to a company “of special designation”, Konpo, which was later purchased by KoB. It was also suggested that an additional 40–60 Kč billion worth of loans in the KB portfolio may have to be labeled as classified and once again transferred to KoB. In addition, the case of IPB is likely to add another 100 Kč billion of classified loans to the portfolio of KoB.

This is not the end of the story. There was an increase of classified KoB assets due to the fusion of Ceska Financni (CF) with Ceska Inkasni (CI). As already mentioned, Ceska Financi was created in 1997 by CNB to help to solve the crises of small and medium-sized banks. At the time of fusion, CF had classified loans worth 50 Kč billion from some 1400 debtors (ibid. 5). CI was created to remove certain classified loans from the portfolio of CSOB that were ac0cumulated primarily in foreign trade before 1989. It was proposed that CI should be fused with KoB in 2001. The CI manages about 25 Kč billion of assets.

The problem of classified loans has become a major burden for the Czech economy. By March 2000, the total amount of already identified classified loans in all banking institutions and all the transformation institutions (KoB, CI, etc.) was as high as 483 Kč billion (13.41 EURO billion or an equivalent of 26 percent of Czech GDP). This number does not include either the internal debt in the business sector (estimates vary but they are in the hundred of billions of crowns), nor does the figure of 483 billion Kč...
include the dues that various companies owe on taxes, social insurance etc. This debt is estimated to be about 120 billion Kc.47

In this context, it is worth noting that it does not have to be necessarily the state that takes care of classified loans. These loans could have been sold at commercial rates to certain private companies, which specialize in debt restructuring. It seems likely that the current Social Democratic government is willing to sell at least some amount of classified loans to interested private companies. The former director of KoB, Kamil Ziegler, said in an interview for Pravo48 that the first package of classified loans worth some 20 billions Kc was already considered by GE Capital, Goldman Sachs and by Lone Star. It will be interesting to see what their offers will be. Ziegler also confirmed that in the middle of 2001, KoB would change its legal status from a bank to an agency, which will enable KoB to publicly announce which loans are included in the respective packages planned for sale.49 In any case, it is very likely that the majority of classified loans will have to be, in one way or another, eventually paid by Czech taxpayers.

Conclusions

When comparing the criticism of the EU Report with the above analysis of Czech banking transformation, one has to wonder what exactly caused such an outrage among the Czech politicians. The EU report has merely stated some facts that are uncomfortable. The true extent of the banking crisis has not been revealed, and can only be speculated upon. To be fair, there has recently been progress in the banking transformation—for example, the privatization of the major Czech banks has finally been re-launched under the current Social Democratic Government. The problem is, however, that it could (and should) have been executed a long time ago. This paper showed how voucher privatization merely “privatized” most companies back into the hands of the state, which has neither functioned as a responsible majority owner, nor assumed its proper regulatory and supervisory functions in the banking sector.

The banks (through their IPFs) became owners of many privatized companies, which has greatly obscured their proper role on the market. Instead of demanding the repayment of the loans already issued, new loans were granted for reasons that remain to be fully explained. The best interpretation is that these loans were given in the hope that as the economic situation improves, companies will eventually pay back. The worst interpretation is that the money has been stolen. It is clear that the vast majority of these companies are unable to repay the loans for a long time to come, and as a result, all Czech governments had to spend hundreds of billions of crowns bailing out the ineffective banks while continuing to subsidize large loss-making firms. Instead of creating a transparent and enforceable legal framework, the state has created special “debt hospitals” (KoB, CI, etc.), where not only the pre—1989 but also the post—1990 accumulated classified loans have been transferred whenever the state-owned (and in the case of IPB, partly privately-owned) banks got into trouble.

If we consider that in March 2000 the total amount of known classified loans amounted to 483 Kc billion, and that the IPB crisis and KB privatization are likely to add as much as another 100 Kc billion, we get a total bailout cost of some 600 billion crowns. Considering that only about 110 Kc billion was needed to cover the pre-1989 classified loans, the “Czech way” of banking reform after 1990 has already cost approximately half a trillion crowns. That translates into about 50,000 Kc (1400 EURO) per citizen. When faced with these findings, the average Czech taxpayer would agree with the EU Report when it says, “overall, bad loans in the Czech financial system have reached EURO 13.2 billion, or 26.5% of GDP, which is a serious matter of concern.”50
The main conclusion of this paper, thus, is that while the main aim of Czech privatization was to transfer the state-owned assets into private hands, this process should have been closely followed by the state assuming its proper regulatory role in the banking system. Without an early established, transparent relationship between the privatized banks and the state, the privatization was fraught with risk. Several measures should have been taken when (better possibly before) privatization was launched: (i) a responsible and independent bank examiner must be in place, (ii) strict capital adequacy standards should be defined and enforced, (iii) a strategy for dealing with banks that do not satisfy regulatory requirements should be in place.51 In the Czech Republic, many of these measures were not implemented until recently, and recent reforms have remained partial.

Still, it is possible to argue that in the last two years, the Social Democratic government has done more to improve both the speed and quality of Czech banking transformation than the self-proclaimed ‘pro-free-market’ governments since 1990. CSOB and CS were finally privatized and privatization of KB seems to be on the way. Moreover, there have been some initial efforts to curb semi-legal practices, corruption, tax evasion and other economic crimes in the banking and business sectors. Whether these efforts will yield tangible results remains to be seen. The Revitalizing Agency project was launched and there was a laudable effort to make the Agency independent and its actions transparent. The first package of the classified loans managed by KoB has been sold and others are to follow in the coming months.

In light of the number and scale of problems that the current government inherited in the banking sector, the recent developments have to be judged as positive. The problems that remain are, however, daunting and complex, and it will take time and money to establish a functioning banking system in the Czech Republic. Finally, the state is beginning to assume the role it should have assumed right from the beginning in 1989—including regulation, supervision and law enforcement in the banking and financial markets. In the meanwhile, the costs of the delay are amounting to hundreds of billions of crowns. Some 500 Kc billion might have been saved had the Czech state not opted for a haphazard ‘Czech way’ of banking transformation. While, for a few, the ‘Czech way’ of banking transformation became the ‘biggest free lunch ever’, the vast majority of Czechs found themselves stuck in a traffic jam in a long and expensive ‘tunnel’.

Notes

2 Ibid.
5 Council for Mutual Economic Assistance, an organization formed by the USSR and its satellites to enhance trade and economic cooperation within the Communist block.
6 In Czech Fond Narodniho Majetku—FNM.
7 Bonin 1998: 5.
8 Varho, 2000: 49.
10 Varho 2000: 45.

11 The current director of the Czech National Bank Zdenek Tuma argues that Czech banks were sanitizing Czech economy and that they, moreover, helped to keep the unemployment at low levels. Thus, the banks absorbed the biggest social and transformation costs that would have otherwise hit the economy itself. Essentially, Tuma argues that Czech banking reform was “socially friendly.” This has of course negatively influenced the balance sheets of Czech banks and we now have to pay the bill. For more detail see interview with Zdenek Tuma in Pravo. 9 March 2001, p. 21.


13 Ibid. 42.

14 The municipalities also own some shares.

15 Ibid. 9.

16 Ibid. 14.


18 Ibid.


20 Mervart 1997: 54.


22 Ibid.

23 There seems to be no clear-cut answer concerning the effects of the CNB bank license policy.


25 Visit the web page of CF (<http://www.czfinanc.cz/en/index.html>) for more details, including balance sheets, history etc.

26 Ekonom No. 16., 1998: 78.


28 A well-known example is the former director of Komercni Banka Richard Salzman, who had cozy relations with several top politicians in the Civic Democratic Party of the former Prime Minister Vaclav Klaus.


31 The case of IPB would itself be a good topic for another paper. Recent Finance Ministry report (published by Hospodarske Noviny, March 19th 2001, p. 1 and 3) revealed several surprising facts. IPB has been masking its losses by improper classification of its bad loans, it has failed to screen its clients before issuing new loans etc. The report also states that IPB did not finance the Czech companies as much as it was believed, its share was only 16.6 percent. There is also a lot of information about the IPB case at the CNB web page.


33 Visit the KoB web page (<http://www.kobp.cz >) for history, annual reports and other details.

34 TOZ (Trvale Obracejici Zasoby) credits means in English “Permanently Revolving Inventories” credits. They were issued to enable the state owned companies to finance their production and trade before 1989.


36 Ibid.

37 KoB has suffered increasing losses since 1996. Total loss in 2000 was some 36 billion Kc. Because KoB is a state owned institution, these loses have been covered by state. See KoB web page for details.
38 The details of RA activity, its status etc. can be found on the KoB web page.
39 Most recent update can be found at the KoB web page.
41 The details for Konpo can be found on the KoB web page.
42 Ibid.
43 Standards of loan classification used in the Czech Republic can be found on the CNB web page.
44 Visit the KoB web page for details about CI.
45 Ibid. 5. The most recent updates can be at KoB web page.
46 Ibid.
47 Ibid. 6.
49 Under its current legal status, KoB is not allowed to provide such information. Considering the future of KoB, it
 will lose its banking license in August 2001 and it should be turned in to an agency that will manage the acquired
 problematic loans with the state remaining as the ultimate guarantor. KoB should terminate its activities in 2011.
 See the KoB web page for more detail.
50 European Commission 2000.

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Discourse, Politics and the ‘Macedonian Crisis’ of 2001: The Discursive Construction of the Crisis in the Macedonian Media

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Introduction

First and foremost, before doing any presentation of the paper, I must say that the research subject is a discourse analysis based on the Macedonian media coverage of the latest ‘Macedonian crisis’. So, just to make it very clear, everything that is said in this paper regarding the actual conflict, both material and ideological, is not an endorsement of any one point of view. The paper aims to be a detached analysis of a multidimensional ideological conflict, and therefore aims to provide a more deeply nuanced account of the current conflict. It also aims to show in a very direct way, how the mainstream Macedonian media is a vehicle through which this ideological struggle is being played out and, how the media is used in a concrete way to present to the public a structured and packaged representation (a ready-made understanding if you like) of a complex problem. The paper is divided into two key sections.

1. The first concerns the present political situation—and the way it is presented in the media.

2. The second offers the results of a more refined discourse analysis limited to a part of the political debate carried by the main Macedonian newspapers as they reported the speeches and sound bites of the three main protagonists, the leaders of the biggest parties in Macedonia. They are the Macedonian Internal Revolutionary Organization, which is the Democratic Party of Macedonian National Unity and the main coalition partner (VMRO-DPMNE), the Social Democratic Alliance of Macedonia, which is the main opposition party (SDSM), and the Democratic Party of Albanians, the minor coalition partner (DPA).

* Note: All interviews, quotations, sound bites etc., were taken from two daily newspapers (issues from 15 February–15 April): “Utrinski Vesnik” and “Dnevnik”.
The second section deals with several points:

- The first point relates to the definition of the problem.
- The second point relates to discursive strategies of the actors involved.
- The third relates to the contestation over the contents of several well-used ‘empty signifiers’.
- The last point concerns their ideology: the discursive system where they articulate the problem and the cause of the problem.

**Present Political Situation: Media Coverage**

The newspapers discuss several issues that represent a picture of the situation. Central issues around which this picture is painted are: the terrorist attacks in the northern part of Macedonia near the village of Tanusevci; the concept terrorists—and whether this term should be accompanied by the adjective ‘Albanian’; the relationship between the attack by the ‘NLA’ and the interethnic relations in Macedonia; whether this attack is the result of discrimination against the Albanian minority; and their demands; and how to integrate the Albanian minority within the ‘Macedonian nation-state’ concept etc. This last issue has developed from a legal to a constitutional debate. This is just an informal section where I point out the primary current subjects in the newspapers. The aim is to give a context to everything said below. More details will be given as we approach the party positions and their views on the situation.

**Political Discourse in the Newspapers Relating to the Crisis**

*Players* *in the Crisis*

Three main players are involved in this ‘game’: Ljubeo Georgievski, the prime minister and the president of VMRO-DPMNE, Branko Crvenkovski, the president of SDSM (the biggest party in the opposition), and Arben Xhaferi, the president of DPA (the Albanian party in the Government). So, mostly, this section will analyze how they have articulated their positions since the crisis began.

*Periods*

The paper follows the media debate and proposes that the debate can be divided into distinct periods over the last 40 days.

- The opening of the ‘crisis’;
- ‘Warming up’ of the situation;
- Foreign reaction;
- Army offensive;
- Suggestions about the Constitution.

**Definition of the Problem**

Naturally, different parties will present a given situation in a number of ways. But what the discourse analysis does, rather than simply describing the different points of view, is to analyze and compare the
argumentative structure and language of the party representations in a critically aware manner. An interesting result of the research that I have made concerning this media discourse is that the definition of the central problem varies widely, depending upon those periods that I previously mentioned.

At the beginning of the crisis, the main problem, as defined by these three politicians, was attacks by so-called guerrilla groups. But, before I continue any further, it is important to mention that the guerrillas were identified differently. The leaders of the VMRO-DPMNE and the SDSM referred to them as terrorists or extremists. Also, the words terrorist and extremists were often accompanied by the adjective Albanian. This terminology, emphasizing the ethnicity of the guerrillas, was rejected by the DPA and the other Albanian parties. The Albanian minority parties referred to them as armed groups and they interpreted the link made by the SDSM and VMRO-DPMNE, which equated Albanians with terrorists, as constituting a general ideological attack on the Albanian minority in Macedonia at large.¹

After the VMRO-DPMNE defined the problem as Albanian terrorists’ or extremists’ attacks, they inserted them into a system of equivalences such as agent provocateurs, or instigators of ethnic extremism and national intolerance. Posited as good and bad, these are the two ideological oppositions around which the discourse is structured. The Government articulates that it is everything that the terrorists and the extremists are not. And if this problem is bad, then that makes the Government (i.e. the VMRO-DPMNE and the DPA) good, since they put themselves forward as being the exact opposite. We, say the VMRO and the DPA, are developing interethnic relations, while the terrorists are trying to upset them; this despite the rejection by the DPA (Xhaferi) of the Albanian specific terminology used by the VMRO and, in particular, Georgievski. We, they say, are doing what the previous government (the SDSM and the PDP) didn’t do: providing the army with equipment (i.e. if the army is the institution which is responsible for providing stability and peace in the state, and the present Government is the one who is supplying the army with weapons to fight against the terrorists (the problem), then we care about stability, security and peace). In this way, the VMRO discourse serves as an attempt to exclude the other parties by linking them through this discourse with what is bad. We/us and they/them, where we are the VMRO-DPMNE and the DPA while they includes the SDSM, the PDP and the terrorists. It is a subtle way of constructing an equivalence between the SDSM, the PDP and the terrorists and what they represent—a threat to the Macedonian state.

Initially, The DPA, the minor coalition partner in the Government, and the SDSM did not define the problem differently from the VMRO. Differences only appeared later, when they began to articulate more clearly the root and the cause of the problem.²

Also, a distinction is noticed in the proposed solutions. Practically, the division between ‘Our’ good solutions and ‘their’ bad solutions caused radical changes in their positions. After the situation warmed up (the attack on Tetovo and the offensive of the army, later on) the three main parties, together with the support of the smaller parties linked to them, provided totally different solutions. For the VMRO, the rational solution was, first to stop the attack of the terrorists and then to carry on with the development of the country and its link with the EU. They used this method of solving the problem for the whole time because according to the VMRO there was not a problem in the state (considering interethnic relations), thus, the whole crisis was imported from Kosovo.

The SDSM initially had the same solution as the VMRO, but after a while they changed their position. According to the SDSM, the Macedonian people no longer had confidence in the present Government. The SDSM accused the Government of being responsible for the development of the crisis and proposed The Grand Coalition (the technical interim Government that will last until the early elections, this year). They say they saw the ‘exit of the crisis’ with the installment of the new Grand Coalition.
The DPA appealed to both sides (the army and other armed groups) to lay down their weapons and start a political dialogue (this dialogue was supposed to happen between the DPA, as the only legitimate representative of the Albanian minority, (the PDP was excluded here), and the largest Macedonian parties). Later they made it their priority to ‘change the Constitution’ and claimed that the whole crisis was a product of the lack of dialogue between the Macedonian and the Albanian parties on the subject relating to the Albanian minority and their demands for more rights. So, the only solution was to change the Constitution in order to offer the Albanians ‘more chance to integrate into Macedonian society’.

This solution proposed by the DPA (the change of the Constitution) led to disagreements and a rift between the major and minor partners (the VMRO and the DPA) in the Government, which the opposition used as an opportunity to propose the Grand Coalition that it pressed on the Government to negotiate.

Discursive Strategy: the Message

The second point relates to discursive strategy. This part deals with the strategies given in the media (i.e. newspapers) by the main politicians. Actually, it refers to their discourse structures and the messages they are trying to send by articulating the problem according to specific argumentative structures.

For example, they deploy and contest several, so-called empty signifiers such as ‘destabilization’, ‘democracy’, ‘Macedonian territorial integrity’, ‘Macedonian national interests’, ‘Macedonian national interests’, ‘civil society’, ‘ethnic balance’, ‘tolerance’ and many more. The three main protagonists used these signifiers in an attempt to promote their particular ideological system. They utilized signifiers to define what was good or bad for the Macedonian nation. The whole idea was to attract as many people as possible to support their strategy of problem solving (once they defined the problem). Basically, the discourse surrounding the problem is clearly identified with power and the attempts of the political parties to capitalize in one way or another on the situation. So rather than looking at the problem from the perspective that ‘the situation happened to Macedonia and the political parties had to respond but disagreed over how to respond’, an alternative and slightly more convincing framework is that, ‘the political parties are also part of the situation. All of the political parties constructed myths and interpretations about the situation in order to try to maximize the potential for ethnic solidarity, in the hopes that ethnic solidarity will result in support for their party’. So we are talking about the use of the situation as part of the battle to interpolate subject matter and send messages in an attempt to have the electorate identify with one or another party platform.

The discourse framework varies with changes in the situation. So, in different short terms of 5 or 10 days, the empty signifiers change. The VMRO-DPMNE utilized the distinction between us and them (the terrorists) by trying to present themselves (not surprisingly as all the parties did this) as the ‘good guys’ in the whole situation. If we go through the structure of their political discourse, as given in the newspapers, we can observe an obvious message within the wider articulation. That message can be boiled down to the following: ‘We are totally the opposite of the terrorists and their demands are irrational (even though we are not talking to the terrorists and have not found out what their demands are)’. The VMRO—DPMNE supports this claim by the deployment of a number of empty signifiers related to national and democratic values. The first, and according to them the most important, is ‘Macedonian interests’. So, everything that the Government claims to do is supposed to be in the ‘Macedonian interests’. This signifier is followed by others, such as ‘Macedonian territorial integrity’, ‘Macedonian sovereignty’, ‘Stability of the State’, ‘Democracy’ etc.

The DPA provides the principal material for the definition and content of their empty signifiers and the other parties provide the negative core around which their identities as parties are constructed:
‘Representation of the Macedonian nation-state interest embodied by an illegitimate Constitution equals ethnic discord and instability which encourages ethnic radicalism from frustrated Albanians’, as opposed to the ‘Albanian equality and Macedonian interests are synonymous. Inter-ethnic balance equates with stability and this stability, in turn, promotes harmony. Harmony and stability are conducive to democracy and the protection of human rights, which in turn equates to collective rights for Albanians’. They claim to be the legitimate representatives of the Albanian minority. They are supporting those interests, which, they say, are the same as those of the ‘ethnic’ Macedonians, in any way possible. Through the whole situation, the DPA appealed for political dialogue. They also claimed that they had (and still have) the same demands as the NLA (National Liberation Army as the guerrillas called themselves) but that they have ‘different ways of asking for them’. If we delve deeper into the DPA discourse, we can notice that the message that they are sending is, ‘we are the only legitimate political body in favor of the Albanian minority and so any dialogue concerning a question of Albanian rights should go only through us’. (Basically, the DPA excluded the PDP as an Albanian party because is not in favor of the Albanian minority). If we ask why the PDP is not included in the ‘game’, Arben Xhaferi provides the answer later on when he fills the signifiers with contents. He says, ‘up until now, nothing was done to solve the problem in Macedonia about the Albanians and their rights. The PDP was in the Government with the SDSM until the 1998 elections and they didn’t do anything to solve the problem. That was a good strategy developed by the DPA because first, they aimed to attract more votes from the Albanian electoral body (because they defined themselves as the only political representative who supported Albanian interests), and second, they blamed the PDP for being one of the causes why this problem wasn’t solved before. (And this is how they ‘kicked them out of the game’).

The SDSM used the identical signifier as the VMRO, i.e. the ‘Macedonian interests’. But they developed an entirely different discursive strategy. The whole discourse was built in such a way as to point out that the Government was not able to deal with the situation and the discourse went in the direction of ‘getting the Government off the throne’. But their aims were easily recognized. Also, they were accused by the Government of only caring for their own political interests. Therefore, the SDSM had to set up a good narrative of the situation full of empty signifiers that accompanied the most important one, that of the ‘Macedonian interests’. The SDSM claimed that ‘Macedonian interests’, ‘democracy’ and ‘the stability of the state’ are values that were above their political interests. They were, they said, just trying to find the best answer to the problem. When the VMRO and the DPA started to disagree about their basic positions, the SDSM used that as an advantage to claim that the Government was ‘unstable’ and ‘could break at any minute’. That is why, they said, ‘we need a stable Government that will lead Macedonia through this crisis’.

Contents of the Empty Signifiers

After first providing the public with concepts like democracy, destabilization, Macedonian interests etc., the various political parties then attempt to fill the empty signifiers with contents of their own choosing. For example, the SDSM tried to fill their signifiers as follows:

Macedonian interest = 1. Stabilization of the state  
2. Stop the civil war  
3. Protect the Constitution unchanged

If we look at the contents, we can see that they can change. The whole concept depends on the way the situation develops. The SDSM articulated its primary objective as the ‘stabilization of the state’. In this
period, at the very beginning of the crisis, the SDSM was not putting any pressure on the Government concerning the situation because they were still dealing with previous domestic affairs, such as phone tapping. But, when the situation metamorphosed from being restricted to Tanusevci, to involving an attack on the armed forces in the city of Tetovo and, according to the SDSM, escalated, they warned the public that Macedonia was ‘at the edge of civil war’. The latest constitutional debate, primarily started by the DPA, forced them to change their position. Now they equate ‘Macedonian interests’ with protecting the Constitution.

Albanian Interests = 1. To stop the ‘armed groups’
   (which are not in favor of the Albanian minority)
2. Stop the interethnic conflict
3. More rights for Albanian population
4. Change the constitution

As we can see from the table, the empty signifier that the DPA deployed also varied. At the beginning of the crisis (when the first attack started in Tanusevci, at the end of February) the priority was to stop unidentified armed groups with suspicious identities because ‘they weren’t doing anything to help the Albanians’. During this period, the vice president of the DPA even said that the Albanians were developing their status and integrating into Macedonian society, thus, there was no need for interethnic conflict. But later on they equated the crisis with ethnic conflict and claimed that that was the root of the crisis. When the situation transferred from Tanusevci to Tetovo, the DPA claimed that the armed groups were normal inhabitants who were oppressed by the Macedonian people. And that was the cause why they reached for their weapons. Their position later went in another direction: from ‘lack of rights for the Albanian minority’ to ‘change of the Constitution’.

In this section we will just say that the VMRO held their position almost unchanged for the whole time. They blamed ‘Kosovo’ and the KFOR for the escalation of the situation. So, their signifiers contained the usual contents:

Macedonian Interests = 1. Stability
2. Security
3. Territorial integrity
4. Stop to the change of the constitution
5. ‘No’ to Grand coalition

When the DPA proposed the change of the constitution and the SDSM proposed the Grand coalition, they had to change their position and adapt to the new situation. I will mention more about this in the next section.

Ideology and Power

The last point concerns their ideology, i.e. whereby the political parties articulate the problem and the cause of the problem. They also articulate another empty signifier to justify why the previously defined problem should be solved. In the last table I have put them together in order to compare their political strategies and how they, the VMRO, the DPA and the SDSM defined the problem and identified the root and the cause of the problem. In the second row, where they define the principal problem, we can see a clear difference that we previously explained. First, a division appears between their terminologies (how they interpreted and named the problem). Also, what is seen as the problem changes, depending on changes in the situation. Both sides, Macedonian and Albanian feel consequences of the problem. While the Macedonians are equating the consequences with a lack of stability, destabilization, territorial disintegration etc., the DPA states that the situation leads to interethic conflict.
If we look at the next categories, we find that, actually, there is a division between the two blocks: the position of the Government, which is that of the VMRO and the DPA, and that of the opposition, the SDSM. Everything that each faction states represents a direct attack on their opposite parties.

<table>
<thead>
<tr>
<th>Main protagonists</th>
<th>Ljubco Georgievski (VMRO-DPMNE)</th>
<th>Arben Xhaferi (DPA)</th>
<th>Branko Crvenkovski (SDSM)</th>
</tr>
</thead>
</table>
| Principal problem | 1. ‘Terrorists’ or ‘Extremists’ attack  
2. The opposition | 1. ‘Armed guerrillas’ attack  
2. Army’s offence  
3. The Constitution | 1. ‘Terrorists’ or ‘Extremists’ attack  
2. The Government |
| Consequences of this problem | 1. Destabilization of the country  
2. Attack on Macedonian sovereignty  
3. Attack on Macedonian territorial integrity | 1. Worsening of the interethnic relations  
2. This will lead to an interethnic conflict | 1. Destabilization of the country  
2. Attack on Macedonian sovereignty  
3. Attack on Macedonian territorial integrity |
| Root Cause | 1. Situation in Southern Serbia  
2. KFOR’s lack of control of the border | 1. Interethnic relations  
2. Lack of Rights for the Albanian minority  
3. Lack of influence for their political representatives | 1. Situation in Southern Serbia  
2. KFOR’s lack of control of the border  
3. Government’s lack of responsibility towards the state and the lack of influence towards the Albanian party (DPA) |
| Solution | 1. Use of military force, if necessary so that ‘we’ can proceed with the building of the democratic processes  
2. Support from all parties in Macedonia and support from the international organizations (NATO, EU etc.) | 1. Stop the ‘war’ between the Macedonian army and the ‘armed groups’  
2. Start a political dialogue (only with the legitimate representatives  
3. Change of the constitution | 1. Use of military force, if necessary  
2. Grand coalition that will stop the crisis and stop the change of the constitution since the Government is irresponsible |
| Obstacles to solution | 1. KFOR  
2. Parties from the opposition which are not giving their support to the Government  
3. Albanian parties and their demands | 1. Macedonian parties and their ignorance towards the Albanian minority | 1. The Government and her ignorance towards the other parties in the opposition |
Conclusions

As a concluding remark, I will point out only that the body of the paper deals primarily with the discursive structure of the ideological positions articulated by the three main protagonists in this debate. This should in no way be seen as a judgement upon their ideological positions. Rather, it is merely a technical analysis of how these politicians have adapted to the situation and have structured their discourses in order to attempt to mobilize support from the population for them.

As you can see, the three most powerful parties in Macedonia changed their discursive strategies in response to the changing situation in the country. If you look at the various sections of this paper, and especially at the last table, you can see that their strategies are permanently changing. They had to adapt not only to the changing situation, but also to their opponents’ changing tactics. They had to stand up straight and confront their party colleagues and defend their statements, while at the same time attacking their party’s opponents.

Finally, everything that they did was for the interests of their parties. Everything else that they offered - problems, solutions, empty signifiers and contents, was just to support their strategies. The ultimate aim was to attract as many votes as possible from the Macedonian people.

Notes

1 The structure of the terminology was interesting from this point of view. For example The Albanian terrorists was written as albanski teroristi (The Albanian Terrorists) rather than Albanski teroristi, or even only teroristi, without qualification. This is important in the sense that it describes the terrorists in only one way, so rather than the violent terrorists or any other number of possibilities, their principal and as such more consequential quality is their “Albanianness”.

2 The root and cause are my analytical categories, which I have used in my analysis to distinguish between the different building blocks of the variously articulated constructions of positions.

3 A signifier without a signified. A signifier is emptied of any precise content due to ‘the sliding of the signifieds under the signifier’. Democracy is an empty signifier as the signifier of democracy is so over-coded that it means everything and nothing. (Laclau, Mouffe and Zizek (1999). New Theories of Discourse. Oxford: Blackwell Publishers. 301, 305.)

   Signifier: The sound-image (or expression) that signifies a certain signified.
   Signified: The concept or content that is expressed by a certain signifier.

4 VMRO claimed that the ‘best solution’ is to use the military forces to get the ‘terrorists’ of the Macedonian territory and to continue with their policy of making good relation with EU and Macedonian neighbours since ‘the crisis was imported from Kosovo’ and ‘the interethnic relations were going in the positive direction’. On the other hand, DPA saw the ‘cause’ of the ‘problem’ in the ‘lack of the interethnic dialogue’ and the ‘solution’ in ‘the change of the constitution’.

5 See “Definition of the problem”, Section 2.
Corruption and its Impact on Transition Economies—The Case of Bulgaria

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Corruption is a worldwide phenomenon, which has now reached great levels. No country in the world today is immune from its corrosive influence, but it is known that some societies may be more vulnerable than others. Recent research has shown that countries with the lowest level of corruption are those with the best-developed economies. At the same time, countries in transition, like those in Eastern Europe, have the highest levels of corruption. For example, in Bulgaria this issue is ranked as the fifth main problem, following issues of vital importance like unemployment, crime, low income and poverty. At present, as the Bulgarian economy has acquired significant macro-stability, it has become crucial to insure the best possible environment for further and sustainable economic growth. That is why corruption, as being considered as an obstacle to economic development, tends to turn into a priority today.

The present paper is developed as follows: First we will consider the corruption matter in its basic interpretation—the phenomenon of corruption itself, the factors that encourage it, and the different manifestations of it—“grand” (involving large transactions and high level politicians and bureaucrats) and “petty” (involving small payments and low-level officials).

Secondly, the “cost” of corruption will be outlined—the significant harm on the social, political and economic life of a society. We will focus, mainly, on its impact on transition economies such as in Bulgaria, which is much more negative for their economic development, for a number of reasons. These are the weaknesses of the still reforming institutions, the imperfect legislation, the general social non-awareness of the costs of corruption, as well as the lack of strong political will to fight against it.

Thirdly, we will deal with the possible measures against corruption. The starting point here will be the experience of other countries that have successfully applied anti-corruption strategies. We will introduce examples such as Singapore, which has achieved an amazing limitation of corruption in the last two decades, and is now among the top-ten countries with the lowest index of corruption. We will aim at suggesting an appropriate application of such strategies in cases of transition economies like Bulgaria. We will suggest that the only possible solution is the implementation of effective states’ anti-corruption strategies

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together with assistance from local and foreign organizations and business communities that could be helpful in curing the society and the economy of this additional burden that hampers development in transition economies.

The Phenomenon of Corruption

Definition of Corruption

There are many definitions of corruption, but in its broadest sense corruption is “the abuse of public office for private gain”. It encompasses a range of different interactions within the state and between the state and society. Hence, corruption is a half-social and half-economic phenomenon. Because of this there are two main actors that influence it, positively or negatively. These are the people (which represent the human factor or the so-called social element) and the government (which represents the state element or the economic and political factor of corruption). The human factor relates to culture, living standard and some economic parameters that affect it—poverty, unemployment, low payment etc. The other factor concerns the state, and most of all, its economic policy and political system. This includes the mechanisms of control over business, the extent of state regulation (or liberalization), registration and licensing regimes, and finally, the mechanism of control over the public officials and administration.

Types of Corruption

Corruption has spread globally but differs greatly in extent and type. For simplicity, we divide it into two basic types—the so-called “grand” corruption and “petty” corruption. The former includes large-scale transactions involving high-level politicians, and aims at influencing the basic legal and regulatory framework or the state policy in general, in order to benefit only particular individuals’ interests. In turn, “petty” corruption includes small payments and low-level officials. It refers to intentional deception or distortion of already existing laws or regulatory norms. It is important that this distinction between the types of corruption is made because each type harms the society and economy differently and requires the introduction and implementation of a diverse anti-corruption strategy.

Transition Economies and Corruption

The last decade has brought new economic order into the former communist countries of Central and Eastern Europe and imposed the need to provide some basic market prerequisites for successful and democratic reforms. One of these has been the separation of private and public interests, which was a totally unknown principle under the old centralized system. We suggest that the extent to which this principle has been successfully implemented, determines the extent of corruption in transition countries today. Some countries have encountered significant difficulty with this task because the process of transition represented not just a process of defining the basis of fundamentally new rules and institutions, but also a process of redistribution of state assets. Transition countries like Hungary and Poland have managed to privatize state assets quickly and effectively, and because of this (and many other additional economic factors) now enjoy a relatively low level of corruption, while countries like Bulgaria, which have delayed this process, have left plenty of room for corrupt procedures.

Data for transition economies is not easily obtainable because the measurement of the spread of corruption is difficult. The information is scarce and sometimes could be misleading. The most widespread method is inquiry, or face-to face interview. Corruption assessment index numbers assume values from 0–10. The
closer the value of the indices is to 10, the more negative are the assessments of the evaluated aspect of corruption. Index numbers closer to 0 indicate an approximation of the ideal of a “corruption-free” society. The values presented below are updated quarterly based on survey data.

Figure 1
Spread of Corruption in Bulgaria

Source: Corruption Monitoring System of Coalition 2000, Bulgaria 2001

The observed constant and stable values of the index (varying only from 5.9 to 6.7) suggest a significantly high level of corruption during the transition years, and indicate that corruption is still fairly widespread within Bulgarian society. A survey of Transparency International suggested that out of 90 countries ranked in terms of corruption from most clear to most corrupt, Bulgaria was 52nd, and out of all candidates for EU membership, only Latvia and Romania are ranked lower.

One of the possible reasons is that in Bulgaria there is a general absence of political will to fight against corruption. In fact, this is quite explicable, having in mind all the benefits that some people from the former nomenclature extracted from the long and often murky process of privatization of state assets. The mechanism of plundering involved corrupt managers, bureaucrats and politicians, who together redirected all profitable deals to private firms. For example, the real market value of Bulgarian State assets in the early 1990’s amounted to nearly 14–15 billion USD, while the total cash revenues of privatization 8 years later will not exceed 3 billion USD. The loss of more than 10 billion USD is the cost of the delay in the privatization process in Bulgaria. There are views that all this resulted in a very powerful and dangerous symbiosis between corruption and the mafia. By doing this, the old nomenclature retained its power and enhanced grand corruption to its present significant levels.

On the other hand, petty corruption was fostered by meager salaries in the public sector and the absence of any monitoring of state officials, which exposed them to strong economic temptation. With no punishment schemes, the erosion continuously and significantly deepened. There are many other reasons for this, along with weak institutional performance, lack of transparency in state policy, low-paid state and municipal administration, poverty, and most of all, public non-awareness or even conscious tolerance of it.
Answers to the question, “How widespread, according to you, is corruption among the following groups?” suggested, as the most corrupt, *Customs officers* (74.3%), *Members of Parliament* (52.6%), and *Ministers* (52.3%). In 1998, after a year of his government, the Bulgarian Prime Minister announced that, because of corruption, nearly 500 customs officers were dismissed. But while admitting there is corruption among the high and low level administration, he continues to keep silent about grant politicians and bureaucrats that have been suspected or accused. It is a fact that not one of them has been convicted so far. Although Bulgarian legislation provides imprisonment for bribery (of 1 to 6 years), in fact the number of convicted officials is still low, for example, in 1998 only 27 officials were convicted of corruption in Bulgaria.

It is interesting to note that 70% of the public in Bulgaria disapproves of “grand” corruption while strongly supporting “petty” corruption. It is justified on the basis that it is compensation for not having competent state regulation norms and as a tool for getting assistance from state and municipal officials. This reveals one fundamental problem—the excessive extent of *state regulation* in the Bulgarian economy. There are a great number of *licensing and regulation regimes*. Another problem is the existence of unnecessarily *long procedures* that accompany business activity in Bulgaria. For example, registration of a firm takes between 20 and 30 days. During this period an entrepreneur is expected to pass all authorities in order to collect the final package of permission documents. There is no coordination or cooperation between institutions, and most importantly, the procedures are not quite clear. There is a considerable lack of accessible information on procedures and services provided by the local administration. In addition, permits are usually issued for a certain period of time (1 to 3 years) and hence, must be renewed periodically. Then the procedure repeats. All this simply fosters corruption and reconciles the public to giving bribes in return for getting their problems solved easily and quickly. This is the result of the slow pace of reforms, especially in public administration, and the lack of sufficient modern legislation in all areas of economic activity.

The “Cost” of Corruption

All factors mentioned above have created a fertile ground for both types of corruption to flourish in the last decade in transition economies like Bulgaria, thus hampering the process of reforms by imposing an additional burden on the process. When talking about costs of corruption, we are highlighting the significant harm it inflicts on the social, political and economic life of a society. First of all it undermines people’s trust in state institutions. Secondly, it weakens people’s support for democratic and market reforms and also implies to the public a dark and unfair conduct of state governance. But what is more important here is the overall impact on economic activity of small and medium size entrepreneurs, as well as on foreign investors. *Domestic entrepreneurs* consider bribes as a kind of additional charge, and for some of them, especially for the representatives of small and family business, it is quite a high barrier to pass. The charges for bribery account, on average, for about 3.5% of the revenues of Bulgarian firms.

It is common for *foreign capital* also to be withdrawn from markets with excessive corruption, because it reduces their incentives for doing business in such an environment. As a result, the international reputation of the state suffers. Analysis also suggests that corruption strongly *reduces investments* and economic growth in the economy. This is due to the well-known direct proportionality between foreign direct investments (FDI) in transition economies and their economic prosperity. Lately, most foreign investors in Bulgaria have started to point to corruption in the bureaucracy as one of the main obstacles, which should be removed.
Corruption also causes losses to the state budget because it reduces the collection of taxes. It diverts resources from effective projects and impedes public service delivery. Thus, finally, it is the poor who bear the heaviest burden of corruption. In this sense bribery is likely to restrain the economic well being of individuals, firms and the economy in general.

Anti-Corruption Measures and Strategy

The present challenge for transition economies is to tackle corruption. But in tailoring a successful anti-corruption strategy, we must consider that it is a joint venture of all parties affected by corruption - states, societies and firms. We must also consider that the negative implications of this phenomenon can hardly be eliminated unless the very preconditions for its existence are removed. These are the lack of political will, lack of cooperation and ‘know-how’, and the scarce practical experience needed to tackle corruption. Hence, the first step is to initiate a change in the political will in order to combat corruption. It must be realized that there are also political plusses to such an initiative. A successful strategy could serve as a lever for reforms in service delivery and for acquiring popular trust. A serious undertaking needs personal example and leadership from the highest levels of the state, transparency and publicity.

Assessing the environment (the extent of corruption, people’s attitude towards it and institutions’ ability to cope with it) could help with setting reasonable entry points and goals. It is crucial to distinguish different types of corruption because their influences and costs differ. Because of this we should not try to attack all of them at once, but introduce a realistic counter-plan in the short and long term.

Measures in the Short Run

Mobilizing citizens and the media, in the sense of changing public attitudes towards corruption from tolerance to collaboration against it, is a realistic short-term plan in situations where there is insufficient internal and weak institutional back up, as in the case of Bulgaria. Raising voices that corruption is a criminal stealing of public money could help by provoking public awareness and understanding of the harm it causes. In keeping the public informed about this a free media could play a crucial role.

A good short-term strategy will also take into account the human factor of those within the system. Solutions could include improving the positive incentives for officials, like raising their salaries and other rewards according to their performances, in parallel with strengthening penalties and controls. Limitation of monopolies and a clear definition of roles is crucial, as well as an increase in personal responsibility and competition.

It is a fact that in cases where someone has monopoly power over a good or service and has full discretion in granting it, but without accounting for his actions, then corruption tends to thrive. This is represented by the following illustrative formula:

\[ C = M + D - A \]

Where:
- \( C \) = corruption,
- \( M \) = monopoly power,
- \( D \) = discretion by officials,
- \( A \) = accountability.

This formula serves as a guiding principle in creating anti-corruption strategies. In this sense it suggests the idea of:
• Reducing monopoly power of officials - by avoiding monopoly-granting discretionary regulations and the introduction of a rotation of positions for mutual monitoring;
• Clarifying discretion—by legislative norms that simplify rules and roles of regulation, as well as increasing transparency and citizens’ understanding of how the public system works;
• Enhancing accountability—by introducing internal auditors and involving citizens, unions, NGOs and the media in the process.

The next step is the creation of effective punishment schemes for corrupt bureaucrats. In cases where there is no direct evidence of bribery (which is always difficult to obtain), but the official is not able to explain his (or his family’s) possessions, sanctions should be imposed. Strengthening and clarifying legislation and governmental acts could also serve as an effective tool because the main reason why people engage in corruption is the low risk and penalties, but the great rewards. However, when confronted with systematic corruption, law enforcement against corrupt individuals is not in itself enough. Focus on the very system is more important. This means economic liberalization and removal of administrative barriers for businesses such as excess licensing, registration, permits and other restrictions such as quotas on import, transparency and clarity of official duties, privatization regimes, concession rights etc. In other words, the more reforms that are undertaken, the less corruption we will encounter.

In the last few years, the government’s attempts in Bulgaria to limit corruption included amendments to laws and the creation of an efficient legal framework. Such an approach to deregulation and the elimination of unnecessary regulations has been successfully employed also by other transition economies such as Hungary, Poland and the Czech Republic. It aims at liberalization of licensing, registration and permissible regimes, and tends to clarify the procedures of privatization in Bulgaria in order to enhance transparency as a tool for attracting FDI. The government has started to reveal information about each offer and the criteria used in the process of choosing the winning company. In addition, according to the EU Agreements with Bulgaria on trade regimes, it has started to reduce tariffs and quotas in foreign trade, which has been highly appreciated both inside and outside the country. But this is really the very beginning of the liberalization and anti-corruption campaign. For sustainable success, much more effort and application of resources is required.

Long-term Strategy

Long-term strategy basically involves the creation of institutions to stand against corruption. Although monitoring and punishing corrupt officials could be a costly mechanism, there are some successful models for curbing corruption, such as those in Hong Kong and Singapore that justify the efforts. These countries quickly shifted from corrupt to “clean” ones and their administrative systems are now known as one of the most efficient in the world. For example, Singapore’s administration is quite small in number but highly qualified and well paid, and enjoys a great reputation. Learning from their experience, anti-corruption institutions should be established and engaged in monitoring, control and prevention, as well as investigation into cases of alleged corruption. Their experience could be used as a medium or long-term tool in transition economies like Bulgaria.

Cooperation with national business and professional communities and associations is also very important. There are international organizations, such as the World Bank and NGOs, which are available for assistance when needed. This cooperation is very important for the effective introduction of new anti-corruption
‘know-how’. Undoubtedly, such measures will have their positive long-term effects. But it demands involvement by the government, the private sector and civil society. If this process succeeds, eventually all of the parties involved will benefit from curing the society and economy of this additional burden that hampers the development of transition economies like Bulgaria.

In conclusion, it has become obvious that in spite of the fertile ground for thriving corruption in transition countries, there are ways and mechanisms to restrain its corrosive effect on their economies. But first of all there are some fundamental prerequisites for this to happen. It is high time to realize that there is an urgent need for tightening administrative controls and imposing administrative sanctions for offenders. In parallel with this goes the implementation of a full set of administrative and market reforms towards deregulation and liberalization, and low state interference in business and economy. There are good examples of such successful anti-corruption practices from the past, and provided that there are some good initiatives in the present, it is the state’s turn to finally play a crucial role in allying all interested parties. In both the short and long run, only permanent cooperation like this could be strong enough to definitively curb corruption in these societies.

Notes

1 A research undertaken by the most distinguished anti-corruption international non-governmental organization, *Transparency International*, founded in 1993 and now covering 40 countries.
2 A survey of Coalition 2000, March 2001
4 Corruption Monitoring System of Coalition 2000, Bulgaria.
7 Survey of Coalition 2000, Sofia.
8 According to a survey of public opinion from MBMD, Bulgaria.
9 In 1999 nearly 500 licensing and registration regimes existed, in 2000 they were reduced with 100 and later remained 119 permissive, 79 registration and 49 licensing regimes (Donchev, 2000).
10 According to a survey made by Institute of Market Economy, Bulgaria.
11 According to World Bank Report.
12 See Mauro, 1995.
15 Law of Public Officials, amendments in Commercial Act etc.
16 During the period of 60’s and 70’s Hong-Kong and Singapore were deeply involved in bribery - the first one mainly in its policy system, while the second one suffered from corruption almost in all sectors of public service.
17 The models are the Hong-Kong’s Independent Commission against Corruption; Singapore’s Corrupt Practices Investigation Bureau (CPIB), and Anti-Corruption Advisory Committee (1973–1975).
18 Since 1997, the World Bank has developed diagnostic tools, technical assistance, and training programs for reducing corruption in transition economies.
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The Winner Takes It All?
An Analysis of Domestic and International Impacts of Ukrainian Migration on Economic Development

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Situation

Fortune favors the brave.
Terence [195–159 BC]

Hijack a plane in Afghanistan and fly it to London. Board a rusting tub in Turkey and be wrecked off the coast of Italy or washed up in France. Camp in a container for weeks until your ship is unloaded in Canada. Hang to the wheel of a jumbo jet and hope not to freeze or suffocate. Splash across the Rio Grande. Float in a rubber ring to Florida. Walk the Sahara and sail to Spain. Take a Euro bus and pretend to be a rich tourist. If you live in a miserable part of the world, just do something to reach a place more promising...

Such desperate acts are becoming routine in the Ukraine as, each year, many thousands of people who fear for their lives or hunger move to safer and richer countries. Many more slip in without being counted. And the supply will not dry up... According to the Ukrainian State Statistics Committee, more than half million Ukrainians (1% of the population) left the Ukraine in the period from 1994–1998. Officially, every year about 25 000 Ukrainians go abroad in search of better-paying jobs.1 These migrants are more educated than rank-and-file Ukrainians. In 1997–1998 alone 43,000 people with university diplomas had left the Ukraine for good. Among them were 78 Doctors of Science and 229 Candidates.2 At a glance the numbers are not impressive, but they would be much higher if we included the huge illegal migration, which is extremely difficult to count.

Last year the number of people leaving the Ukraine exceeded the number of people entering by 44,300. This negative migration balance, as the demographers say, is basically accounted for by the outflow of Ukrainians to the so-called far abroad, where 48,400 Ukrainians emigrated—11,500 to America...
13,200 to Europe. The most important reasons for such emigration, according to Interfax Ukraine, citing the State Statistics Committee, were family circumstances (67.9%), changing one’s place of employment (4.2%), and studies (1.1%). As the statistics make clear, such emigration, whether by an individual or by whole families, is an indicator of the quality of our country’s social sphere. You can talk as much as you like about positive tendencies in the economy, but two other indicators, the number of emigrants leaving and the lack of foreign investors coming in, will shatter the illusions...

Summing up the five-year sociological monitoring within the frames of the “Ukrainian Society at the Gateway to the 21st Century” research project, it is possible to find obvious reasons for migration movements from the Ukraine abroad. In recent years, in the consciousness of the Ukrainian population, there has been a steady tendency toward a negative evaluation of the Ukrainian economic situation as a whole, as well as the respondent’s own living level. From 1994 to 1998, the percentage of people thinking that the economic situation in the country cannot be evaluated higher than 0 points (on a scale of 0 to 10) has increased from 38% in 1994 to 45% in 1998. 95% of the population evaluated it lower than 3 points on this scale (where 0 means a very negative grade, 5 a fair one, and 10 the highest). A general tendency shows a decline in living standards and the quality of life of the Ukrainian population, with fewer possibilities for people to meet basic needs. As regards basic nutrition, a majority (from two thirds in 1994 to three quarters in 1998) says that they cannot eat as they would like. During this period, moreover, those who cannot afford the food they need increased from 53% to 61%!

The official full unemployment level has now reached 12%. If you add this to the 25% of those partially unemployed, you will get a staggering figure. 60% of the unemployed are women. Moreover, the average unemployment benefit in the Ukraine is 53.70 Hryvnias a month (less than 10 USD), absolutely below subsistence. It is perhaps for this reason that hundreds of those in the pursuit of happiness head every day for Western countries to find work. Seeking ways to survive, people take the risk of complete wretchedness and constant fear of deportation.

A “globalized” world has made the movement of goods, money and ideas freer, but not, strangely, the movement of people. As the numbers of migrants rise, so does unease in rich countries. One reaction is putting up more barriers and forcing migrants to more dangerous measures. Tighter borders encourage dangerous smuggling of people by criminal gangs who pack hapless travelers into rusty ships, airtight lorries and even beside the wheels of the Paris-London Eurostar.

That is why this paper deals with the unsettled sociopolitical issue of international labor migration and its impact on economic development, and seeks to determine the effects of migration on both labor-exporting and labor-importing countries.

This paper’s key questions are: the nature (migration of high-skilled and low-skilled workers), economic impact (positive and negative) of migration on economic development of the giving and receiving society, and some policy suggestions. The preliminary findings are: immigrants bring ideas, vigor and ambition, as well as their mere labor to host societies. They lower the average age of the population and alleviate the tax burden of the host society; they help to keep industries viable that would otherwise disappear; they create “Silicon Valleys” that assure the future of the countries. According to the UK Research Development and Statistics Directorate, earnings of migrants contribute to economic growth more than the existing population. They fill labor market shortages, reduce inflationary pressures, and improve productivity.

Emigration has long been considered as a development factor for the labor-exporting countries or as a substitute for development, since the migration of workers eases the pressure on the labor market and,
consequently, reduces unemployment, raises real wages, creates a more skilled workforce and generates cash remittances. However, the reality of these advantages is open to question…

Migration Impacts on the Economic Development of Labor-Importing Countries

The highest reward for a man’s toil is not what he gets for it, but what he becomes by it.

John Ruskin

The economic theory of migration is similar to the theory of trade, but migration is a much more complex phenomenon than trade. Like trade, migration is likely to enhance economic growth and the welfare of both natives and migrants; and restrictions on migration are likely to have economic costs. However, people move for a variety of reasons, not just for an economic benefit. Moreover, migration is not a one-way process.

Economic migration is normally a voluntary market transaction between a willing buyer (whoever is willing to employ the migrant) and a willing seller (the migrant); therefore it is likely to be economically efficient and beneficial to both parties. As long as the marginal productivity of labor differs in various countries, the migration of labor is welfare improving. Nevertheless concentration of migrants in particular areas brings with it a number of positive and negative externalities.

Analyzing the costs and benefits of migration we should bear in mind that education and skill levels are largely polarized with Ukrainian migrants. There are either highly educated people (those allowed into the country on work permits and as students), or relatively unskilled (seasonal workers in agriculture, construction workers, housekeepers, baby-sitters, gardeners and so on—mostly illegal migrants).

Let us start with the benefits and costs migration brings to receiving societies. While there is little evidence of damages or negative impact, in general, immigration brings a variety of advantages to the labor-importing country.

Advantages to the host country:

• The conducted analysis of migration in European countries suggests that, as theory would predict, migration has had positive effects both on growth and on growth per capita. A one per cent increase in the population through migration is associated with an increase in GDP of between 1.25 and 1.5 per cent.8

• Immigration lowers the average age of the population decreasing tax burden thanks to the migrants’ age distribution and higher average wages. The influx of younger people expands the labor force and slows down the decline in the ratio of workers to retirees in labor-importing countries. This, in turn, helps maintain the solvency of pay-as-you-go retirement programs, such as Social Security and Medicare. An initial analysis for the United Kingdom suggests that migrants contribute more in taxes and National Insurance than they consume in benefits and other public services. It was found that if there were no foreign-born people in the UK, taxes (or borrowing) would have to rise, or expenditure would have to be cut, by £2.6 billion.10
Immigration helps to keep industries viable that would otherwise disappear, causing employment to fall. Despite 'xenophobic' talk, there is little evidence that native workers are harmed by migration.\(^1\) There is considerable support for the view that migrants create new businesses and jobs and fill labor market gaps, improving productivity and reducing inflationary pressures.\(^2\) For example, although sugarcane harvesting and grape growing could now be done largely by machine, many farmers in advanced countries find it cheaper to hire foreign hands for the season. That is why there is a steady demand for these workers in host countries.

Migrants might bring with them the knowledge/entrepreneurial ability to start a new industry/industry cluster, which will then expand to employ natives and to encourage natives to start their own businesses in the same sector.

Hence, migration is important in helping to alleviate shortages of both skilled and unskilled labor, and helping foster and stimulate innovation and the creation of new businesses and jobs. This is very important for developed countries, as the need for foreign workers today is higher than at any other time in the post-World War II period. Federal Reserve Chairman Alan Greenspan recently cited the US labor shortage as “the greatest threat” to its record-long economic expansion.\(^3\)

They increase the demand for existing commodities such as real estate, transport and the infrastructure. The revival of many inner-city neighborhoods is due to the growth of immigrant enclaves, the increase in immigrant-run businesses and greater demands for housing. This has a positive effect on property values.

Migration of high-skilled workers in the sphere of information technology enables some developed countries to create “Silicon Valleys” that define the future of the countries in a globalized world.

Not enough is known about migrants’ social outcomes. Migrants bring a widening of consumer choice for the host population and significant cultural and academic contributions (e.g. in the arts, music, fashion, architecture, literature, dance, theatre, science, education, medicine and sport); these in turn feed back into wider economic benefits. Increased travel and migration has clearly benefited consumer choice. There has, for example, been a dramatic expansion in restaurants providing cuisine from across the world (Indian, Chinese, Turkish, Greek, Thai, Ukrainian and others).

Costs to the host country:

- The gains from immigration are not distributed evenly—there are winners and losers. The losers are the natives who are similar to immigrants and have to compete with them in the labor market. The winners are the natives who are complementary to immigrants and become more productive. In the case of low-skilled immigration, the skilled natives see their wages rise. Other winners include employers of immigrants, who pay lower wages, consumers, who pay lower prices, and suppliers of goods and services to immigrants, who have more customers. So, as you see, this positive trend overshoots the above-mentioned negative effect.

- The negative fiscal impact of immigrants is felt largely at the state and local level. Taxpayers located near clusters of immigrants with limited skills and education bear additional tax burdens. For example, in California the arrival of badly educated migrants costs each native Californian household $1,200 a year.\(^4\) The increased burden is due to immigrants’ higher usage of schools and transfer programs. It is true that immigrants are more likely to participate in public assistance programs — defined as Medicaid, Temporary Assistance to Needy Families, Supplemental Security Income, food stamps, and housing and energy assistance. In the U.S., 22 percent of immigrant households receive some type of assistance, compared with 15 percent of native households.\(^5\) But we should
bear in mind that while the lower education levels of immigrants make their fiscal impact negative, their age distribution does the opposite.

- Another problem is that costs and benefits are not shared out equally. It is true that new migrants find it particularly hard to improve their lot. But, one can argue, over time they tend to get wealthier and pay more taxes, thus becoming net contributors. One estimate suggests the average migrant pays $80,000 to the American government in his lifetime, and as much as $250,000 if he went to college.¹⁶
- Many migrants work in the black economy; their communities provide a surrogate welfare system, and some earnings are sent abroad.¹⁷
- Migrants may also increase pressure on housing markets, transport and the infrastructure. But it is they who revive the inner-city neighborhoods and create a positive effect on property values.
- Unfortunately, the flow of migrants has its social costs, too. Immigrants can cause ethnic conflicts and they may encounter discrimination by the host society. Such social problems can bring about a destabilizing effect on the host society.

To conclude, it is worth stating the UK Research Development and Statistics Directorate: “On average, migrants contribute to economic growth more than an existing population. They fill labor market shortages, reduce inflationary pressures and improve productivity...”¹⁸

Migration Impacts on the Economic Development of A Labor-Importing Country (Ukraine)

The wealth of nations is men, not silk and cotton and gold.
Richard Honey [1864–1900]

Migration also has many implications for the sending countries. Let us start with the benefits.

Benefits for the labor-exporting country:

- Emigration eases the pressure on the labor market in the labor-exporting country. Consequently it reduces unemployment, raises real wages, creates a more skilled workforce and generates cash remittances. Around the world, roughly $100 billion is sent home in this way each year, vastly more than is spent on aid. It is much better to encourage recovery by letting some 1 million Ukrainians into America or other developed country to work and send money home to their families than to spend tax dollars on aid that promotes corruption and money laundering in the Ukraine. The figures show that the countries that export migrants get a good deal. The problem in the Ukraine is that mainly this money stays in the ‘shadow’, and is spent on imported goods. This harms local industries and does not promote small and medium businesses.
- In the long-term, perspective benefits include the new skills and dynamism brought back to the sending country by returning migrants. Even if migrants do not return, migration may help to develop international networks that promote trade and investment flows, benefiting both the source and receiving countries. One example of this is the mutually beneficial relationship between the Indian
software industry in Bangalore and Silicon Valley, which is characterized by a very large Indian migrant workforce. Migration also enriches culture (in the long-term perspective).

- Remitted money can be invested for the development of human capital (i.e. parents invest in education of their children etc.).

**Costs to the labor-exporting country:**

- The Ukraine is losing its people. The loss of its young and productive workforce (low-skilled workers) causes a diminishing GDP and an increasing tax burden. The ‘brain-drain’ (emigration of high-skilled workers) creates unfavorable dynamics for the structural changes in the Ukraine’s economy. It constantly reduces the share of high-tech products in the GDP structure and causes the Ukraine to lag behind.\(^{19}\)

- In the long term, migration of skilled labor may have costs, by inducing a switch to products and processes that require less skilled labor, and by causing deterioration in the public services and public administration.

- The migration of skilled workers might have a negative impact on development and poverty reduction in poor countries.

- Unfortunately, this cheap labor force has become a target of both domestic and international criminal organizations. Thus migration processes are becoming an important component of international criminal business—industry of labor trade. They are under the influence of criminal gangs and are increasingly taking on an organized character. Due to these and other negative tendencies in the current stage of the development of the Central and Eastern European countries, human beings tend to be considered as mere goods.

- Organized criminals run a thriving business smuggling women for the sex industry, which in Europe is thought to be worth some $9 billion a year.\(^{20}\) Estimates put the number of women smuggled each year into the European Union and the more prosperous Central European countries at 300,000, though not all end up in the sex trade. But the figure could be double that. There are some 20,000 women in 600 or so brothels in the Czech Republic alone; most of them foreigners smuggled into the country. The Ukraine’s interior ministry reckons that many of the 500,000 Ukrainian women who have left the country since independence have been drawn into the sex industry.

While the illicit and violent nature of the trade makes accurate monitoring impossible, a clear pattern seems to have emerged since communism’s collapse. In short, there is a two-step movement of women from east to west: first, of Russians, Ukrainians, Moldovans and Belarussians into the trade in Central Europe and, second, movement of these women and Central Europeans to western cities. These days, Slav women have supplanted Filipinos and Thais as the most common foreign offering in Europe’s brothels.\(^{21}\)

The corpses of several hundred trafficked women—strangled, shot, or beaten to a pulp—turn up around Europe each year. Many more bodies, Europol reckons, are never found. The organized gangs of traffickers who smuggle and lure young women into prostitution, mostly from Eastern and Central Europe, are ruthless. No amount of moralizing, however, will have much effect unless a broader problem feeding the supply of women is confronted: the feminization of poverty in the Ukraine.

- Illegal migration to European countries often damages the international image of the Ukraine (identification of the eastern worker-migrants with criminals originates from the specific behavior of the Russian-speaking mafia).
In addition, it is worth recalling that the uneducated, lazy, infirm, and those without initiative have little chance to emigrate. Consequently, the sending society loses not only those with brains and brawn but also taxpayers.

Many analysts, sending-country governments, employers, and migrant workers feel that countries with unemployed workers should, if possible, export them to countries with labor shortages. Remittances from migrants and returning workers who were trained abroad should stimulate economic growth and, in the long term, should reduce unemployment and pressures to emigrate. It was also projected that within a decade or less, labor-importing countries would emerge from the labor-shortage phase of their development. However, the reality is different: migrant workers have become a structural feature of labor-importing economies (Western Europe, the Middle East, South Africa, and the United States) and emigration has not promoted much development in the labor-exporting ones.

A Possible Way Out...

The world will not evolve past its current state of crisis by using the same thinking that caused the situation.
Albert Einstein

The Ukraine also will never evolve past its current crisis and achieve development if it does not change its current thinking. In order to hold a more or less decent place in the global community, the Ukraine should conduct the following policy concerning migration from the Ukraine abroad based on human potential and intellectual capital:

1) **Short-term solution**: policy of controlled, protected labor export.

2) **Long-term solution**: policy of decreasing unemployment and promoting the development of high-skilled industries (information and technology).

According to the first policy, it is expected to establish a governmental level Migration Information Agency (South Korea being an inspiring example). Its task would be to promote legal migration of Ukrainians abroad both temporarily and for good. It should provide them with the necessary information about the host countries’ laws and economic and political situation; help migrants’ prospects to emigrate, find jobs, housing and so on; warn them about the potential dangers, obstacles or hardships and the places of help. Countries such as South Korea and Japan had such services in the past. In a word, potential migrants should be informed, helped with the contract documents, trained before departure and then transferred legally to the country of destination. If agreed with the family and the worker, the Agency could be in charge of money remittance services from abroad. Such a policy would be beneficial for both the individual willing to migrate in search of a job and the state as a whole. The former would get the necessary help and assistance and the latter would receive money revenues to the budget, controlled migration, a decrease in poverty, a fall in unemployment and most importantly, the trust of Ukrainian citizens.

The second policy solution is based on the realities of today’s world in which information and technology are strategically more important than the millions of tons of steel produced or the dozens of tons of gold extracted, or any number of automobiles, machine tools, household appliances, or any other products.
In today’s economy concentrated knowledge is more valuable than any other goods. A tiny material enclosure contains a colossal volume of intellectual matter (for example, computer programs, the latest medicines, or state-of-the-art aerospace equipment). This requires radical changes in the very nature of production, to which Ukraine has to pay attention. In order to prevent a massive ‘brain-drain’, the Ukrainian government should work out and launch a new economic strategy by creating the concept of software and hardware technology parks which: envision a 100% export-oriented scheme; implements the simplest procedure of company launching; grants the ‘starting’ firms special right to import, export and produce the goods tax and duty-free and gives the foreign firms the right to set up Ukrainian branches under their own control, etc.

Definitely, it is too early to speak about a speedy formation in this country of structures capable of standing on a par with Silicon Valley, but the world has some positive experience, which suggests very good prospects relevant to the Ukraine. To work out a new economic strategy, it could take advantage of the instructive and successful experience of India, which has until recently been regarded the world over as a Third World country, but is now turning into yet another economic tiger.

The Tail

Large streams from little fountains low,
Tall oaks from little acorns grow.
David Everett

In this study an attempt is made to identify the overall economic and social outcomes of migration policy in the labor-exporting and labor-importing countries, both in theory and in practice. The evidence indicates that migrants constitute a very diverse set of people with different characteristics, contributing in different ways to the receiving economy and society. Overall, migration has the potential to deliver significant economic benefits to receiving countries and rather smaller ones to sending countries.

There is a real need for more research in this area – indeed, it is striking how little research on migration there has been done in the Ukraine. The collection of real data should be a basis for working out policies in the labor market. The future economic development in the Ukraine is possible only with a proper governmental strategy based on human potential (productive and cheap workforce) and intellectual capital (educated people). That is the only way for the country to hold a more or less decent place in the world community.

Notes


11 The classic study in this field is Card (1990), which looks at the effect of the Mariel boatlift, a huge and exogenous influx of migrants to the Miami area. Borjas (1994) surveys the economic literature, finding no support for the hypothesis that the employment opportunities of US-born workers are strongly and adversely affected by immigration.


13 Alan Greenspan, testimony before Senate Banking Committee, 23 February 2000.


17 For Central America as a whole, such remittances (mostly from the United States) have grown by 26% a year and were thought to be worth $8 billion in 2000 by the Inter-American Dialogue, a think-tank based in Washington.


19 While information and technologies are everything in today’s world. Expenses on them make up an average three fourth of the value of modern products. Consider the following ratio of prices for industrial items: selling one kilogram of crude oil brings a $0.020–0.025 profit, of durable goods—$50, of aviation equipment—$1000, of high technology product in information sciences and electronics—up to $5000. No comment!

20 In the shadows. // The Economist. 24 August 2000.

21 In the shadows. // The Economist. 24 August 2000.

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Exploring Culturally and Historically Appropriate Solutions to the Problem of Violence against Women: Can the Nordic Model Work for Russia?

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Introduction

Violence against women is “any act of coercion based on gender preference that brings, or may bring, psychological, sexual or physical damage or suffering to women, including threats, compulsion and arbitrary limitation of freedom, no matter whether it takes place in public or private life. ”Violence against women should be seen as another form of violation of human rights and fundamental freedoms of women.¹

Although a widespread phenomenon in Russia, violence against women is not given appropriate public attention. Cases of violence, rape in particular, are so numerous as to create a kind of distorted but accepted norm.² However, since attacks on women are regarded as a private problem in Russia, only a few victims try to get legal satisfaction, hence a relatively small number of cases (3%) are tried in court. Statistics show that violence against women exists in different forms in everyday life in any given society. In most countries, 50 to 100% of women become victims of physical or sexual coercion. This phenomenon was recognized as universal and thus deserving of special attention. The United Nations and the Council of Europe have been addressing this issue since 1980s.³

Faced with a more general absence of women in national statistics,⁴ the emerging feminist movement during the 1970s connected the problem of violence against women with the concept of male dominance.⁵ Feminism put us into the field of discourse concerning ‘gendered’ violence in connection with gender inequality, and discrimination against women.

In this approach, violence, for men, is a way of getting and keeping power, privileges and control. Men are taught to use it from childhood. It is a way of expressing and maintaining their masculinity in the face of women, children and other men. They perceive power as the ability to dominate and control people and everything around them. This way of thinking makes using violence acceptable for many men. Violence became a method in business and in private relations. Violence against women is just a special case.⁶
But inclination to violence is not a natural condition of men. Corresponding to modern gender theory (Albers, Scott, Nash, Leonardo di, Hirdman) ideas about appropriate modes of behavior for men and women also has a social origin. Socialization is viewed as a process of learning gender roles. Every society has its own complex set of ideas about what is masculine and feminine. They have very deep roots in history, religion, ideology, etc. In order to solve the problem, the structures that bring the danger of violence should be dismantled at the level where gender identity is constructed.7

Currently, the whole concept of male roles and masculinity is being questioned and reconsidered. Many countries in the world have created their own programs in this direction. According to the discussions at several international conferences devoted to the problem of violence, men’s modes of behavior and men’s attitudes toward women need to be changed. In this connection we may talk of the importance of ‘mens’ studies’. In Nordic countries, which have addressed gender issues with corresponding policies, a new direction of study takes place: Men and Gender Equality.8 The Nordic program for cooperation on Gender Equality (1995–2000) works towards integrating gender equality aspects into all political decision-making processes (mainstreaming).9

It seems it would be very useful for Russia to adopt this international experience, the Nordic model for example. But application of this model has its limits. We should take into account the specific conditions of our society, the present socio-cultural, economic and political situation. In this paper I will take a gender approach to the Russian case and see what can be gained from the Nordic model.

Violence against Women in Russia: Numbers, Laws, Attitudes

During Soviet times women’s issues just could not exist because complete equality between women and men had supposedly been achieved. Up until recently, there were no investigations, public opinion polls, or statistics in this sphere. The recognition of violence in general and violence against women in particular was one of the achievements of the post-soviet reforms.

Independent women’s organizations brought attention to the problem for the first time. They compiled statistics, collected publications and began the struggle. The first hotlines, Crisis Centers and shelters appeared in the 1990s. According to their records, about 70% of women suffer from at least one form of violence during the lifetime. In 1993 more than 14.5 thousand women were killed in Russia, 57 thousand were mutilated.10 These numbers grow from year to year. About 30-40% of all serious crimes take place within the family. Approximately 70% of the victims are women. Violence is present in one out of four Russian families.11

Though violence has various forms, international standards define 3 core kinds of violent actions: physical violence, mental (emotional) violence, and sexual violence.12 Domestic violence should be regarded as the most dangerous form of these.

In Investigating traditional attitudes towards sexual violence and its victims among various specialists and professionals (such as psychologists, psychotherapists, the legal profession and the police) we come to the conclusion that the great majority believe that the victim is herself often to blame, having provoked the attack by one or another “incorrect” behaviors or styles of dress. The man is perceived to be totally at the mercy of his instincts, a being who exercises no self-restraint whatsoever. Among Russian legal experts and psychologists, “victimology” (i.e. the idea that there are certain types of women who suffer violence), is widely favored.
Although violence against women occurs widely throughout Russia, the victims prefer to remain silent. And this is hardly surprising. They feel vulnerable and defenseless during the investigation of such a case or in hearings in court. If women attempted to bring charges they usually got no further than the preliminary investigation by the police who then “dissuaded” the woman from pressing matters further. Though the Russian Criminal Code has articles treating sexual and some other kinds of domestic violence as a crime, in fact the investigation of such cases is not guaranteed and meets with a lot of obstacles. Regarding these crimes as “private matters”, the police refuse to react to the women’s complaints. It is considered that violence accomplished in a public place, in connection with an unfamiliar man, presents much more public danger than the same actions accomplished at home. Criminal cases are raised only in the case of serious crimes such as murder and those causing serious bodily harm.

Investigating the Roots of Violent Behavior:
Gender Approach

It is widely accepted that economic instability leads to an increase in crime and growing tension in family relations. According to a public poll that took place in Nizhniy Novgorod (1998), the main factors evoking violence were: severe socio-economic situations, low levels of income, lack of means of existence, unemployment or the threat of it, and alcoholism. But economic reasons are not crucial to the cause of violent behavior. The roots of violent behavior lay in the character of gender roles—culturally transmitted notions about appropriate modes of behavior for women and men (see Albers, Scott, di Leonardo, Nash, and Hirdman). The concept of gender and systems of gender roles increases our understanding of the reasons for domestic and other violence directed against women, making it necessary to examine the dominant gender ideology within a given society.

What are the traditional gender roles in modern Russia? After questioning 400 people in St. Petersburg, (54% of women, 46% of men; several age groups, different social and marital status), it is obvious that the so-called ‘patriarchal’ worldview predominates in public opinion. 66% of those questioned expressed a high level of acceptance of the ‘patriarchal’ way of thinking—a combination of inter-related attitudes, subordinating women to men. On this view, there must be a distinct and rigidly fixed distribution of male and female roles in the family and society; the man must hold the leading, active role, whereas the woman plays the subservient, passive one, with her main sphere being the family (that does not relieve them from the double burden, of work outside the home and inside it). In everyday practice, within traditions and habits, men have many more chances to promote their careers and possess many advantages in choosing a professional activity that provides them with higher status and social honors.

We can further suppose that such an attitude would not be typical for Russia as a whole, since St. Petersburg is a large city akin to a capital. It may be that in provincial cities, and even more so in rural areas, the percentages would be different, with even more people holding to a patriarchal worldview.

All the evidence confirms that ‘patriarchal’ gender ideals are commonplace and that there is an inequality of the sexes in society. Repeated mechanisms that ensure the subservient position of women increase the opportunity for the use of violence against them as a display of men’s authority and superiority.
Facts on Discrimination against Women in Russia

Contemporary Russian society demonstrates a kind of gender contract that gives men advantages in sociopolitical and economic spheres while exploiting women through so-called double employment.

According to the National report for the Fourth United Nations Conference on women (September 1995, Peking), social discrimination against women increased during the past few years. Political reforms did not provide women with access to the state government system; on the contrary, their participation in such bodies of power was reduced. In 1980-85 the Supreme Council of the Russian Federation had 35% women-deputies, the Federal Assembly of 1993—11.4%, and in 1995—12.7%.

The transition to a market economy affected the social status and condition of women in various ways. The prevailing tendency was a decline in women’s participation in various spheres of social life, especially in labor and employment. For a long time women depended on a now broken system of social guarantees such as allowances and privileges and were not prepared for a new situation such as the free market. Historically women were attached to fields and sectors with strong paternal influences of the state (health, education, public services, culture, retail trade and public eating-places). They were the first to come under threat of dismissal when enterprises reduced their workforces. Those who continued to keep their positions within the state sector of the economy now get relatively low salaries. In 1989, women’s salaries were equivalent to 70% of the payment for male labor. The majority of Russian women earn less than half that of their male counterparts. In addition, 70-80% of the unemployed registered at labor exchanges are women. The lowering of social status can be observed in the growth of physical infringement on women. In this connection we should note that it was not only the situation facing women that has worsened. Large-scale changes in all structures of society have affected different layers of the population, but most of all, the least socially protected have suffered. This category, apart from women, includes the elderly, children, and marginal sectors of society (various ethnic, racial, sexual and other minorities). But women form quantitatively the most representative group (53% of the population).

The ‘Nordic Model’: Gender Equity Policy as a Strategy for Eliminating Violence against Women

All the Nordic countries have committed themselves to taking steps to eliminate and prevent violence against women, provide aid to the victims of violence, and to change the behavior of the perpetrators of acts of violence. The first crisis centers started their activities in the late 1970s, and when they showed that they were greatly in demand, their number increased steadily.

The main focus of the Nordic policy is mainstreming, i.e. integration of gender equity aspects into all areas of policy. There is a tradition of asking for opinions from relevant associations and organizations (especially NGOs) when new legislation is being prepared in a particular field. It is important that all proposals and decisions should be analyzed in a gender equal way so as to identify the possible consequences for women and for men.

According to the Nordic Model, the resolution of the problem of violence against women is indissolubly connected with the achievement of gender equality and eradication of discrimination against women.
Nordic countries, and Sweden in particular, have very advanced gender policies. These policies are strongly connected with an ideology, which manifests that equality between women and men is an altogether crucial part of the Nordic welfare state model. The objective of equality is that all human beings, both women and men, should have equal rights, obligations, and opportunities in all fields of life.22

According to the Cooperative Program for Gender Equality23 held in the Nordic countries (1995–2000), measures must be concentrated on activities which:

- Promote equal access by women and men to the political and economic decision-making processes
- Promote equality in economic status and influence for women and men. Measures that promote equal pay constitute an important part of this work24
- Promote gender equality in the labor market25
- Improve the possibilities for both women and men to combine the role of parent with a job26
- Influence European and broader international development in the field of gender equality
- Develop methods that promote active steps to achieve gender equality27.

There are also special programs to support minority groups, immigrant women, and disabled women.

The Nordic Model was developed for a democratic society with a high standard of living and comparatively small differences in wealth and status among the population, including women. Besides which, historically in Scandinavia there were more favorable circumstances for development of the feminist movement and the struggle by women for their rights. Russia has only recently begun to introduce democratic transformations. Today it is a transitional society with complicated social structures containing much dissimilarity. It requires a complex differentiated approach that considers ethnicity, class, gender and perhaps other cultural peculiarities.

Developing a National Strategy

Taking into account the present situation, the government of the Russian Federation has issued a Resolution about the concept of improvement of the women’s situation in Russia (January 8, 1996). In this Resolution, issued in reply to the recommendation of the Fourth United Nations Conference on women (September 1995, Peking), the government undertakes an obligation to make a reassessment of the Russian legislation and to introduce and develop proposals for the changes that are necessary in order to ensure and maintain women’s rights.

The common priority of the national strategy is to “aim to realize the principle of equal rights, freedoms, and possibilities for women and men”. The priorities are:

- The maintenance of women’s rights corresponding to the basic human rights and freedoms.
- Women’s participation in decision-making process on all the levels.
- Equal rights for women and men in the labor market.
- Protection of women’s health.
- Elimination of violence against women.
As we can see, a special part of the document is devoted to the problem of violence against women. It is stated that violence against women is spread across all spheres of public and private life. Among the strategic aims and approaches to the problem of violence there are such measures as:

- Improve statistics and to encourage researches about the reasons, character, degree and effective measures to reduce violence against women.
- Develop the criminal, civil, labor and administrative sanctions for punishment for offences and compensation of damage caused to the women.
- Develop the mechanism of interaction with NGOs.
- Develop a wide network of help services for the victims.
- Supply the social rehabilitation of the victims.
- Develop prophylactic consultations of the population concerning the problem of violence against women.

This document is a first step on the way to the recognition that violence against women is a serious problem. However, it carries with it a declarative character. There is no guarantee of whether this strategy will be embodied in real life. To a great extent, the execution of the resolution depends on the political will of the government.

In June 1996 the Russian president signed Decree 932 “About the development of the National Plan of actions on the improvement of women’s situation and the increase of their role in society by 2000”. However, there are serious bases upon which to doubt its successful realization. For example, in the budget, accepted by State Duma for 1997, no means were allocated for the performance of tasks planned in the Resolution and in the presidential decree. New Criminal, Labor and Family Codes contain rules that will improve the protection of women’s rights, and in particular, those concerning violence.

Since 1995 a special project of Federal Law “About prevention of violence in the family” was discussed in the Duma. By March 1999, the 32nd version, the last, had not passed the hearings. The Committee on Women, Family and Youth refused further lobbying of this law. Instead, they offered to bring in amendments to the Criminal and Civil Codes as well as other federal laws. In the opinions of the experts working with the victims of violence, special legislation is absolutely necessary.

Conclusions: The Limits on the Application of the ‘Nordic Model’

Violence against women is a universal phenomenon that is supported by a ‘patriarchal’ cultural and legal system. Economic, socio-political and cultural factors cooperate with each other to create structures that perpetuate a subservient position for women. Various kinds of violence are connected with each other and are incorporated by their existence into discrimination against women. Thus, it is rather probable that many measures which are now used in the struggle against violence (such as help for victims), simply treat a symptom, instead of the causative factors of this phenomenon. It is necessary that all measures are interconnected and include effective approaches to questions of legal, social and economic injustices, with which women collide.

Russia needs to develop its own strategies, but the elimination of violence against women must be at the core of a wider program for improving women's situation. The plan should be carried out according to
international standards of gender equality and with an absence of discrimination at all levels. Such a strategy would represent faster final, long-term objectives, than the programs for the near future. For the termination of violence against women it is necessary to change the social model based on male dominance and to destroy traditional stereotypes of aggressive masculinity. Probably it would take more than one generation to change public values in this sphere. A wide range of educational activities (special studies for children and students, training programs for adults); mass-media involvement (TV, radio programs, bulletins, articles in magazines and newspapers, special campaigns against violence and so on) would be of great use.

At first sight, the main points of the Russian strategy of improvement of women’s situation, described above, seem to be similar to the Nordic model. It is directed at the achievement of gender parity. It also strives for “participation by women in the decision-making process at all levels and equal rights for women and men in the labor market”. But Russian society is not ready for mainstreaming changes concerning women’s situation. The social and cultural features of Russian society named above, such as ‘patriarchal’ gender stereotypes, perception of family relations as private matters, unwillingness to accept equality of women society and women’s tolerance to this situation, put limits on the application of the Nordic model. The Russian people are less ready to accept ideas that have been elaborated in the West since the 1970s and have now become an integrative part of their national culture and mentality.

There is an essential need to increase the degree of comprehension of this problem in Russia at various levels: among the women, government officials, lawyers and workers in the legal system, and the population as a whole. In any country the real changes in women’s situation occur due to the organized active actions of female organizations. The concept of women’s ‘empowerment’ becomes the core of their efforts. In Russia women still do not realize all their rights and opportunities. So long as they are prepared to put up with their present situation, it is unlikely to change.

A complicated economic situation brings a lot of dissimilarities into the conditions of the women. An appropriate policy should use a differentiated approach. Different categories of women need to be treated in different ways. The most vulnerable categories (various minorities, emergency migrants, disabled women, etc.) deserve special attention. It would be more effective if complex measures complemented each other. A common progress in the economy of the state is a necessary precondition for successful changes in women’s situation.

Notes

1 From the Declaration on the Elimination of Violence against Women, mentioned above.
2 Opinion polls show: more than 70% of the women in our country suffer from different kinds of violence during the lifetime.
3 Third United Nations Conference on women problems in Nairobi, 1985; Ministerial Meeting of the Council of Europe, October 1993 (Declaration on Opposing Violence against Women in Europe); U. N. General Assembly, December 1993 (Declaration on the Elimination of Violence against Women).


In spring 1995 the Nordic Council of Ministers held an equality conference in Stockholm on men. The goal of the conference “was to shed light on the positive aspects of the contemporary male role, sexuality and paternity, men and violence, and research” (Gender Equality—the Nordic model. Nordic council of Ministers. Copenhagen, 1995, pp. 37–38.


To compare: during 10 years of Afghanistan war 17 thousand of people were killed.


This language is gender neutral; meaning a woman threatening her husband becomes just as criminal as the other way around. The gender neutral language will also allow to apply the law to “same sex marriages”.


Nordic Equal Pay Project develops the system of job evaluation, which is to be based on such parameter as education and training, experience, responsibility, performance, working environment, and stress.

Special programs, like “BRYT”25 (1985–89) aim to develop and test new methods to break down the gender-based segregation of the labor market (which is mainly a result of choice of education.

Including development of public childcare facilities, parental leave programs and other forms of family support.

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Dealing with Minorities: Estonia and Kyrgyzstan in Comparison
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Dealing with Minorities: Estonia and Kyrgyzstan in Comparison

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Bishkek, Kyrgyzstan

After becoming independent, all of the republics of the former Soviet Union began the process of creating new national identities. Already in 1989 as part of the growing national movements that were permitted under ‘glasnost’, the titular language in many Soviet republics became the state language. The republics started to promote the titular nationality through a variety of educational, citizenship and language policies. The newly independent states were faced with this dilemma: compensating for past injustices through present policies or protecting the rights of minorities. On the one hand there is a nationalizing state promoting the titular group, on the other hand there is a multiethnic society and rights of minorities. The question arises how to deal with minorities groups, for when states begin the process of creating a new national identity, rights of the minorities are often forgotten. This paper will compare how a new identity is being built in Estonia and Kyrgyzstan and what influence it has on minority groups. What policy toward minorities do we call ‘tolerant’? What is meant by ‘offering support’? How do language policies and citizenship rights influence minority groups? If there are economic benefits, but people do not have political rights, can we call such a situation stable? Is the presence of a stable economy enough to secure future harmonious relations between nationalities? What factors might influence the process of making a new national identity and the rights of minority groups? This paper will shed light on these questions through an empirical comparison of Kyrgyzstan and Estonia.

First, I will discuss one of the theoretical explanations of nationalizing policies with the help of a theory by Rogers Brubaker. Second, I will make a comparison between the policies of Estonia and Kyrgyzstan that have a direct influence on minorities, such as language and citizenship laws. Third, I will discuss the significance of external factors on their policies towards minority groups. In conclusion, I will discuss the possibility of the construction of civic nationalism, as opposed to the ethnic one, in the post-Soviet States.

There are, of course, some obvious differences between Estonia and Kyrgyzstan and I will discuss the importance of these later in the paper. But there are some factors that are common to these two countries. Both Kyrgyzstan and Estonia have a common Soviet past that transformed their population structures through the waves of migration into multiethnic societies. Both States are conscious of discrimination

* The author is grateful to Madeleine Reeves, CEP Visiting Lecturer at the American University in Kyrgyzstan, for constructive suggestions and valuable comments.
towards titular nationality in the Soviet times, particularly in cultural and linguistic areas. That is why after becoming independent, both states began to promote a “repressed” ethnic identity. They both turned into ‘nationalizing states’ although to differing degrees. According to the writer, Aitmatov, there was a need for kindergartens and other schools with the Kyrgyz language of instruction.1 Both States have large minority groups. The titular population in 1989 in Kyrgyzstan was 52.4% and in Estonia it was 61.5%.2 One of the main tasks that lay before these two States is how to manage linguistically different ethnic groups without discriminating against others. Both countries have a big linguistic gap between titular and minority groups that makes assimilation more difficult. The Estonian language belongs to the Finno-Ugric family of languages, while the Kyrgyz language is similar to Turkic. Estonia and Kyrgyzstan are two small countries that are situated next to large neighbors. In the creation of a new national identity and in the treatment of minorities, this fact may become significant. (See table)

The tendency of Kyrgyzstan and Estonia, as with all other newly independent states to nation building, is to create a common national identity that emphasizes the titular nationality. This makes them, what Rogers Brubaker calls, ‘nationalizing states’. A nationalizing state, as defined by Brubaker, is “the state of and for a particular ethno-cultural ‘core nation’ whose language, culture, demographic position, economic welfare, and political hegemony must be protected and promoted by the state.”3 What the non-titular minorities are faced with is nation-building based on the ethnicity of a titular nationality rather than state building. This can result in ethnic nationalism, as opposed to civic nationalism, and can be characterized as exclusive.

According to Brubaker, it was inevitable for the post-Soviet States to become nationalizing nationalisms and promote the ‘core nation’ by trying to create one homogenous society, one language, one culture.4 This is a legacy of Soviet Union policies. The Soviet Union deliberately stressed nationality ‘not only as a statistical category, but also and more distinctively as an obligatory ascribed status.’5 Brubaker suggests that “far from ruthlessly suppressing nationhood, the Soviet regime pervasively institutionalized it.” According to Brubaker, “the regime repressed nationalism, of course, but at the same time it went further than any other state before of since in institutionalizing territorial nationhood and ethnic nationality as fundamental social categories. In doing so it inadvertently created a political field supremely conducive to nationalism.”6 Examples of Soviet Union policies might include korenizatsia, selective promotion, and a space for nationality, rather than simply a citizenship line in passports. When the Soviet Union collapsed, the post-Soviet states started to pursue nationalizing policies, often discriminating against rights of ethnic groups because they tended to highlight the core nation, precisely because of the legacy of the Soviet Union, what Brubaker called an ‘institutionalized definition of nationhood.’

The post-Soviet states claim that their nationalizing policies are legitimate. Such policies are seen by the newly established regimes as, what Smith calls, ‘politically profitable’. The governments need a homogenous society because it is considered to be more efficient. They promote one language and one culture so that the population will be loyal to the State. It is also useful to have a homogenous society in economic terms. As Smith points out, “a rational, modern and efficient nation-state, it is argued, requires a uniform and standardized national culture...Political elites contend that linguistic, cultural and educational homogenization is necessary to run a more efficient national economy and state bureaucracy, as well as to produce a more loyal and harmonious citizenry.”7 This kind of argument is explained by the theory of Ernest Gellner, which argues that the modernization process requires that state and nation should be one; this is the idea of the standardized state. Gellner defined nationalism as a “primarily political principle, which holds that the political and the national unit should be congruent”.8 As the society becomes highly industrialized, there is a need for social mobility, for educated people and for centralization of power. An industrial society implies a statewide education system, which leads to one standard language, one standard culture.9
Other claims that strict policies are legitimate, particularly in Estonia, include promoting a core nation, which holds that power, economic benefits and private property should be given to the titular nation. Talking about the policies of the Baltic States, Anton Steen pointed out that “national ethnic rhetoric, which is a basic element in building any new independent nation, also became a platform for recruitment and power consolidation of indigenous elites. Since higher positions that are sources of personal prestige and income are few, national elites will see Russians as unwanted challengers to such limited resources.”

Nationalizing states could also be justified by Brubaker’s theory. When analyzing the triadic relationship of national minorities, newly nationalizing states and external national ‘homelands’, Brubaker suggests that nationhood and identity should be regarded as fluid, changing, not something permanent. “A national minority is not simply a “group” that is defined by ethnic demography. It is a dynamic political stance, or, more precisely, a family of related yet mutually competing stances, not a static ethnodemographic condition.” Thus, if we accept that identity and nation-ness are fluid, the nationalizing state could be easily justified in pursuing assimilation of its population, often by means of exclusive policies. But Brubaker himself identified institutionalized definitions of the Soviet Union and pointed out how the Soviet Union legacy still influences policies of the newly independent states. How feasible is it to move overnight from a belief that the State, or as the case with the Soviet Union, the Republic, was made for one nationality and had the name of the dominant ethnic population, and now to accept this idea of fluidity of identity and nation-ness? The outcome will not be an open integration and acceptance of all the people who think of themselves as Estonian or Kyrgyzstani for example, to become full citizens of this or that country. The result would be an ethnic democracy. In the case of Estonia and Latvia, the dilemma is which policy to choose when the consequences may result in a huge gap between de jure and de facto situations as in the case of Kyrgyzstan.

Estonia, along with Latvia, is trying to promote assimilation and integration policies. But what they are doing in reality is building an ethnic democracy precisely because of the Soviet Union legacy on nationality and a nation of and for one ethno-cultural group. The “Legacy of Soviet nationality policy fixed and crystallized ethno-cultural nations and endowed them with “their own” territorial “polities”, that is, with polities (or pseudopolities) that were deliberately constructed as belonging to particular ethno-cultural nations.” Estonia chose the core-nation principle. There was a feeling that national culture and language were under threat. Thus, after the collapse of the Soviet Union, citizenship was given only to ethnic Estonians and all others who lived there before 1940. This excluded many non-Estonian minorities, including people who were born there and who had lived there for a long time. The mainly Russian-speaking minority does not have any political rights. Non-Estonians are not allowed to vote in national elections, to join political party, to serve in the civil service or to own land, according to Estonians laws.

Knowledge of the Estonian language is not the only requirement for citizenship. Article 6 of the Law on Citizenship of 1995 requires that a person applying for citizenship must “have lived in Estonia on the basis of a permanent residence permit for no less than five years prior to the date on which an application for Estonian citizenship is submitted and for one year from the date following the date of registration of the application (residence census ‘five plus one’); have knowledge of the Estonian Constitution and the Law on Citizenship, in accordance with the requirements established in Article 9 of this Law; have permanent lawful income sufficient to support himself or herself and his or her dependents...”

Thus, an applicant has to wait for six years, and, in addition, he, or she, has to have a job in order for him, or her, to have a regular income. Does this mean that there is discrimination against non-citizens in
finding a job, or if there is discrimination, do requirements for citizenship simply make it impossible for non-citizens to become one. Concerning knowledge of the Estonian language, it is not surprising that a future citizen should know the language of a country where he or she lives, but the difficulty may arise in measuring the level of knowledge and the speed with which people have to acquire it. As Carmen Thiele points out, “a specification of the admissible extent and degree of difficulty cannot be found in international law. The extent and degree of difficulty of language knowledge required in Estonia corresponds to a higher level of education, which goes beyond general knowledge. The requirement of language proficiency is thus in accordance with international law, but the extent and degree of difficulty are highly disputable.”

Estonia is building a democracy and rights are restricted only for those who are not Estonians. Smith suggests that Estonia should be considered an ethnic democracy, where the dominance and rights of one ethnic group are being institutionalized. But is there such a thing as an ethnic democracy? Is it an oxymoron? Does not democracy mean respect for the rights of all citizens? In the case of Estonia, non-ethnic Estonians are not citizens, so the rights of all citizens are being respected. But is it democratic not to give citizenship to people who were born in Estonia or lived there for some time, who want to stay there, who consider Estonia their homeland and who would be loyal to the state if they were not regarded as aliens and foreigners?

Some argue that non-Estonians accept the situation as it is; there is no social movement for change. It is because the Estonian economy has been rather successful and Russians, in particular, do not want to leave for Russia, where the situation is rather unstable. The likelihood of interethnic conflict in Estonia is quite low. But on the other hand, ethnic minorities cannot do much because they simply do not have a right to form such a movement. Besides, the presence of a stable economy is not enough to secure future harmonious relations between nationalities. Sometimes people prefer to hide their real attitude towards a certain policy for political reasons, or out of fear, for example, of uprisings, as in Eastern Europe in 1991. There is hope that Estonia will change its policy towards minorities when it is admitted to the European Union because the EU now promotes regions and regional languages of minorities in its Member States. As it was noted “the major factor preventing the Baltic States from slipping down the road towards authoritarian rule... is the effort towards ‘Europeanization’”.

In the case of Kyrgyzstan, the language policy was rather strict before, but geopolitical factors made Kyrgyzstan raise the status of Russian language to that of an official one. Unlike Estonia, which looks more to the West and does not want to have much in common with Russia, Kyrgyzstan still remains dependent on Russia in political, economic and security terms. Kyrgyzstan sees Russia as its security guarantor. There is close economic cooperation between the two countries. Whereas in Estonia Russians are regarded as foreigners and occupiers and by strict laws are being forced to leave, Kyrgyzstan worries about increased out-migration of Russians, because they constitute the skilled labor in the country. So, although according to the law, the Russian language is the official language in Kyrgyzstan, in reality there are some signs of discrimination against non-ethnic Kyrgyz based on the knowledge of Kyrgyz language. De jure, that is legally and officially, Kyrgyzstan is considered to be “our common home”. But what happens in reality is the construction of an ethnic nationalism as opposed to a civic one. De jure we have the linguistic commission established to check the fluency in Kyrgyz of candidates for the Presidency. The commission was set up to check not only the candidates’ knowledge of Kyrgyz, but also their knowledge of the culture. Without a doubt a President should speak the language of the country. One could say that anyone who speaks Kyrgyz may become President, but in reality the office is open to no one other than ethnic Kyrgyz. The cases where non-Kyrgyz citizens of Kyrgyzstan are being excluded from the society are unfortunately numerous. The land law adopted by the Parliament in 1991 stated that land and natural
resources were the property of ethnic Kyrgyz. The law was not enacted by the President, but an attempt to pass such a law would effectively exclude 30% of the Uzbek population who live in the south of the country.\footnote{22}

Thus, there is often an inconsistency in what is, according to the law, and what is, in reality - the difference between de facto and de jure situations. In Estonia the government pursues a core-nation policy and it makes the laws that correspond to those policies. But in Kyrgyzstan, as well as in other Central Asian States, the laws in the Constitution do not match reality. As Annette Bohr points out, “despite formulations in the constitutions and other legislative acts guaranteeing the equality of all citizens, nationalizing policies and practices are manifest in, \textit{inter alia}, the iconography of the new regimes, the privileged status accorded to the local languages, newly revised histories and the exclusion of members of non-eponymous groups from the echelons of power.”\footnote{23} It is possible to call the process of nation building in Central Asian states a ‘nationalization by stealth’.\footnote{24} Although the governments claim that they are creating a civic society, they cannot escape that it is based on ethnicity. Although Kyrgyzstan, unlike in Estonia, citizenship was granted to everybody regardless of their knowledge of the titular language, it is quite difficult to find work without knowing the State language. And, there have been cases where people of non-titular nationality were fired on the basis of ethnicity.\footnote{25}

Besides, in a traditional society, knowledge of the titular language does not necessarily mean good opportunities for the future. Kyrgyzstan is a society where, unfortunately, traditional clan links still play a significant role. In a society where clan networks are present, language as such does not play a really big role. As Eugene Huskey states, “In terms of life chances, language had served to mitigate for the Slavs the advantages of family and clan ties among the Kyrgyz. For the Uzbeks who spoke a Turkic language with broad similarities to Kyrgyz, the prospect of having to master the titular language was less daunting than for the Russians.”\footnote{26}

The process of nationalization impacts not only on the non-titular population. Many ethnic Kyrgyz in urban areas do not speak the Kyrgyz language. They are often regarded, particularly by rural nationalist-minded people, ‘as having betrayed the national cause.’\footnote{27} Thus, feeling that their nation is under threat, wanting to get away from the Soviet past, but at the same time attempting, or rather claiming, to build a civic kind of State, Kyrgyzstan, like other Central Asian states, has informal, but nevertheless nationalizing policies against non-titular groups.

Going back to the theory of Brubaker, one can see that as long as the State practices nationalizing policies, the minorities are likely to feel an exaggerated difference between ‘us’ and ‘them’. “To the extent that there is a strong sense that the State belongs to or exists for the sake of a particular “core” nation or nationality conceived as distinct from the citizenry as a whole, Russians (and other minorities)—excluded from this State-owning core nation—will be more likely to define themselves oppositionally and contextually in national terms.”\footnote{28} On the other hand, national minorities themselves emphasize their distinctiveness from the dominant population. When rights are given on an individual basis as opposed to the group, minorities are likely to feel threatened by the dominant population.

Thus, nationalizing policies marginalize minority groups and they become excluded from society. If Estonia tries to encourage assimilation, it leads to ethnic democracy because of the legacy of Soviet Union nationality policy. Kyrgyzstan, on the other hand, seeks to preserve differences. But what is important is \textit{how to manage maintaining diversity without accentuating it, without exaggerating the differences between ‘us’ and ‘them’}. Paradoxically, in Estonia, which tries to promote integration by not quite mild means, the non-Estonian population is willing to stay in Estonia and learn the language in order to become a citizen and enjoy full
rights. While in Kyrgyzstan, which tries to preserve diversity by promoting an inclusive society, people do not have a great desire to learn the State language. Regardless of all-inclusive laws, people often feel discriminated against in everyday life. It might be too simplistic to say, but one of the possible explanations could be the difference in economic situations in Estonia and Kyrgyzstan. People in Estonia enjoy economic stability and no matter what policies towards minorities the Estonian government might have, non-Estonians are not anxious to leave the country and often choose to learn the State language in order to get citizenship. In the period between 1991 and 1998 only 100,000 Russians and Russian-speakers left the Baltic States.29 The out-migration from Kyrgyzstan for the last ten years was approximately 343,000 Russians and more then 200,000 other Russian-speakers.30

To a different degree, we have seen the controversy over the policies of nationalizing the States and rights of minorities in both Estonia and Kyrgyzstan. The Post-Soviet states want to create a common national identity, but they base it very often on ethnicity. If, however, there is a need for one, the State could promote instead a civic identity that would disregard ethnicity. A person in a civic state could still be loyal to the State, but the issue of his or her cultural or other identity should be left to him or herself. Identity should be a matter of choice. As long as the state interferes, it will remain a highly politicized issue. Common national identity based on ethnicity eliminates non-titular groups from the full participation in the State and only exaggerates the difference between ‘us’ and ‘them’ and, while in a civic kind of State, rather then ethnic, this difference disappears.

If one needs loyalty to the state, it is possible to achieve it without basing it on ethnicity. If a person feels that he/she is welcome in a society and enjoys the same rights as all other citizens in the State, then loyalty to the state would come by itself. When the issue of language and identity becomes politicized, there is a threat to a stable community. While the desire of Estonia and Kyrgyzstan to create one common national identity can be understood, to base it on ethnicity can be dangerous in a multi-cultural society. There is a model in theory that deals with diversity and unity: pluralism. According to this model, diversity and unity can co-exist. This model may be applicable in Estonia and Kyrgyzstan as well as in all other post-Soviet countries, as long as the state does not meddle. Diversity may become a source of conflict if used in the hands of the political elite. As Yael Tamir put it, “...while the Estonian rage over the Soviet occupations is understandable, creating another wrong will not right the first one. Estonia must face the fact that injustices inflicted on it have turned it into a bi-national state, and there is no way of turning the clock back.”31 Yet, the influence of the European Union in Estonia and Russian influence in Kyrgyzstan may soften policies towards minorities in these two countries.

One possible way to deal with ethnic minorities is to promote civic nationalism, where the state exists of and for its citizens, regardless of ethnicity and culture and to leave the choice of identity to a person. Kymlicka objects to state non-interference by saying that “the ideal of benign neglect is not in fact benign.”32 The objection is that the state might promote the language or the culture of the majority population, thus discriminating against minorities. But this can happen only if the state is building ethnic nationalism. If the state interferes and tries to preserve the differences, they only become more exaggerated. A civic kind of nationalism presupposes state building, rather then nation-building. The state identity should be based on the territory rather then ethnicity. Civic nationalism allows many identities and many possibilities. A person may be loyal to the state as a citizen and on an individual basis he or she may have another cultural identity. A person should decide for him or herself what identity he or she wants. Cultural identity should be a matter of choice and not an imposition from above by the state or from the pressure of other members of minority groups.
Comparative facts on Estonia and Kyrgyzstan

- Economic data from CIA country profile:

- Ethnic composition
  UNDP National Human Development Report 2000, Kyrgyzstan

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<tr>
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<th>Estonia</th>
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<td><strong>Area:</strong> total [sq km]</td>
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<td>Estonia</td>
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<tr>
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<td>10%: 2.7%</td>
<td>10%: 3.2%</td>
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<td>highest</td>
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Notes

4 p. 5.
5 Ibid. pp. 17–18.
6 Ibid. p. 17.
9 Ibid. p. 34.
11 Brubaker, op. cit., p. 63.
12 Ibid. p. 65.
13 Ibid. p. 96.


18 Smith, op. cit.


20 Timur Kuran cited in Laitin, p. 326.


22 Smith, op. cit., p. 148.

23 Bohr in Smith, Nation-Building, p. 139.

24 Ibid. p. 142.

25 Ibid. p. 142.


27 Bohr, op. cit., p. 140.

28 Brubaker, op. cit., p. 49.

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Sustainable Development with a Particular Focus on the Aral Sea

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The debate about which is more important—economic development or environmental stability, has long been on the international agenda. The term ‘sustainable development’ was introduced to combine these two absolutely necessary items. It is true, human activity, i.e. economic development, has been the cause of environmental degradation, which now seems to be out of control. As the ‘Guardian Weekly’ from 23–29 November 2000 reports, the greenhouse effect is at its highest for 20 million years, the rainforest has been reduced by over 50% since 1950, and millions suffer from daily air pollution. Underdevelopment, however, brings forward even worse data: poverty kills 13 million Third World children every year; the economic gap between the incomes of the richest 20% and the poorest 20% of the world is 61:1; and, 0.5–1 billion people still have no access to clean water. Working for only environmental preservation or economic development is not enough. They both are important since the data they bring is so frightening. Achieving ‘sustainable development’ is not an easy task either, because it needs to ensure not only tomorrow’s children’s future but also today’s adults’ life. So, arriving at the concept of ‘environmentally friendly development’ took some time, but even with that as our tool we still face some problems with the term’s meaning. What is development? How far can and should we develop? How do we achieve sustainability? In my paper I will examine the arguments and ideas behind the term ‘sustainable development’. I will try to define the key words of the term and give a particular example of a possible sustainable solution to the famous Aral Sea degradation, from which I will draw further conclusions for ‘sustainable development’ as a whole.

It took some time to get to the term ‘sustainable development’, but still there are some people who do not believe there is a need for drastic action. One important argument is scientific uncertainty. Some scholars ask themselves: “Is the earth’s climate on the brink or is it just having a bad century?” The Earth did have bad times before even when it was not affected by human activity. It had droughts and ice ages even before human activity started to affect the Earth. Besides, they say, we have no experience from which we can predict how the whole system will react to the efforts to ‘save’ the world. And even if humans do something, the results and the causes of these will be seen only after a long time. What are the possible changes in the environment? How will the Earth react to our efforts to ‘save’ the planet? When and what will be the results and costs of such actions? Will any action help this seemingly irreversible process?

Second, reaching a political agreement to do something is quite hard too. Not all states are affected equally by ecological problems and the costs of preservation would be different for different countries. Some states might even benefit from a climate change (Canada, Russia, and some parts of the USA); others (Bangladesh
and the Netherlands) will suffer a lot. There is also the problem of no supra-national authority to make collective decisions and enforce them. So the big questions facing the people of the world are, what should we do, how do we do it, and who are ‘we’?

The North and the South have different answers. The former sees the latter as the biggest threat to the environment. Indeed, every day 200,000 children are added to the Earth’s population and 90% of those births occur in the developing countries. The projections for the year 2100 are 14.2 billion, disturbingly higher than the estimated carrying capacity of the planet of 10 billion. The South, however, has an answer for this: Europe’s population started to decrease as soon as the necessary development was achieved. Improvement of family income, better education and employment for women decreased fertility rates. The North replies: waiting for a projected slowing down of population growth would take too much time, and especially now, when the time is so limited. Besides, it is like the unanswerable question about the chicken and the egg. How can one provide economic development to a large population if its large size is what deprives the population of the satisfaction of their needs? Moreover, the North’s next demand is the reduction of forest cuts by LDCs. It is not easy. For developing countries using these scarce resources is a question of everyday survival. Satisfying basic needs for them is more important than thinking of ‘our common future’. Besides, says the South, developed countries brought the Earth to the current situation and polluted with almost no environmental controls. And they are still doing it. 55% of world emissions are produced by 25% of the developed nations. The USA is a particular example (with 5% of the world population it produces 24% of world greenhouse gases). Per capita emissions of the US are 170 times higher than that of Zaire. The North also uses the most resources – 80%; just compare: a Bangladeshi uses yearly about 1–5 giga-joules of energy; for an Australian this number reaches 270–290. An Indian uses 5–10 kg of tree pulp per year compared to 330-350 for a Swede. A Nigerian eats 1–7 kg of meat per year, and an American consumes 100–120 kg in the same amount of time. So, for the South, economic development means the way to ease the fight for everyday survival. For the North, sacrificing economic development is unwanted and would require massive structural changes.

How did we come to the term ‘sustainable development’? For most of human history human activity did not affect the Earth on such a large scale. For example, Britain’s cutting of its forest 700 years ago might have affected the island itself but not any other places globally, in contrast to the present forest cuts in Brazil. After industrialization and the beginning of overpopulation, human harm started to be obvious and affect not only humans but also other living things. So local problems started to become global. These are the first reactions and answers: In 1889 the first environmental treaty was signed in Europe to combat a disease in grapevines; in 1922 the Rhine convention dealt with the river Rhine’s extra-boundary poisoning; the 1972 UN conference on Human environment in Stockholm established that states should make sure that their activities did not affect other states not in their jurisdiction; the 1975 Mediterranean treaty signed by 16 countries with the participation of the scientific community was quite successful on limiting water pollution; the 1987 Montreal Protocol on CFC use and ozone layer protection was also a success and the countries did in fact follow their commitments to reduce CFC emissions. Up to that time people had talked about the environment or they had talked about development. However, after realizing the need to combine the two, they held another conference the same year—the UN-sponsored Commission on Environment and Development. For the first time, it drew a connection between poverty and environmental degradation—the need for curbing over consumption and affluence and combating overpopulation and land degradation. The Brundtland report, the result of the Commission’s work, introduced the term ‘sustainable development’, which was supposed to be ‘the answer to our prayers’. Then there was another conference, this time in Rio, which talked about ‘the tragedy of the commons’. The term explains why communities overexploited shared environmental resources. Many resources, such as the oceans and the air have open access, which means that they are available to everyone, and no one person or country owns them. The use of these resources is not included in the price of production and
often the benefits and burdens are not shared equally, resulting in the Earth’s property being overused. At last Humanity seemed to understand that something must be done, and done very soon. We all agreed to make some real changes, but in most cases we rarely did (except perhaps the agreement on CFC reduction and on the Mediterranean treaty). At least the need for environmental stability combined with human socioeconomic development was recognized and the term ‘sustainable development’ was introduced. But what is it actually? The initial explanation in Brundtland is very vague and gives no suggestions at all on how to achieve it. ‘Sustainable development’ should meet the needs of the present without compromising the ability of future generations to meet their own needs. The same term in “Politics on the World Stage”, by John T. Rourke, is defined as the ability to continue to improve the life of people while protecting the Earth’s biosphere. ‘Sustainable development’, to say it using different words, means to develop sustainably and protect the environment. We need to define two concepts, development and sustainability. Development for the South and for the North means different things, and the definition of ‘sustainable’ can be defined differently for development and the environment. Which development should we pursue? How far can and should we go? What is sustainability? Does development define sustainability or does environment define it?

These questions are quite hard but let us try to consider some of them. The development we are seeking is the one that satisfies basic needs and opportunities to fulfill aspirations for a better life and provides the needy with normal living conditions. What about those who already possess all their basic needs, like many in the developed countries? Should they continue to develop, progress and prosper indefinitely or is there actually a stopping point? Since the environment is not able to satisfy our needs indefinitely, we need to make sure we develop in a way that uses efficiently scarce resources and that substitutions are found. So, if development for the developed countries means better, sounder and more efficient technology and resource usage, why not? What is sustainability then? Does it mean development at a systematic pace until it becomes unstoppable? Does development determine the sustainable limit? Or maybe it is the environment that tells us what is the maximum and where we must stop in order to sustain life on Earth? I would say that ‘sustainable development’ is not just developing without harming the natural balance, but rather a development that works FOR natural balance, that puts human needs, and the environment which is an indispensable part of them, on an equal scale with development. In the global arena, such a solution requires action from both the North and the South. Internal structural reforms and commitments in the less developed countries should be supported by external aid for restructuring. Internal reformation of consumption patterns and qualitative increases and improvements (sound technology and new types of energy) in resource uses in developed countries should be combined with a commitment to help the South to avoid the North’s past way of anti-environmental development. So, what is needed is internal (national) restructuring and external (international) cooperation. Of course, both the North and the South might continue to degrade the environment since there is no supra-national authority with binding rules. But for one thing, they are both now experiencing adverse effects from their activities. The Netherlands is just as severely in danger of sea level rise as Bangladesh. Trans-boundary air pollution is not very interested in whether it flies over San Diego in the USA or Tijuana in Mexico. Neither is acid rain. The desertification in Brazil directly increases global warming, which in turn brings heavy floods and storms in both developed and developing countries. Besides, humans are not the only ones that are endangered. Animals, birds, insects and fish are also difficult to restore, and some species have already disappeared. What is important is that the cost of quick and cooperative action now is far less than any drastic crisis programs launched after the consequences of inaction are fully revealed. We understand that something has to be done quickly, before it is too late. So, it is better to work together and clean the yard now, then to wait for the next year when the rubbish will be twice as thick.

By introducing a solution to the Aral Sea (Central Asia) problem here, I will demonstrate the use of the ‘sustainable development’ term and the 3 components of its achievement: national restructuring, regional and international cooperation.
The economy of the Central region largely depends on irrigated agriculture (cotton, grain and fruit). The reduction of water usage would ruin everything that affects the national economies of several countries and also the lives of most of their ordinary people. Less water means less cotton, rice and fruit, which means no profit for farmers. The government would have to import these products for higher prices and its annual GNP would decrease drastically. What would it export after that? So, the prices would go up, the agriculture-based life of people could collapse, and the whole economy could crash.

The Aral Sea and the larger environment are degrading and as a result are affecting the people of the region. Because of water drainage and desertification (as a result of the Stalinistic cotton monoculture and industrialization), the surface of the sea has decreased drastically; no fish are left; the concentration of salt in the water is huge; weather in the region has changed dramatically; and all of these influence the health of the people and animals, putting them in danger. The fish catch, which reached 40,000 tons per year in the 1950’s, is nearly 0 now. Water transportation and recreation are impossible; fishing has stopped and 60,000 people are now unemployed. The lives of 1.5 million Kazakh, Uzbek, Kyrgyz and Turkmen people have been directly affected by the disaster. Water content has 2–4 g of minerals per liter, bacterio-concentration is 5–10 times higher than the norm, 60% of the children and adults have serious health problems, 80% of pregnant women have anemia, the child mortality rate has reached 51 per 1000 (double the average in the former Soviet Union). The region has the highest TB rate in Europe and the former Soviet Union and the highest anemia and water salinity in the whole world. Some 100,000 people have emigrated from the region. Chronic bronchitis has increased 3000% in the last 15 years, cancer and arthritis by 6000%. This looks like more global problems in miniature, doesn’t it? A degraded environment, the result of economic activity, has hit back at humans. Reducing economic growth is harmful but—so is abusing the environment. Here, the need for economic development that maintains environmental stability is obvious.

So in the Aral Sea case, ‘sustainable development’ means insuring a decent and healthy life for the people of the region combined with preservation and restoration of the Aral Sea. Below I will suggest the possible and necessary economic reforms in particular countries and the types of international aid (such as developmental projects, bank loans and humanitarian aid) for the Aral Sea restoration.

Let us concentrate on the economic system of the Central Asian region first. Right now the economy is subordinate to the cultivation and processing of cotton, rice, and grain. They demand lots of water and are labor intensive. Moreover, irrigation and drainage systems are very old and imperfect because the government, which seeks only a quick profit, has not provided a substantial and solid water system. Thus, up to 20–40% of the water is lost before it reaches the crops. In addition to this, human carelessness is a problem. In the villages, taps are left open and the water runs all the time, whereas in the cities, water is often turned off because of shortages. All of these components bring about sad consequences. For example, 13,000 hectares of fertile soil were flooded in Kyrgyzstan as a result of an accident on the Tokgul Reservoir. The answer is to find other crops that need less water and labor and that are more tolerant to salt. Some might argue that the farmers would be opposed because they do not want to change. This may be true, but these priorities cannot be ignored.

So, there are two ways to persuade farmers to change gradually to other crops and conserve water by being more careful. First is by introducing higher prices for water. If growing cotton were expensive because of water consumption, would not farmers be compelled or encouraged to switch to other, less expensive crops? Would they not also be compelled to be more economical by introducing better water systems? Second, is by means of governmental subsidies or tax cuts for growing other crops.
The government could also provide the necessary training and loans for these changes. Surely it would cost money, but first, the results in this case are worth it; second, the costs are far less than the costs of drastic programs that might be the last resort when it is too late; and third (and a very good incentive), restructuring and retraining could be one of the conditions for international help. This question might arise: Are governments prepared to undergo major structural changes? Although no one has asked the governments whether they are prepared for changes or not, governments will have to do something—and the sooner the better. If original reforms on economic restructuring during the Stalinistic period had been thought about more carefully and action had been taken sooner, we would not be facing such big problems now. I am not suggesting drastic and urgent changes, but gradual, carefully considered restructuring, supported financially and scientifically by the international community.

One more component of the possible solution to the natural resource scarcity is a change in priorities. It is amazing that the Central Asian countries’ economies are so dependent on cotton (70% of economy) export when we have other resources: minerals, raw materials, energy (oil, gas, and coal) that could be developed and exported too. Uzbekistan, for example, is the 3rd largest natural gas exporter in the former Soviet Union and the 10th in the world, but it still imports other types of energy like oil and coal that could be developed not only for self-sufficiency level, but also for export. Businesses are looking for possible investment opportunities and the world is in need of extra fuel suppliers. There may be several reasons for Uzbekistan’s reluctance to change its priorities: structural change might be involved and the government is afraid of becoming too dependent on foreign investors since it cannot develop these resources to their full capacity by itself. One more problem is that, as a result of cheap prices and poor technology, a lot of energy is wasted, and there is no incentive to conserve. But surely it is better than having a degraded environment and proudly looking down on everybody saying: “We are independent!” So, on a national level we need to restructure and improve our irrigation systems, to reform the economies and perhaps change our priorities.

Regionally, better cooperation is needed between Uzbekistan, Kazakhstan, Tajikistan, Kyrgyzstan and Turkmenistan concerning questions about united water usage and conservation and trans-boundary usage problems. Some steps have already been taken: In 1997—a regional water sharing and pricing agreement signed by all 5 republics established a common watershed management practice. But the problems still exist. There have been some disputes, though nothing in the way of wars for water yet, between several countries concerned with water use. For example, there was a conflict between Uzbekistan and Tajikistan over the Northern and Great Fergana Canals and Nurek water storage reservoir. Also, the problem of extra-boundary water poisoning is very disturbing, as in the case of Tajikistan dumping large quantities of pesticides into the river Amudarya in the 1980’s. An article in the ‘Economist’ from 1 July 2000 points out that Aral is now divided into two parts (the Northern and Southern) and Kazakhstan is trying to build a dam between the two sections to raise the water level in the northern part and restore their fishing industry. Uzbekistan is reluctant to do anything with the southern part. It says in the ‘Economist’: “relations between the two countries are strained, which makes dealing with common problems difficult. Much could be done to save the southern section, but Uzbekistan seems determined to continue diverting vast quantities of water to their cotton fields” thereby avoiding cooperation.

Why are the particular governments and the region as a whole reluctant to act, change and collaborate? It is true that there are some border disputes, and that countries upstream are reluctant to permit more water to flow downstream because they know it is not going to go to the Aral, at least not clean. But there is also another big problem—the so-called ‘national sovereignty’ that countries think they are preserving by being non-collaborative. Of course, the leaders of Uzbekistan would rather keep diverting vast quantities of water to its cotton fields, which brings it money from export, than letting others tell it what to do and going through difficult restructuring and painful concessions for the sake of future generations. Often
political structures, regimes, and individual ambitions serve as obstacles to humanistic aspirations, which supposedly are present in everyone. So, human attitudes and readiness to cooperate are very important to this issue, and yet they are very seldom apparent.

Internationally a lot has been done already and is being done now. There is even a joke that if every expert who visits the Aral Sea brought a bucket of water, the problem could be solved! Talking realistically, this is what most of the projects and development programs aim for: attracting foreign investment, improving management of natural resources, and providing clean water and sanitation for the region’s people. This is how it usually works: New, secondary (driven from big—primary) pipelines are built to supply more people with clean water; monitoring systems are established for bacterio-chemical analysis; health, sanitation, and educational, regional water cooperation seminars are held; and new water treatment and transmitting equipment is provided. The World Bank has been working on small and large scale investments for the improvement of potable water and water in agriculture. The Water Supply, Sanitation and Health Project by the World Bank in several Central Asian countries strengthened the water management systems and provided safe water to 1.46M people and proper sanitation conditions for 25,000 people. In the 5 years up to 1998 it has invested $380 m on different projects.

Here is an example of USA-Central Asia cooperation on the Aral issue: In 1994 the USA signed the following bilateral agreements concerning health issues and technology transfer:

- With Turkmenistan about safe water provision and sanitation;
- With Kazakhstan on water provision and health education;
- With Uzbekistan on water improvement.

In 1993 the US department of State developed a $15 m project for the Aral Sea’s sustainability and added $7 m in 1994. These agreements and treaties are very important in showing the world’s concern and commitment to aid the region and are very good financial and scientific back up for future reforms and actions.

Written in chalk on the side of a ship stuck in the sand near Muynak (formerly the largest fishing center in Karakalpakistan) are the words, “Forgive us Aral. Please come back!”. The Aral Sea is not prepared to forgive us, at least not yet. Bringing Aral back to its original size would require an inflow of 73 cubic km per year for 20 years from now, which is an unrealistic objective. There are other suggestions however—restore the Northern Aral until its water level reaches 40 m. That would require 6–8 km of inflow.

We cannot pursue complete economic development; neither can we ignore the Aral or restore it completely. What sustainable development means here is the provision of basic human needs and protection of living beings' health and well-being, which is indivisible from the Aral’s preservation and partial restoration. Reaching this kind of ‘sustainable development’ requires a lot of effort by single states, regions and international actors. Talking about sustainable development’ on a larger scale, applied to any other environmental problem, I would like to say that it is not an impossible, vague and unconstructive comment to suggest that we humans make it look like we are doing something. It is a really strong and flexible concept that holds big chances of being the key to our future. We now have the concept, but the rest will not happen by itself as if it were a miracle. It is true that the concept combines two mutually exclusive issues, but it will not work until we put it into our lives and make changes, concessions, reforms, restructuring and innovations. We might even need to reconsider our priorities for development. That is why the term is ‘SUSTAINABLE development’ and not simply environmentally sound development. Both words of the phrase get somewhat new shades of meaning in combination. Development should be for people AND nature, sustainable environment AND economics.
Notes

6 Ibid.
13 Ibid.
14 Ibid.
17 “Saving the Last Drop”, Economist, the. 1 July 2000.
19 Ibid.
20 Ibid.
The Price of Independence

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Introduction

Prompted in part by the need to cover sizable current account deficits, since the early 1990s transition countries have required substantial external financing. In their search for such financing, some of the countries turned to international financial markets and raised money through the issuance of Eurobonds. The largest borrowers on this market were Hungary, Russia, Croatia, Slovak Republic, Slovenia and Poland.1

Bond issue peaked in the third quarter of 1998, but the Russian crisis in August 1998 led to an abrupt market closure with no issues at all in September and October. The more advanced transition countries recovered quickly, with Hungary issuing a ten-year Eurobond in January 1999.

The main issuing countries remain the Czech Republic, Hungary, Poland and the Slovak Republic. Although these countries enjoyed lower spreads on their new issues in 2000, the question is whether the improvement in borrowing conditions was due to better performance by these countries or to developments in the world financial markets. If the increased lending and spread compression were prompted by an improvement in fundamentals there are no grounds for worrying that better economic performance will not be rewarded by better borrowing conditions. If, however, the changes were caused by a shift in market sentiment as a response to developments in the world financial centers, there is no guarantee that changes in financial market conditions will not shut the transition economies out of the market.

This paper examines the transition economies’ experiences with Eurobond financing, the factors that influence borrowing costs and the risks associated with borrowing from this market.

What is the Explanation for a Difference in Spreads?

The spreads2 on the transition economies’ debt instruments vary markedly.3 Hungary now faces a spread of 100 bps while Russia’s debt is traded at over 1000 bps.4

Min [1998], in his empirical study of the determinants of emerging market bond spreads, finds that the following country characteristics are responsible for the differences in the spreads: liquidity and solvency variables: debt-to-GDP ratio, the international reserves-to-GDP ratio, the debt service ratio and export and import growth rates; macroeconomic fundamentals: the domestic inflation rate, net foreign assets as
measured by the cumulative current account, the terms of trade and real exchange rate. From this point of view, the difference in spreads is clearly justified: countries with better fundamentals face lower spreads. Another approach is to consider credit ratings rather than macroeconomic fundamentals. From this point of view the difference in spreads is also justified.

Though the difference in economic progress or in credit rating can explain the difference in spreads at a particular point in time, the changes over time cannot be explained by changes in the fundamentals alone.

**Discrimination among Individual Countries**

If we look at the changes in the spreads of different countries over time we can notice their co-movement. The magnitude of the co-movements reflect the investors’ discrimination among the countries and contagion effects from a single country. Less discrimination means that the investors do not differentiate among the borrowers and view them all as one asset class. The IMF [2001] finds that there is a substantial tendency for returns for individual countries to move together. Individual country returns have tended to move in sync during bad times but considerably less so during market rallies. This suggests less investor discrimination during sell-offs. This is consistent with the “crossover” nature of the investor base which tends to head for its home markets—out of the asset class—in the face of bad news, rather than seeking refuge in the better credits within the asset class. The average cross correlation, however, has fallen off substantially since the crises of 1997–98, which suggests increased discrimination among borrowers. Discrimination among the transition borrowers is also noticeable: the spreads on CEB Eurobonds have always been lower than those on CIS ones. Poland now is trying to position itself as a “converging economy” rather than an emerging economy and, given the results of the issue in the first quarter of 2001, it has succeeded.

**Discrimination among the Regions**

Do international investors discriminate among different regions of the developing world, that is, for given ratings and maturities, are borrowers in certain regions required to pay higher spreads than borrowers in other regions? Kamin and von Kleist (1999) find that borrowers from three regions of the developing world paid significantly higher spreads than Asian borrowers, at least prior to the Asian financial crisis. Spreads on Latin American issues with the same characteristics as Asian issues are 39% higher; spreads on issues from offshore centers are 21% higher; and spreads on eastern European issues are 19% higher.

However, in 2000 Europe’s spreads seem to have converged with the overall emerging market spread as measured by the EMBI+, but still remain above those of Asia or Latin America. The increased co-movement of the spreads since the second quarter of 2000 was caused by developments in the external environment, primarily in the US.

**External Environment**

The external environment plays a significant role in determining the spreads for the emerging markets’ debts and the availability of international liquidity for these markets. The external environment is often
referred to as a “push” factor for the determinants of flows to emerging markets. Among “push” factors, there is evidence that gross external financing to emerging markets is importantly influenced by monetary conditions in advanced countries, particularly in the United States. Periods of tighter (or looser) liquidity of conditions in advanced countries—brought about, for instance, by contractionary (or expansionary) monetary policy stances—have tended to be associated with a widening (or narrowing) in sovereign spreads and lower capital flows into emerging markets. Moreover, given the forward-looking nature of bond markets, a greater uncertainty about the course of monetary policy in the United States, the EU, and Japan, and prospects of additional tightening ahead, which also appear to weigh down on emerging market bond prices, as witnessed by developments during March–May 2000. Stock market developments in advanced countries constitute another important “push” factor behind capital inflows to emerging markets. There has been a relatively high positive correlation between emerging market bond spreads and stock returns in the Dow Jones and NASDAQ indices. Periods of high price volatility in local stocks in emerging markets tend to be associated with higher EMBI spreads. This correlation seems to reflect two main factors. First, institutional investors appear to regard most IT (and also a few non-IT) stocks, together with emerging market debt, as high-risk assets. Thus, when seeking to reduce overall risk exposure, these investors will tend to cut down on their holdings of both assets; conversely, when appetite for risk is high, demand for both types of securities tends to rise. Second, recent commentary suggests that investors tend to view emerging market debt as liquid relative to its closest competitor asset class (U.S. corporate debt). So, when stock market volatility rises and greater uncertainty motivates investors to reduce their overall risk exposure, they will first reduce holdings of the more liquid class of assets, which includes emerging market debt. Emerging market spreads will thus tend to widen during those periods, causing emerging market borrowers to try to cut down, or at least postpone, new international issues, leading to a drop in portfolio flows.

The coupling of emerging with US markets caused by the uncertainty about the lending in the US economy has been one of the major developments in the international capital markets in 2000–2001. Out of 9 droughts in emerging market international bond issuance in the 1990s, the three most recent ones were associated with developments in the external environment, primarily in the US. These have not lasted as long as those associated with the severest crises, although at 5 weeks, the most recent drought compares with that at the time of the Mexican crisis.

Outlook for 2001

The outlook for emerging market assets and financing remains inextricably linked to developments in the external environment. A key question is whether the effects of an easing of the monetary policy in the US will outweigh concerns about investing in emerging markets, or whether there will be a further slowing. Following the continued deterioration of the external environment (global earnings slowdown, downgrading of the TMT sector, deterioration in US credit markets), during the fourth quarter, the surprise cut in US interest rates in early January helped reopen emerging debt markets for new issuance. Having learnt to exploit windows of opportunity, transition economies were quick to come to the market. Poland has already issued its Eurobond to pre-finance a significant part of its financing needs. Lithuania, Estonia and Romania are preparing to do so.

However, the durability of current emerging markets’ access to international capital markets remains fragile because of uncertainty about the speed and magnitude of a slowing in the US economy. There are two scenarios for the external environment development: First, financial markets continue to see a relatively
“soft” landing in the US, or at least that Fed easing will be sufficient to avoid more than a brief, shallow recession before inducing a turnaround in the economy; and second, the present slowing growth cycle worsens into a “hard” landing for the US economy, with output falling sharply and markets perceiving Fed easing as insufficient, possibly because of constraints posed by poor inflation performance or a depreciation of the dollar.

Under the first scenario, external financing conditions for emerging markets will continue to ease and—as shown above, history indicates—there will be increased discrimination among countries viewed as the better performers. Under the second scenario, external financing conditions are likely to tighten for emerging markets. In a hard landing scenario, the impact on emerging debt markets for investors moving up the credit spectrum is likely to dominate the impact of lower borrowing costs, and secondary market spreads are likely to widen and primary markets to new issues are likely to dry up, very much as occurred in March–April of last year and again in the last quarter. An increased probability of the unfolding of, a “hard” landing in the US represents the greatest risk for emerging market financing.

The Role of the IMF in Debt Financing for Transition Economies

Stijn Claessens, Daniel Oks and Rossana Polastri [1998] find an independent effect of past official lending on private capital flows and make the assumption that official lending acted as a signal to private creditors regarding the commitment of the country to undertake further reforms. But there are actually two possible ways in which the IMF can influence foreign private capital flows. The first is, that by assisting a country to improve fundamentals in order to achieve market-oriented growth, the Fund can help restore investors’ confidence in the country’s future performance. The country’s commitment to reform could serve as a good signal for private sector. Another way in which the IMF is able to help a country obtain private assistance is to work directly with the private sector. Previously, this was embodied in the lender-of-last resort function of the IMF which took the form of bailing out private investors in times of crisis. During the crises, such as the crisis in Mexico in 1995 and in Asia in 1997, the IMF supplied loans to enable emerging market governments to repay their private sector creditors in full. In 1997, South Korea met $26 billion in obligations after it received a $57 billion bail out, while Mexico, in 1995, used IMF and U.S. funds to retire $28 billion of short-term debt.

The IMF argued that the bailouts were needed to overcome spillover effects, collective action and free-rider problems, and other apparent market failures.

Perception of the availability of financial assistance encouraged international investors to take on greater risks in the belief that they will only partly suffer the consequences. The Fund’s bailouts effectively guaranteed the creditors’ investments in sovereign debt. This poses a clear risk of moral hazard: if lenders know their investments are guaranteed, why should they monitor their investment?

After the Russian crisis the Fund announced that it was changing its policies toward private investors and would discontinue its bailout practices. It said that private investors should realize the risks they take and share the financial burden when crisis strikes. The new policies included putting direct and informal pressure on international banks to lengthen their credit lines and imposing the negotiation of the government’s bond as a precondition for official assistance. The IMF is believed to have actively encouraged Ecuador to default on its debt so that some of the financial burden in bailing the country out would fall on bond investors. The IMF has also initiated Paris Club calls for comparability in the rescheduling of claims, notably as
applied to a call for the rescheduling of Pakistan’s Eurobonds. Since their exclusion from debt rescheduling in the 1980s, sovereign eurobonds as an asset class had always avoided rescheduling.

This new burden-sharing policies met strong opposition from the private investors’ side. Nicholas Brady, whose name is borne on Brady bonds, called the new IMF policies “Playing with fire”, saying that private capital flows to emerging markets would be put at risk by the IMF decision to allow Ecuador to default on its bond. Ecuador’s default has shut the county off from the capital markets for the foreseeable future and local banks and business will also find it hard to renew credit lines, which will further hurt the economy suffering its worst recession in six decades. The Emerging Markets Traders Association (EMTA) called the approach to burden sharing “severely flawed, and one that would put at risk a decade’s progress in restoring access to emerging markets”. EMTA argued that in pursuing such policies the IMF would deter western investors from putting money into other emerging markets and increase the cost of capital for emerging markets.

However, the overall impact of the new IMF policy and the recent defaults and rescheduling of Eurobonds has been less severe and widespread than expected. The market perceptions of intensified public efforts to “bind in” private creditors in financial crises exerted upward pressure on spreads in the second and third quarters of 1999. Spreads, however, began to fall in the final quarter, as investors increasingly differentiated among those situations where countries, including Ecuador, Pakistan, Russia and the Ukraine, faced specific debt servicing problems as well as the rest of the asset class. Still, the spreads remain above their pre-crisis level as many investors have left the market.

The Ukraine: Another Test Case for the IMF’s New Policies

The Ukraine seems to have been another country in which the IMF tested its new policies on private sector bailout. In 2000 The Ukraine was not able to roll over its Eurobond coupon payments. The Fund, however, did not bail the Ukraine out, but rather preferred to observe the Ukraine’s efforts to find private investors from throughout the world who would accept the restructuring terms and thus escape Ecuador’s lot. The IMF clearly put the Ukraine in a default dilemma, leaving the country on its own with its debt problems, and showing the investors that they would suffer the consequences of not adequately assessing the risks.

With more than 95% of bondholders accepting these terms, the Ukraine is the third-ever country to restructure its Eurobonds. While this is a good sign for the country and for other countries facing a liquidity problem, this success is a message to investors to show that Eurobonds no longer bear a de facto preferential status. Seeing more and more sovereigns opting for rescheduling rather than full service payments, investors are likely to demand a higher return for the risks they undertake. In turn, this may increase the cost of private financing to transition economies.

Conclusion

When deciding to rely on such types of external financing as Eurobond financing, the transition economies should be aware of the risks associated with borrowing from international capital markets. Large quantities of foreign credit may be available when sentiment shifts in their favor, but it can equally
shift against them for reasons beyond their control, making it impossible to finance a large current account
deficit and forcing a difficult adjustment.

The recent developments have shown that in such situations countries should rely on themselves rather
than seeking assistance from the IMF. The Eurobond market is highly volatile and external developments
seem to play a more important role in borrowing conditions than a specific country’s fundamentals.

The IMF still has to make its position toward bailouts for private investors clearer. While the necessity of
reforms has become obvious, pushing burden sharing too far may discourage private investors from investing
into emerging markets.

It remains to be seen whether the new policies reduce the moral hazards and lead to a reassessment of risks
by private sector lenders. The only tangible outcome for transition economies so far has been a short-term
deterioration in conditions for international bond issuance and borrowing from private capital markets.
The obvious implication is that governments should exercise caution when contemplating an economic
policy strategy that relies on continuous inflows of foreign capital intermediated by the international bond
market. Transition economies that want to borrow from international capital markets should exploit the
current “window of opportunity” caused by the uncertainties in the US economy.

This increase in discrimination is also a good sign of investors’ heightened attention to individual country
performance and should encourage transition economies to continue with reforms.

Notes

1 Source: OECD debt statistics.
2 Spread is calculated as the difference between the yield to maturity on the bond and the yield to maturity of the
risk-free debt instrument of the same denomination and maturity. Spreads reflect the market perception of debtor’s
creditworthiness.
3 Source: Transition Report 2000, EBRD.
4 Source: Skate FN.
5 This findings are also supported by Budina and Mantchev[1998], and Eichengreen and Mody[1998].
6 Kamin and von Kleist [1999] find that spreads and credit ratings are positively related, but the correlation
changes over time.
7 Budina and Mantchev[1998] find that the Mexican currency devaluation had greater impact on the spreads of
Bulgarian Bradies than the change in Bulgarian fundamentals. Eichengreen and Mody[1998] find that changes
in observable issuer characteristics and the responsiveness of spreads and issues to those characteristics do not
provide an adequate explanation for changes over time in the value of new bond issues and launch spreads.
8 Barbone and Forni (1997) also find that herd behavior increases with risks, leading to even higher volatility.
9 The issue was oversubscribed. “Poles apart from emerging markets”, Deal-Watch 29/01/01.
10 Source: Capital Flows to Emerging Markets Economies, IIF [2001].
11 Eichengreen and Mody [1998] find, for example, that a rise in U.S. interest rates is associated with a large and
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13 Ibid.

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Consequences...

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Introduction

Comparing Western Europe with Russia might seem useless to many people because of numerous differences in both their historical background and present situation. It is all the more striking to observe similarities in the doctrines and developments of various radical nationalist groups and parties in Western Europe and Russia in the 1990s and today. However, the reasons for the rise and development of nationalist organizations in Russia and Western Europe might be and are quite different. This paper argues that any similarities in the radical nationalisms of the two areas result from uniform exposure to the effects of globalization that greatly influences the intellectual and ideological discourses of all open societies in the contemporary world.

In postwar Western Europe, all the preconditions that scholars define as necessary for the rise of fascism or right radicalism have disappeared. In post-soviet Russia, on the contrary, such preconditions are easily noticed. Some scholars even speak of a “Weimar Russia”, pointing out many processes in modern Russian society similar to those of Weimar Germany. Notwithstanding these differences, we can find radical groups and organizations in Russia and Europe that paradoxically have almost identical goals and slogans. Their agendas show us that these groups and organizations are extremely nationalistic and their main purpose is to regenerate the national identity of their own people. In this sense, they are strongly opposed to, and develop counter-strategies to the spread of, globalization that, in their opinion, is destroying the nation-state and national culture. Analyzing political agendas of such groups and parties, this paper comes to the conclusion that the rise, and some major uniform traits, of a certain kind of intellectual radical nationalism in Russia and Western Europe is determined by globalization rather than anything else.

In both Western Europe and Russia, there are a vast variety of nationalist and rightist parties, organizations and small groups. This paper focuses only on some marginalized groups and parties that do not play any big role in everyday politics, partially because they are too elitist and intellectual, but that nevertheless, greatly influence some mainstream politicians and segments of the intelligentsia. Being close to each other ideologically, these marginalized groups unite and form movements at the pan-European level. Using an
illustrative case study method, the paper focuses on one such movement, the so-called European Liberation Front, and particularly on its constituent sections in Russia and Spain: The National Bolshevik Party, founded by Eduard Limonov and Alexander Dugin, and The European Alternative of Juan Antonio Llopart. It must be mentioned that Alexander Dugin left the National Bolshevik Party in 1998. However, the paper will take into account his ideas, because Dugin was once the main ideologue of the NBP and his ideas greatly influenced the NBP’s political agenda.

The main aspect on which the paper will focus concerns the alternatives to globalization proposed by these radical nationalist organizations. They reject The European Union, liberal type of integration, as well as the American concept of “a melting pot” in which all nations “melt” and form a new supranational entity. Instead, they propose “ethno-pluralism” as a form of ethnic segregation, and consider an ideological integration to be more important than an economic one. That is why they are concerned with intellectual and propaganda activity that tries to prepare the European people for a “New Order”, a new future, or an alternative form of modernity, as they see it.

The paper will not deal with the activities that the organizations perform or with the actions that they undertake on the political arena; instead it will focus on their ideologies. That is why the paper is based primarily on sources that constitute the ideological background of both organizations.

The paper is organized in the following way. The first section describes the emergence and intellectual roots of The National Bolshevik Party and The European Alternative. The following sections are devoted to some of the typical features common to both organizations: anti-Americanism, anti-liberalism, nationalism and xenophobia. All of these features are seen as a reaction to the ideas of globalization and universalism. And finally, the last section of the paper is dedicated to the alternatives proposed by The National Bolsheviks and The European Alternative to the ideas of universalism, the New World Order and the free market.

Emergence and Intellectual Roots

Before looking at the concrete ideas of The National Bolshevik Party and The European Alternative and trying to compare them and find some common features, it seems necessary to look at how and when these two organizations emerged, what intellectuals can be considered to be their direct or indirect precursors, and in what way the ideas of these precursors influenced the ideology of the organizations discussed in the paper. All these questions can lead to a better understanding of the organizations’ ideologies and goals. Both, The National Bolshevik Party and The European Alternative, emerged in the beginning of the 1990s, i.e. after the end of the “Cold War”, and both have drawn on several domestic and Western intellectual sources.

The National Bolshevik Party (NBP) of Eduard Limonov was created in May of 1993 as a result of the break-up of the National-Radical Party that, in its turn, was a split-off of Zhirinovskii’s Liberal-Democratic Party. For a while, it kept its original title, “National-Radical”, and participated in the creation of the National Bolshevik Front (NBF) which also included the “New Right” group of Alexander Dugin and the Front of National-Revolutionary Action lead by Lazarenko. By the beginning of 1994, the Front was forgotten, and after that, Limonov and Dugin called themselves and their followers National Bolsheviks. Even though the symbol and the leader of the party is Eduard Limonov, its main ideologue, for quite a long time, was Alexander Dugin.
As far as Western sources are concerned, the NBP was for a long time inspired by geopolitically oriented and so-called “conservative revolutionary” Western sources. The most notable are the French and Belgian “New Right” (Alain Benoist, Jean Tiriar, etc.) and the inter-war German rightists, among them, the German school of Geopolitics and the “Conservative Revolution” (Karl Haushofer, Carl Schmitt, Arthur Moeller van den Bruck, and others). The geopolitical journal, *Elementy*, contains many references to the works of these authors.

Besides that, the ideas of the National Bolsheviks strongly rely on the rich domestic intellectual tradition of Eurasianism. Russian emigrants such as Nikolai Trubetskoy, Petr Savitsky and others developed the Eurasianist ideas in the 1920s and 1930s. It is worth mentioning that even though the publishers of *Elementy* consider themselves to be the main successors of Eurasianism, their ideas differ greatly in some aspects from those of the classical Eurasianist authors. Dugin derives from the Eurasianists the concept of Russia’s uniqueness and the concept of Eurasia as a bridge between different cultures and civilizations. But whereas the Eurasianists “hoped that the coup d’état of 1917 would close forever “the window to Europe” opened by Peter I”, and that the future of Russia lies somewhere in the East, Dugin’s ideas, on the contrary, are more oriented towards the West, and it is in the West that he looks for Russia’s allies. Another interesting difference between the classical Eurasianists and the National Bolsheviks should be pointed out. Classical Eurasianists called for resistance to Western influence and proposed an isolationist policy for Russia. The National Bolsheviks propose, instead, to fight the West and conquer it. So their slogans seem more aggressive and call for expansionism. This important feature will be described in more detail in the following section.

Taking into account these and other differences between the classical Eurasianists and the National Bolsheviks, Leonid Luks thinks that the latter are closer to the Weimar rightists rather than the Eurasianists. A. Tsygankov, in turn, calls Dugin’s followers “hard-line Eurasianists”, or “expansionists”. He also points out other sources from which they have drawn, such as the works of Lev Gumilev and his concept of “ethnogenesis”, and the Russian conservative philosophy of Konstantin Leontiev.

As for the European Alternative of Juan Antonio Llopart, it was created at the end of 1993 as a cultural association of military men, and, only in 1997, the European Alternative proclaimed its reorganization into a political party. The European Alternative has drawn on three main sources: revolutionary nationalism, National-Bolshevism and the ideas of Ramiro Ledesma Ramos, the founder of the Juntas de Ofensiva Nacional-Sindicalista (JONS). It also supports the ideas of Tiriar, Sorel, D’Annunzio and others. So what we see is some kind of a mixture of some supposedly “leftist ideas” (non-Marxist socialism), and ideas that are close to Spanish fascism. “The first goal of the European Alternative is to break with all the obsolete political ideas and models and to achieve a synthesis of all revolutionary ideologies of the 20th century”. In speaking about the emergence of both organizations, it is necessary to mention some of the possible reasons for their rise. In a slight contradiction to the main thesis of this paper, it should be pointed out that some of these reasons are quite different for Russia than for Spain. As for Russia, the emergence of different radical groups similar to the National Bolsheviks is explained by some authors as a reaction by some “conservative-minded intellectuals to domestic and foreign policy reform launched by Michael Gorbachev” and his New Thinking. Whether these intellectuals are “conservative-minded” is questionable, because, according to their political agenda, they do not intend to preserve or restore anything; instead many of their ideas sound quite revolutionary and anti-conservative. In fact, one of the main slogans of Eduard Limonov is ‘Revolution, rebellion and hope for a spontaneous rise of the masses’. According to Dugin, the call for a Revolution is one of the main differences between the “new opposition” as compared to the “old opposition”.

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Most researchers, however, see the roots of the rise of nationalism and radicalism in Russia in the collapse of the Soviet Union, which, was seen by intellectuals with imperial ideas as an Apocalypse. Dissatisfaction with the Russian government’s present policy and with Russia’s declining influence in international affairs, as well as other factors, contributes to the development of radical nationalist ideas in Russia.

In Spain, however, the factors mentioned above are not present. The emergence of such an organization as the European Alternative could be explained as a reaction to separatist tendencies in some of the northern Spanish provinces, and as an aspiration to the unity of Spain. Unemployment, which in Spain is higher than anywhere else in The European Union, might be seen as another factor.

These different circumstances would suggest different agendas for the NBP and the European Alternative, but what one finds instead are some marked similarities. As has already been mentioned in the Introduction, this paper sees the emergence of radical nationalist organizations in both Russia and Spain as a result of, and a reaction to, the processes of globalization. It is from this perspective that the paper, in the following sections, will look at some of the common features found in the ideas of the National Bolshevik Party and the European Alternative.

Anti-Americanism

As far back as the 1920s, some of the classical Eurasianists wrote that, by human civilization, Europeans mean only European civilization. They were radical opponents of Western ideas of universalism in which they saw the aspiration of the West as world supremacy. The National Bolsheviks of today are also strongly opposed to the globalization theory, one-world model, and ideas of a “New World Order”, which they see as a menace to the nation-state. They claim that these “Mondialist ideas” are imposed on other peoples by the governmental authorities of the West, and especially by the American ruling clique, in order to achieve world supremacy. But whereas for the Eurasianists all Western states were enemies, for the National Bolsheviks, the enemy image reduces itself solely to Anglo-Saxon “oceanic” countries, and especially the United States. As Dugin and Limonov’s followers believe, the interests of the “oceanic” states are strongly opposed to those of the continental states. The “oceanic” states are in favor of a melting-pot society, unification of all cultures, and abolition of all borders. All of these are seen as engines of progress. The continental states, on the contrary, base their views on “tradition” and believe that cultural peculiarities are the most valuable thing that each nation has, and that they in no way impede progress. “Mondialists” try to destroy most independent political and national formations, abolish all existing differences between them, and unify their peculiar, unique historical destiny. It is impossible to destroy these peculiarities even with the help of the most powerful weapons. It contradicts the very logic of human history. To fulfill this task, Mondialists will have to destroy humankind because human beings cannot exist without tradition, nation, and state... It is the Russians who have to put an end to these Mondialist plans. Therefore, in achieving domestic and foreign policy goals, one needs to rely only upon one’s own values and interests instead of trusting the West’s good intentions. The outside world, especially the United States, is only looking for an opportunity to weaken Russia and then to take advantage of that weakness. That is the logic used by the National Bolsheviks and by Dugin in particular.

Moreover, the National Bolsheviks advocate further imperial expansion for Russia much beyond the borders of the former Soviet Union. Limonov and Dugin glorify war and violence and use strong war rhetoric in their writings. “One of the most vital geopolitical requirements for Russia is the need to collect an Empire for the purpose of her own protection.” The need for expansion is also driven by Jan Tiriar’s
idea of a “Euro-Soviet empire from Vladivostok to Dublin” which means that Russia can no longer be a Great Power while being isolated from Europe. Geopolitical alliances, so long as they serve to resist the United States, are encouraged. Dugin’s followers do not think about the economic and technological development of Russia; they claim to be ready to do whatever is necessary to expand beyond Russia’s borders in order to resist the United States, the embodiment of all possible evils.

The European Alternative seems much more moderate in its foreign policy goals. It would like to regenerate the glory of the Spanish Empire but it prefers to keep such slogans to itself. However, radical anti-Americanism is characteristic of the European Alternative as well. Many anti-American ideas can easily be found in its political program. “We juxtapose Europe to the United States which we consider to be the enemy of other peoples and the main stronghold of imperialism, the world market idea and the philosophy of a “New World Order”. Being ultra-nationalist, the European Alternative, at the same time, is very proud of belonging to Europe, and it is Europe, not Spain, that is opposed to the United States. The European Alternative even gives its own definition of a “European nation”: “The European homeland is defined as the unity of peoples, cultures, values and institutions which are separated from the rest of the world”. However, the European Alternative denies The European Union type of integration and considers an ideological integration to be more important than an economic one.

As we can see, both parties are against a mixture of cultures into one “world culture” and believe that all the continental states should unite in their efforts to resist the expansion of “American imperialism”. They also proclaim the regeneration of national cultures and traditions, and the protection of their own peoples’ national identity from outside influences.

**Anti-Liberalism**

Besides the rejection of universal ideas, another common feature of the National Bolsheviks and the European Alternative is in their radical rejection of individualism and liberalism, both political and economic. All liberal principles, they believe, such as the free market, multi-party system, civil society and others have been imposed on Europe and Russia by the United States. The National Bolsheviks see the “victory of liberalism” as a total defeat of the non-Western part of mankind. They want to turn the wheels of history all the way back because “liberalism is the most aggressive and radical form... of European nihilism, the spirit of anti-tradition, the spirit of destruction, cynicism, skepticism...”. Liberalism, from their point of view, is the enemy of the whole mankind. In Dugin’s opinion, the concepts of “liberalism” and “democracy” should not be mixed because liberalism has nothing to do with democracy—the power of the people. Liberalism implies the power of an elite that was not chosen by anyone, and that uses democratic rhetoric to create an illusion of people’s participation in political decisions. But in reality, according to Dugin, the term “democracy” is wrongly applied “to regimes in which ‘power’ belongs to the people in the least possible degree than anywhere else”.

An anti-liberal position is also very typical for the European Alternative that claims to be against “the individualistic and materialistic values of mass society imposed by liberalism”. And as an alternative to the mass society, this party suggests “ethical principles that should be above economic and political laws”. In the European Alternative’s view, liberalism is a form of “economic tyranny”.

The alternatives to liberalism proposed by both organizations will be discussed in section 5 of this paper.
Nationalism and Xenophobia

It has been already mentioned that both organizations discussed in the paper are extremely nationalistic. As for the National Bolsheviks, in their party’s newspaper “Limonka” they talk a lot about “the Great destiny of Russia”, about the “moral superiority of the Russian people and its civilization” and claim that their nationalism means, “making others afraid of us, and respect us, protecting the interests of the Russian nation, and creating a modern Great Russian state”.15

The one time National Bolshevik Party’s ideologue, Dugin, in his article “An Apologia of Nationalism”, suggests moving beyond traditional nationalism, and promoting Eurasianism as the last and a highest stage of Russian nationalism as a rationale for pursuing territorial expansion. He also provides some features of Russian nationalism that distinguish it from all other types of nationalism. “Russian nationalism is deeply imperial, integrating, all-embracing, religious”, it is not based narrowly on ethnic principles but can include anyone who wants to join the Russian nation.16

The collapse of the Soviet Union was explained by many nationalists in Russia as another “stab in the back” theory that was so widely used by the Weimar rightists. The collapse of the Empire was a result of some kind of conspiracy prepared by the Americans. They could not win an open, “honest” war. That is why they waged a psychological war using the propaganda of “Western values” that weakened and finally destroyed the Soviet Empire. But the National Bolsheviks consider their visible political enemies to be marionettes used by some invisible “Mondialist” forces that act secretly. Trying to identify this “invisible evil”, they, as do most others advocates of “conspiracy theories”, end up putting all the blame on the Jews. Yevgeniy Morozov, Elementy’s military expert, re-invents the concept of “Zionist world government” that makes the United States, regardless of its own economic interests, support poor Israel rather than the rich Arab States in the Near East conflict. “If the United States acts in spite of its interests, it means that they became subordinate to someone. Who? This someone is… the world Zionist government”.17

Speaking about Russian nationalism, Dugin also comes to the conclusion that “in the Jews, the Russian nationalists see their mystical antipode”. Dugin juxtaposes the Russians and the Jews and lists all the historical preconditions for such a confrontation. He believes that the Jews will always be the enemy of the Russians because they never had their own national state, and that explains their hostility to the outside world.18

But the Jews are not the only ones who are the targets of the National Bolsheviks’ xenophobia. Limonka as well as Elementy contain other statements against the Baltic, Caucasian and other peoples.

The idea of the Nation is a key concept in the European Alternative’s ideology as well. “A new type of Man should serve faithfully his Nation, and see in it the center of his own existence and personality”.19 To keep the unity of the Nation is one of the main goals that the organization puts forward in its ”Political Program”. Moreover, in its political agenda, the European Alternative accuses the capitalist system of provoking immigration processes from the countries of the so-called Third World of Europe. “The result of this is a new form of slavery where employers exploit immigrants. We do not think of immigrants as enemies, instead, we see them as victims of liberalism. Therefore, we are against any type of xenophobia and violence towards immigrants”.20 This is an expression of the novel New Right crypto-xenophobic ideology of “ethno-pluralism”.

Accusing others of xenophobia, the European Alternative, in its turn, proposes the concept of “ethno-pluralism” as a form of ethnic segregation. From the European Alternative’s point of view, immigration is
very harmful not only for the European national identity, but also for the national identity of the immigrants themselves. It leads to the alienation and isolation of the immigrants from their own cultures and, therefore, to a “culture shock” which is not good for anyone. The European Alternative believes each culture should develop within its own natural surroundings; only in this case, can it achieve maximum growth and prosperity. In this sense, the European Alternative is radically opposed to multi-cultural societies.

At first sight, the slogans of the European Alternative may seem relatively moderate, inoffensive and almost harmless in comparison to those of the National Bolshevik Party. But if we think about how to fulfill these slogans in practice, we can easily understand what catastrophe this could lead to in Europe.

As immigration can be considered one of the results of globalization, such a negative attitude towards it can be explained as a reaction to globalization itself.

The Third Way: Alternatives to the Globalization

In the previous sections, we have looked at how the National Bolsheviks and the European Alternative are opposed to some of the main consequences of globalization. So what do they offer instead? The answer to this question is probably the most interesting part of the ideology of both organizations and will be examined in this section of the paper.

What the National Bolshevik Party and the European Alternative have in common is the idea of a “Third Way” or an “alternative Modernity”. That means that neither organization is against modernity - they do not try to restore or conserve anything. Instead, they propose an “alternative modernity” that is in a way, revolutionary. The general idea that Dugin advocates is the concept of a “conservative revolution”. From Dugin’s point of view, the traditional division of the political spectrum into “right” and “left” is not correct because it means that there should also exist a “center” to which both “right” and “left” move, in trying to achieve a compromise. And to achieve a compromise, both “right” and “left” have to sacrifice their radical ideas. “The Third Position, or Third Way, is an ideological factor that is absolutely opposite to the position of the center in all respects”.21 That means that the Third Position is inspired by both rightist and leftist ideology with all their radical statements; at least, that is what Dugin and Limonov’s followers claim. “In practice, the Third Position may be realized both through the “right” and the “left” wings”.22 But at the same time, it is not a mere mixture of the rightist and leftist ideologies; it is an absolutely independent novel world outlook.23 Dugin and Limonov define The Third Position as “National-Bolshevism”.

The European Alternative has almost identical ideas. First of all, the European Alternative’s followers call themselves National-Revolutionaries. The National-Revolutionary movement, as defined by the European Alternative itself, is “a movement the roots of which go back to the inter-war period, but that differs greatly from any form of political extremism and that represents a third political force which in its turn opposes liberal capitalism and Marxism”.24 As has been already mentioned in one of the previous sections, one of the main goals of the European Alternative is to incorporate all of the revolutionary ideologies of the 20th century into its political agenda.

Revolution is another slogan that both organizations have in common. The only difference in their call for a Revolution is in the character of the slogans themselves. The National Bolsheviks’ slogans seem very radical and aggressive whereas the slogans of the European Alternative sound quite moderate, non-extremist and anti-violent. It has already been mentioned that by Revolution, the National Bolsheviks mean “rebellion
and hope for a spontaneous rise of the masses”. The European Alternative, speaking of Revolution, calls for a new understanding of “the ethical principles that should be above economic and political laws”. But again, if we only think of someone trying to apply some of the European Alternative’s ideas in practice, this could lead to another Civil War in Spain, and perhaps not only in Spain.

The alternatives to liberalism proposed by both organizations are the following: The National Bolshevik Party strives for the creation of a “national-social Order” and an “Absolute State that does not allow any ... autonomy within its borders”. To keep the unity of the State is one of the main goals of the European Alternative as well. It also calls for the construction of a “Social Republic” in Spain and the introduction of a new Constitution that later would be introduced in all other European countries. Some ideas of the European Alternative concerning the Social Republic are consonant with the ones of the Italian Social Republic (1943–1945), known also as the Salo Republic, that was created by Mussolini under the control and protection of the Nazis, but it does not mean a mere copying of these ideas.

The ideas of the NBP’s “National-social State” and the European Alternative’s “Social Republic” are quite different and deserve special attention. But at the same time, they lie beyond the thesis discussed in this paper and require separate research. For us, it was important to see that both organizations suggest their own alternatives to such elements of globalization as liberalism, free market, universalism, one-world system, etc. These alternatives might differ from one another. What they have in common, though, is opposition to these phenomena.

Conclusion

The arguments made in this paper allow us to say that similarities in the ideologies of the two organizations studied, and their cooperation in the European Liberation Front, can be seen as proof that globalization represents both a major and a uniform factor influencing the intellectual discourse and development of the extreme Right, as well as radical nationalism, in contemporary democracies, of whatever maturity.

The democratic system in Spain is not the oldest in Europe, but it is more mature than Russia’s where the democratic regime is still not stable enough, and is constantly challenged from both the extreme right and the extreme left. Russia is still a somewhat backward country in some respects, but that does not prevent her from being exposed to the effects of globalization, and becoming a fertile ground for all modern political ideologies. On the contrary, some of these ideologies, especially nationalist and extremist ones, find a good response among some Russian intellectuals, as we have seen in this paper. These intellectuals, as well as different nationalist extremist organizations and parties, are often thought to be quite marginal. “Even in opposition, Dugin is a hopeless marginal, and his views contradict almost everything that Russia lives with today”. But Dugin does exercise some influence on some of the mainstream politicians, as for instance, Gennadiy Seleznyov, the speaker of the Russian Duma. Moreover, Dugin’s geopolitical ideas are popular in intellectual military circles as well. He even reads lectures to the Russian General Staff Academy, and once organized there an informal meeting with the leader of the French “New Right”, Alain de Benoist. The more influence Dugin’s geopolitical ideas have on Russia’s foreign policy course, the less likely a constructive dialogue between Russia and the West will be possible.

The conclusion we can draw from the arguments just discussed is that nationalist radical organizations in Russia appear to have some political weight. However, they will remain marginalized and unable to achieve success, if they act alone. According to S.L. Gostev, neither are there tendencies to their further uniting with
each other, nor is there any leader able to unite them. But these radical organizations, as well as radical ideologies, will continue to blossom so long as Russia has all its numerous problems and does not gain stability.

A lack of stability is, of course, not a problem for Europe. But, even in Europe, many more radical groups and parties have appeared lately as compared with the inter-war and the Cold War period, although the reasons for their rise may differ from country to country. This paper has made an attempt to look at this phenomenon from the perspective of globalization, keeping in mind that there might be other explanations as well. Not all aspects of the two organizations' ideologies have been studied in this paper, only those that can be explained as reactions to the processes of globalization. Other aspects are not less interesting and worth studying in the future.

Notes

1 The following sources have been used: Dugin’s journal Elementy: Evraziyskoe Obozrenie (Elements: Eurasian Review) which contains different geopolitical and “conservative revolutionary” texts written by Dugin himself and other famous right-wing intellectuals such as Alain de Benoist, Jean Tiriar, Karl Haushofer, Nikolai Trubetskoy and others, as well as interviews with Eduard Limonov and his followers; articles written by Dugin for the weekly magazine Zavtra (Tomorrow) as well as some of his works such as Tseli i zadachi nashey Revoliutsii (The Goals and Objectives of Our Revolution) in which he expresses his ideas of a “Conservative Revolution”, Eurasianism, nationalism, etc.; the National Bolshevik Party’s newspaper Limonka: Gazeta priamogo deystviya (Limonka: Newspaper of Direct Action) published by Eduard Limonov where the main slogans and goals of that party can be found; Directories published by the Moscow Antifascist Center and the Information-Expert Group “Panorama”: Political Xenophobia and Political Extremism in Russia that provide a good review of different radical groups and parties, including the ones discussed in this paper, as well as biographies of Alexander Dugin and Eduard Limonov; articles written by different authors which can contribute to the analysis and which can be found in different magazines and journals such as Voprosy filosofii (Questions of Philosophy), Vlast’ (Power), East European Quarterly, Sotsis (Sociological Studies), Vesti Moskovskogo Universiteta (Moscow University Bulletin) and others. It has to be mentioned that radical nationalist groups are very active in advocating their ideas through the internet and as a rule have their own websites where they place their political agendas and other political documents, sometimes works written by authors ideologically close to their movement. The following websites have been used for the paper: www.arctogeia.ru, www.patriot.ru, www.panorama.ru, www.intersil.es, www.red-vertice.com.


4 Mondializm i tayna Rossii (Mondialism and Russia’s Mystery) // Elementy. 1992. No. 2., p. 27.

5 Rossiya i prostranstvo (Russia and Space) // Elementy. 1993. No. 4., p. 33.


8 The European Alternative’s Political Program //www.intersil.es/aefel/ p. 5.

9 The European Alternative’s Political Program //www.intersil.es/aefel/ p. 5.
21 Dugin A. Zagadka sotsializma (The Mystery of Socialism) //Elementy. 1993. No. 4., p. 11.
22 Ibid. p. 11.
24 The European Alternative’s Political Program //www.intersil.es/aefel/ p. 4.

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Minority Issues and External Factors: The Russian Minority in Russian-Baltic Relations

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Introduction

One of the key and most controversial issues in Baltic and Russian international relations is the Russophone minority. Its importance is unquestionable. It is a primary concern not only to politicians and diplomats, but also to us as individuals who are among the society of different minded people who speak a different language. The main objective of this paper is to analyze the role of the ethnic dimension of this very important issue for the Baltic States. Emphasis must also be made on new developments in Baltic/Russian relations, such as clearing out some of the old post inter-war dogma, and starting a new century with a new position regarding this problem, alongside other new objectives and tasks already undertaken as potential members of the European Union.

Despite the popularity of minority issues, most efforts have been devoted to topics of integration and refutation of Russian comments, while also upholding the present minority policy of the Baltic countries. Here, the most important question has been left unanswered: Why have Baltic/Russian relations developed in a conflicting and antagonistic pattern rather than on the basis of mutual friendliness and trust? The first part of the paper will concentrate on a thesis, derived from works by Rogers Brubaker (1996) and Barry Buzan (1991), that emphasizes that Baltic and Russian relations, where the Russophone factor is one of the most essential, have reverted to various arguments, conflicts and antagonism.

Methodology in the case of this issue is crucial. In order to test the main research issue, sound theoretical and empirical material is essential. Buzan stresses two types of relation patterns between states—enmity and amity. Enmity is the most appropriate way of characterizing Baltic/Russian relations. Brubaker, on the other hand, stresses that in a situation such as this, a conflicting relationship pattern is predictable. The empirical material, ranging from various reports and seminars to publications, has been carefully correlated with the issue to give additional backing to the thesis.

Undoubtedly international relations cannot be viewed in isolation from domestic politics, and vice versa. Thus, the analysis chapter of the paper cannot be carried out without an insight into Baltic (mainly Estonia and Latvia) minority policy. Which are the main factors that have contributed to Russian
dissatisfaction? How do Russians in the Baltics feel, having suddenly become a minority, where “Russianess” is no longer the basis for their social and economic well being. National legislation as well as other “sensational” issues are of key importance, in this part of the paper. Lastly, one of the most important phenomena is the Russian reaction towards the Baltic countries and the policies executed in order to resolve the minority questions at stake. Understandably, a Baltic policy regarding national minorities that is closely linked with the Russian policy is a key source of Russian objections. Therefore the main stress will be on the dual roles of the minority—that of playing a key humanitarian role and its more pragmatic and instrumental function.

In summary, as this is a very broad and complex topic, the paper’s main emphasis will be on the analysis and unraveling of the pattern of Baltic/Russian relations, covering mainly the question, “why this way?” and stressing the importance of the ethnic factor in international relations.

Theoretical Prerequisites: Enmity Pattern, Threat Perception, Triadic Nexus

The fundamental idea of the paper is based upon a very simple yet slippery argument - that Baltic/Russian relations have developed in a conflicting, antagonistic and unfriendly pattern, basically because they have been left to be as they are. In this case it is not so much a question of the policy and diplomacy that is at stake in producing the international relations and environment between the Baltic States (Estonia and Latvia, and Lithuania to a lesser extent) and Russia, but the idea and essence of how the relationship pattern is perceived. Russia was annoyed by Latvian and Estonian citizenship laws and language and education policies, but were those the sole factors determining the negative trend in state relations? Greeks and Turks are members of the North Atlantic alliance, the latter being a perspective candidate for EU membership, yet does that ensure a mutually friendly cooperation? Although during the cold war period the Russophile community enjoyed full social, economic, cultural and political rights, that did not deter the Baltic countries from feelings of threat and distrust of their Eastern neighbor. Presently a considerable Russophone community that is stripped of its major political and social rights resides in Estonia and Latvia. This gives Russia additional leverage for intervention and political pressure, thus placing the Russophone status in the Baltics in first place on the Baltic/Russian relations agenda.

The major theoretical foundation of the paper focuses on Buzan’s compelling work “People, States and Fear”. The key element, which is essential to prove the thesis, is the amity/enmity pattern determining state relations. As Buzan points out, these are the principal elements that must be added to power relationshipships among states. Amity in this case is a relationship between or among states ranging from genuine friendship to expectations of protection and support. The Baltic countries have historically, since they first gained independence, pursued a course of mutual friendliness and assistance, even more emphasized in the present day scenario. A similar relationship pattern can be pointed out in the case of the Visegrad countries, Benelux, North America... Yet, enmity among states is the opposite pattern. According to Buzan, an enmity pattern is primarily defined by suspicion and fear. In addition, enmity can be particularly explicit when it acquires an historical character between peoples—Jews and Arabs, Russians and Chechens, Greeks and Turks... Therefore it is essential to note that an enmity pattern can acquire various forms—starting from the most drastic, such as the case of volatile Israeli/Arabic relations, and stretching to the less conflicting end of the specter, as seen in the Baltic/Russian relationship. While potential threats, conflicts and distrust do exist; the Baltic/Russian relationship model cannot be characterized as open hostility towards one another. Still it is has to be noted that while Baltic State relations can be characterized as amity based, the same cannot be applied to their relationship with Russia, which takes the form of latent enmity.
The cause of a particular pattern—enmity or amity—is perfectly outlined by Buzan. Patterns of amity/enmity arise from a variety of issues that cannot be predicted by a simple consideration of power. These range from specific things such as border disputes, interests in ethnically related populations, long-standing historical links and (more dominant during the Cold-war era) ideological alignments.\(^4\) Basically all criteria can be matched to the Baltic and Russian relationship pattern.

While security is a complex and broad issue, another essential element, which is closely linked with the Russophone factor, is the question of threat perception. At the same time threat perception can be closely linked with the strength or weakness of a particular state. While military, political, economic and ecological threats are the most common sources of fear and distrust, the particular domestic situation in a country, especially when it is as large as Russia, can be a very powerful determinant of the political structure of the international political system. As Buzan outlines,\(^5\) weak states (the ones with a low level of socio-political cohesion) do not provide adequate security for their citizens. Because their instabilities often threaten their neighbors, and their vulnerabilities offer temptations for intervention, they can easily create unstable international security environments in their own regions, thus escalating the already existing enmity pattern. Hence domestic instability makes stable relations with neighbors difficult. This, to a limited extent, is evident in Baltic/Russian relations in the early and mid 1990s. Another very dominant source of distrust in this particular state relationship model is the fact that unstable elites will seek to bolster their positions by cultivating foreign threats. In that case it might even be possible to outline a thesis that states need to be threatened in order to allocate resources for defense, border guarding, etc.\(^6\)

Apart from Buzan’s hard security approach, the theoretical works of Brubaker\(^7\) are equally important to this paper, linking the national minorities (in this case the Russophone community), the temptation of the national minority’s home country to intervene, and the aspirations of countries to create a nation-state where it is in fact evident that a de facto bilingual state exists. The “triadic nexus” involves three distinct and mutually antagonistic nationalisms. The first element is the “nationalizing” of nationalism in newly independent or newly recognized states. The titular nation (Latvians, Estonians) defined in ethnocultural terms, stresses its particular and dominant status in the new state. Yet, excellently matching the Baltic case (Latvian and Estonian situations), Brubacker continues to point out that, despite being the legitimate “owners” of the state, the core nation is conceived of as being in a weak cultural, economic, and demographic position within the state.\(^8\) This weak position is seen by Brubaker as a legacy of discrimination against the nation (Russification policies, education opportunity inequalities) before it gained its independence, therefore tempting the core nation to remedy the status by using state power to promote the specific in interests of the titular nation. The second element of the nexus, and also directly challenging to the previous, is transborder nationalism, which Brubaker terms the “external national homelands”. This form of nationalism, according to Brubaker and Anatol Lieven,\(^9\) involves the right and obligation of the homeland government of other forces to monitor the condition, assert rights, promote welfare and equality, and protect the interests of their kin in other states.\(^10\) The last element of these interlocking nationalisms is the nationalism of the national minorities. National minorities are caught in the middle of the two antagonistic nationalisms, yet they are not always aligned (as in the Baltics) with the homeland nationalism, which often uses national minorities for its own political gains. National minorities, regardless of the strength of their national identity, make their own claims on the grounds of their nationality. It is these claims, Brubaker points out, which make them a national minority, which in fact designate a political stance, not an ethnodemographic fact.

Yet, with regard to the approaches of both Buzan and Brubaker, another essential aspect relating to international relations and its ethnic dimension can be identified. The pretext by which external national homelands intervene in the affairs of the countries where minority issues are of concern, creates a “security
dilemma” of it’s own, especially in cases where state relations are enmity based. Russia’s annoyance with Baltic minority policies has caused escalating threats from nationalist forces in Russia to intervene into Baltic affairs by enforcing economic sanctions, by the use of political blackmail (not signing boarder agreements for example) and by using Russia’s international status in certain international organizations (the UN, OSCE, European Council). This, on the one hand, might have promoted the adoption of more liberal laws, but on the other hand it has simply enhanced distrust and unwillingness to cooperate, and escalated the already existing enmity pattern.11

Analysis: Unfriendliness in Development, Nationalism and Identity Revisited, Russian Response

The analytical part of the paper is closely correlated with the theoretical outline. Baring in mind that the thesis is that the minority issues, along with other external factors, are the key determinants of the existing enmity pattern between the Baltic countries and Russia, it is essential to clarify certain questions. Does the Baltic and Russian international relation pattern bear any historical traits? Is the enmity entirely and predominantly ethnopolitically based? Is the present trend oriented towards friendliness or unfriendliness? Yet, besides security patterns and threat perception, it is essential to follow Brubaker’s triadic nexus framework for analysis in order to give an answer related to nationalism within the Baltic sphere. How was the Baltic national remedial process carried out? And on the whole, what is the status of the Russian minority and its perception of itself as a minority, something that ethnic Russians have in fact never experienced before, apart from the *lingua franca* status of the Russian language during the imperial and Soviet regimes in Russia. Is there anything unique about the Russophone communities in Latvia and Estonia? And finally, what part has the Russian response towards the Baltics played in determining the development of the enmity pattern? How much of Russia’s foreign policy towards national minorities in the Baltics can be regarded as humanitarian, and when does it become a pragmatic instrument of foreign policy?

Unfriendliness in Development

The first point that must be made regarding the causes of the unfriendliness pattern concerns the historical heritage of the Baltic peoples. For many centuries the Estonians, Latvians and Lithuanians12 were subjected either to German, Swedish, Polish or Russian imperial dominance. German baronial dominance was gotten rid of during the early 20th century only to be exchanged for Soviet totalitarianism two decades later.13 Therefore certain historic pretext of an enmity pattern—dislike for former oppressors, distrust and insecurity—can be pinpointed in the Baltic history. Following the collapse of the Soviet Empire, it is natural for the newly formed countries to perceive the greatest threats from the country that had inherited the power of the former empire. Likewise it is quite impossible to accept the “New Russia”, which has put in an immense effort to shun its soviet past, as a people simply cannot change attitudes, political modus operandi, and moral standards that swiftly (10 years is hardly a long time).14 The early and mid 1990s put considerable pressure on the Baltic countries due to fears of possible Russian revisionism and neoimperialism. This sparked a quick wave of applications for NATO and EU membership. While EU membership can be regarded within reach, it is membership aspirations in the world’s foremost military alliance that sparked a prudent reconsideration of geopolitics and military strategy from the Russian side. Populism and idle threats of economic sanctions, even a possible invasion in the event the Baltics are accepted into NATO, has promoted limited investment into a positive development of Baltic and Russian relations.15 The recent controversial affair regarding a supposed deployment of tactical nuclear weaponry in the Kaliningrad
enclave reminded us just how many more surprises Russia might spring. Regardless of Russian geopolitical pretensions, the Russophone community status in the Russian Baltic policies de jure remains the leading aspect. Putin’s administration has done little to provide reassurance regarding the Russian policy towards the Baltics.

Nationalism and Identity

The second point deals with the analysis of the nationalisms (domestic, minority and external homeland) according to Brubaker’s triadic nexus framework. What kind of nationalism policy did the Baltic countries pursue after independence was sustained? The very first step, as Siedschlag correctly points out,16 was to set certain guidelines for those who belong and those who do not. As a result, the great majority of Russophones residing in Estonia and Latvia were restricted from immediate citizenship. Furthermore, it was necessary to remedy the damage inflicted upon the titular nations in Estonia and Latvia, where the core nation’s dominance dropped from 90% in the cold-war period to 64% in 1996/97 in Estonia, and from 77% to 55.1% in Latvia. While the Estonians and Latvians did pursue a policy to restrict Russian dominance, particularly the language, the goals were achieved by legislative and administrative means, and strictly shunned the slightest use of threat and violence, which could have resulted in Russian intervention.17 As a result, a naturalization procedure was introduced for non-Latvians who were not the descendents of citizens during the inter-war period or, respectively, previous citizens of the inter-war regimes. Efforts to improve the naturalization processes in Estonian and Latvia have met with limited success due to the lack of cooperation from the Russophone community, expenses connected with them, and unpleasant bureaucratic procedures. Therefore the core nations at least de jure have retained their predominance in political life.

Perhaps a more complicated question concerns the nationalism of minorities and the problem of identification. Are the Russophones members of a developing and modern Latvian and Estonian nation? Or, are they destined to become, as David Laitin suggests, a “Russian-speaking” nationality, distinct from the Russian nationality?18 Considerably fewer people from the Russian speaking community tend to consider themselves as immigrants from Russia or Russians whose ethnical homeland is Russia. This on the other hand is a dilemma, as it robs Russia of the political leverage it so needs in the Baltics. Another problem arises, since the unwillingness of the Russophone population to identify itself with Russia as their ethnic homeland puts the whole Brubaker concept of national minorities at risk since Brubaker defines a national minority is a group of people identifying themselves as belonging to another nation.19 Therefore, we can show that national identification is not just a unilateral question that can be decided by the Russophone public. Similarly to Samuel Huntington’s thesis of belonging to a civilization, the questions of identification and nationalisms are firstly based on personal identification, but secondly on being accepted and recognized, in this case, by the titular nations.

Russian Response

Hence it is possible to turn to the final aspect of the analysis, which is the Russian policy towards the Baltics, stressing the ethnic dimension as the first priority of the Baltic policies. Strictly speaking, it is necessary to divide this dimension into two aspects—clear humanitarian intentions (support of their kin, ensuring their well-being, promoting their rights...) and pragmatic instrumentalism (using the unresolved minority and integration issues as a major ace against the Baltics in the international arena). Further emphasis must be made regarding the nature of Russian foreign policy. While the minority issues are of
great importance, and no doubt they are stressed by Putin’s administration, economic and security interests, particularly with regard to NATO expansion, must be kept in mind.

Firstly, the humanitarian side of the Russophone problem in the Baltics has received sufficient political and media attention. Bearing in mind that the percentage of the Russian speaking population in many urbanized regions and cities constitutes a majority; it is unacceptable for Russia to see its compatriots as second-rate people. In November 1996 the UN General assembly declined Russia’s initiative to penalize Latvia and Estonia for violations of human rights against the minorities. Likewise, the UN fact-finding mission concluded that no gross violations of human rights were evident. Thus political attacks by Russia promoted a negative trend in the development of Baltic and Russian relations. While the Latvian and Estonia sides have passed limited patchwork legislation regarding the use of the Russian language in public and private spheres, education, and the amendments adopted by Latvians in the referendum of 1998 regarding automatic citizenship for children born after 1991, Russia has done considerably less, and practically nothing at all to directly improve the situation of Russians living outside Russia. Moscow spends little to provide real help to its far-flung compatriots. In 2001, Moscow set aside only 90 million Roubles to help the approximately 25 million Russians living abroad—some 3.6 Roubles (0.12 Euros, 0.13 Dollars) per person.

On the other hand, the instrumental side of the conflict is more evident. The Russian minority is basically used as political leverage to achieve certain foreign policy goals. Security and economics are most often interconnected with the minority issue. While the Baltics stress the necessity to resolve border agreements and better economic cooperation, the main demand from the Russian side regards minority issues. A simple strategy for keeping the Baltics, at least Estonia and Latvia, out of NATO, is the creation of a negative image of the Baltic mistreatment of the Russophone communities.

Conclusion

Once more it is necessary to return to the fundamental idea of the paper – that Baltic/Russian relations have developed in a conflicting, antagonistic and unfriendly way basically because of a predominant enmity pattern, which was formed on the basis of historical, security and national minority aspects. As the theoretical frameworks, based on works by Buzan and Brubaker, pointed out, the Baltic situation is by no means an exception, but it is a perfectly appropriate and matching case study. Taking into account such models as Iraq/Kuwait, Greece/Turkey, Israel/Arabs and many others, the Baltic/Russian scenario differs with a fortunate passivity of the existing conflict. While the amplitude of enmity can vary, the fundamental basis of international relations between or among particular States will always remain unfriendliness. In the Baltic-Russian case the sheer size of Russia is already a very credible factor.

Predicting future developments about the Baltic and Russian relationship using such a theoretical approach is relatively easy. The sole basis of unfriendliness is conflict and major disagreements. Provided that these problems are solved, a shift in the relationship pattern can be expected. It is evident that the Russophone communities will neither evaporate nor, in the near future, start identifying themselves as Latvians or Estonians. Likewise, it is clear that a reason for discontent between the States can always be found; yet not one could support claims made to the international community that neighboring countries mistreated their kinsmen. Therefore it is crucial to understand the essence of the minority factor in international relations. While relations among states can take up a negative pattern without minority issues, the presence of a large national minority, as in the Latvian and Estonian cases, can give completely different amplitude to the
conflict. Integration of national minorities into mainstream society is a complicated task on its own, but with the presence of external factors, such as with Russia; for example, these can considerably complicate the process, and perhaps even mutually resurrect diminished extreme nationalist tendencies.

Notes

1 The Russian percentage in Lithuania is roughly 8%, contrasted to 30% in Estonia and 33% in Latvia. This was also the reason why Lithuania offered citizenship to all residents in 1991, which Estonia and Latvia accepted more exclusive citizenship laws.
4 Ibid. p. 190.
5 Ibid. p. 154.
6 Ibid. p. 156.
7 Brubaker, Rogers; Nationalism Reframed: Nationhood and the National Question in the New Europe; Cambridge; Cambridge University Press, 1996.
9 Lieven, Anatol; The Weakness of Russian Nationalism; Survival, vol. 41, no. 2, Summer 1999, pp. 53–70.
12 a distinction has to be made in the Lithuanian case having their own politically influential kingdom (13-16th century) and later being a part of the Polish-Lithuanian Commonwealth.
14 Ilvi Joe-Cannon: Comments on A. Lieven’s “Against Russophobia.”, David Johnson’s Russia list No. 5116.
15 Blank, Stephen J.; Russia and the Baltics in the Age of NATO Enlargement, in Parameters, Autumn 1998, pp. 50–68.
21 AFP: Russians living in Baltics feel abandoned by Moscow.
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Emerging Middle Classes in Russia and Poland: Comparative Empirical Investigation of the Composition of the Middle Classes in the Two Countries

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There is a strong debate taking place among social scientists concerning the middle classes in Post-Communist societies, as many aspects of the problem are still analytically and empirically controversial. First of all, the main question of whether the middle classes exist in these countries, or are they only a feature of the developed Western societies, is still a point at issue. Moreover, it is still not clear what criteria are acceptable as a basis for the definition of the middle classes, what is the role of the middle classes in Post-Communist countries, et cetera. This paper is a contribution to the current debate. It attempts to subjectively analyse the middle classes as groups who identify themselves as the middle classes in Poland and Russia.

The post-communist transformation is certainly well defined in political and economic terms: it is the road from a totalitarian to a democratic regime and from a command economy to a market one. The definition of the process in terms of social stratification is less clear. However, one can assume that it consists mainly of a shift from the working class as a basic social force, to the middle classes as the basis of social stability in emerging democratic regimes. Consequently, theoretical and empirical problems concerning the middle classes become more and more important for social scientists.

Middle class is usually defined on the basis of 3 general groups of characteristics: social and professional characteristics, parameters of material well being (“objective” characteristics of the middle class) and self-identification (“subjective criterion”). The authors who analyze the middle classes on the basis of objective criteria (both in Russia and in Poland) note that if the middle class were formed as a result of democratic transformations (which is a point at issue as well), its proportion in society is rather small. For instance, according to Zaslavskaya, the proportion of the middle class in Russian society ranges from 15–18% up to 20–25% of the population depending on the method of measurement; Domanski says that the middle class in Poland is rather small and internally stratified.

The results of empirical studies concerning the middle classes defined on the basis of subjective identification criterion, have various terms of prescription for Russia and Poland, and the data, given by Russian and
Polish researchers differ. For instance, according to Kurczewski, the proportion of people identifying themselves with the middle class in Poland at the end of the 1980s was very insignificant, but it increased gradually until 1994, when a sharp decrease took place (Kurczewski explains this by the sharp fall in levels of consumption during that time). Levada analyzed the proportion of the “subjective” middle class in Russia during the period from 1989 till 1998 and showed the opposite situation. According to his data, the subjective statuses were distributed similarly during the analyzed period, and about 2/3 of each professional group identified themselves with the middle class.

Here it is important to note the differences in methods that the authors used for defining the middle class. Kurczewski defined the middle class based on direct questions about that person’s identification with a class (lower, working, middle or upper class). Whereas Levada used a 10-point scale as an indicator of the respondent’s class affinity, where the interval between 4 and 7 was considered to be the middle class. The latter method of measurement does not take into account the ideological meaning of the term “middle class”, showing only the proportion of people between the top and the bottom positions in social stratification. Consequently, this method of measurement remains insensitive to the features of the middle class as a qualitatively specific category.

In this paper, the middle class is defined on the basis of subjective identification criteria, and a person’s belonging to the middle class is defined on the basis of direct questions that use the term “middle class”. This allows for specificity in the given category, which results from the historical features of development in Post-Communist countries.

The purpose of the research was to examine the differences in subjective stratifications between Russia and Poland, and the differences in the composition of the subjective middle classes in particular. The research was based on the statistical analysis of two datasets: a) data of VCIOM regular research (May 1998), a sample covering 2407 adult men, and b) data of research from “Social Differences in Poland”, a sample covering 1596 adult men.

The selected groups (further - middle layers) were compared in terms of their social and professional characteristics, and also in terms of the parameters of their material well being. On the one hand, it shows how the subjective representations of people in the two countries are connected to the “objective” characteristics of the middle classes; on the other hand, it allows us to see the differences between the countries that occur in spite of the similarity of pre-conditions and purposes of reform.

Generalizing the results of the research, it is possible to say that, regardless of whether the middle classes in terms of their objective characteristics were formed in the considered countries or not, a large group of people who identify themselves with the middle class was created as the result of the transformation processes. Moreover, these people think of themselves not as of being just “between the top and the bottom”, but as of people belonging to the middle class. This group consists of relatively younger and more educated people, many of whom have their own businesses or work in the service sphere etc.; their standards of material well-being are significantly higher than the average for the sample, which shows once again that these people are not just “between the top and the bottom”. Further in the paper, this general conclusion is illustrated by the statistical data, and the characteristics of the considered layers in Russia and Poland are analyzed in more detail.

Comparing the distributions of the subjective statuses in Russia and in Poland, one notices the difference in proportions of the subjective classes between the two countries. However, the differences are minimal with respect to the middle classes (see table 1.).
Table 1
Subjective Classes in Russia and Poland

<table>
<thead>
<tr>
<th>Subjective Class</th>
<th>Poland</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Class</td>
<td>21.19</td>
<td>16.08</td>
</tr>
<tr>
<td>Working Class</td>
<td>26.29</td>
<td>38.11</td>
</tr>
<tr>
<td>Middle Class</td>
<td>47.75</td>
<td>44.77</td>
</tr>
<tr>
<td>Upper Class</td>
<td>4.77</td>
<td>1.04</td>
</tr>
</tbody>
</table>

The middle layers defined on the basis of subjective identification criteria are rather numerous in both countries—a little less than 45% of the Russian respondents and a little more than 45% of the respondents in Poland identify themselves with the middle class (table 1). The specific characteristics of the given layers are considered in more detail further on.

The comparison between the middle layers in Russia and in Poland was made on the basis of social and professional characteristics of respondents (age, education, profession, sphere of employment, etc.), as well as in terms of their attitudes towards economic and political changes and characteristics of their material well-being—possessing certain consumer durable goods. Furthermore, only those comparisons are observed for which the statistical significance of the relationship between variables was fixed on the basis of Chi-square criteria.

**Age**—In both countries a similar tendency is observed: the older the people are, the more they are likely to perceive their social statuses as low; and vice versa, the younger the people are, the more they tend to perceive their social status as middle or upper. In Russia this tendency is more pronounced than in Poland. In Russia, more than 50% of the two “younger” age groups (16–20 and 20–29 years), and also about 50% of the third group (30–39 years), identify themselves with the middle class. Only in the “older” age group (older than 60 years), self-identification with the lower class modal. In Poland, subjective identification with the middle class is modal for all age groups, but in the “older” group (exclusively), less than 50% of respondents identify themselves with the considered class.

**Education**—For both countries, a similar tendency was observed: the more educated the people are the more they tend to perceive their status as middle or high, and vice versa.

In Russia, sharp differences in education between the two “upper” and the two “lower” classes were observed. For instance, more than 70% of the two most educated groups (people with uncompleted higher education and those with completed higher education or more) and almost 45% of the third group (those with secondary education and vocational training), identified themselves with the middle class, while the subjective status of less educated groups is significantly lower.

In Poland, similar tendencies are noticeable. However, there are some differences as well. For instance, if in Russia the overwhelming majority of the two top educational groups identified themselves with the middle class, in Poland, the majority of respondents in the four top educational groups (including the respondents who completed only secondary school) belong to the subjective middle layer. Also, here the difference between the more educated respondents and those who did not complete 10-year school education are even sharper than those in the Russia.
Profession—With respect to profession, the tendencies are similar in both countries. However, the statistical significance of the relationship between the variables was fixed only for Russia. Nevertheless, the distribution of professional groups with respect to the subjective classes in Poland is similar. The absence of statistical significance for Poland could mean the presence of some other related factor, which influences the subjective class inclusion.

Generally speaking, the more education, qualifications and responsibility the position requires, the higher the subjective status of the person occupying that position. This picture is complemented by data concerning the relationship between subjective class belonging and type of enterprise in which the respondent works. This provides additional information about the relationship between subjective class belonging and employment.

Types of enterprises—In spite of the fact that with respect to the type of the enterprise there were no sharp fixed differences, some interesting results nevertheless must be discussed. Firstly, all respondents who work for non-governmental organizations both in Russia and in Poland identified themselves with middle class. Obviously, the proportion of such people in the sample is small, but the fact that all of them perceive themselves as belonging to the middle layer allows one to make some preliminary assumptions. Non-governmental organizations are engaged in non-physical work. That means that they have the opportunity to engage in intellectual work. Accordingly, such organizations become a niche for “the intelligentsia”, who identify themselves as middle class.

A second interesting result occurs in foreign companies and companies with foreign capital. In both countries, identification with the middle class by workers in these companies is modal. This is explained by the relatively higher level of wages paid by foreign companies, and also by the fact that the employees of such companies (as a rule) pass procedures of rigid selection, and consequently, in a sense, “better” people ultimately get in. Those factors influence their higher subjective status.

By generalizing the considered social and professional characteristics of the middle layer in Russia and Poland, it is possible to draw some preliminary conclusions. First, in both countries the “subjective” middle layers make up a significant part of society. That might possibly support the assumption that the concept of the middle class, which was not familiar for the majority of the population in either country even in recent times, now has emerged and is fixed in the consciousness of many people both in Russia and in Poland. The social and professional characteristics of this layer show that these people are not just those “between the top and bottom on the stratification ladder”.

Indeed, relatively younger, more educated and qualified people tend to perceive themselves as belonging to the middle class both in Russia and in Poland and, in spite of the aforementioned differences between the two countries, it is possible to see similar tendencies. So, higher education, relatively younger age groups and “responsible” jobs that demand higher qualifications, as well as certain spheres of activity—all of these characteristics play a very important role in defining subjective identification with the middle class.

In order to estimate the influence of the entire range of social and professional characteristics on subjective identification with a certain class, a multiple regression analysis was made. It showed that the main factor defining subjective identification with a class was education (beta-coefficient equals 0.44 for Poland and 0.35 for Russia). The influences of other variables on subjective identification was either not statistically significant, or was much less than the influence of education.
Perception of Economic and Political Changes by the People from Different “Subjective Classes”

The next area of comparison between the countries was the attitude to political and economic reforms—whether reactions to changes were optimistic or pessimistic. In order to estimate these factors, different indicators were used for Russia and Poland; that is why the results were not statistically compared. Nevertheless, some general comparative conclusions may be made.

**Russia**

In order to estimate optimism or pessimism, the Russian respondents were asked how they perceived certain aspects of reform. Their answers reflect how they see the prospects for the development of the economic and political situation in the country, i.e., whether they view them optimistically or pessimistically. Regarding their perception of the economic situation, the following tendency was observed: the higher the person’s subjective social status, the higher the level of optimism about the development of the economic situation in the country. The middle class perceives the situation slightly more pessimistically than the upper class. However, its level of optimism is definitely higher than that of those represented by the working and lower classes. This could mean that the relative optimism of the middle layer comes from somewhat better living conditions, or that the transformation corresponds more to the interests of the upper and middle layers. However, a high proportion of the people answering “difficult to say” to this question were in the middle class (more than 30%). This does not provide a sound basis upon which to draw categorical conclusions.

The tendencies are similar for their perception of the political situation: the higher the person’s subjective social status, the higher the level of optimism about the development of the economic situation in the country. The middle class here again is closer to the upper class in terms of the level of optimism, whereas the working and lowest layers remain more pessimistic. However, the proportion of “difficult to say” answers for this question is even higher. That is why it is difficult to draw any conclusions other than that, regarding their perception about both the economic and political situations, the level of optimism for the middle class is much closer to the upper class than to that of the working or lower layers.

**Poland**

Here the question, “do you think that the political (economic) changes go in the right direction?” was used as an indicator for the level of optimism. The Polish respondents’ perceptions of changes are similar to those observed on the basis of the Russian data: the higher the person’s subjective social status, the higher the level of optimism about the development of the economic and political situation in the country. In attitudes toward economic changes, the middle class is close to the upper class in its level of optimism, but the distinctions between the classes are stronger than in Russia, and the level of optimism of the middle class is higher than in Russia as well.

Polish respondents perceive political changes less optimistically than economic ones. Here, the level of optimism of the middle class is closer to that of the working class (rather than to that of the upper class, as in case of the economic situation), and the proportion of “difficult to say” answers is a little bit higher than for the previous question. In general, it is possible to conclude that the Polish data shows, with greater
certainty, that the higher the person’s subjective status, the higher his or her level of optimism in perception of economic and political reforms. It is difficult to say conclusively that this is true for Russia because of the high proportion of “difficult to say” answers.

Material Well-being

Generally, it is possible to say that the people identifying themselves with the middle class in both countries are “richer” than average.

The data showed that, in the whole sample, the respondents belonging to the middle layer, have significantly more possessions than do those registered as being only average. Moreover, it is important to take into account the fact that the middle layers in both countries are numerous, which strongly affects the meaning of “average” throughout the whole sample. The significant differences between those identified as “the middle” and those identified as “the average” shows that the middle layer is different for different people who occupy positions between the top and the bottom. The middle layer as a group is specific in spite of the heterogeneous nature of the sample.

In analyzing the data, it is possible to note the following: First, the average parameters of material well being in Poland are much higher than in Russia. Accordingly, the Polish middle layer is significantly richer than the Russian one. It should be noted that durable goods such as automobiles, computers, VCRs and video cameras are more meaningful as “status” goods in Poland than in Russia.

The housing situation in the countryside is a habitual indicator of well being in a number of countries. However, the Polish data shows almost equal proportions of people having houses in the middle layer as for the sample as a whole, while in Russia this parameter is even lower for the middle layer than the average for the sample as a whole. The explanation may lie in their understanding of what is meant by a “house in the countryside”. In most countries this refers to a property used for recreational purposes, but in Russia, for instance, such house (called a “dacha”) is seen as a condition of survival.

Generally, it is possible to say that the people identifying themselves with the middle class in both countries are richer than those identifying themselves as “average”. They have a greater probability of owning “status” goods such as automobiles, computers, and video cameras, whereas a house in the countryside is not seen as an indicator of social standing. The Polish average layer is richer than the Russian one, but the average parameters for Poland are much higher as well.

Conclusion

Returning to the argument which was stated at the beginning, it is possible to say that, in both countries, the numerous middle layer (based on subjective identification criteria) exists, and that the people comprising it are different from “the average”. Simplifying a bit, it is possible to conclude that the people who identify themselves with the middle class (both in Russia and in Poland) can be characterized by higher levels of education and qualifications, they are younger, and more often they work in more responsible positions. The level of material well being of the middle layer is also higher than for the average across the whole sample. They are more optimistic in their perceptions of economic and political changes in their country; however, genuine optimism still has a long way to go.
Bearing in mind the aforementioned differences between the two countries, in general, it is possible to say that the characteristics of the “subjective” middle layers in Poland and in Russia tend to be consistent with those parameters that theoretically characterize the “objective” middle classes in advanced democratic societies. Perhaps these layers can serve as a basis for some sort of stability in society because of their relatively higher levels of optimism and indicators of material well being. However, it is difficult to draw definite conclusions about whether these layers can become a basis for the formation of a “real” middle class in transforming societies.

Notes

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The Brain Drain from Bulgaria During the Recent Decade and its Negative Economic Implications for the Country

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Introduction

The impact of international migration on the development of the countries of origin is extremely important nowadays for countries in transition from Eastern Europe and the CIS. Migration influences the performance of these countries’ economies positively and negatively. However, in the case of Bulgaria, during the past decade, the negative economic consequences from emigration have outweighed the positive ones.

There was a tremendous human outflow of workers from Bulgaria between 1990 and 1998. More than 634,000 people, out of a total population of 8.6 million (in 1998), left the borders without returning during that period. This huge net outflow of human capital poses questions regarding economic implications for the country. In determining the economic consequences of the emigration from Bulgaria, a major factor is the brain drain—the phenomenon of migration of people with very high professional and educational status. The brain drain effect deprives Bulgaria of her ablest sons and daughters who are mostly in a flourishing age, i.e., when they can contribute most to the development of the country through its transition period. To quantify the net effect, we shall calculate the loss to the nation from potential fiscal earnings and state education expenditures and the benefit to the state and the remaining population through remittances, goods, and physical capital.

To see to what extent the brain drain plays its part, we must look on the composition of the emigration and its percentage of the whole population. Then its connection with global macroeconomic indicators through statistical methods for the same period—1990 through 1998, can show to what extent the phenomenon of migration has influenced the performance of the economy.

Range and Importance of the Brain Drain for Bulgaria

The biggest problem Bulgaria faces is that an increasing percentage of the people crossing the borders are those with higher degrees or some forms of college education, and well-trained professional workers.
About one-half of the young professionals who left the country were employed, have the respective training required and intend to find jobs in the sphere of vocations requiring high mental powers. Around 60% out of a total of 380,000 immigrants, were skilled nationals with a college degree or higher education. Moreover, for the period 1990–1998, 29.1% of the migrants, as compared with only 7.7% of the population as a whole, consisted of medical, engineering-technical, and scientific staff. This means that this group’s rate of emigration is 3.5 times greater than that of the population as a whole.

Research carried out by the Institute of Demography at the Bulgarian Academy of Sciences (BAS) in 1992, on the basis of data from 1990 to 1992, shows the brain drain in its essence. Most afflicted by the brain drain are the sciences with historical traditions in international cooperation, such as biology (144 scientists), mathematics (71), technical science (47) and physics (43). Those from the social and life sciences make up considerably lower numbers. The survey pinpoints the USA as the most attractive destination for these scientists. The exodus by top scientists saps the strength of the Bulgarian economy. People who were laid off make up most of the emigration numbers. Layoffs have hurt young scientists most. For example, 55 young scholars aged 30 or under from the Institute of Mathematics have emigrated due to lack of jobs. These data are explained not only by the increasing interest of foreign institutes to buy human capital. More than half of those young professionals migrate because of poor living conditions and, in addition, more than 50 per cent report that they fear being unemployed and the status of being unemployed. The period 1990–1997 in Bulgaria is characterized by very high inflation ending in hyperinflation at the end of the period, a high unemployment rate, and overall macroeconomic instability. The brain drain during the above-cited period has contributed significantly to the slow economic recovery in the Bulgarian economy after the introduction of the Currency Board in 1997.

After that crucial year for the Bulgarian economy, years of a very stable and foreign investment—conducive situation set in for the country. The democratic government of the Union of Democratic Forces took over power with a 50% majority from the communists and succeeded in bringing about reforms that led to low inflation, low interest rates, and a steady GDP growth. Nevertheless, the scarcity of young qualified professionals was still felt—one of the major impediments to the slow rate of GDP per capita growth. At the same time, the brain drain, although at a much slower rate, continued to deprive the country of its valuable human potential. In many governmental institutions, there is a desperate need for trained staff—both scientific and pedagogical. For example, in the Faculty of Mathematics and Computer Science at Sofia University, university juniors and sophomores lead exercises for freshmen and even their colleagues due to a lack of qualified professionals (who emigrate). Ironically, many well-trained professionals are unwilling to return home because their educational degrees earned abroad are not recognized in Bulgaria.

Factors Influencing Economic Performance

There are several factors to be considered when drawing inferences about the overall effect of the brain drain phenomenon on the economy. These effects can be separated into positive and negative with respect to their consequences for the monetary flow in the country of origin.

(a) Negative Consequences—Financial Estimate Model

The first negative factor is the heavy fiscal burden on the remaining population. The fact that the number of young people who choose to remain in the country is decreasing, and more than 95% of those who migrate are people of working age, are two consequences for the country’s population balance. This affects
the age of the population—the number of young people in the working population is reduced while those who are old cease working and become dependent on others. This results in a relatively small part of the taxpaying/working population having to support the whole population. For Bulgaria, the figures show that 2.4 million are retired and that the 2.74 million who are currently employed will support about 8 million in the year 2001. This means that 33.3% of the population work to provide income for the entire increasingly aging population. In other countries the dependency ratio is also deteriorating, but at much slower rates—for the US this ratio is much higher at 46.8%. The second fiscal effect is that highly trained professionals receive their education at almost no personal cost, which is a substantial state cost, and then, in their productive period, they are no longer available and the country loses out on its human capital investment generally. Hence, when calculating the brain drain balance, this governmental expenditure must be placed “on the liabilities side”.

The second major negative effect is that the brain drain pattern for Bulgaria, as well as for the other countries in transition in the region, exhibits the downward spiral of a vicious circle effect. As more and more people leave Bulgaria, the pressure on those able and willing to leave builds. They reason that it would be better for them to leave the country and settle in a country offering a much higher standard of living, than to remain and wait until living conditions improve. A wave of departing migrants induces a multiplying effect. Then the pressure on those remaining increases and emigration repeats itself in a geometric progression. This process has been observed in Bulgaria in the cited period because of its bad economic performance. In fact, it is not clear whether emigration or poor economic performance is the spring of the spiral. It logically works both ways, and the problem turns out to be one of the “chicken and the egg”, for one leads to another and the initial cause becomes academic. Therefore, when testing for a correlation and deeper statistical modeling than in this analysis, it is important to test both variables for cause and effect. From 1992 to 1996, when the economic situation began to deteriorate, migration steadily increased to peak for the last time in early and mid-1997, which proved to be a hyperinflationary period. In that very period, the vicious circle effect was fully enforced. Instead of remaining in the country, young and talented professionals chose to leave the country to find better opportunities abroad. (72% of people could see no improvement in the foreseeable future in 1996. see Chart 1).

A more detailed approach requires testing for a lag—what happens in the economy after a year or a couple of years after a number of emigrants have left. This means that people may endure the situation for a time and then leave the second year when things get worse, or wait for two years and then leave.

The third, but probably the most important negative effect for the country, is that the taxpayers that are made up from highly qualified workers are going to decrease. The most significant implication is the worsening of the quality rather than the quantity of the Bulgarian labor market. This highly qualified work force could have brought about tremendous fiscal returns to the governmental budget. The following assumptions about the inputs of an appropriate model can be made.

1. In the period 1990–1996, based on figures by the UNFPA Report for Bulgaria 2000, on the average, 66,000 people annually have emigrated permanently;
2. These people have, on average, more than the average qualifications so as to be able to settle permanently abroad by finding satisfactory employment for themselves and their families;
3. Approximately 15% of the emigrants could have been unemployed, that is they would have paid no taxes on labor contracts had they stayed in Bulgaria;
4. The overall amount of taxes (including income tax, social security, health insurance, etc.) equals 25% of the average worker’s salary;
5. The average worker’s salary for the 1990–1996 period is $1200 annually.
If these assumptions are true, the would-be income taxes generated for the state budget can be estimated by this formula: $IT = AS \times TS \times NE \times (1–PU) \times Y \times (Y+1)/2$, where $IT$ is the projected income tax lost over the period; $AS$ is the average annual salary of a worker; $TS$ stands for average percentage of income tax received by the state budget; $NE$ is the average annual number of emigrants; $PU$ is the percentage of unemployed emigrants while still in the country; and, $Y$ is the number of years in the model for which loss is calculated.

For Bulgaria, for the period 1990–1996, the budget loss from emigrants is $471$ million altogether, or $67.3$ million annually, which is a serious figure for Bulgaria, whose fiscal budget averages $3.34$ billion for the period. This makes up 2% of the potential budget revenue every year. However, the potential earnings from the GDP are far greater, for there is a widening gap each year because emigrants are gone. Thus, the leak flows at a faster rate every year into an expanding pool of lost GDP.

To this loss of state incomes are to be added the total amount of expenditures for educating these emigrants. The number of people leaving has to be sequenced with the migrants’ educational level in order to estimate correctly the money invested in their training. When estimating the state expenses for these emigrants, all budget expenses are included (teacher and faculty salaries, books and supplies up to high school, buildings and facilities maintenance, and dormitories and canteens on subsidies). Thus, the estimate shows Bulgaria has lost for the period 1990–1996, from educating 462,000 of its citizens who have emigrated, approximately $622$ million. Added to the estimated $471$ million from loss of taxes, Bulgaria has lost during that period, a total of $1.093$ billion, up to 1997, and $1.733$ billion up to the year 2000. With a total loss of 800,000 emigrants from the country, that figure, if compounded, comes to $2.3$ billion. This is equal to 3.7% of the average total fiscal budget for the period.

Some analysts argue that emigrants’ departures alleviate working conditions for the remaining population. In Bulgaria this is not true. The rate of unemployment for skilled personnel, during and after this process of mass migration, has not significantly dropped. Although this exodus could increase the demand for skilled personnel, that has not been the case; for those well-educated university graduates who remain, only meager working opportunities for low pay are offered, and their overall unemployment level has not dropped. Rather, the rate of unemployment continued to rise to reach a level of 16.4%. There is also a problem with a steadily sharp rise in the number of people who are discouraged from finding jobs. These persons are not active employment seekers, and thus are not included in unemployment figures. Based on data from BNSI 2000, the number of unemployed is currently 470,000 people, (as compared with 180,000 in June 1995—an increase of more than 250 %!). These figures make up 14.4% of the active Bulgarian population.

(b) Positive Influences—Financial Estimate Model

Remittances are a major source of foreign exchange earnings for countries of origin. One of the weightiest positive impacts of international migration for countries of origin to consider is the generation of remittances. Remittances can be used to import capital goods and the essential inputs required for promoting investment and capacity utilization, thereby advancing economic development.

According to the Bulgarian Ministry of Labor and Social Affairs (BMLSA), the average annual net income from the transfer of savings from abroad to Bulgaria for the period 1992–1995 was 80.3 million. This was equal to 25% of the average Bulgarian capital account balance and 59% of the average from foreign direct investments. These latter remittances are passed through official channels, such as bank and post transfers, recorded by the appropriate institutions. However, the importation of money and other types of liquid assets, as well as capital goods and investment promotion inputs, are common, and should be taken into account when evaluating remittance considerations. It is generally assumed that about 25% of the
total amount of remittance and capital transfers that are moved into the national economy from outside residing citizens remain unrecorded. This might be “pocket money” carried in through customs unofficially, imported goods brought through customs that are prerequisites for industrial production but not taxed, and so on.

There is also a problem with potential investment funds that Bulgarians abroad are unwilling to inject into the national economy. This was especially the case in the years before 1997 when the macroeconomic situation in the country was not at all rosy. Bulgarians abroad have large savings in foreign banks that their owners do not want to return to the fatherland because of the fear of either losing them or because of higher taxation. In many cases, Bulgarians abroad deem it more profitable to plow these resources back into the foreign economy where prospects are more favorable.

It is believed that, during the period 1990–1997, approximately $100 million of remittances and remittance—bound assets were flown over the borders of Bulgaria by citizens living abroad. And, after the 1997 elections, when economic conditions improved, it is likely that these transfers increased by 10% to reach $110 million per year. This means that, taking into consideration those unofficial remittances that Bulgaria received from emigrants, between 1990 and 2000 the figure amounted to some $740 million. There is not enough official information on remittances attributable to the Bulgarian emigrants who left before 1989. Nevertheless, since those emigrants number considerably more than those who left after the fall of the “iron curtain”, their funds are also more. Therefore, it is assumed that the newly settled Bulgarian emigrants have still a way to go until they generate at the same rate and absolute return of funds and are thus relied upon in the future.

Return migration can have a positive impact on development depending on whether the country of origin provides a propitious social and economic environment for the productive use of the migrants’ skills and savings. For Bulgaria, this has not been seen until the last two or three years. Worse, people do not feel safe about their savings. Nonetheless, by updating professional qualifications, experience, and ideas during their stay abroad, the return migrants’ scope of the world changes and there are opportunities for faster implementation of analogous ideas and technologies at home. Consequently, return migrants bring an indirect positive flow of welfare with them. This should be taken into account when going deeper into modeling the brain drain balance viewed as an important social capital.

(c) Net Effect on the National Economy

To recapitulate, the net loss of human capital for Bulgaria for the 1990 – 2000 period from emigration amounts approximately to $1.555 billion. However, it is highly likely that some of the migrants will return in the near future due to better economic conditions, and others will emigrate because of growing globalization, Schengen visa dropping for Bulgaria, and the European integration process. A second type of mistake may be made due to poor quality measurements and techniques. The third thing to consider when delving into a more accurate model is to include a monetary measurement for technology transfer, experience, and ideas acquired by return migrants.

Future Emigration Model

Projecting the population trend in the coming 50 years until the year 2050, if it is assumed that an average of 50,000 people annually leave the country between the years 2000 and 2010, as it is believed by
BNSI, and 27,500 annually for the next 10 years, 15,125 per year for the following decade, 8,320 per year for the next decade, and 4,575 during the final 10 year period, according to a realistic estimate, Bulgaria’s population by the end of 2020 would be 6.6 million. Projecting 50 years from now is difficult and contains great uncertainty. Yet, if in the 50 years to come:

1) The annual growth rate of the Bulgarian GDP per capita and salary is 3%;
2) The rate of unemployment is lowered to 11% as is typical for most Mediterranean economies;
3) The overall level of taxes over the period decreases to 23% on the average;
4) The cost of education increases by 4.5% and the distribution of educational status is the same;
5) Remittances generated by Bulgarians abroad increase by 10% due to an improved economy and there is a 5% average annual growth in the countries of immigration;

Then the cost to the state budget from these emigrants would be $21.4 billion (education=$2.9 billion + taxes=$18.5 billion) and the remittance and capital goods and investment inputs imported would amount to $18.2 billion. Therefore, remittances offset about 85% of the brain drain. It is a calculation assumption that after 30 years those who left initially will not factor in the losses since they will have retired. This effect spans the time. Nevertheless, this is due to the huge brain drain in the beginning of the period. In the very long run, it is very probable that generated remittances will outweigh the negative effects completely, as in Ireland and Nigeria.

When the standard of living improves, as seen in many countries, the processes of European integration and globalization are likely to increase migration. The sensitivity of the model dictates that if Bulgaria becomes a fully fledged member of the EU and the globalization rate is roughly the same rate as it is now over the period between 2020 and 2050, then the losses from emigration will amount to $23.1 billion, which results in offset consequences of 78.8 %. This could happen, provided the EU integration spurs an additional 3000 emigrants per year in the period 2020–2050.

Statistical Verification

According to the vicious spiral effect listed above, there should exist a negative correlation between the Bulgarian GDP per capita and the annual number of emigrants. Applying regression statistical analysis to the real values and the relative changes of these two variables on an annual basis yields the model that best exemplifies the inverse relationship (which is also shown in Chart 2) given by the equation:

\[ \text{Rel}_\text{GDP} = C (1) + C (2) \times \text{SQRT} (\log (1000/\text{Rel}_\text{EMGR}^2)) \]

where \( \text{Rel}_\text{GDP} \) is the relative change in the Bulgarian GDP per capita in 1990–1998, and \( \text{Rel}_\text{EMGR} \) is the relative change in the annual number of emigrants. The logic behind this is that only a relatively large wave of emigrants will induce a weighty negative change in the GDP per capita as happened in Bulgaria. That is why there are two strong functions before the relative change of emigrants—square root and logarithmic. This means that the functions I estimate provide for less than a proportional effect on the function for a change in the independent variable.

<table>
<thead>
<tr>
<th></th>
<th>T–Statistic</th>
<th>Probability</th>
<th>R-squared</th>
<th>Durbin–Watson Statistic</th>
</tr>
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<tbody>
<tr>
<td>( C (1) )</td>
<td>–2.214</td>
<td>0.062</td>
<td>0.422</td>
<td>2.185</td>
</tr>
<tr>
<td>( C (2) )</td>
<td>2.261</td>
<td>0.058</td>
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</tr>
</tbody>
</table>
That gives the final model: \( \text{Rel}_\text{GDP} = -1.754 + 0.558 \times \text{SQRT} \left( \text{LOG} \left( \frac{1000}{\text{Rel}_\text{EMGR}^2} \right) \right) \).

It exhibits the following characteristics:

1) The t-Statistic before the C (1) coefficient is statistically significant at a significance level of 10%, and C (2) coefficient is statistically insignificant at a significance level of 10%, while it is significant at a 20% level. Thus, there is a 90% probability that the value of C (1) is not zero and 80% that C (2) is not zero. Thus, with an 80% certainty, there is a negative correlation (since the independent variable is in denominator);

2) There is no autocorrelation measured by the \( d \)—statistic of the Durbin–Watson test;

3) Testing for lag only deteriorates the statistical estimates.

Conclusions are as follows:

- A concrete formulation of the relationship may have a slightly different mathematical form;
  A better model would involve more than one factor, especially macroeconomic variables, and would describe the combined effect along with emigrant flows.

- The sample viewed is too small, which may have led to a significant aberration. A more accurate model would involve more annual data (i.e. the brain drain is a relatively new phenomenon).

- The coefficient of determination shows that about 42.2% of the changes in GDP per capita are associated with emigrant flows and the rest of the changes are due to other factors not included in the model. This means that 42% is due to the feedback but that GDP per capita spurring migration is the stronger cause.

**Other Aspects of the Brain Drain**

Foreign institutions play a significant role in attracting able young professionals. For example, Canada offers legal immigration opportunities for qualified individuals and their families; Germany recently introduced the "green card" rule for specialists in the field of computer science; and, American institutions, firms, and especially universities, carry out an aggressive policy of squeezing the best nationals from Central and Eastern Europe. Thus, the governments of the donor countries must combat these effects through specifically targeted national policies. The crux is, hence, when sending a talented group of nationals abroad to study a specialization, how to motivate or oblige the highly qualified workforce to come back. This is extremely hard because advantages such as living and working conditions in the host countries attract and retain this potential.

Donor country citizens behave and communicate within the host country’s culture. They are thereby instilled not only with their own motivation to succeed, but they are also imbued with the hosting countries’ attempts to assimilate (USA, Canada). Forms of enticement may be employment for prospective applicants, fringe benefits that provide for all of the immigrants’ needs, such as legal residence, and any form of institutional support not generally available in the sending country.
Conclusion

The brain drain jeopardizes virtually all of the region’s development, depriving it of its most valuable resources. Estimates show that there is serious cause for concern that the brain drain impedes Bulgarian development and deprives it of a large portion of its potential budget earnings. Moreover, the period of economic growth since the opening up of Bulgaria and the end of communism has seen an increase in emigration. Although the brain drain has hurt Bulgaria significantly, in the long run, benefits from Bulgarians abroad may well outweigh the negative effects. The first step to the solution of the brain drain is the setting up and fostering of more programs that require compulsory return to the country of origin. The next step is to provide favorable conditions for the emigrants’ return, such as macroeconomic stability and incentives, at least for the productive investment in a democratic free market environment. This will be the challenge in the years to come, not only for Bulgaria, but also for the regional development of Central and Eastern Europe.

**Chart 1**
Number of Emigrants

![Chart 1: Number of Emigrants](chart1)

**Chart 2**
Reverse Relationship between GDP per Capita and Number of Emigrants with No Lag

![Chart 2: GDP per Capita vs Emigrants](chart2)
Notes

1 Sofia University is the most respected university in Bulgaria, especially for natural sciences.
2 Dependency ratio here refers to the ratio of working to the whole population of a given country.
3 BNSI stands for the Bulgarian National Statistical Institute.
4 Based on European Statistical Institute estimate.
5 Based on a 1998 research done by the International Organization for Migration (IOM).

Bibliography

New Lines of Division in Europe: A Core-Periphery Analysis of the Relations between Central and Southeast European States and the European Union

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Introduction

The end of the Cold War determined new shifts in geopolitical and geo-economic alignments, both at the systemic and at the regional levels, concomitantly with the development of new trends and risks generated by globalization. This paper will try to determine if there will be new lines of division in Europe. In this case, the paper assumes that these lines will not have a military character (such as the Iron Curtain) or a cultural character, but an economic and political basis. It also tries to analyze the security risks engendered by such a perspective for the Central and Southeastern European states.

New unconventional security risks (such as environmental problems, migration processes along the South-North dimension, the instability of the global market, the weakness of the state in front of multinational corporations, the new forms of international organized crime etc.), have imposed, at a theoretical level, a debate about the future of both the security concept and security studies. At a practical level, those new security risks have imposed on the state efforts to identify those security strategies capable of protecting it from these new risks.

This paper attempts to analyze, from a Core-Periphery theoretical perspective, the consequences of the new geopolitical and geo-economic trends at the continental level upon the dynamics of the relations between The European Union and the Central and Southeastern European states. The first section will develop the conceptual framework of the research. It assumes that it is possible to establish a link between the new security problems, as they were developed in the Copenhagen School Framework, and the new geopolitical and geo-economic context in Central and Southeastern Europe developed from the perspective of the so-called “English School in the Study of International Relations” or “The International Society Tradition”.

The second section of the paper will describe the regional context in which the Central and Southeastern European states must define their security strategy and try to determine if the theoretical model (Core-
Periphery) can be applied in this case. The concept of periphery will be used both in a geopolitical sense (the development of asymmetrical political relations between a peripheral region—Central and Southeastern Europe—and a Core region—The European Union) and in a geo-economic sense (considering the asymmetrical relations between the national economies in the region and the flourishing European economy). Furthermore, it will analyze the consequences generated by this Core-Periphery relationship upon the security of the Central and Southeastern European states and the risk that some of these states will take a peripheral position in their relationship with The European Union.

The final section looks at the two possible developments of integration and isolation in the relations between Central and Southeastern Europe and the European Union. Analyzing the possibility that Europe will become, once again, divided; but this time the lines of division will have an economic and political character. The first line will separate the states from Central and Southeastern Europe that are not involved in the process of integration into The European Union from the Central and Southeastern European states that are involved. The second line will separate the latter states that will soon become members of The European Union from states that have problems in fulfilling the economic and political conditions for integration and risk remaining on the periphery of The European Union for a longer time.

The Theoretical Model of the Core-Periphery Relations

The new post Cold War context has imposed an enlargement of the security concept. Barry Buzan marked one of the contributions in this direction within the Copenhagen School Framework. He promoted the idea that the security of a state must be analyzed in five dimensions (political, economic, societal, environmental and military dimensions) and not only by a military dimension as it was done before.

This paper will focus only on the political and economic dimensions because the relationship between The European Union and Central and Southeastern Europe has a predominantly political and economic character. The political dimension has as referent objects the state’s sovereignty and its ideology. “Sovereignty can be existentially threatened by things that question recognition, legitimacy or governing authority” or by the lack of a strong link between state and society. The ideology can be threatened by an opposite ideology (for example democracy by totalitarianism). The economic dimension of security has as referent objects the national economies and the firms, “most commonly existentially threatened by bankruptcy and sometimes also by changes to the law that make them illegal or non viable” More recently, Bjorn Moller has argued that the economic dimension can be understood from two different perspectives: as a subordinate dimension of the military sector (for example, the State’s economic power can sustain its military power and implicitly can constitute a threat to other states) and as an autonomous dimension. In the latter case, the economic security of a state can be threatened by an economic war rather than a military war. In that case, the state must reduce its vulnerability to economic shocks (either intentionally created or having a systemic nature). In reducing its economic vulnerabilities, a state has three options. The first, self-sufficiency, is impossible to be realized within the new context of globalization and global economic interdependence. The second option is the diversification option “in the sense of a deliberate spreading of a state’s dependencies between as many other states, and across as many fields, as possible”. The best security option for a peripheral state, which exports only one significant commodity and imports from only one state (or group of states), and which is vulnerable to changes in imports or exports, is the reduction in its vulnerabilities through diversification of its imports/export sources. The third strategy refers to the securitization of its economic dimension through interdependence, and as a consequence, through integration.
The concept of complex interdependence, developed by Keohane and Nye, is an ideal type of interdependence because it occurs only between states that are equal in their political, economic and military power. However, the international system is composed of unequal states that are contained in a network of interdependence, which varies from asymmetrical interdependence to total dependence.

The theoretical model of asymmetrical interdependence fits the Core-Periphery pattern of interaction because both imply a relationship between a powerful state (or group of states)—the Core—and a “weak” and “open” state (or group of states) which is usually situated at the periphery of the Core. According to Buzan, “the collapse of Soviet power has eliminated the Second World, reconfiguring the First World and the Third World into a relationship that strikingly fits the Core-Periphery model”. The Core-Periphery model was developed also within the Dependencia School.

The first element of a Core-Periphery relationship is the existence of a powerful Core. (This conceptual section will be developed from the International Society perspectives of “metaphorical empires” [Ole Waever] or “quasi-imperial systems” [A. Watson]. Ole Waever argued that there is a process at the continental level, which will result in the development of several “metaphorical empires” or regional blocs that have a political-economic character. These “metaphorical empires” will become powerful Cores that will influence the evolution in Central and Southeastern Europe. Ole Waever followed Watson’s argument that “imperial or quasi-imperial systems are usually organized in the form of concentric circles”. The first circle will contain the direct authority and the administrative institutions of the Core area, the second circle will contain the peripheral regions that are in an asymmetrical relationship with the Core, the third circle will be formed by “units with almost full domestic independence but with their foreign policy influenced by the Core”, while the fourth circle will contain other independent states and empires. Ole Waever considered that the Core has to perform three main functions. The primary function is keeping the Core intact, the second function is the stabilization of the periphery through the mechanism of “implicit disciplining”; while the third function is referring to the potential role of the Core as a “direct intervenor in specific conflicts outside the peripheral regions”.

The peripheral state is the second element in a Core-Periphery asymmetrical relationship. It has two main features: “weakness” and “openness”. A state is usually considered “weak” when the process of internal consolidation is not finished, or as Barry Buzan defined it: A state that “has not acquired cultures, leadership, bureaucracies, identities or class structures that are adapted to either its territory or to statehood itself ... when the governing mechanism and institutions are weak and when its national economy is stagnant and dependent”. The international system “penetrates state’s domestic life and constrains its foreign policy behavior”. In an asymmetrical relationship, the “weak” states increase their weakness because they cannot balance the influences of strong states and because they need external inputs from the Core states that can exert important leverages that influence the dependent states. This does not mean that the leverage mechanism will be used in a negative manner. For example, if the less dependent state perceives instability within the more dependent state as threatening, it can stabilize the weaker state through economic and political inputs, thereby generating positive consequences for the security of both states.

The second feature of a dependent state is its “openness”. The degree of openness is important because, in its absence, a relationship of interdependence cannot be established and because it defines what is a security problem and what is not. Barry Buzan argues that, in this dimension, states could be classified as open states and closed states. If the state is politically opened it will allow “all ideologies and parties to compete in one’s own political space”. At the economic level, open states will allow “the market forces and actors to operate relatively freely and on equal terms in the national economy” and will be open to foreign investments and economic transactions.
By contrast, closed states will see most types of interactions as threatening. The political elite will try to secure its own power base and will consider as a threat to national security not just a military attack or a political subversion but also any economic or social transactions.

The Relevance of the Core-Periphery Theoretical Model
in the Analysis of the Relationship between The European Union and the Central and Southeastern European States

This section of the paper will try to demonstrate that the theoretical model of Core-Periphery relationships, as it was developed above, can be applied successfully to the analysis of the relationship between The European Union and the Central and Southeastern European States. The first part of this section will argue that The European Union can be considered as a Core structure, a regional economic and political bloc, while the second and the third parts will analyze the features of states in Central and Southeastern Europe in order to demonstrate their peripheral positions vis-a-vis The European Union.

The European Union as a Core Structure

For centuries Europe, and in particular its western landscape, was a continent dominated by wars and competition between both the great powers that aggregated and the smaller and weaker States. However, for the last almost 55 years, Western Europe has been a place of economic cooperation, common management of security issues, and respect for democracy and democratic values and institutions.

The European Union, as it presently exists, began fifty years ago as an economic cooperative community, namely The European Coal and Steel Community (ECSC), created by the Treaty of Paris (1951). Its institutional structure suffered many transformations, which included the High Authority of the European Commission, The European Council of Ministers, The European Parliament, The European Court of Justice, The European Economic and Monetary Union and other institutions that are linked together and sustain the functioning of the system. This institutional design permits The European Union to interact with non-member States as a single actor, or to use the terminology of the paper, as a Core structure, in the political and economic dimensions of its external relationships.

Its Core status is assured by many factors, not only by the European Institutions. The European Union is also a stable and strong political structure in which democracy is consolidated, and democratic rules are “the only game in town”. The political leaders conform to these rules and all the political actors (citizens, political parties and other interest groups), respect democratic values. The guarantee of fundamental human rights and of minorities’ rights is one of the main functions of the Union. From its beginning to the present, this function strengthens its political stability.

Another feature that assures the Core status of The European Union is its economic power. The European economy is one of the most important, wealthiest and most powerful economies in the global economic system, along with those of the United States and Japan. For example, it has a GDP estimated at almost 7,000 billions ECU with a GDP per capita estimated at 18,471 ECU, three times more than that of Hungary and almost five times more than the GDP per capita in Romania. According to the World Bank-World Development Indicators for 2000, the value of European Union exports in 1998 represent 4%
more than the exports of NAFTA. Furthermore, its economic power is sustained by the performance structure of the European economy, adapted to global economic trends, with a composite GDP in which services represent 65.9%, industry 30.4% and agriculture only 3.6% of the total GDP.

Although it is at an incipient stage of having a common European identity, it is consistent with the characteristics of a Core structure. As C. A. Kupchan (1996) argues, the European Union has “the symbolic prerequisites: a flag and ... a common currency ... and supports a host of programs aimed at nurturing a common identity.”

To sum up, we can argue that The European Union has the features of a Core structure: it is politically stable, economically powerful and has an incipient identity. But most of all, it has a magnetic effect on its peripheral states, sustained by its characteristics and by the asymmetrical relationship established with these states.

**The Central and Southeastern European States: Political and Economic Openness**

Before 1989, the Central and Southeastern European States, given their encapsulation in the communist bloc, were closed states in their relationships with Western Europe. This meant that the external economic and political inputs coming from there had no impact upon either the nature of the political regime (which remained “frozen”) or upon the nature of the national economies from the region (which remained centralized to a more or less degree).

After 1989, a gradual process of openness has emerged in the Central and Southeastern European states. A democratic regime requires a certain degree of political openness, and this degree is widened by the influences of globalization. In trying to achieve the objective of EU integration, the Central and Southeastern European states became more open and thus more sensitive to the external political inputs received from the EU. At the internal level, political openness was achieved by allowing a large number of parties, representing various ideologies, to compete freely in order to win the elections, and by guaranteeing fundamental human liberties.

The process of openness was taking place at the economic level too. Just as a democratic regime implies a certain degree of openness, a market economy cannot exist in a closed or autocratic system that presupposes the interconnection between national market economies within the capitalist global system. After 1989, regional national economies became more vulnerable because of their structural weaknesses and their lack of competitiveness. Their sensitivity was related not only to the economic conditions imposed by the EU to every candidate state, but also to other external pressures coming from International Financial Institutions (IMF, World Bank), from rating agencies (Standards & Poor), and from the global economic system as a whole. For example, the shift in the global capitalist economy from a predominantly industrial sector to a predominantly service sector generated the same shift in the Central and Southeastern European national economies.

**The Central and Southeastern European States: Politically Stable or Politically Weak?**

In analyzing the political weaknesses of the Central and southeastern European states, I used data from the Freedom House report “Nations in Transit 1999–2000”, which measured several variables such as the strength of the civil society, the rule of law, internal democratization and the level of corruption. Economic weakness was measured by analyzing the main macroeconomic indicators of the national economies in the region.
The analysis of the values of the variable “civil society” shows that some states can be classified as strong on this dimension (Hungary 1.25; Poland 1.25; Czech Republic 1.50; Slovenia 1.75), while other states have a less strong civil society (Slovakia 2.25; Romania 3.00; Bulgaria 3.75). We can show, for example, that Romania is twice as weak as the Czech Republic regarding civil society. Weakness in this sector generates instability in the political system because a weak civil society cannot perform its role as a counter-balance for the political society (political parties and leaders, governmental elite, etc.). The same situation is true if we analyze the values of the variables “rule of law” and “internal democratization”. Once again we can classify, within the Central and Southeastern European states, the states like Hungary, Poland, The Czech Republic, and Slovenia, in which these indicators assume high values and states like Romania, Bulgaria, Slovakia in which the values are low.

Corruption can further generate instability in a weak political system. Analyzing the corruption score for the Central and Southeastern European States we can see that the same differentiation appears in this dimension. There are states with low levels of corruption like Hungary (2.50), Slovenia (2.00), Poland (2.25), and The Czech Republic (3.25) and states in which the corruption is almost twice as high such as Romania (4.25), Slovakia (3.75) and Bulgaria (4.75).

All these factors sustain the argument that the states in Central and Southeastern Europe can be divided into two groups: one containing states that are consolidated democracies, politically strong and stable, with strong civil societies, high levels of internal democratization and with a fair judicial system, and with low levels of corruption (Hungary, Poland, Czech Republic, Slovenia), and another group of states that have transitional governments, are politically weak and unstable, have weak civil societies and internal democratization, have unfair judicial systems and have high levels of corruption.

In analyzing the economic weaknesses of the regional states we have focused on several macroeconomic indicators such as: the economic growth or the GDP growth, in some cases combined with the GDP per capita, foreign direct investments (FDI) combined with the FDI per capita, the inflation rate, the net flow of direct investments as a percentage of the GDP and the sectorial composition of the GDP or the structure of the national economy.

The states that have the highest economic or GDP growth are Hungary (4.1%), Poland (4.2%) and Slovenia (3.7%) while other states have a low economic growth like Bulgaria (1.8%) and Slovakia (3%) or have a negative economic growth like Romania (–5.7) and Czech republic (–1.2)\(^2\)\(^5\). The case of the Czech Republic must be understood only in a larger context in which we combine the negative GDP growth with the GDP per capita, one of the highest (in The Czech Republic, $5,371; in Slovenia, $9,784; in Hungary, $4,808; in Poland, $3,848 while in Romania it is only $1,708 and in Bulgaria only $1,403).

If we analyze the FDI value we can ascertain that there are states in which the foreign financial flow is high such as The Czech Republic ($3,000 million) and Poland ($6,550 million) and states in which the foreign investments are low, such as in Bulgaria ($551 million) and Slovakia ($504 million). FDIs in Romania are a little higher than in Hungary ($1,693 million compared to $1,550 million) but in Romania they represent only 0.8% of the GDP while in Hungary they represent 4%, in The Czech Republic 2.5% and in Poland 2% of the GDP (Agenda 2000).\(^2\)\(^6\)

Romania’s economic situation is further worsened by the rate of inflation (around 30%). Romania is the only country with an inflation rate exceeding 10%,\(^2\)\(^7\) Its services sector comprises 36.2% of the GDP while in the EU it comprises 65.9%, in Hungary 62.4%, in The Czech Republic 53.7% and in Poland 55.3%).
Conclusion: Are New Lines of Division in Europe Possible?

The main objective of this paper was to develop a conceptual framework that can be applied to the analysis of the relationships between new centers of power (Cores) appearing after the end of Cold War, and their weaker Periphery. In trying to fulfil this objective in the first part of the paper, I attempted to demonstrate that it is possible to develop a theoretical model of the Core-Periphery relationship, starting from the theoretical assumptions developed within the Copenhagen School and within the so-called “English School of International Relations” or the “International Society Tradition”.

Considering that in the new geopolitical and geo-economic continental context international relations have a predominantly political-economic nature, I developed the theoretical model of Core-Periphery utilizing only these two dimensions (but it can be expanded taking into analysis the other three dimensions: military, environmental and societal). Furthermore, I selected as a case study, the relationship between The European Union and the Central and Southeastern European States.

The first conclusion refers to the fact that the European Union-Central and Southeastern Europe relationship fits the Core-Periphery theoretical model. First, because The European Union tends to organize itself as a powerful Core, an economic-political regional bloc that is politically strong and stable, economically powerful, that has an incipient common identity and establishes asymmetrical relations with its periphery. Second, because the Central and Southeastern European States possess features of a peripheral state even if we can establish a distinction between the Central European States that are consolidated democracies and market economies, and those Southeastern European States that are less consolidated regarding their political and economic dimensions. The European Union will try to stabilize its periphery through a mechanism of “implicit disciplining”, meaning both inducement (the rewards of inclusion) and threat (the punishment of exclusion). The Core’s need to stabilize its periphery can be explained by the threats felt by The European Union concerning the instability engendered by the peripheral states. The mechanism of “implicit disciplining” can be used because of the characteristics of the peripheral states (openness and weakness) and can be sustained through political and economic pressures, given the needs of these states to be integrated into the EU.

The second conclusion refers to the possibility that Europe will become, once again, divided; yet this time, the lines of division will have an economic and political character. The first line is now drawn and formalized by separating the Central and Southeastern European states that are involved in the process of integration into The European Union from those states that are not. The second line will divide the states that are now involved in the process of integration into two groups. The first group will contain states with “successful stories”, that are strong on economic and political dimensions (Hungary, The Czech Republic, Poland, and Slovenia) and that will become soon members of The European Union. The second group will contain states that have problems in fulfilling the economic and political conditions required for integration, and risk remaining at the periphery of the EU for a longer time. For the latter, this peripherization can generate negative consequences both at the political level (political instability or dissatisfaction with democratic values and institutions) and at the economic level (a decrease in both external and internal investments will affect their economic growth and will determine a possible economic decline that will limit the financial resources needed for reforms).

The final conclusion refers to the need for these states to integrate into The European Union as the only viable alternative for their economic and political security.
The environmental dimension was excluded from analysis because its referent objects (for example the global biosphere) can be secured only through global collective actions. The societal dimension, even if it can be threatened by external factors (for example the universalistic trend), can be secured through an internal management (cultural securitization of collectivities or minorities groups). The military dimension was excluded because I consider that, in the new regional context, the possibility of active and direct military threats between the states in the region is reduced (there are several passive conflicts in the region, but they have an intra-state nature).

In this paper, by “referent object” I mean the entity that must be secured. For example, the referent object of national security is the state and its securitization means to protect it from threats and risks to its territorial integrity or survival.

By total interdependence I mean an extreme form of asymmetrical interdependence in which the dependent states have control neither on the external inputs nor on their consequences upon its security.


This mechanism of “implicit disciplining” results from the asymmetric interdependence established between the Core and its Periphery, from the degree of power and influence that differentiates the Core from the Periphery.

Notes

1 Huntington (1997).
4 The environmental dimension was excluded from analysis because its referent objects (for example the global biosphere) can be secured only through global collective actions. The societal dimension, even if it can be threatened by external factors (for example the universalistic trend), can be secured through an internal management (cultural securitization of collectivities or minorities groups). The military dimension was excluded because I consider that, in the new regional context, the possibility of active and direct military threats between the states in the region is reduced (there are several passive conflicts in the region, but they have an intra-state nature).
5 In this paper, by “referent object” I mean the entity that must be secured. For example, the referent object of national security is the state and its securitization means to protect it from threats and risks to its territorial integrity or survival.
6 Buzan (1996).
7 Ibid.
11 By total interdependence I mean an extreme form of asymmetrical interdependence in which the dependent states have control neither on the external inputs nor on their consequences upon its security.
16 The author is referring to The European Union, The Commonwealth of Independent States and a possible Pan-Turkic Union.
18 Waever (1997).
19 This mechanism of “implicit disciplining” results from the asymmetric interdependence established between the Core and its Periphery, from the degree of power and influence that differentiates the Core from the Periphery.
21 Ibid.
22 Ibid.
23 I. Wallerstein (1991) argued that the present global economic system has a capitalist nature because of its rules and norms (based in the neoliberal economic doctrine) and because of the characteristics of the economies that composed it.
26 The source of these dates is Agenda 2000—Supplement to EC Bulletin, various issues, European Economy, Supplement C, February 1999. For more details see Annexes, Table III.
27 In 2000 in Poland, Slovenia and The Czech Republic, the inflation rate was 5%, in Slovakia 7% and in Hungary 8%.

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*The CIS: on the Edge of Closer Integration or Dissolution?*

**Anna Krylova**, Kazan State University
*Woman-politician in the Twentieth Century Russia: Traditionalism/Feminism/Extremism*

**Andrei Laboutine**, Nizhny Novgorod State University
*The Impact of European Integration on the Free Movement of the People and International Migration at the Beginning of the XXIst Century*

**Anastassia Maximova**, Tyumen State University
*The Politics of Migration in Russia: Soviet Forcible Interdictions versus Democratic Social Reforms*

**Maria Moussatova**, Novosibirsk State University
*Competition: a Symbol of Triumph or Defeat of Reformers?*

**Victor Oksogoyev**, The State University of Buryatia
*Governmental Control Over the Information Space in Russia*

**Evgeniya Pervukhina**, Sakhalin State University
*Partners or Dependents: Being a Minority in a Modern State*

**Aliona Ryzhova**, Saratov State University
*The Making and Consumption of Youth Subculture: Graffiti in a Russian Province*

**Elena Salokhina**, Smolny College of Liberal Art and Science
*Exploring Culturally and Historically Appropriate Solutions to the Problem of Violence Against Women: Can the Nordic Model Work for Russia?*

**Iana Slavina**, St. Petersburg University
*Internet and Law in Russia: How to Make the Control More Adequate?*
Slovakia

ANETA ANTUSOVA, Comenius University
*A Federation of Europe*

TATIANA DIOVCOSOVA, Comenius University, Institute of IR
*Clientelism, Corruption and Mafia—Comparative Study of Slovakia and Italy*

ZSOLT GAL, Comenius University
*European Integration—Historic Challenge for Post-communist Societies*

LUCIA NAJSLOVA, Comenius University
*Can Traditionally Patriarchal Societies Accept Gender Equality and Woman’s Leadership?*

Ukraine

TANYA KONOVALOVA, National University of Kyiv-Mohyla Academy
*State or People: Who is Guilty for the Poverty?*

SERGIY LEMESHKO, Academia Istropolitana Nova
*Western European Model of Inter-Ethnic Relations: Is It Applicable on the Post-Soviet Space? (The Case of Ukraine)*

PETER LYMAR, Odesa State Economics University
*Economic Cost-Benefit Analysis of Corruption*

ANDRIY MAKSYMUK, Ivan Franko National University of Lviv
*The Institutional Reform in Ukraine: A Threat or a Necessity*

ANASTASIA NANAYEVA, International Christian University
*Per Aspera Ad Euro-Astra*

IRYNA NASADYUK, Odesa Mechnikov National University
*Reforms in the Ukrainian Coal Industry: Antimonopolistic Regulation and Reality*

OKSANA NYSHTA, Lviv Academy of Commerce
*The Winner Takes It All? A Case Study of Ukrainian Migration and its Impacts on Economic Development in a Globalizing World*

GANNA PRYLEPSKA, National University of Kiev-Mohyola Academy
*Shadow Economy and its Manifestation in Corruption in Countries in Transition: Background and its Macroeconomic Impact*

DMYTRO REKHSAN, Odesa State University
*Building Capacity for Social Protection in Ukraine: Is the State Withering Away?*

GALINA RUSYN, Kiev National University of Taras Shevchenko and University Kyiv-Mohyla Academy
*A Power or a Servant: Control of Media and Access to Information in Post-totalitarian Societies: War Against Journalists as a Mechanism of Control over Media in Ukraine*

OLEKSIY SUBOTIN, Kharkiv National University
*Effective Self-Governance in a New Ukraine: Privatization of State Services*
PARTICIPANTS AND GUESTS

IRYNA SYDORENKO, International Christian University
Positive View on Migration from NIS to More Developed Region

DMYTRO YABLONOVSKY, National University Kyiv-Mohyla Academy
Financial Openness or Protectionism?

YULIYA YAKOVLEVA, Kharkiv National University
The Price of Independence

VALERIYA YESYPENKO, Academia Istropolitana Nova
Leaders of Ukraine—Women?

Uzbekistan

LILY GATAULLINA, AUK
What do we Know about Baltic States and How do we Know What We Know?

FAHROD HAZRATKULOV, National University of Uzbekistan
Willing Servant: The Role of Journalists Permitting Censorship in Society

YULIYA MINIBAYEVA, AUK
Central Asia: Reviewing in State’s Role in Economic Decision-Making Process

RUSTAM MUKHAMEDOV, AUK
The United Nation in the 21st Century: The Case of the Uyghur Problem

KAMILA RAHIMOVA, Institute of Foreign Languages
Sustainable Development with a Particular Focus on the Aral Sea

RUSLAN RAMANOV, National University of Uzbekistan
The Financial Intervention of the IMF on the Economic Development of the Central Asian State: a Stabilizing Factor?

Yugoslavia

MARIJA NOVKOVIC, University of Montenegro
Insuring Democracy: Should the Force be Used?

SONJA ZARUBICA, University of Montenegro
Stability Pact for South Eastern Europe—a Golden Bullet or just a Blank
CEP Fellow Participants

GAUDENZ ASSENZA Palacky University, Czech Republic
DAVE CARTER Varna University of Economics, Bulgaria
MARK DOWNES University of the West, Romania
PETRONELA HOLECKOVA Comenius University, Slovakia
ELENA IARSKAIA-SMIRNOVA Saratov State Technical University, Russia
CARTER JOHNSON Tashkent National University of Uzbekistan, Uzbekistan
EKATERINA KISSELEVA Mari State University, Russia
PAVLO KUTUEV National University of Kyiv Mohyla Academy, Ukraine
RENATA MATUSZKIEWICZ University of Gdansk, Poland
KINGA MILANKOVICS St. Istvan University, Hungary
ETIBAR NAJAFOV Azerbaijan University, Azerbaijan
DONNACHA O’BEACHAIN Tbilisi State University, Georgia
MONIKA PAL Budapest University of Economic Sciences and Public Administration, Hungary
MADELEINE REEVES American University in Kyrgyzstan, Kyrgyzstan
OLIVIA RUSU-TODEREAN Babes-Bolyai University, Romania
VITALI SILITSKI European Humanities University, Belarus
CHANGZOO SONG Lviv National University, Ukraine
VIVIENNE STEWART Nizhny Novgorod State University, Russia
CSABA TORO Zrinyi Miklos National Defense University, Hungary
KETEVA VASHADKIDZE Tbilisi State University, Georgia
BALAZS WIZNER Eotvos Lorand University, Hungary
SERGEI YAKUBOVSKY Odesa State University, Ukraine
BERNARD ZENELI University of Tirana, Albania
PARTICIPANTS AND GUESTS

Keynote Speakers

DONNA CULPEPPER  President, Civic Education Project
STEPHEN R. GRAND  German Marshall Fund of the United States; Founder, Civic Education Project
SOPHIE HOWLETT  Dean of Special and Extension Programs, Central European University
MICHAEL LAKE  Ambassador, European Commission Delegation to Hungary

Guests

YUSAF AKBAR  IMC Graduate School of Business, Hungary
TOM ALEXANDER  Education Sub-Board, Open Society Institute
PETER BAJTAY  Political Advisor, Delegation of the European Commission to Hungary
ROSITSA BATESON  Vice President for Student Services, Central European University
ALAIN BOTHOREL  Political and Economic Counselor, Head of the Political, Economic and Pre-Accession Unit, Delegation of the European Commission to Hungary
ADEL CSERNOVITZ  CEEPUS–Hungary
STEPHANE HANKINS  Regional Legal Adviser, Regional Delegation for Central Europe, International Committee of the Red Cross
BENCE KATAI  Citibank Hungary
AGNES MAKARY  Admissions Assistant, Central European University
DOROTA MURAWSKA  Pearson Education
LASZLO NEMES  Pepsi-Cola, Hungary
SUZANA PANI  Career Advisor, Central European University
AUDRONE UZIELIENE  Deputy Director, Network Scholarships Program, Open Society Institute
CHARLES DU VINAGE  Friedrich Naumann Foundation
Conference Schedule

24–29 April, 2001—Budapest, Hungary
Central European University Conference Center

TUESDAY, 24 APRIL 2001

All day
Arrivals

19:00
Welcoming Reception. Presentation of Conference Events. Country Group Presentations

WEDNESDAY, 25 APRIL 25 2001

10:00 – 11:00  Conference Opening
(Hungarian Cultural Foundation, Buda Castle, Szentháromság tér 6.)

Keynote Addresses
MICHAEL LAKE, Ambassador, European Commission Delegation to Hungary
DR. SOPHIE HOWLETT, Dean of Special and Extension Programs, Central European University
DONNA CULPEPPER, President, Civic Education Project

11:00 – 11:30  Tour of the Buda Castle

13:00 – 14:15  Presentation and Tour of Central European University
(CEU Auditorium, Nador u. 9)
ROSITSA BATESON, Vice President for Student Services

Meeting of CEP Fellows and administration of Central European University
DR. SOPHIE HOWLETT, Dean of Special and Extension Programs

15:30 – 17:00  Information and Question-and-Answer Sessions
with representatives of international organizations

Room 005  EU Accession—Diversity in Uniformity? The Issues of Bringing the National Practices in Accordance with EU Standards
ALAIN BOTHOREL, Political and Economic Counselor, Head of the Political, Economic and Pre-Accession Unit, Delegation of the European Commission to Hungary

Room 006  Old and New Walls and Curtains of Europe: European Enlargement and Eurasian Cooperation
PETER BAJTAY, Political Advisor, Delegation of the European Commission to Hungary


Room 007  Open Education for Open Society: Quality Standards and Sustainability of Higher Education Reform in Post-Communist Countries
TOM ALEXANDER, Education Sub-Board, Open Society Institute

Court Room  “Even Wars Have Limits”: How Can Law Limit the Violence in Warfare?
STEPHANE HANKINS, Regional Legal Adviser, Regional Delegation for Central Europe, International Committee of the Red Cross

Room 107  Re-Constructing the World: Is Globalization Stimulating or Hindering the Developing Democracies and Markets?
CHANGZOO SONG, CEP Visiting Fellow, Ukraine

17:30 – 21:00  Skills Building Workshops

Workshop I–A:  Debate
Room 107  DONNACHA O’BEACHAIN, CEP Visiting Fellow, Georgia

Workshop I–B:  Public Speaking and Academic Presentation
Room 006  VIVIENNE STEWART, CEP Visiting Fellow, Russia

Workshop I–C:  The Pepsi Way
Court Room  LÁSZLÓ NEMES, Pepsi Cola General Bottlers International, Hungary

Room 103  GAUDENZ ASSENZA, CEP Visiting Fellow, Czech Republic
DOROTA MURAWSKA, Person Education

THURSDAY, 26 APRIL 2001

9:00 – 10:45  Student Panel Session I

Panel I–A:  Redesigning European Security: Challenges and Threats in the Post Cold War Era
Room 005  MARK DOWNES, University of the West, Romania

Panel I–B:  Re-Integration after Disintegration: Consequences for the Newly Independent States
Room 006  EKATERINA KISSELEVA, Mari State University, Russia

Panel I–C:  The Plague of Corruption: Diagnosis of a Societal Disease in the Post-Soviet States
Room 007  VITALI SILITSKI, European Humanities University, Belarus

Court Room  MADELEINE REEVES, American University in Kyrgyzstan, Kyrgyzstan
11:15 – 13:00 **Student Panel Session II**

**Panel II–A:** Nationalism, Separatism and the Threat to Stability and Democracy  
**Room 005**  
**Moderator:** CSABA TORO, Zrinyi Miklos National Defense University, Hungary

**Panel II–B:** From Transition to Consolidation: The Path Less Traveled in Eastern Europe  
**Room 006**  
**Moderator:** CARTER JOHNSON, Tashkent National University of Uzbekistan, Uzbekistan

**Panel II–C:** The Plague of Corruption: Diagnosis of a Societal Disease in the Post-Soviet States  
**Room 007**  
**Moderator:** DONNACHA O’BEACHAIN, Tbilisi State University, Georgia

**Panel II–D:** Dealing with Diversity: Protection of Minority Rights in Theory and Practice  
**Court Room**  
**Moderator:** ETIBAR NAJAFOV, Azerbaijan University, Azerbaijan

**Panel II–E:** Social Protection: The Changing Obligations of the State and the Growth of Civil Sector  
**Room 107**  
**Moderator:** RENATA MATUSZKIEWICZ, University of Gdansk, Poland

14:00 – 15:45 **Student Panel Session III**

**Panel III–A:** The Search for European Identity: Who are We and Who is the Other?  
**Room 005**  
**Moderator:** YUSAF AKBAR, IMC Graduate School of Business, Hungary

**Panel III–B:** Whose Rights to What? The Questions and Problems of Individual and Group Rights  
**Room 006**  
**Moderator:** DAVE CARTER, Varna University of Economics, Bulgaria

**Panel III–C:** Who Pays the Piper, Calls the Tune? International Financial Pressures on Domestic Political Decision-Making in Transitional and Developing Economies  
**Room 007**  
**Moderator:** VIVIENNE STEWART, Nizhny Novgorod State University, Russia

**Panel III–D:** Is Empowering Enough? The Role of Self-Government in Stabilising and Maintaining Democracy  
**Court Room**  
**Moderator:** PETRONELA HOLECKOVA, Comenius University, Slovakia

16:30 – 18:30 **International Conflict Resolution Simulation Game**
FRIDAY, 27 APRIL 2001

9:00 – 10:45  Student Panel Session IV

Panel IV–A:  Dilemmas of Migration: Is the Search for a Better Life Jeopardizing the Development of the Region?
Room 005  Moderator:  BALAZS WIZNER, Eotvos Lorand University, Hungary

Panel IV–B:  A power or a Servant? Freedom and Control of Media and Access to Information in Post-Totalitarian Societies
Room 006  Moderator:  BERNARD ZENELI, University of Tirana, Albania

Panel IV–C:  Anti-Monopoly Regulation in the New Market Economies: Survey of Legal Bases and Reality
Room 007  Moderator:  SERGEI YAKUBOVSKY, Odesa State University

Court Room  Moderator:  ELENA IARSKAI-A-SMIRNOVA, Saratov State Technical University, Russia

11:15 – 13:00  Student Panel Session V

Panel V–A:  Dilemmas of Migration: Is the Search for a Better Life Jeopardizing the Development of the Region?
Room 005  Moderator:  GAUDENZ ASSENZA, Palacky University, Czech Republic

Panel V–B:  A power or a Servant? Freedom and Control of Media and Access to Information in Post-Totalitarian Societies
Room 006  Moderator:  VITALI SILITSKI, European Humanities University, Belarus

Panel V–C:  Reorganizing Post-Communist Economies: the Role of the State in Economic Regulation and Progression towards Integration with the EU
Room 007  Moderator:  KETEVAN VASHAKIDZE, Tbilisi State University, Georgia

Court Room  Moderator:  OLIVIA RUSU-TODEREAN, Babes-Bolyai University, Romania

14:00 – 16:00  Information Fair
CEU Conference Center
Workshops and Presentations

Graduate Degree Programs and Fellowship Opportunities
at the Central European University

- CEU Profile and Programs
  ROSITSA BATESON, Vice President for Student Services

- Application Requirements and Process
  ÁGNES MAKARY, Admissions Assistant
CONFERENCE SCHEDULE

- Perspectives for CEU Graduates
  SUZANA PANI, Career Advisor

Fellowship Programs for Study in North America and Europe
AUDRONE UZIELIENE, Deputy Director, Network Scholarships Program, Open Society Institute

“The Development of the Hungarian Monetary System and its Effects on the Real Sector since the Introduction of the Two Layer Banking System”
BENCE KÁTAI, Corporate Finance Associate, Citibank Rt. Hungary

Programs Offered by Friedrich Naumann Foundation
CHARLES DU VINAGE, Project Assistant, Regional Office for Central, Southeastern, and Eastern Europe, Hungary

Central European Exchange Program for University Studies
ADÉL CSERNOVITZ, CEEPUS–Hungary

Creating Career Portfolio
- Writing Resume/Curriculum Vitae
  DAVE CARTER, CEP Visiting Fellow, Bulgaria
  CARTER JOHNSON, CEP Visiting Fellow, Uzbekistan
- Writing a Statement of Purpose
  MADELEINE REEVES, CEP Visiting Fellow, Kyrgyzstan

Afternoon  Free time in Budapest
19:00 – 22:00  Boat Cruise and Dinner on the Danube

SATURDAY, 28 APRIL 2001

9:00 – 10:45  Student Panel Session VI

Panel VI–A:  Divergence or Convergence: Prospects for Integration in a New Europe
Room 005  Moderator: MONIKA PAL, Budapest University of Economic Sciences and Public Administration, Hungary

Panel VI–B:  Shocks and Therapies: Assessing the Social Dimensions of Poverty in Transition
Room 006  Moderator: MADELEINE REEVES, American University in Kyrgyzstan, Kyrgyzstan

Panel VI–C:  Social, Environmental and Economic Sustainability: Harmonizing Human Activities with Nature
Room 007  Moderator: KINGA MILANKOVICS, St. Istvan University, Hungary

Panel VI–D:  Cultures and Social Structures in Transformation
Court Room  Moderator: PAVLO KUTUEV, National University of Kyiv Mohyla Academy, Ukraine
18:30
Closing Reception
CEP 10th Anniversary Presentation

Keynote Speaker: Dr. Stephen R. Grand, German Marshall Fund of the United States; Founder, Civic Education Project
Presentation of 2001 Stephen R. Grand Award to Eastern Scholars

SUNDAY, 29 APRIL 2001

All day Conference participants depart