

CHAPTER THREE

CENTRAL AND EASTERN EUROPE

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By RICARDO ÁLVAREZ-MALDONADO MUELA

INTRODUCTION. FRAMEWORK OF THE STUDY

For reasons stated in the 1997-1998 edition of this «Strategic Panorama» it is considered that Central Europe comprises Poland, Hungary, the Czech Republic, Slovakia, Slovenia and Romania, while Eastern Europe encompasses all the European republics of the former Soviet Republic—including Russia, naturally.

Owing to its geopolitical importance, most of this article must necessarily be devoted to the Russian Federation, particularly since its current internal instability is a risk factor with worldwide implications and calls for an in-depth analysis of the situation in 1998. And as European Russia cannot be dissociated from the rest of the Russian Federation, we must consider this vast country as a whole, although a good part of it stretches into Asia.

CENTRAL EUROPE

As mentioned above, this region is defined as the four Visegrad countries—Poland, Hungary, the Czech Republic and Slovakia—and also Slovenia and Romania, even though geographically speaking they are predominantly Balkan states.

This mosaic of states inhabited by heterogeneous populations is set inside artificial borders that enclose minorities from neighbouring states.

This situation has given rise in the past to grievances, some of which have not yet healed.

The disorientation caused by the series of surprising changes which begun in 1990 led all these countries to branch out in different directions until they finally decided that their future lay to the West. The return to Europe, of which they felt themselves to be a substantial part, separated only by the vicissitudes of recent history, was the slogan launched by their political leaders. The radical change of situation was conducive to the re-encounter of the divided Europes and, as a corollary, eastward enlargement of the European geopolitical area.

All these countries set their sights on Europe's most consolidated institutions—the European Union, and the Atlantic alliance with its European pillar and American backing.

In the first, they seek a solution to their economic problems and in the second sound guarantees of their security, apart from the political advantages belonging to both organisations entails.

These are the chief foreign-policy objectives of all the countries and as such have priority over historical claims.

The condition of «good neighbourly relations», required both by NATO and the EU of their members, has prompted adjacent nations to sign a series of treaties and bilateral agreements aimed at settling pending disputes over borders and minorities.

Despite this, the problems have not yet been solved—not even in Transylvania which has 1.7 million inhabitants of Hungarian origin, or in Slovakia where 600,000 live. Slovakia has yet to enact the laws protecting the Magyar minority as laid down in the treaty signed with Hungary. In Transylvania, Hungarians and Romanians are on the defensive and regard each other with suspicion. The city of Cluj, whose Magyar university remains closed in order to prevent conflicts, is a sensitive issue which causes clashes between the two.

While official relations between Bucharest and Budapest are «better than ever», and it has been decided to build a motorway linking the two cities, there continues to be tension among the people. Romanian nationalists complain that the government is fostering the «magyarisation» of Transylvania by allowing bilingual signposts.

All the Central European nations are currently parliamentary democracies with a variety of parties that run the full political spectrum—a situation

which generally makes for coalition governments. Communist parties with a more moderate ideology and political leaders from the former regime persist in almost all of them.

The establishment of a true democracy is coming up against most resistance in Slovakia. In May 1998 prime minister Vladimir Meciar cancelled the referendum called to elect a president of the republic and declared himself head of state. Mr Meciar is a former communist who has converted to radical nationalism. A question mark continues to hang over Slovakia's candidacy for both the EU and NATO, since the country does not acknowledge certain rights of the opposition and, as mentioned earlier, has yet to apply the laws laying down respect for minorities. Mr Meciar's opponents won the legislative elections held in September 1998, which could mean a shift to a policy that is more acceptable to the West.

The following political events are also worthy of mention:

The government crisis which erupted in Romania in March 1998 lasted for three months. It caused a negative impact on the country's economy and conveyed a counterproductive image of instability to the outside world.

The prime minister of the Czech Republic was forced to resign in November 1997 owing to a scandal over illegal financing.

Poland approved its first constitution as a democracy. Although the constitution takes into account the weight and influence of the Roman Catholic Church, the latter is not satisfied about the ambiguous treatment of abortion. The Polish clergy do not seem to find the non-denominational democratic regime to their liking. In this connection it is worth considering the work of the Polish Pope John Paul II who, from behind the scenes, played a major part in Poland's rapprochement with the West and used his influence to overthrow the communist regime.

Following the election of president Milan Lucan in November 1997, democracy in Slovenia is continuing to become consolidated, though without a sound economy to underpin it, the political stability of a democratic regime is difficult to maintain.

From 1985 to 1995 the GDP of all these countries except Poland fell steadily. Economic recovery began six years after the start of the transition from a state-controlled to a free-market system. The cost of this process has mainly been borne by workers and civil servants, who now feel disap-

pointed and yearn in part for the previous regime. The loans granted by the IMF and the World Bank to some of these countries have imposed an economic discipline that is stoically endured by the impoverished populations, who find some relief in parallel economic activities.

The most thriving nations are Slovenia, whose per capita income in 1997 was slightly lower than that of Greece, and the Czech Republic. However, the latter recorded a slow-down in 1998.

The weakest economies are Romania and Slovakia. All the other countries had higher per capita incomes than Russia in 1997. Even so, Slovakia has proved that it is economically viable as a new state separate from the Czech Republic.

Central Europe's main supplier and customer is the EU and, of the member states, the Federal Republic of Germany. Russia is its main supplier of energy resources.

The Czech Republic joined the OECD in 1995 and Poland and Hungary followed suit in 1996. This is interpreted as recognition that their economies are in good shape, although the Russian crisis of summer 1998 could slow down their progress.

All the countries except Hungary earmarked over 2% of their GDP to defence. A higher percentage will be required for the countries to update their military equipment—which is mostly Soviet-produced—and those who join NATO will need to make it compatible with that of their future allies.

According to the results of referendums and opinion polls, the goal of NATO membership, fervently pursued by almost all the region's political leaders, does not arouse much enthusiasm among the people of some Central European nations, mainly the Czech Republic. They show more support for accession to the EU, where their representatives have been able to express their opinions at the Council of Ministers since 1994 though they are not entitled to vote.

The future accession of all these countries to both NATO and the EU will be analysed in detail later on.

THE BALTIC STATES

In 1998 Estonia's and Lithuania's border problems with Russia remained unsettled, as did those of the Russian minorities living in those countries.

Serious problems arose in Latvia over the naturalisation of the Russian minority (who no longer have Russian passports) since, in order to be granted Latvian citizenship, it is necessary to master the Latvian language—a requisite which prevented 700,000 inhabitants (28% or so of the population) of Russian origin from obtaining that nationality. The referendum held in October 1998 in favour of integrating the Russian minority marked a step towards a solution.

By 1996 the three countries were on the road to economic recovery, particularly Estonia whose performance greatly satisfied the IMF as its GDP grew over 3% while inflation fell. These results led Estonia to be included in the first group of six applicants to begin membership negotiations.

Estonia's main customers and suppliers are the EU and Finland. The EU, and particularly Germany, are those of the other two. Russia takes third place overall with a much lower volume of trade.

The three republics rejected a Russian security model in exchange for relinquishing NATO membership. Although the organisation claims that they would have to settle once and for all the problems of borders and Russian minorities in order to qualify for membership, it in fact is hesitating over the advisability of expanding as far as the Gulf of Finland.

On 16 February 1998 the three presidents of the Baltic republics signed a Partnership Charter with the USA in Washington. Although this document does not contain explicit military guarantees, it does support these three states' candidacy for joining NATO and establishes the setting up of a «Defence Council», in addition to other political and economic bodies.

Since only two of the sixteen allies currently support the applications of the three countries, the «Partnership Charter» is merely a substitute for membership, however much «these countries' concern about Russia and their legitimate wish to join western institutions» are understandable.

THE COMMONWEALTH OF INDEPENDENT STATES (CIS)

Of the twelve states which make up the CIS, only four are located in Eastern Europe—Ukraine, Belarus, Moldova and Russia, although three quarters of Russian territory are in Asia.

The three Slavic states—Russia, Ukraine and Belarus—share the same ethnic group, culture and history, a fact which makes their people more inclined than the rest of the CIS to support a project for a shared future. This is particularly the case of Russia and Belarus.

Ukraine is divided among Russians and pro-Russians on the one hand, and nationalist western Ukrainians on the other. In Ukraine, homing instinct towards big brother Russia is offset by the attraction of the West and this balance prevents the state being torn into two.

Russia, in its role of big brother, astutely brandishes its energy resources to lure the two smaller states towards it.

Moldova, formerly part of Romania and with a Romanian majority, is hesitating over whether to return to the mother country. Such a move is strongly opposed by its pro-Russian population and by the Ukrainians of Transdnister.

The five Central Asian countries, the former Russian Turkistan and the three Transcaucasian republics will be dealt with later on when the Russian Federation's foreign policy is analysed.

In the CIS, outside Russia, there are some twenty five million Russians—the so-called «red-feet». Russian culture and the Russian language dominate the commonwealth. Migrations of Russians to Russia mainly from Central Asia have recently been detected.

The economic situation of the CIS is as critical as that of Russia which is attempting, with varying success, to hold on to its influence. Russia's objectives in what is termed the «near abroad» will be addressed in greater depth later on.

Ukraine

This country, which has the biggest area and population of the CIS after Russia and Kazakhstan, has managed to settle its differences with the former, including the thorny issue of the sovereignty of Crimea, as well as reaching favourable economic agreements.

Since Ukraine gained its independence, its GDP has fallen by an average of 10% annually. Its per capita income is well below that of Russia, although the World Bank reckons that the statistics do not take into account a very high percentage of its real GDP.

The existence of a hidden economy and the fact that surplus state employees are continuing to receive a salary explain to an extent the lack of serious social tension, although the miners of the Donets Coal Basin, whom the government is usually late in paying, have staged a series of strikes. In 1996, Ukraine's economic policy appeared to conform to the IMF's recommendations, though Pavel Lazarenko, then prime minister, who was forced to resign in July 1997, gradually switched to slower, less drastic measures and halted privatisation.

Russia's economic influence in Ukraine is mainly evidenced by the activity of the powerful Gazprom which controls no less than 25% of world gas production and exports to Ukraine, where it has government support. In addition, many of the oil and gas pipelines which supply Central Europe run through Ukraine.

Ukraine's political regime is markedly presidentialist. The president of the republic, Leonid Kuchma, has progressively strengthened his power, and has the foreign, defence, interior and information ministers under his personal sway.

The communist party won the most votes in the legislative elections in May 1998, with the result that the current parliament is much more left-wing than the previous one.

By and large, Ukrainians believe that the IMF-imposed reforms could rescue the country from its plight in the long term, but in the short term only bring hardship and suffering to the neediest. Hence the result of the latest elections.

1997 was a particularly hard year for Ukraine's economy and the results of 1998 could be even worse. In September 1998, the IMF lent Ukraine \$2 billion to help it fend off the financial problems Russia faced the previous month.

The Ukrainian government recently announced it was starting up a new programme to get its ailing economy back into shape. As on other occasions, whether or not it is properly implemented will depend on how the people accept its societal costs.

Belarus

The strong man in Belarus is Alexander Lukashenko, president elect since 1994. Two years later, through a referendum which the opposition criticised

as being antidemocratic, Mr Lukashenka managed to amend the Constitution so as to grant himself wider powers and thus extend his mandate until 2001. The Supreme Soviet was replaced by the House of Representatives, the seats of which were largely occupied by those who had not opposed the president's designs. An authoritarian, Mr Lukashenka has not hesitated to use the police expeditiously to crush anti-government demonstrations.

Mr Lukashenka aspires to reunite Belarus and Russia. The first step was to set up the so-called «Union of Sovereign Republics of Russia and Belarus», followed by bilateral agreements which strengthened even further the ties between these two CIS states.

Mr Lukashenka heads the customs union that has grouped together Belarus, Russia, Kazakhstan and Kirgizstan since March 1996.

Of all the CIS members, Belarus is the only one whose GDP has shown a slight growth over the past two years. It also has the lowest unemployment rate and its per capita income in 1997 was similar to Russia's, higher than that of all the CIS countries. Since Russia is Belarus's main supplier and customer, the Russian crisis of summer 1998 will undoubtedly have had a negative impact—yet to be evaluated—on its economy.

Boris Yeltsin and Alexander Lukashenka responded to the «Partnership Charter» signed in Washington by the USA and the three former soviet Baltic republics by meeting in Moscow to agree on the beginnings of a common military policy and organisation of Russian-Belarusian defence in the event of external aggression. Belarus is the CIS country nearest the Russian enclave of Kaliningrad, where Russia has a military presence.

Moldova

In the December 1996 elections the pro-West candidate was defeated by the current president of the republic, Petru Lucinski, a renowned Russian speaker.

After the problem of the secessionist republic of Transdniestria was settled, relations between the latter and the rest of the country returned to normal, and Moldova was left with its 1990 borders.

In the economic sphere, hopes of recovery have faded: Moldova's GDP has slumped, its standard of living has fallen and unemployment has risen.

Given Moldova's dependence on Russia and its Russophile ruling class, only the unlikely event of Ukraine's withdrawal from the CIS and rap-

prochement with the West could drag Moldova in this direction.

Moreover, in the legislative elections in March 1988 the most votes were polled by the communists, followed by the Democratic Convention, which advocates a pro-Russian independent sovereign state.

THE RUSSIAN FEDERATION

Makeup and political organisation

Although it is called a «federation», the Russian state governed by the 1993 Constitution is not strictly speaking a federal political unit since its 89 autonomous units (republics, territories, regions and districts) do not have the same powers and also vary greatly in size, wealth and population.

Of its population, 80% belong to the Russian ethnic group and 20% are of varying origin. The net demographic balance of the Russians is negative, despite the return of many from states belonging to the former Soviet Union.

The differences in wealth between the different federal entities are vast. The GDP of Dagestan, the poorest republic, is seven times smaller than that of the oil-producing region of Tyumen. Many of the republics that are rich in raw materials are reluctant to help those that lack them.

Owing to the shortcomings of the road network, the least accessible regions are becoming increasingly marginalised. This is particularly the case of the Far East, where poverty is largely due to isolation. Central government, much weakened since the dismantling of the USSR, is proving incapable of correcting the regional imbalances.

The bad example provided by the break-up of the USSR has strengthened the centrifugal forces at work in the Russian Federation since it came into being. A centralist tendency has recently emerged as a reaction.

The autonomous entities have been granted different powers in tax matters. Of the 89, twenty or so have different economic arrangements with Moscow whereby they are allowed to withhold and levy taxes. This gives them greater political clout and hinders the collection of federal taxes.

The economic crisis of August 1998 was followed by a change of government, with the appointment of Yevgeny Primakov as prime minister.

The new premier denounced the «economic separatism» of the regional governors who had adopted measures that did not comply with federal laws, such as refusing to pay the taxes owed to the central government. Mr Primakov even asked the Duma to enact a law enabling regional authorities who defy federal legislation to be dismissed. Many governors replied that, instead of threatening with coercive measures, what the federal government needed to do was take coherent action to put an end to the crisis and prevent taxpayers' money being squandered by corrupt civil servants in Moscow; since this was not the case, they were duty bound to ensure their fellow citizens' survival.

Unlike the Soviet constitution, the 1993 Russian constitution does not grant the autonomous entities the right to self-determination and, therefore, secession. Hence the importance as a precedent of the definitive solution to the dispute over Chechnya, which has harboured an inextinguishable desire for independence for many years. As is well-known, the solution has been postponed until 2001.

Chechnya's current president elect, Asian Masjadov, who signed the armistice in 1996 as representative of the Chechen rebel army, displays an increasingly conciliatory stance, though he is under pressure from guerrilla leader Shamil Bassev. However, all Chechen politicians with high-ranking posts are conditioned by the inescapable need to rebuild their country from the rubble and their only salvation is to exploit the pipeline which conveys oil from the Caspian to the Black Sea across Chechnya. The Chechen company Yunko has a hand in the business, together with the Russian oil companies.

Moscow is confident of being able to wield sufficient economic pressure to dissuade the Chechen governors from obtaining independence and make them settle for wide autonomy within the constitutional framework of the Russian Federation. Meanwhile, a security zone has been set up at the border to prevent guerrilla groups from operating in, or influencing, the northern Caucasus, particularly Dagestan, which has a Chechen minority. Law and order in Chechnya itself is disrupted by radical Islamic groups such as the one which attempted to assassinate President Masjadov in July 1998. The president was miraculously unharmed.

A new threat of separatism emerged in November 1998 in the republic of Kalmykia, whose President Kirsan Iliumjinov stated he was in favour of «partial» separation from the Russian federation, making Kalmykia a «partner member». Mr Iliumjinov claims that Kalmykia has already ceased de

facto to be part of the Russian Federation, since it has not received its allocations from the federal budget for many months.

The so-called «economic separatism» of the most prosperous regions of the Federation is one of the main problems Mr Primakov faces.

Internal situation

The political, economic and social situation of the Russian Federation did not improve in 1998. On the contrary, the hopes of a «moderate» economic upswing were dashed. This was mainly due to two external factors, apart from internal causes—the financial turmoil in Asia and the fall in hydrocarbon prices. In late 1997 the IMF predicted the beginning of Russia's economic recovery. This forecast turned out to be wide off the mark.

It could be said that the political year in Russia began on 19 January 1998 when Boris Yeltsin returned to his Kremlin office after forty days' absence due, once again, to health reasons. As on previous occasions, the President of the Russian Federation did not resign his powers as laid down by the Constitution, but took with him his briefcase containing the keys to the «nuclear trigger».

Having returned to the political arena, he promptly chastised his prime minister Viktor Chernomyrdin for the government's failure to keep its promise to civil servants, FAS members and retired persons that their wage and pension arrears would be paid off by 31 December 1997.

The tension between President Yeltsin and Mr Chernomyrdin who, as well as prime minister, was the leader of the Russian government party «Our Home is Russia» and presidential candidate in the forthcoming elections, came to a head when Mr Yeltsin decided to sack the premier and the rest of the government, appointing in his place—much to everyone's surprise—Sergei Kiriyenko, a young 35-year old technocrat recently raised to the post of energy and fuel minister.

Although the Duma (dominated by Guennadi Zyuganov's communists and the nationalist extremists led by the ill-tempered Vladimir Zirinovsky) initially refused to approve Mr Kiriyenko's appointment, it eventually yielded. The Duma thus acted as usual, backing down at the last minute, fearing the political suicide entailed by early legislative elections and the possibility of losing their privileges.

According to Boris Yeltsin, Mr Chernomyrdin was dismissed because

of the people's malaise on finding their situation did not improve and owing to the government's lack of drive in carrying out the programme of reforms outlined by Mr Chubais—strict financial control, industrial restructuring, mainly of the gas and oil monopolies, payment of overdue taxes and a balanced budget.

The interpretation of this government crisis was that Mr Chernomyrdin, deterred perhaps by the high social costs, had not dared implement the radical reforms with the firm hand the situation required.

Mr Kiriyenko formed a government in April 1998, keeping some of the former cabinet members such as defence minister General Sergenev and foreign minister Primakov, thus implying continuity in foreign and defence policy.

Mr Kiriyenko's rise to power, as champion of reform, was welcomed by the IMF, which had frozen a \$670 million tranche of a total sum of \$10 billion lent to Russia for 1996-1998. The IMF used the failure of the Russian executive's fiscal policy to justify holding back this payment, but gave the go-ahead when change was promised. However, this brought only slight relief. Russia needed much more. Hence negotiations for a new, substantial bail-out package.

This hefty \$22.6 billion loan, which was granted by the IMF and World Bank in July 1998 and was intended to be paid out over a period of 18 months, was made conditional on Russia's implementation of a reform package that the Duma did not agree on.

In August 1998 the economic turmoil heightened: Russian banks were offering loans at 150%; most workers and civil servants had not been paid their wages for over six months; the rouble, although protected by exchange-rate parity, fell to half of its 1996 value and a twentieth of what it was worth in 1992; accumulated inflation since January 1998 stood at 35%; and, despite the money the Russian central bank had poured into sustaining its currency, it was forced de facto to devalue the rouble by widening its exchange rate band by over 30%.

The \$4.8 billion of the first tranche of the \$22.6 billion loan granted by the IMF and the World Bank to rescue Russia from its economic standstill evaporated in the Russian issuing bank's vain endeavour to sustain its currency.

On 24 August 1998 Boris Yeltsin sacked Sergei Kiriyenko, who had

struggled to carry out the reforms that his predecessor Mr Chernomyrdin merely delayed. Paradoxically, the latter was entrusted by Mr Yeltsin to form a government.

Although Mr Yeltsin is unpredictable by nature, his way of handling the crisis surprised even the most expert analysts, who could not have foreseen a change of mind regarding the reasons for replacing Mr Chernomyrdin by Mr Kiriyenko five months earlier.

It is suspected that the new capitalist oligarchy had a hand in triggering this crisis, particularly the leading finance and media mogul Boris Beresovski.

Entrusted with the task of forming a government, Mr Chernomyrdin negotiated an economic rescue programme that envisaged nationalising the banking sector and strategic companies, state protection of raw materials monopolies and other stabilising measures that represented an about turn in the economic policy followed by the previous government. To think that the IMF would authorise the second payment of the loan granted in July 1998 amounted to squaring the circle.

Mr Chubais, who had negotiated the IMF loan, was sacked despite his undeniably successful handling of affairs.

Apart from the aforementioned anti-crisis plan, a political agreement was also negotiated with the two houses of parliament in order to grant them greater control over the executive and to limit the powers bestowed by the 1993 Constitution on the president of the Russian Federation, among them the power to order and approve the formation of governments, to dismiss ministers, to dissolve the Duma if it refuses third time around to ratify the appointment of a prime minister proposed by the president and to intervene in economic policy management.

Despite all these concessions to strengthen the political role of the Duma, on 30 August its communist, extreme nationalist and reformist deputies refused to approve the choice of Mr Chernomyrdin as head of government. Mr Yeltsin's persistence in keeping Mr Chernomyrdin as his candidate led to another refusal from the Duma a week later.

Fear of a third failure, which would have resulted in the dissolution of the Duma and an inadvisable power vacuum in very difficult economic and social circumstances, called for a compromise solution.

The solution was Yevgeny Primakov, a 70-year old who had been

foreign minister since 1996 and a member of the former Soviet Communist Party and the Politburo when Mikhail Gorbachev was in power. Indeed, it was Mr Gorbachev who promoted him as a politician within the party. Mr Primakov is, above all, a good diplomat and skilful negotiator, and is able to cope with even the most difficult situations.

Being forced to yield to the Duma for the first time marked a painful setback for the omnipotent Mr Yeltsin, whose loss of power was evident.

His acceptance of Mr Primakov as a candidate on 12 September 1998 was a response to the need to find a compromise solution to fill the power gap left by Mr Kiriyenko the previous 23 August.

Although Mr Primakov obtained the majority vote of the Duma (317 deputies out of the 450), he found it difficult to form a co-ordinated government. On 27 September the recently appointed deputy premier Alexander Shojin, of the «Our Home is Russia» party resigned. The communists were also reluctant to offer Mr Primakov unconditional support.

The policy Mr Primakov has pursued so far can be called ambiguous: he promises reform outwardly, but inwardly, in order to cope with the social and economic realities, he has had to authorise the issuance of paper money without cover in order to pay wage arrears, unfreeze bank accounts and subsidise part of the disastrous industry. He has also embarked on the path of renationalisation without raising alarm: the new subsidies available are for debt relief, and the state acquires the equivalent share capital of the subsidised companies.

To make things worse, shortly after Mr Primakov came to power irregularities were discovered in the management of the loans granted by the IMF, a fact which did not precisely encourage the Fund to unfreeze the \$4.3 billion of the second tranche of the latest package.

If the economic outlook is unpromising, the social picture is bleak—millions of citizens are still waiting to be paid what the state owes them. According to different sources, over fifty percent live in worse than minimum subsistence conditions.

On the social front, the salient features of 1998 were the repeated strikes staged by the miners of the Kuznetsk Basin (western Siberia) and the Russian Far East, who blocked freight traffic along a number of essential railway lines such as the trans-Siberian and the trans-Caucasian routes. On 7 October 1998 the communist party managed to mobilise

several million workers across the country, who protested at Mr Yeltsin and

demanded the wages they were owed.

Although, contrary to predictions, Russian society has not yet erupted and continues to display its proverbial resignation, its faith in reforms and reformers is waning. This could translate into a large percentage of votes for the communists in the next legislative elections.

It should be added that uncontrolled privatisation in the difficult and as yet incomplete transition to a multiparty democracy has enabled many fortunes to be amassed and given rise to a powerful oligarchy who form corrupt political parties involved in private businesses. Moreover, bureaucracy has still not managed to shake off the heavy burden of Soviet times and much of the administration is corrupt and organised crime activity omnipresent.

In order to engage in any professional activity one needs to have one's back covered by an official or private «protector». Rumour has it that the best protector in Moscow is the mayor of the capital, Yuri Luzhkov, one of the candidates for president in the 2000 elections.

In view of the harsh winter that is approaching, with food shortages that are partly due to this year's grain harvest—the worst for forty years—the US has granted Russia a \$600 million loan at 2%, repayable over 20 years, to purchase staple foods from US farmers. Part of this amount will be paid in kind. Washington has undertaken to send 1,500 tonnes of corn and 100,000 tonnes of other foodstuffs free. In 1998 the US had huge surpluses of cereals.

To Russia's many problems should be added the attacks on politicians. The liberal party deputy Galina Starovoitova was assassinated in St Petersburg on 21 November 1998, the sixth member of the Duma to have met such a fate since 1994. Mrs Starovoitova was an enthusiastic reformer and anti-Communist.

Owing to the lack of personal security, there are currently thousands of private security companies, in addition to the state, regional and local law enforcement bodies.

Russian foreign policy

It would seem that the prime objective of Russia's foreign policy is to consolidate its influence in the Commonwealth of Independent States set up after the break-up of the Soviet Union. This would be the first step towards establishing a confederation of nations with a predominantly Russian culture and political affinity.

Nostalgia for the past is powerful. As Mikhail Gorbachev writes in his memoirs, «Russia is the legitimate heir of the USSR and should be the nucleus of a new union». According to him, «reintegration will only be possible if we find an idea that enables the peoples to rise above their national identity. We realise we are different from Europe and the West and feel the need to join together again». Mr Gorbachev, who maintains that the union could and should have been saved, was in favour of commencing reunification with the three Slavic republics and Kazakhstan.

The presidents of Russia, Belarus, Kazakhstan and Kirgizstan seemed to have Mr Gorbachev's model in mind when they agreed to deepen their economic and cultural integration on 29 March 1996, paving the way for future reunification. Ukraine, reluctant to forsake an ounce of sovereignty, did not take part.

Shortly afterwards, Russia and Belarus created the so-called Union of Sovereign Republics and continued to strengthen their links. The treaty establishes common citizenship, the regrouping of the two countries' armed forces and a convergent foreign policy. The president of Belarus, Alexander Luka-shenka, has even stated that the countries should be reunified. In January 1998 Russia and Belarus went one step further, developing the basic principles of a common military policy and defence organisation for the Union.

The signing of this agreement on 22 January 1998 coincided with an important summit of Baltic states attended by the Russian prime minister. The agreement was undoubtedly a response to the United States-Baltic charter signed in Washington several days previously, which can be interpreted either as a consolation prize or as a step towards the future NATO membership of the three republics.

As for Ukraine, Russia managed to solve the deadlocked problem of the distribution of the Black Sea soviet fleet and the status of the Sevastopol naval base as well as the thorny issue of Ukrainian sovereignty of the Russian peninsula of Crimea. The May 1997 treaty signed by Boris Yeltsin and Ukrainian president Leonid Kutchman marked the recognition of Ukraine's present borders. Apart from a brief period during the 1917-1921 civil war, Ukraine has always been close to Russia and was considered by most Russians to be an integral part of Russia. Important trade agreements highly favourable to Ukraine were also signed by the two countries in 1997. All this has contributed to a rapprochement of the two principal

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states of the former Soviet Union. Ukraine is undoubtedly the most important piece in the Eastern European geopolitical chessboard.

Russia has signed trade and bilateral military agreements with all the countries of Central Asia, thus securing de facto control over all the strategic installations in the region, among them, the space launch and monitoring centre at Bailakur, in Kazakhstan, whose President Nursultan Nazarbayev is a fervent supporter of consolidating the CIS. In the Asian republics, Russia furnishes military assistance in creating new armed forces by providing advisors and keeping commanders of Russian origin in key posts. In Tajikistan, Russian military intervention brought peace and now supports an unpopular government with ideas close to Russian interests.

Russian peacekeeping troops continue to be stationed in Georgia and Armenia in the Caucasus under the aegis of different international organisations.

However, despite Russia's efforts to bring together the CIS countries at the summits it periodically organises for the heads of state and government of all these countries, there are clearly deep differences of opinion as to the concept and scope of future integration. Ultimately, all the states doubt the sincerity of their «big brother» when there is talk of a union between equals.

To counteract the pressure exerted by NATO in the West, Russia has endeavoured to strengthen its relations with China, putting an end to existing border disputes and signing agreements to curtail the military forces deployed on both sides of the borders. Furthermore, the so-called «strategic partnership» between Russia and China has boosted armaments sales and technology transfers from the former to the latter.

Despite the high-flown official declarations, the real scope of this partnership has yet to be defined. Although the two countries are reluctant to accept US hegemony indefinitely and advocate a multipolar world, they have both shared and clashing interests which are not easily overcome.

Their interests in Central Asia concur. Russia, with China's consent, took advantage of the four plus one border negotiations between Russia, Kazakhstan, Kirgizstan and Tajikistan, on the one hand, and China on the other, to consolidate its geopolitical position, offering in exchange to prevent ethnic activism and propaganda campaigns launched from these CIS countries against the inhabitants of the Chinese province of Sinkiang,

where 50% of the population are Turkic-speaking Muslim Uighurs and there are some Kazak and Kirgiz minorities. The linguistic and ethnic affinities between the people on each side of the border are cause for concern for China.

In eastern Siberia the Russian autonomous authorities are opposed to Moscow's aim to cede land to China in order to comply with the border agreements. They fear the contraband activities of Chinese traffickers across the long common border and illegal emigration to sparsely populated territories which are losing their Russian inhabitants, while the Chinese border provinces are witnessing steady demographic growth. The population of Vladivosstok, the former Russian port by the Sea of Japan, could come to be largely Chinese in a few years' time if the current trend continues. Some governors in this region are threatening to defy the commitments undertaken at central government level between Moscow and Beijing. The most vociferous and radical of these is the governor of Primorsky, who has threatened not to cede territories that are «full of Russian soldiers' graves».

The new deposits of hydrocarbons discovered in the Asian republics of Kazakhstan and Turkmenistan and the Caucasian country of Azerbaijan could, according to experts, come to produce more than Saudi Arabia in ten years' time. As a result, these states are now coveted by the western oil companies. The main task of the US embassies in Baku (Azerbaijan) and Tashkent (Uzbekistan) is to ensure that these regions remain open to free trade. Western influence in general—and particularly that of America—in both the Caucasus and Central Asia arouses Russian suspicions. In spite of Russian and Iran, Azerbaijan has signed contracts with western companies concerning the exploitation of the new deposits in the Caspian Sea, while Chevron and Mobil, among other multinationals, are now operating in Kazakhstan. Russia has the advantage that almost all the trade routes and oil and gas pipelines from those countries run through Russian territory. This ensures it is not left outside the oil trade—at least provided that alternative routes across Iran and Turkey are not used. Russia can also raise customs tariffs, mainly with Kazakhstan.

China, Russia's ally in Central Asia, may well become the biggest consumer of energy resources in the region. Kazak oil is currently transported by train to China along the Alma Ata-Beijing railway line. Russian exports to China are rising sharply.

Apart from the border disputes with China, in the Far East Russia has

yet to settle the issue of the Kuril Islands which were ceded to Russia after the second world war and are claimed by Japan. The Kuril islands enclose the Sea of Okhotsk, where the Nikolayev North naval base and the port of Magadan are located, both of which are much less important than the Russian nuclear submarine base of the Pacific Fleet in the Kamchatka peninsula, which has access to the Pacific. The Japanese prime minister Ruyturo Hashimoto did not achieve his aims at the April 1998 meeting with Boris Yeltsin. Russia and Japan are technically still at war, since they have not yet signed the treaty of peace, amity and co-operation that Russia is asking for. Russia may return the Kuril Islands in exchange for substantial economic benefits which crisis-stricken Japan cannot afford in the short term.

Russia remains determined to realise its ambitions in space aeronautics, whatever the cost, and despite its huge financial constraints. However, the successive hitches in the MIR space station are proof that it no longer enjoys supremacy in this technology. The huge satellite, which has been in orbit for over twelve years—seven more than initially planned—is expected to fall into the sea in June 1999. This will mark the end of an historic period in the space race and usher in the era of the international space station, a project in which Russia's disastrous economic situation will not allow it to participate on an equal footing with the US.

Russia's interest in continuing to play a leading role in the international scene is evidenced by its unilateral stance and disagreement in the Iraq and Kosovo crises. With respect to the latter, in October 1998 Russia opposed NATO's military intervention in Serbia on the grounds that UN Security Council Resolution 1199 did not provide legally for an armed air attack. The Russian foreign minister even insinuated that his government had in mind the possibility of offering the former Yugoslavia (Serbia and Montenegro) military aid if NATO attacked, and that its need for western aid would not cause it to change its foreign policy.

Russia's military capacity

Despite the reductions made in recent years, Russia's armed forces and other military organisations—home office troops, border guards, federation protection forces and the federal security service, among many others—currently employ over three million people.

The military reform now under way entails a drastic cut in the numbers of troops and the abolishment of compulsory military service. This reform

is not progressing at the expected pace for a number of reasons, such as the shortage of financial resources and the political struggles between the ministries and public authorities affected.

All agree that the economy cannot sustain the current numbers of armed forces without endangering training levels, equipment maintenance and procurement of more modern armaments needed to replace those that are becoming obsolete.

Despite the much-trumpeted «Glasnost», opacity continues to be the distinguishing feature of Russian military policy, and it is not known for certain what the real operational capacity of the Russian armed forces is, though everything seems to indicate that it is very low.

As for the Nuclear Deterrent Force, the Kremlin remains determined that Russia should continue to be the second nuclear world power, with an arsenal of some 6,000 warheads which would be reduced to a third if it ratifies the START II treaty. In any event, Russian nuclear power will continue to be greater than that of China, India, Pakistan, the United Kingdom and France put together.

The Russian general staff, in view of the unavoidable curtailment of the armed forces' conventional operational capacity, relies mainly on its nuclear capacity to deter the US, NATO or China from any aggression, whether nuclear or conventional. While it realises that such a hypothesis is highly unlikely today, it does not rule out the possibility that it could be less so in the future.

If it is assumed that Russian forces would be incapable of suppressing a localised peripheral conflict using conventional weapons, Russia could, in the first instance, resort to nuclear arms to prevent defeat.

The Russian general staff sees NATO's eastward enlargement as a threat to the country, since it brings the alliance's military forces nearer its borders and leaves Russia's main command, administrative, industrial and urban centres within the operational range of allied tactical air power. At present, such a threat merely undermines the deterrent effect of Russia's nuclear capacity, given the huge differences between Russia's and NATO's conventional capacity. This is one of the reasons why the Duma have so far refused to ratify START II.

Russia's military capacity includes communications and reconnaissance satellite systems, as well as electronic warfare and precision navi-

gation systems. In this field, Russia is second only to the United States. Although many of these systems are shared by other CIS states as established by treaty, Russia controls them all, just as it owns the groupings of satellites.

The military industry continues to be extremely important to Russia's economy, even though production has slumped in recent years and workers have been laid off. Even so, sales of arms to foreign countries earned Russia \$4 billion in profits in 1997. However, it was unable to match this figure in 1998 owing to the economic recession of the Asian markets.

In any event, arms sales will continue to be a good source of income for the ailing Russian economy. Some of these arms are the medium-range missiles to which the USA and all its western allies proved particularly sensitive following the experience of the SCUD missiles launched against Israel during the Gulf war. Russia is constrained by its membership of the so-called «Missile Technology Control Regime», though, according to its own interpretation, this does not apply to sales to certain customers.

The military in the Russian Federation's domestic policy

The cutbacks in troops and defence allocations following the break-up of the Soviet Union and its Armed Forces left the officer corps, accustomed as it was to privileges, dissatisfied and traumatised.

Today, the perceptions and leanings of most of the officers on active service can be summed up as follows: they consider themselves to be disregarded by all the political institutions and are highly critical of Boris Yeltsin, whom they hold responsible for the current instability of the Russian armed forces; they are more concerned than civilians about lack of respect for law and the precariousness of public order; they yearn for the Soviet Union and call for the restoration of a new union, basically formed by the Slavic republics of the CIS. They see the West—particularly the US—as a potential threat and should therefore not lower their nuclear guard.

In general, Russian officers fall into two categories: on the one hand, moderate reformists and, on the other, radical conservatives, many with extreme nationalist leanings, who believe that Russian foreign policy should be aimed at winning back the status of superpower enjoyed by the USSR.

Though none of the general staff commanding officers seems to harbour Bonapartist ambitions, they could intervene with the forces obeying their orders in favour of a prestigious politician with an appealing pro-

gramme.

Former General Lebed, owing to his past, ideology and political ambition, could, ultimately muster the support of the armed forces and a multitude of desperate civilians willing to cling on to a new saviour.

Mr Lebed has stated that he would oppose NATO enlargement and would restore Russia's pride and power—clearly a utopian promise in the medium term.

Mr Lebed could come to power through legal means were he to have the backing of the new oligarchy headed by Boris Berezonsky. In this connection, the ORT television channel controlled by the Russian magnate and his partners tends to present Mr Lebed in a very favourable light.

NATO ENLARGEMENT TOWARDS EASTERN EUROPE

The NATO summit held in Paris in May 1997 paved the way for eastward enlargement, when applications were invited from all the Central and Eastern European countries willing to adhere to the North Atlantic Treaty and able to meet the entry requirements.

This policy line is in keeping with NATO's aim to be the greatest guarantor of security and stability in Europe. Now that the Warsaw Pact has ceased to exist and the Soviet Union has broken up, NATO needed to define a new objective to justify its survival, since military treaties tend to last only as long as the threat that gives rise to them.

Taking part in «out-of-area» peacekeeping and mediation operations did not seem to be acceptable as the alliance's chief *raison d'être*: it needed to identify a goal with greater political implications—to set up an organised institutional framework that would guarantee European security with the participation of the US. Its sound and experienced political and military structure could serve the purpose.

The eastward expansion of the alliance to take in states seeking security and stability is consistent with this new goal.

Nonetheless, the foregoing is only part of the European security picture. Russia, the other part, needs a special co-operation link so that it feels less left out and threatened. Hence the signing of the «Founding Act» establishing relations between NATO and Russia.

Some, mainly in Russia, think that the role NATO has assumed could

be played by the OSCE which has, undoubtedly, a history of important achievements. However, despite its new name, the OSCE is not an organisation but a conference and its organic structure consists merely of a secretariat. Furthermore, the OSCE is made up of fifty four sovereign states of Europe, Central Asia and North America, all of which have right of veto. It is not easy for countries of such different regions and with such distinct interests to reach a consensus on conflictive security issues. Therefore, contrary to what Russia maintains, it cannot serve as Europe's chief security institution.

The United States managed to impose its view that NATO's enlargement should initially be limited to three states—the Czech Republic, Poland and Hungary. Since these are relatively far from Russia's western border, this first eastward step could be less provocative to the Russians. The United States is fully aware that Russia, which does not share the theory that European stability should be guaranteed by NATO, is wary of enlargement and regards eastward expansion as no more than a policy hatched by America to spread its influence in Central and Eastern Europe and secure itself a more advantageous geostrategic position, taking advantage of Russia's current weakness.

NATO's negotiations with the three applicants are under way, as are the processes whereby the respective national parliaments must ratify what has been agreed on. The three may well become members in 1999, which is the 50th anniversary of the signing of the North Atlantic Treaty. That year a new group of candidates will be designated, with Slovakia and Romania topping the list.

The enlargement of NATO is less difficult than that of the EU since the cost is much lower and because it does not require NATO to make any institutional changes, though the alliance is currently reorganising its integrated command structure to which the new members will belong.

The United States has proposed that the enlargement costs be divided among the new partners, itself and the European allies, though the latter have not yet agreed to accept the proposed distribution. Since the amount is not large and would be paid over a period of ten years, the basic problem is not finding an acceptable solution but rather the United States' insistence on more equitable burden-sharing between allies.

The issue of funding enlargement has been debated at length in the US Senate with a view to approving the proposal. The United States has al-

lowed for defence expenditure to increase only by the amount needed to offset inflation over the next five years. This means it cannot finance all the investment programmes submitted and the additional cost of expanding the Atlantic alliance eastwards could lead to the delay or cancellation of a number of approved programmes regarded as higher priority.

Therefore, in the opinion of the American senators, the NATO allies should bear a higher proportion of enlargement costs. They contend that investing US resources in Europe to make up for what the allies fail to contribute could jeopardise the United States' security interests.

It is obvious that the gap between the United States' military capacity and that of all the other NATO allies is widening and that the United States is increasingly dependent on its allies' capacity.

Although the US Senate approved enlargement by a majority, some senators were against it, not only because of the cost—the required investments are put at between \$40 and 60 billion in aerial defence and communications systems and in making armaments interoperational—but also because it is pointless to invest in the new partners' armed forces now that the Soviet threat has ceased to exist and Russia is a friendly country. Others reckoned that expansion would spark off unnecessary tension with Russia and within Russia. However, the reasons that carried the day were that enlargement had been an American initiative, the vote of the Slavic population would be very important in the legislative elections of November 1998, and the country's armaments industry would obtain considerable benefits.

For reasons mentioned earlier, Russia has signed with NATO the so-called «Founding Act» governing relations between the two sides. Despite the supposedly far-reaching implications of this document, its real content is in fact rather scant. It is not a «treaty» that is legally binding according to international law, as Russia intended, but merely an «agreement» at government level. Russia's representative sits on a permanent joint council together with those of the NATO countries, but the alliance may make decisions without Russia's assent, since Russia was not granted right of veto as it wished. It is no secret that Mr Yeltsin's government signed the Founding Act with misgivings, pressured by influential financial and industrial circles interested in strengthening Russia's links with the West.

The Founding Act establishes that NATO shall not deploy nuclear wea-

pons in the territories of the new members or station «substantial (foreign) combat forces» in them. What is meant by «substantial» and other ambiguous wording could give rise to future controversy. Russia has already complained that NATO has made important decisions without informing it.

In this connection, it is worth mentioning that Russia's NATO representative left Brussels on 16 June 1998 in protest against the airpower demonstration carried out by the alliance over Albania and Macedonia as a warning to the Serbs. According to the Russian Federation's defence minister, General Igor Sergueyev, the Atlantic alliance did not inform Russia duly in advance of these flights and had therefore defied the spirit of the Founding Act.

Other concessions made to Russia are the revision of the CFE treaty in accordance with its wishes and the proposal for a new START II treaty which would not only curtail nuclear arsenals even further but would also eliminate the disadvantages perceived by Russians in the existing treaty, which are preventing it being approved by the Duma.

Although Russia has been forced to accept the fait accompli of NATO enlargement to take in the first round of applicants from Central Europe, it has made clear its position regarding future admissions. In this connection, the Russian foreign minister warned at the Madrid summit that his country would cease to co-operate with NATO if the latter began entry negotiations with any of the former Soviet republics. Russia has thus clearly defined what it intends its sphere of influence in Europe to be—in addition to the European CIS countries, the three Baltic states which aim to free themselves completely from Russian protection by joining both the EU and NATO.

Ukraine has also signed a preferential agreement with NATO granting it bilateral status similar to that of Russia and distinct from that of the other states that belong to the «Euro-Atlantic Partnership Council» or are «Partners for Peace». The co-operation charter envisages the setting up of a permanent consultative body, the establishment of a permanent Ukrainian representation in Brussels and the holding of regular high-level meetings. Ukraine has allowed combined manoeuvres by the Partners for Peace to be carried out on its soil and on its waters.

This policy of co-operation with NATO has not prevented Ukraine from signing important—and, as mentioned previously, favourable—agree-

ments with Russia.

During the state visit by the Ukrainian president to Russia in February 1998, the purpose of which was largely economic, Moscow saw to it that the major trade agreements between the two countries were pushed into the background, raising instead the issue of NATO enlargement.

According to the Kremlin, Ukraine's President Kutchma had promised Mr Yeltsin that Ukraine would not apply for membership of the Atlantic alliance. Kiev has neither confirmed nor denied this statement.

In the West, NATO enlargement has its supporters and opponents. The former argue that it will generate stability in a historically unstable geopolitical area, while the latter fear the impact on Russia's internal situation of the powerlessness and humiliation it could feel on seeing countries of the former Soviet Union—whose dissolution many Russians still regret—join NATO, and the internal insecurity it would trigger as to the future integrity of the Russian Federation.

Russia advocates the establishment of an area of neutral states between NATO and the European CIS countries, whose neutrality would be guaranteed by both NATO and Russia, as proposed by Mr Yeltsin in 1993.

The attitude of the Central European and Baltic states which have applied for NATO membership as the only means to remedy their security and stability contrasts with other traditionally neutral EU states. For example, the white paper on defence submitted to the Finnish parliament on 17 March 1997 states that «Finland does not constitute the target of any military threat, the prevention or rejection of which obliges us to possess the guarantees of security provided by military alliances». Similar statements have been made by Austria which, for the time being, despite being surrounded by NATO countries, is continuing with its traditional neutrality. The Austrian Chancellor Kilma declared on 7 April 1998 that «it would not be appropriate, in terms of security policy, to establish as of today the objective of our membership of NATO».

With new admissions restricted and drawn out over time, everything would seem to indicate that the problem lies in determining the options left to the countries that do not become NATO members. Belonging to the Euro-Atlantic Partnership Council and the Partnership for Peace programme, which many regard as a way of getting in the alliance's good books for future membership, is clearly unsatisfactory, since it does not afford them the security guarantees they believe NATO provides. Neither

are they completely satisfied at the prospect of joining only the EU, whose CFSP has yet to be fully developed and whose military arm, the WEU, lacks the muscle NATO has.

Of the former republics of the extinct Soviet Union, the Baltic states, as mentioned previously, could feel particularly disappointed if their ardent desires are not satisfied. This perhaps explains why the United States was quick to sign a «Partnership Charter» with these three states in January 1998.

There is no doubt that Belarus is inclined towards Russia, at least while its current political leaders remain in power. Ukraine's loyalty to Russia is harder to predict. It has promised not to apply for membership of NATO, though it should be considered that a strongly pro-NATO policy could endanger Ukraine's territorial integrity, given the existing differences in this new independent state.

The enigmatic words uttered by President Clinton in Berlin in May 1998 are significant. When referring to NATO enlargement, he asked that the interests of neither Russia nor Ukraine be forgotten, stating that the current collaboration with both should be maintained and strengthened.

In this connection, in October 1998 the Russian defence minister, Igor Sergueyev, reiterated Russia's opposition to NATO enlargement and warned that if it crossed the «red line» separating the former Soviet republics (the Baltic states, to be precise), Moscow would reconsider the whole framework of its relations with NATO.

Weighing up the advantages and disadvantages, it seems advisable to proceed with caution when considering further enlargement, at least until Russia's grim and difficult political, social and economic situation becomes clearer.

ENLARGEMENT OF THE EUROPEAN UNION

Accession to the EU is provided for in the articles of the Treaty on European Union, which establishes that any European country can apply for membership and that the conditions for admission shall be agreed on by the EU and the applicant state.

In June 1993, the European Council of Copenhagen agreed on the admission criteria which were thenceforth known as the «Copenhagen criteria». These are European identity, a democratic government system and respect for human rights.

Over time, the legal, economic and political framework of the EU has been broadened, leading to reconsideration of candidates' capacity to apply the criteria. Therefore, now that the EU is going to begin its eastward enlargement, the conditions for admission can be summed up as follows: stable institutions that guarantee democracy, the rule of law, human rights and the protection of minorities; an established market economy able to cope with competition and the commercial pressure exerted by the EU;

and ability to assume the obligations of all the members, including economic and monetary union.

The golden rule of any membership negotiations is that the candidate must accept the entire *acquis communautaire*—the treaties signed, legislation enacted, jurisprudence established by the Court of Justice, resolutions approved and international agreements to which the Union is party.

Candidates must accept all of this. *A la carte* integration is not possible. However, temporary exemptions and transitory agreements may be established, but never permanent ones.

At the Luxembourg summit in December 1997 it was decided to begin negotiations with Poland, Hungary, the Czech Republic, Slovenia, Estonia and Cyprus. These are currently under way after the degree of preparedness of these nations was assessed, and the first round of accessions is likely to take place in 2003.

While the doors are open to a second group of applicants, formed by Romania, Slovakia, Bulgaria, Latvia and Lithuania, negotiations with the EU will be begun at a later stage. Meanwhile, they have signed association agreements.

If the EU were to expand by taking in all these countries, its area would increase by 34% and its population by one third, though the Community GDP would grow by a mere 8%.

Russia has also sought to join the EU but, although its sights are set on Europe, three quarters of its territory belong to Asia. Its demography, vast size and, particularly, its political instability and current economic crisis do not favour the EU membership that Mr Yeltsin has insistently proposed. Even when Russia is over the crisis, the membership of a country of its geopolitical characteristics and particular mentality that is so different from that of western Europe would upset the balance of the EU and would endanger its very existence.

The advantages of extending the EU as far as the borders of the CIS are obvious: this would be a major step on the geopolitical road to a united Europe with a more prominent role in international relations, greater security and stability across the continent and a bigger market.

The disadvantages are cost and the need for the EU to undergo substantial institutional reforms, which are a controversial issue.

The European Council commission which has studied the cost of enlargement reckons it could amount to 75 billion ECUs. Indeed, it is a sort of «Marshall Plan» for new members.

The European conference held in London in March 1998 brought together twenty two states—the fifteen members and eleven candidates. Turkey was a notable absentee. Some of the reasons for its self-exclusion were the problem of Cyprus, where the process has begun to integrate the northern part, inhabited by Turks, into Turkey. Cyprus, which is in the lead group of applicants, could complicate enlargement, since the Turkish Cypriots refuse to take part in negotiations. They are only willing to represent their area as an independent state.

So far, the national interests of both poor and wealthy countries have prevailed over the primary geopolitical goal in the battle between the EU members over the future funding of enlargement.

If the ceiling for members' contribution to the EU coffers is kept at 1.27% of GDP, the EU has two options—to enlarge on the cheap, sharing the scanty resources among a larger number of countries, to the detriment of the structural and cohesion funds, or to reach a compromise solution between rich and poor partners, delaying the accession of new members.

Institutional reform poses just as many, if not more, difficulties: the weighting of votes in keeping with the population of the states, number of commissioners, and defining decision criteria for issues that require unanimous agreement (it is not the same to get fifteen to agree as it is twenty six) and for those where a simple or qualified majority is sufficient.

Four countries currently contribute 71.8% of the EU's expenditure: Germany 30%, France 18%, Italy 12.4% and the United Kingdom 11.4%. Therefore, if it were established that expenditure should be decided according to relative-majority criteria, this could give rise to situations where those who contribute the least and, in addition, are entitled to the cohesion fund, could impose decisions on those who contribute the most to the budget.

To all these obstacles to new admissions should be added certain member states' views on enlargement. Greece, for example, is threatening to veto applications from any Central or Eastern European country if that of Cyprus is held up. President Chirac of France, for his part, has stated his opposition to enlargement without prior institutional reform and does not agree with the common agricultural policy. Regarding CAP, in October

1998 the European Commission rejected German's proposal, backed by the Netherlands and Sweden, that each country finance jointly from its own budgets a quarter of the direct farming subsidies.

Germany, which considers that its own contributions are too high, contends that the countries which have met the convergence criteria have got their economies sufficiently into shape and no longer need any help. However, it fails to take into account the differences in income of countries such as Spain, which is 25% below the European average.

Everything seems to indicate that certain countries want enlargement to be funded largely at the expense of the poorer countries that receive the structural and cohesion funds.

Enlargement also arouses fears of a possible unstoppable influx of easterners seeking jobs in more prosperous EU countries, and the consequent unemployment problems. The argument generally used to allay such fears is that the improvement in the standard of living in Spain and Portugal after they joined the Community led to a decrease in the amount of cheap labour from these countries in their richer EU neighbours.

Since the current ceiling of 1.27% of GDP will be insufficient to keep up the current solidarity programmes in a bigger EU, Spain finds itself in a tricky position: while it firmly supports the consolidation of the EU and its enlargement to take in countries that identify with the idea of a united Europe capable of closing the gap between this continent and the United States in all respects, it cannot make concessions that depart from what could be an equitable funding of enlargement.

Paradoxically, the countries which stand to gain the most economic benefits from an enlarged EU are those set on not footing the cost or even saving money.

In general, the obstacles which are hindering the achievement of this attractive geopolitical goal or, at least, are setting it back, are mainly the self-seeking attitude of the rich countries, the nationalism of members who are not prepared to yield further areas of sovereignty and the resistance of the out-and-out NATO supporters to strengthen the European CFSP.

The British presidency of the EU in the first half of 1998 was followed by that of Austria, which is preparing the so-called «Agenda 2000» that addresses sensitive issues such as institutional reform, the composition of the European Commission, the votes to which each country is entitled on

the Council and financial contributions.

In November 1998, the European Commission submitted a proposal which would require the structural and cohesion funds to be trimmed by 18%. It reflected the aims of several of the richer EU countries keen to reduce their contributions, going against the solidarity policy they had hitherto pursued, and appeared to be designed to induce Spain to accept the ceiling of 1.27% of GDP. Spain will not agree to this until it is assured that such an amount will be enough to pay for all the current community policies and, in addition, meet all the costs of enlargement.

There is every sign that the accession of the first-wave candidates will be delayed owing both to the pace of progress of the aspirants and to internal problems of the EU.

FINAL CONSIDERATIONS

Not all experts agree on the causes of the economic collapse of Russia, whose GDP has been sliding year after year since the Soviet Union broke up.

Russia's macroeconomic indicators show that the reforms undertaken have not achieved the hoped-for results, despite the substantial foreign aid received mainly from the IMF and the World Bank to help the transition from a state-controlled economy to a free-market system. Russia has proved to be a bottomless pit.

This failure tends to be attributed to the erroneousness of the gradual approach, of a progressive shift to a market economy. It is argued that in cases like Russia, reforms need to be radical. Thus, countries where shock therapy was applied, such as Hungary and Poland, have come through their transitions with flying colours, whereas those that opted for a gradual approach—Russia, Ukraine, Romania and Bulgaria—have not improved their economic situation.

Mr Chernomyrdin pursued a policy of gradual transition during his five-year stint as prime minister and Mr Primakov seems to be following suit. A radical approach was taken by the ousted Mr Kiriyenko, a champion of far-reaching reforms in Russia's economy. But the application of free-market rules entails a social welfare cost that the government cannot always meet.

As a result, the Russian people now blame their plight on the reforms and not on governments' hesitance to go about them in a determined way.

Moreover, not all Russia's problems are due to its ailing economy. Indeed, they stem basically from the shortcomings of a highly imperfect rule of law. A state that lacks due respect for current laws, whose contractual legislation is woolly and has no effective tax system is putting its very subsistence at risk.

State, regional and local bureaucracy in Russia have not yet succeeded in unravelling the web woven in Soviet times. Corruption is rife across the administration and in all power spheres, and organised crime activities are omnipresent. But the most serious problem is not the existence of corruption, but rather that the politicians are corrupt and are in contact with the new oligarchy.

The West believed it could export its democratic system to Russia, but Russia is not the West and only an erudite minority seem to want Russia westernised. Many citizens even regard the West as the source of many of their ills.

The creation of political parties and the holding of free elections have not been sufficient to establish a true democracy, since there is no awareness of its values or a sense of responsibility among the people. Indeed, these qualities of citizens cannot be conjured up overnight and for the first time in the history of Russia. Furthermore, the ruling class lacked experience of democracy and, indeed, those who took it upon themselves to build the new order were not opponents of the old system but rather part of it, such as Mr Yeltsin and current Prime Minister Primakov in Russia, Ukrainian President Kutchman and Mr Lukashenka of Belarus.

Thus, the elections saw the rise of candidates who display autocratic behaviour once they have assumed power, while most voters look on passively and indifferently.

Insufficient control over the privatisation of state companies in Russia has led to the emergence of an oligarchy that is not however a new business elite but rather the old system converted to capitalism—a capitalism based on cronyism, shared interests and political influence. Rather than a market economy strictly speaking, what Russia has is a market controlled by speculators linked to the oligarchs. The result is a slim minority who are becoming richer and richer and an increasingly poverty-stricken majority

who yearn for the communist system.

The western countries in general, and America in particular, made the mistake of erecting Boris Yeltsin as a retaining wall to fend off a regression to communism. To his credit, Mr Yeltsin had dismantled the Soviet Union, was a rival of Mr Gorbachev and had blasted the Soviet Supreme to smithereens. Impulsive, bold, ill-humoured, not very educated, a drinker and, for some time, seriously ill, he has not succeeded in bringing political and economic transition to fruition, despite having all the powers required for such a momentous task. As democratic president of the Russian Federation elected through a referendum, he again won the fiercely-disputed and rigged presidential elections in 1996. Earlier, in 1993, he managed to get a tailor-made presidentialist constitution approved—the one currently in force. After imposing his will time after time on a Duma dominated by communists and extreme nationalists, he was finally defeated and humiliated when, in September 1998, he did not dare dissolve it fearing an extreme situation as in 1993. Today, his loss of power and prestige is patently clear, as is his physical incapacity.

The present Constitution—though attempts will be made to amend it—vested the executive with powers as opposed to the legislature, which has been responsible for paralysing the reforms over the years.

In addition to the foregoing, winds of disintegration are battering the Russian Federation. The autonomous bodies oppose any measure from Moscow that they regard as centralising. Many refuse to pay the collected taxes owed to the Federation and some, in view of the food shortage, have even banned foodstuffs from being sent outside their regional boundaries. The regional politicians display greater cohesion than their federal counterparts and are more aware of collective interests.

Russia's situation at the beginning of 1999 could be summed up as follows:

- Economic crisis that is difficult to contain, with high inflation and lack of foreign private investments for a long time following the recent flight of capital.
- Danger of the Russian Federation breaking up and ultimate intervention of the army to crush any serious secessionist outbreaks.
- State and administrative structures in need of thorough reform.
- Large, aggressive Communist party which wants to return to the old ways and currently has more representatives in Mr Primakov's government than the reformist and liberal parties.

- Most underprivileged sectors of society yearn for «Soviet welfare».
- An extreme nationalist movement that is trying to gain ground, taking advantage of the malaise caused by the devastating economic crisis, and has the support of some members of the armed forces.
- Growing unpopularity of Boris Yeltsin, who is branded the West's puppet.

With legislative elections slated for 1999 and presidential elections for 2000, it can be said that few countries have put their future at such great risk in such a short space of time.

Mr Primakov's options are very limited. If from now until the election date Russian citizens do not perceive any beneficial effects, the country is likely to begin the new millennium by pointing itself towards the past to a lesser or greater degree. The problem Mr Primakov's government faces is that in order for it to be able to implement the reforms, the situation needs to worsen before it can improve. A significant example is that if the essential tax reform is carried out and the companies with debts pay off their arrears to the state, in order to survive they would have to trim their workforces by making staff redundant.

The question of who will succeed Boris Yeltsin is uncertain and worrying. The candidates for president are, so far: Mr Chernomyrdin, who was rejected by the Duma and halted reform; Mr Zyuganov, a demiurge communist who is capitalising on people's dissatisfaction; Mr Luzhkov, the populist mayor of Moscow, an opportunist who favours a protectionist policy against «western dictates»; and former general Lebed, who aims to restore the nation's order and dignity vis-à-vis the concessions made to the West.

Despite its precarious situation, there is no hint that Russia has given up trying to reclaim the role of super power played by the Soviet Union before its break-up. Hence its disagreeing stance in the Kosovo and Iraqi crises in 1998.

On the international front, Russia has the advantages of being second biggest nuclear power, the right of veto in the United Nations Security Council and the remains of a defence industry capable of producing and exporting sophisticated tactical and long-range weapons systems. Its inexhaustible natural resources (new gas deposits have been discovered in Siberia) have enabled it to attend the G7 meetings as an observer, such