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**WARSAW EAST
EUROPEAN REVIEW**

VOLUME II/2012



WARSAW EAST EUROPEAN CONFERENCE

Warsaw East European Conference

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EUROPEAN REVIEW**

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FOREWORD

Foreword

THE second volume of the Warsaw East European Review contains selected papers presented during the last year's 8th annual session, held in July 2011 at the University of Warsaw under the title "Twenty years of independence of the countries of the former Soviet Union: 1991–2011".

The papers are divided into five general topics including the most important issues of the session: transformations in the Russian Federation, economic and cultural change in the region, geopolitics of the South Caucasus, and the most widely analyzed, specific case of Belarus.

Two decades of statehood is a period sufficiently long to start the debate on transformational processes, their common features and the local, national peculiarities, to attempt to make the necessary assessments and analyse in details processes of systemic change in order to evaluate what has been successful and what was the failure.

International conference, academic debate, round tables including on an equal footing scholars, politicians, students and analysts specialising in the problems of political, social and economic transformation of post-Soviet area – can one imagine a better forum for exchanging ideas?

It is no wonder that the initiators and organisers of the annual summer conferences in Warsaw – the Centre for East European Studies at University of Warsaw, the Conference Program Board and the Conference Organising Committee decided to document the Warsaw East European Conference as an especially important tool for education and information.

So far, the conference was accompanied by an annual volume of published abstracts of all reported and presented papers, presentations and messages, divided into thematic panels. The first volume with the full texts of the conference papers was published last year (Warsaw East European Review, Vol. 1/2011). It was a selection of the papers from seven successive conferences. This year's volume initiates annual publishing of the reviews documenting the Warsaw East European Conference' sessions.

Jerzy Kozakiewicz
WARSAW EAST EUROPEAN REVIEW, Editor-in-Chief
University of Warsaw

I

RUSSIA AND GEOPOLITICAL CHANGES

Vilnius 10 Group – Geopolitical Emancipation or a Lost Opportunity for Angelic Moral Politics?

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Vilnius 10 Group – comprised of Albania, Bulgaria, Croatia, Estonia, Latvia, Lithuania, Republic of Macedonia, Romania, Slovakia, Slovenia – supported the war in Iraq. All these countries in 2003 were aspiring NATO candidates. But the highly controversial war was also supported by other eight European NATO members as well: Italy, Spain, Britain, Denmark, Hungary, the Czech Republic, Poland, and Portugal.¹ Three of these eight – Hungary, the Czech Republic, and Poland – are Central European countries. Needless to say, these three NATO members did not have to support the U.S. for the war in Iraq in order to join NATO as they achieved this membership in 1999. Nevertheless, they showed that pro-American position in Central Europe is unanimous.

Even before Vilnius 10 Group supported the US attack on Iraq, some intellectuals and politicians believed that Central Europeans would deliver Western Europe with a sense of freedom. This thought was updated during the US president's visit to Vilnius, when George W. Bush in Vilnius City Hall Square on a crisp November morning in 2002 unequivocally emphasized the price that Lithuania has paid for its liberty. In this context, when the crowd was shouting "thank you" both in English and Lithuanian thanking for an invitation to join NATO and was ceaselessly waving flags of the United States of America, of Lithuania, and of NATO, the words that touched upon Lithuanian honor were proclaimed by the smiling US president: "You don't have to thank. NATO needs you!"

Soon afterwards, the Vilnius 10 proved America was indeed in need of this new NATO member. Soon after the war in Iraq, when the US Congress approved the list of new NATO members, Bush in a welcoming ceremony emphasized that these new members of post-socialist countries proved their right to join NATO not only through words but also through action.

¹ Jeffrey Donovan, "Eastern Europe: Vilnius Group Supports the U.S. on the War in Iraq," February 6, 2003, <http://www.rferl.org/content/article/1102148.html>.

However, the tension between the US and France, Germany and Russia before the attack on Iraq was so high that according to the US Secretary of Defense Donald Rumsfeld, the Vilnius 10 position split Europe into two parts: the old and the new. Suddenly, the region of Europe, which Milan Kundera in 1984 called the “kidnapped West” and later “the tragic Central Europe”, was baptized the “new Europe”.

Committing itself to such foreign politics in the early spring in 2003, Central Europe suddenly became politically emancipated. Central European politicians showed regional solidarity and challenged the old Europe. Lithuania’s political status suddenly altered – poor beggars turned into equal partners of Paris and Berlin, demonstrating that the opinion of Central Europe has to be taken into account seriously.

Chirac meanwhile hurriedly named the Vilnius 10 as irresponsible children. Moreover, the French president even threatened with possible complications of becoming EU members. However, the Anglo-Saxon TV channels CNN and BBC reacted immediately with a positive evaluation of Central Europe for taking a pro-American stance. CNN and BBC marked that values of this European region were formed under the coercive regime of the former Soviet Union; therefore it is natural that today Central Europe goes along with America – the country that guarantees Europe’s security and thanks to which seven new post-socialist countries will become NATO members.

It did not take long for Lithuania to notice that Iraq is not the only object of conflict. The conflict between old Europe and the US was also a matter of who will become dominant in global politics. Paris and Berlin showed their insatiable thirst for their own say, while London was remaining faithful to Washington. On an economic level, Lithuania trusts old Europe and submits to the directives of Brussels. Nevertheless, on a political level, Lithuania figured out the connotations of a Chirac-Schröder-Putin political trinity.

While the Lithuanian politician pacifist Rolandas Pavilionis, who has been against Lithuania’s integration into NATO, was calling his nation for creativity instead of armament and with a serious face on local TV raised the question “Who is threatening Lithuania?”, implying that Russia is no longer a threat, Vilnius had wise enough politicians who realized that in Moscow there are enough deputies who are still thinking along the lines of “lost” territories, but who are unable to get them “back” merely because of their inability to act imperialistically in the Baltic region. However, this “inability” has been evaporating as Russia became a more sophisticated geopolitical player providing the concept of a new union called the Eurasian Union as a counterpart to the European Union. Such journal as *The Economist* pays attention to this Russian ambition to become a global player. “Mr. Putin sees Ukraine as a crucial part of his plan to reintegrate former Soviet republics into a new Eurasian union that would rival the EU. This idea, formulated in a recent newspaper article, may be a leitmotif of his next presidency.”²

² “Ukraine, Russia, and the Eurasian Union,” *The Economist*, October 15, 2011, <http://www.economist.com/node/21532290>.

The Eurasian geopolitical construct is congruent with the popularity of the earlier discussed “Russian idea” in rapidly growing neo-Eurasian philosophy. In this context it is naïve to assume that Central European path of integration to the EU is settled once and for all, especially if the EU will weaken during the Euro crisis and will disintegrate

On the other hand, one might be skeptical about totalitarian rise of the Eurasian Union. For Boris Kapustin it makes sense to expect the unexpected:

“I am not making predictions concerning Russia’s near future. I am just arguing that the currently observable disorganized, localized, impulsive and politically unassuming character of protests and resistances in today’s Russia does not justify their dismissal as politically inconsequential. Moreover, they may prove to be more consequential than much better audible (at least in the West) liberal criticisms of Putin’s regime which recycle the well-known kind-hearted and magnanimous, albeit somewhat worn out, humanitarian mantra of the nineties. Anyway, it always makes sense to expect the unexpected. This may be particularly true in Russia’s case.”³

While expecting the unexpected, the Vilnius 10 supported the position of the US and Britain not out of an honest conviction that the regime of Saddam Hussein has to be changed or that there was an urgent need to destroy his alleged weapons of mass destruction, but out of its diplomatic common sense not to demonstrate solidarity with those who – while shaking Putin’s hand – did not even notice that the hand shakes being exchanged across the territories of the post-socialist countries. Does it mean that the Vilnius 10 position separated morality from politics? Is it a classic *realpolitik* approach? Is it quite Machiavellian? After all, for Central Europe did not matter just or unjust war is in Iraq as this issue was only the means to achieve the end – trust in Washington and membership in NATO – the final political security goal for the new Europe.

Chirac’s reaction to the decision made by the Vilnius 10 revealed the French insistence on the presupposition that Central Europe must ask for Western Europe’s opinion, but not vice versa. Therefore, this “disobedience” of Central Europe could be seen as a “No” to the teacher-pupil model. The Vilnius 10 group was allied against the model of a hierarchical relationship that was lacking mutual respect.

This “No” has a much deeper meaning when one thinks of a wider context of how Central Europe for centuries has been labeled as culturally inferior and civically underdeveloped. At the times of Voltaire just as today for some, Central Europe still meant the derogative “Eastern Europe” not even remotely imagining cultural differences between the Baltics and the Balkans, between Poland and Ukraine, between Western Ukraine and Eastern Ukraine, between Romanian gypsies and Romanian Hungarians, Estonian Russians and Russians in Russia. From the Western perspective the question lingered: how dear that underdeveloped Eastern Europe have a say on anything?

³ Boris Kapustin, Tomas Kavaliauskas, “In Search of a Post-communist Future,” Eurozine, June 22, 2011, <http://www.eurozine.com/articles/2011-06-22-kapustin-en.html>.

Egidijus Vareikis, a delegate of Lithuania's government, shared this experience when in 1990–1991 during one of the pompous receptions, a delegate of a NATO country somehow blurted out: “We have visitors from Lithuania, Hungary, Poland, – visitors who not so long ago were our deadly enemies... Now they are with us and even want to become members of NATO.”⁴ According to Vareikis, such Western thinking is related to the Soviet studies known as Sovietology. This popular Western discipline was inadequate to the real experience that Central Europeans had to undergo during the cold war era. People of this region did not forget their real history. And yet, Western Sovietologists were unambiguously treating them under a derogatory label – *homo sovieticus*. Supposedly, the Soviet-Marxist state existed due to the conscious support of its ideological citizens. Thus, the very collapse of the former Soviet Union was treated as a miracle, but not as a result of preserved nationalist spirit.

Naturally in this sort of context a Lithuanian, Latvian, Estonian, Pole or Hungarian could not help but be appalled by such words as “now they are with us”. That is why Milan Kundera started his essay *The Tragedy of Central Europe* by saying that Western Europeans cannot understand how a Hungarian may die not only for Hungary, but also for Europe in Budapest '56. When Vareikis shared his inner discomfort with the colleagues from the “block”, he found out that they – Poles, Hungarians, Latvians, and Estonians – cannot fight and die for Western Europe. They experienced the same discomfort as if they all were traitors of their Marxist ideology. This is story of 1990–1991.

After joining the EU it is self-evident that Central Europe is with the West, although not necessarily for the weather forecasters: on November 19, 2011, CNN live weather forecast showed a map of Western France, Switzerland, Germany, and Northern Italy saying that in these parts of “Central Europe” it will remain foggy as there is no wind. If this is Central Europe, that classical Mittle-Europa, then the rest for sure remains to be the “East”.

The following words of Chirac were addressed namely to this “East”: “Vilnius 10 lost a good chance to remain silent.” Also cranky Germany reacted against Poland's initiative to participate in post-Husseinian Iraq. Then we heard cranky remarks coming from Berlin: “What does Poland intend to join? – the US or the EU?”

It is no coincidence that even in *Le Monde Diplomatique* the French leftist B. Margueritte wrote on Poland: “[...] philo-Americanism wants to be a Trojan horse of Washington inside the union.”⁵

Looking at this story retrospectively from the perspective of 2012, this case makes one wonder whether post-socialist countries have been integrated into the European Union only on the levels of economics and cultural exchange leaving the political domain for the big ones? Unfortunately, this case reminds the Age of Enlightenment when Voltaire contended the paradigm of the other Europe – Europe that is “uncivilized” and

⁴ Egidijus Vareikis, *Dinozaurėjanti Europa* [Europe Turning into a Dinosaur], (Vilnius: Strofa, 2002), 70–71.

⁵ Bernard Margueritte, “La Pologne malade du libéralisme,” *La Monde Diplomatique*, October, (2002): 17.

“barbaric”. The 18th century Western Europe needed an extra political and cultural pillar to support its elite status quo. That pillar was doomed to become the “invented” barbaric Central and Eastern Europe. After all, the project of European Enlightenment was supposed to confront injustice and intolerance. Larry Wolff in the book *Inventing Eastern Europe*⁶ argues that Voltaire, Rousseau, Diderot, and other French thinkers had a draft of a new philosophical geography map in mind. They were creating a new “plan of civilization”.⁷

Kornelia Slavova, while analyzing a negative linguistic connotation of the word “Bulgarian” in an American lexicon, discovered that namely Voltaire in his *Candide* created a negative Bulgarian image that lacks substance. Bulgarians were doomed to become the primitive “other” of the enlightened Europe until today when Bulgarians became a euphemism for anarchists and gays.⁸ Having in mind this context, Bulgaria’s participation in the Vilnius 10 acquires a symbolic meaning in deconstructing the myth of the “invented” Europe as well as creating a new political Europe as an equipoise to the old one. Bulgaria helped the Vilnius 10 to make “the landlords of civilization” face the other firm position and realize that not only old Europe has the continent at its disposal even though it laid the foundation for the EU expansion. But the truth is that the old Europe is more than France and Germany. It follows that Europe has two old Europes: pro- and anti-American.

However, whatever positions were maintained by the governments of the “various Europes”, the people in Spain, France, England, and the U.S. marched in the streets expressing their will to protect Iraq from an American invasion. The demonstrations were massive. The position of the Vilnius 10 became a significant equipoise to the anti-Americanism in Western Europe. It is worth mentioning that in Central Europe there was not even a single demonstration of such sort. It is no coincidence that Bush visited Lithuania’s capital Vilnius in 2002 to promote Central European security and its geopolitical orientation. After 9/11 tragedy in New York, the U.S. itself was interested in consolidating European regions for its moral support.

What does 9/11 Tragedy mean for Central Europe?

The tragedy of 9/11 portrayed New York as victimized and as a heroic city. In 2001 everyone applauded George W. Bush’s rhetoric that the democratic world was under attack, that it was necessary to defend values of freedom. No one could argue against it

⁶ Larry Wolff uses the term “Eastern Europe”, whereas the author of the text has chosen Central Europe in order to distinguish these two different regions as distinct ideologically, politically, economically, and emotionally.

⁷ Larry Wolff, *Inventing Eastern Europe*, (Stanford University Press, 1994).

⁸ Kornelia Slavova, “What’s in a Name? The Functioning of the Label ‘Bulgarian’ in the American Imagination,” Selected Conference Papers, Blagoevgrad, Bulgaria, October 18–21, 2001, 74–75.

– the mass media ceaselessly reiterated the image of terrorists attacking the Twin Towers in Manhattan. To oppose such rhetoric would have been indiscreet and politically incorrect. Everything seemed to be black and white. Good and evil were sorted out placing the entire Muslim world on the evil side of the new moral map. Moreover, opposing to such primitive moral dualism in Bush's rhetoric of September 11th would have implied sympathy for the cold-blooded terrorist act of the fanatic Al Qaeda. Even Jacques Chirac's Paris, regardless of its anti-Americanism, was silent when the White House declared war in Afghanistan, although the unbearable burden of that silence J. Chirac took off his chest as soon as the White House started a new rhetoric of the war in Iraq. In the public space of communication about 9/11, one talked one-sidedly, since the very conception of democratic civilization existed as an unequivocal good that suddenly was threatened.

Following this logic, Guantanamo Bay prison opened where human rights were forgotten – supposedly, a fanatic or a madman who fights against the unequivocal good of democracy does not need rights. Just as in the dark side of Marxism: anyone who opposes the revolution of the proletariat is an enemy of history, because logical history has to end with the revolution of the proletariat. It is not something one can accept or reject. After all, it is the law of historical wisdom, not merely that of a single philosopher. Similar logic was implied at Guantanamo Bay: the enemies of democracy and the United States can be tortured because they are beyond political truth. Those inmates accused of terrorism contradict the logical and historical necessity of globalization, that is, of the *pax Americana*. Because an Al Qaeda terrorist fights against the country that defends human rights, those rights do not apply to him. Existing outside the United States, Guantanamo Bay is beyond the space of democracy *de jure*.

Sacralization of Ground Zero was a natural process of grief-stricken nation to commemorate victims and the location. For the administration of George W. Bush Ground Zero was the memorial for justification to fight terrorism “without white gloves”. But as soon as Barack Obama was elected, he announced a decree to close Guantanamo Bay. This decree meant that the inmates of terrorism no longer exist beyond democracy. It might be considered whether the Pentagon might have avoided the policy of working “without white gloves” if Barack Obama had been the President of the US in 2001. However, even if that had been the case, the very concept of an “evil axis” would still have been assumed. Obama would not have been able to avoid categorizing those who are homeboys and those who are enemies. In his famous Cairo speech in 2009, titled *The New Beginning*,⁹ Obama attempted to overcome the stereotypical opposition of the democratic world and the Muslim world, but by amassing more military in Afghanistan and continuing to put pressure on Iran, certain divisions and ideological classifications have inevitably been retained.

⁹ Barack Obama, Speech in Cairo “The New Beginning“, The White House Blog, June 4, 2009, <http://www.whitehouse.gov/blog/NewBeginning>.

Lithuanian scholar of Islam Egdūnas Račius contends that in Iran, the youth are active in the political underground, listen to Western music, and that the government does not ban American newspapers in which the Iranian government is criticized. Račius avoids Huntington's thesis about the clash of civilizations, and even more Bush's moral map in which Iranian Muslims are assigned to the "axis of evil". According to E. Račius, Iranian Muslims are just as globalized and Americanized as Europeans.¹⁰ Needless to say, the mass protests in Tehran rejecting the official election results in 2009 would have been impossible without a comprehension of democratic values and the underground political culture. The Arab Spring and its revolutionary wave in Egypt, Morocco, Tunisia, Algeria, only prove a massive need for equality and democratic pluralism in Muslim cultures.

If we believe the mass media, then the mission of Al Qaeda is to cleanse the Arab countries of westernization. This organization disliked American military bases in Saudi Arabia next to the mosques of Mecca and Medina. Its motivation is to counterbalance globalization with the Islamic Truth, providing a different salvation by implementing extreme hatred for American values. A mighty Islamic Empire is its aim. This empire is supposed to be ruled by the *Sharia* – the Way, God's will.

Michel Foucault, modifying Nietzsche's will to power, contends that will to truth is established by the order of discourse. One discourse exists at the expense of another; one truth is established at the expense of another. In a way it is a Darwinian model of the survival of the fittest. This time we are talking about the survival of the "fittest discourse", not the species. Foucault writes:

"True discourse, liberated by the nature of its form from desire and power, is incapable of recognizing the will to truth which pervades it; and the will to truth, having imposed itself upon us for so long, is such that the truth it seeks to reveal cannot fail to mask it."¹¹

The rhetoric of the Bush administration promoted the discourse of the "homeboys of democracy" *versus* the fanatics of the Muslim "evil axis", and so in essence spoke of the necessity to exclude the opposing discourse of the enemy. The institutions of democratic countries had to support such an effort with an adequate language. Post-communist Central European countries supported. Its support was the most visible and heard in 2003 when Vilnius 10 Group together with the Czech Republic, Poland, and Hungary supported the war in Iraq endorsing the rhetoric of mass destruction weapons as a threat to democratic world. This way Central Europe became linked to the discourse of 9/11 as well.

However, if for Al Qaeda 9/11 was not a goal, but a means striving for a larger aim, and then it is important to reconsider the means of fighting the "axis of evil". Are bullets

¹⁰ Egdūnas Račius, "The Countries of Evil Axis from the visitor's perspective. I – Iran," March 2, 2005, <http://www.bernardinai.lt/index.php?url=articles/9252>.

¹¹ Michel Foucault, *L'Ordre du discours* (Paris, 1971).

and tanks the most efficient means? If this story is about the *will to truth*, then terrorism can be fought by creating a more sophisticated mind of global communication. Such a democratic mind should be able to dominate the extremist narrative of Al Qaeda. Following such a strategy, Afghanistan, certain territories of Pakistan, and Iraq could have been invaded not with weapons but with books and universities. Today, it is well known that in Pakistan Taliban extremists control schools in poor areas and educate the young, students who are simply abandoned by Pakistan's government. CNN a few years ago covered such a story on education and Barack Obama in his Cairo speech underlined the importance of education, equality for Muslim women via education.

My point is that democracy should be exported by creating unprecedented educational programs, which would become realistic if the billions for military expenses were shifted to billions for educational expenses. This method would more realistically implement human rights, free elections, gender equality and principles of tolerance. But little of that has been achieved. Interestingly, in Prague Vladimir Putin replied to George W. Bush that Russia does not need democracy like Iraq.

Central Europe, with all its idealistic experience of 1989, has failed to suggest a humanitarian way of battling against terrorism. Instead it submitted to the main stream argumentation of military intervention. The best example of it would be Václav Havel himself, who in spite of his advocacy for moral politics has also supported Bush-like vulgar military invasion to Iraq. It cannot symbolize cold blooded pragmatism of post-communist Central Europe for the sake of having NATO membership and regional security for the Czech Republic as this country was already NATO member by the year 1999. Nevertheless, it is quite contrary to Havel's idealism during communist period prior 1989.

The invasion of Iraq was the breaking point. The world no longer looks at the US as a victim of a fanatic terrorist attack on 9/11. Instead America is perceived as an aggressor along the lines of aggression in Vietnam. The alternative "aggression" could have been an unprecedented educational program. In post-communist countries, George Soros became a warrior in the war for an open society and he could have been used as an example of humanitarian way of shooting books, not bullets.

George Soros's idea of an educational program for an open society confronted Moscow's authoritarian rule. Belorussian President Aleksander Lukashenka closed the European Humanities University in Minsk, but the university moved successfully to Vilnius with all its students. Following such an example, we may ask: if billions of dollars were spent not on fuel for military jets and soldiers' salaries, but instead were invested in education, would not that be a sign of a high civilization? After all, we would be talking about a million educational arrows directed at the "evil axis".

The angelic Central European countries supported militaristic mind-set quite straightforwardly void of political spirituality. Higher standard for the humanities was not recommended to the U.S. But such a recommendation would indicate high-mindedness on the part of the "New Europe". But Central European countries did not even search for spiritual strength and did not look back at its tradition of moral politics,

rather they were satisfied with good diplomatic relations with the US offering to lend a hand in NATO operations. There was no philosophical attempt to question the forms of war against terrorism. It was no longer the characteristic of Central Europe.

A self-reflective politics of Central Europe could raise the status of the region instead of its continuing to exist as merely an American poodle, seeking protection from an unpredictable Russia. However, even though self-reflective politics and the thoughts of intellectuals could be productive in changing political attitudes towards the US, it could also be dangerous: any flavor of anti-Americanism in the region may also change the direction of foreign policy towards Russia. Unfortunately, keeping in mind Central European geopolitical conditions, pragmatic calculations while abandoning idealism, might be the survival approach.

Such geopolitical orientation for the sake of survival of the small nations is justified on the premise that contemporary Russia is a threat to Central European security, once again a potential military aggressor. Is it so? Is there evidence for Russia to be a threat to Central European countries? Is Kremlin's geopolitical orientation different from the orientation of the Baltic States and Visegrad?

An excursion to the question “if Russia does not attack”?

Lithuanian political commentator Kęstutis Girnius has shared his optimistic comment that “Russia will not attack Lithuania”.¹² It renders all the aforementioned logic of unconditional pro-Americanism useless: if Russia does not attack, if Russia is not a threat to post-communist Central European security, then there is no motive to support the US in its morally questionable military invasions. In this case, there was no need to hold back criticism for “Bushism”. Unconditional pro-American logic in Central Europe only has meaning if we accept the reverse thesis: Russia would attack if it could, i. e. Russia, with its currently renewed rhetoric of the necessity to regain “lost territories”, would attack Central Europe or at least the Baltic States if the region were not structurally interwoven with the U.S.

Andrey Piontkovsky said that if Russia were one-on-one with the EU, Russia would manage to take control.¹³ The hideous methods are known. We know about the fate of Aleksander Litvinenko, the author of *Blowing up Russia*, who was poisoned in the centre of London with radioactive material of polonium. The critic of Russian barbarism in Chechnya war, Anna Politkovskaya, also had a similar fate, coincidentally killed on

¹² Kęstutis Girnius, “Rusija – rimta grėsmė ar tautinė paranoja?” [Russia – a Serious Threat or a National Paranoia?], 2007, <http://m.delfi.lt/naujienos/article.php?id=15222478>.

¹³ Andrei Piontkovsky, “The West as a Psychoanalytic Problem of Russia,” (public lecture presented at Vytautas Magnus University, September 24th, 2008).

Vladimir Putin's birthday on October 7th, 2006. She was the author of the book *Putin's Russia*. Then there is a case of poisoning Viktor Yushchenko, the former President of Ukraine. He survived, but the permanent damage to the skin of his face testifies the attempt. Khodorkovsky is sentenced to almost a life term in prison for sponsoring opposition parties. Is it possible, in this context, to believe that today's Russia would not attack the Baltic States or its "lost territories", if it could?

The cold war rhetoric with the threats returned in November, 2011. Dmitri Medvedev threatened to deploy Russian missiles to target the U.S. missile shield in Central Europe if no deal is reached.¹⁴ The Russian Foreign Minister confirmed it in 2012: Iskander missiles are for the destruction of NATO missile shield system in Central Europe. Russia in the spring of 2012 kept its promise and deployed the missiles in the territory of Kaliningrad, which is sandwiched between northern Poland and western Lithuania. So much we have now for K. Girnius' thesis that Russia will not attack.

Needless to say, Vilnius 10 Group in 2003 did not know that Russia will make such a geopolitically strategic move with the Iskander missiles, but by demonstrating pro-Americanism at that time, Central European countries expressed anticipation of Russian threats any time. Today we know that such time came, although 10 years ago some intellectuals and some politicians were skeptical about a need for political Russophobia.

(At this point the author would like to make a sharp distinction between political Russophobia and cultural Russophilia: a person might be a Russophile appreciating the richness of Russian language, the silver age of 19th century literature (Fyodor Dostoyevski, Leo Tolstoy, Anton Chekhov, Ivan Turgenev), philosophy (Vladimir Solovyev, Nikolai Berdyaev, Lev Karsavin, Mikhail Bakhtin), music (Igor Stravinski, Sergej Prokofiev, Peter Illych Tchaikovski), but still remain as a political Russophobe being insecure for Kremlin's geopolitical aspirations. A case study in a previous chapter on incomplete transition criticized Estonian and Latvian inability to integrate local Russians with the respect for their cultural identity.)

Polish Foreign Minister Radislaw Sikorski admitted that Warsaw is concerned about 30.000 Russian soldiers in Kaliningrad where they are ready to act 24 hours and from where the Iskander missiles can reach 500 km distance. Chancellor of the Estonian Ministry of Defense, Mikk Marran, thinks that it is necessary to activate reconnaissance in the region of the Baltic Sea. "We continue monitoring closely what is happening in the neighborhood. We are active on the international arena as before and continue consulting with our allies developing further our intelligence service and warning forces", stated Mikk Marran at the regular course of national defense.¹⁵

¹⁴ Dmitry Medvedev, "Russia will Target U.S. Missile Shield if no Deal is Reached," November 23, 2011, http://www.msnbc.msn.com/id/45419469/ns/world_news-europe/t/medvedev-russia-will-target-us-missile-shield-if-no-deal-reached/

¹⁵ "With the help of Kaliningrad missiles Russia may take over part of Estonia," May 8, 2012, <http://www.geopolitika.lt/?artc=5361>.

Such Estonian and Polish concerns indicate a defensive regional position. Not so long ago Poland and Lithuania demonstrated offensive character supporting the Orange revolution in Kiev. During the peak of Lithuanian and Polish support of democracy in Ukraine, Georgia, Moldova, and Belarus in the days of Valdas Adamkus and *Lech Kaczyński*, the Estonian academic and public intellectual, Rein Raud, who speaks Lithuanian, has criticized such a foreign policy. According to him, Lithuania was acting like the Grand Duchy of the thirteenth century.¹⁶ But the population and territory is not the same as back then. For Raud, it is incongruous to see an ambitious State with a small population. He forgot that Lithuania did not act alone. After all, once you have ten geopolitically active Central European states promoting democracy and stability in the region, then it is a geopolitical voice to be heard. Central European power lies in its unity sharing common premises of negative freedom in 1989 for the sake of building positive freedom (Isaiah Berlin) in post-communist transition.

History has shown that a pro-American attitude served the region better. It is more than symbolical that before Central Europe celebrated its full membership in the EU on 1 May 2004, NATO forces entered the region on 29 March 2004.

Poland, after showing its active participation in post-Husseinian Iraq, immediately dared to change the tone of its voice discussing these matters with Germany. Poland with its population of thirty eight million received strong support from the US – the defense secretary Rumsfeld at the beginning of June in Brussels once again reminded everyone that there are the old and the new Europe. The latter, according to Rumsfeld, values freedom. In any case, Vilnius 10 Group lent a hand to the US and Britain squeezing France and Germany into a corner.

Leaving aside the moral aspects of the unjust war in Iraq, it is easy to imagine what a politically neutered Tomcat Central Europe would have become if this geopolitically strategic region would have shown solidarity with the anti-American Russia, France, and Germany at that time. One can only imagine the sense of political impotence on behalf of Vilnius 10 Group and its plebeian meekness if Central Europe knelt down in front of those who expected the “East” part to be complacent.

However, if the moral dimensions shall not be separated, then the conclusion should be different: Vilnius 10 Group got morally prostrate by accepting Bush/Blair propaganda for the invasion. What possibly justifies Central European position is Machiavellian approach in security games. Moral consciousness and idealism of post-communist Central Europe would have been convenient for Kremlin, who possibly used the moral argument merely as the means for geopolitical influence. Sensing possible insincerity in the moral

¹⁶ Rein Raud, “Lietuviai elgiasi taip, tarsi Lietuva būtų didžiulė valstybė” [Lithuanians act in such a way as if Lithuania were a huge state], February 19, 2009, <http://www.delfi.lt/news/daily/lithuania/article.php?id=20628544>.

position of Russia, Vilnius 10 Group chose a Machiavellian disconnection of morality from politics and actually went against its tradition of moral politics of Budapest '56, Prague '68, and the Baltic Way '89. But as it was mentioned at the beginning of this chapter, Vilnius 10 Group was comprised only of those Central European as well as Balkan countries which at the time aspired to join NATO. It did not include Poland, the Czech Republic, and Hungary, which had joined NATO in 1999. These NATO members did not have to support the war in Iraq for pragmatic reasons. These countries could have followed the tradition of moral politics and they could have strongly opposed the war. Machiavellian strategy to separate morals from politics for these countries was unnecessary. But even Václav Havel supported the invasion. Then the question is: why? If it is for the sake of unity in the region, which was also important for Vilnius 10, then the question is why did Denmark, Italy, and Portugal support the war in Iraq? These countries certainly did not need Machiavellian approach. Was the entire Europe morally blind?

These contradictions lead to a hypothesis that the network of NATO public relations and lobbyism played a more important role in convincing on necessity to invade Iraq than moral dilemmas or Machiavellian strategies.

Maria Mäklsoo omitted the value of Machiavellian approach and criticized the support of the Iraq war without any such reservations:

“All in all, I find that the Baltic decision to support the US invasion of Iraq was a pretty sad and pathetic chapter in their post-communist history. The old cannon of the late Estonian president Lennart Meri – that ‘international law is our [i.e. small state’s] nuclear bomb’ – had to be blown for the pragmatic calculation ‘to be with the Americans in their hour of need if we want them to be with us should things go sour here’, since the ‘old European’ instincts towards Russia were treated as inherently suspicious. Even though heavily moral reasoning for supporting the US case in the war was used by the Baltic foreign policy making establishments, the strongest asset that the foreign policy-making of the small states has been traditionally – and indeed principally – relying upon – i.e. international law – had to be sacrificed for pragmatic calculations. Naturally, the overall political climate set up by the Bush administration’s rhetoric of ‘war against terror’ and ‘those not with us are treated as standing against us’ hardly helped the Baltic Three in nuancing their decision-making about supporting the invasion of Iraq either.”¹⁷

But if “the Baltic decision to support the US invasion of Iraq was a pretty sad and pathetic chapter in their post-communist history”, then it is also a pathetic chapter in the history of Denmark, Italy, Portugal and all others who supported this war. In any case, it is obvious that Central Europe in this situation did not manage to maintain the

¹⁷ Maria Mäklsoo, Tomas Kavaliauskas, “A Conversation with Maria Mäklsoo. Post-soviet Changes and Dilemmas in the Baltic States: To Go or not to Go? To Survive or to Perish?,” in: *Conversations about East Central Europe after 1989*, ed. Tomas Kavaliauskas (Vilnius: Publishing House Edukologija, 2012), 58.

tradition of moral politics. Nevertheless, the conflict between Vilnius 10 Group and Paris-Berlin-Moscow did establish Central Europe as the region with its identity in geopolitical games. But it has to be crystal-clear that this time this identity as emancipated as it appeared to be in 2003, differed from the angelic 1989 when unarmed people either were victims of dictatorship in Bucharest or forced communist authorities for round table negotiations in Warsaw.

The controversial function of the Vilnius 10 has faded away – it is history for political science and political ethics. America, after deep trouble fighting against invisible, but constantly reappearing terrorists in Iraq, sacrificed its soldiers and withdrew leaving the region misbalanced with the nuclear program in Iran. America withdrew certainly without moral superiority and the feeling of meaninglessness in the hearts of those American families that lost their sons. Central Europe, on the other hand, lost only few soldiers being on the “mission” in exchange for the efficiency of Vilnius 10 Group’s declaration, which did provide the fruits of membership in NATO. Neither Central Europe lost the chance to enter the EU in spite of angering the old Europe. Instead, Central Europe lost its chance to maintain it angelic moral politics. This could have been the brand of the region.

This “happy end” after such a realpolitik drama should not be self-evident, since one should never forget that the EU second enlargement happened just before the Euro crisis. If not for the “correct timing”, Central Europe along with the “Bulgaria” of Voltaire, in many economic respects may have ended up like an affix to the “plan of the EU civilization” just as it happened with Ukraine. On the other hand, Central Europe, unlike Ukraine and Belarus that were still looking back at Russia, from the very dawn of 1989 had a clear orientation westward. NATO from the very beginning was on the very top security agenda. Naturally Vilnius 10 Group did not intend to shift the dynamics by joining an anti-American/anti-Bush coalition of Chirac-Schröder-Putin in 2003. Conclusively, geopolitical emancipation in the region was achieved, the voice of Vilnius 10 Group was heard, pro-American identity was fortified, but at the expense of the tradition of moral politics, the politics of consciousness, and the politics of *living in the truth*.



The Logic of Geopolitics in American-Russian Relations

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Introduction

ONE of Zbigniew Brzezinski's first requests as President Jimmy Carter's National Security Advisor in 1977 was to ask the Pentagon for its plans – including targets – for nuclear war against “Russia”. Brzezinski was outraged when he was presented with the plan for nuclear war against the Soviet Union. He could not believe that the U.S. military had no plans to specifically weaken the Russian core of the Soviet empire. For the Pentagon planners, Russia and the Soviet Union were one and the same.¹

I begin with this anecdote because it reflects well an enduring geopolitical logic to American-Russian relations: American policy toward Russia, whether it be in the Tsarist, Soviet, or post-Soviet period, has not been based on opposing a strong Russian state *per se*. (That state married to communist ideology was something else altogether.) In the aftermath of the Russian Civil War, for instance, the United States delayed recognition of Baltic independence until 1922, two years after Soviet Russia had recognized the independence of Estonia in the Treaty of Tartu, on the grounds that—Polish and Finnish independence apart—nothing should be done to call into question the territorial continuity of the Russian Empire.² Indeed, American officials seldom viewed the Soviet Union as an empire, as the Pentagon war plans just cited illustrate. Historically, the logic of geopolitics—i.e., the influence of organization in space on international political relationships—has often tended to frame American-Russian relations in terms of complementarities of interest. Of course, geopolitics is not the only logic in American-Russian relations; ideology, domestic politics, as well as vested institutional interests all play their role in varying degrees under varying circumstances. But historically, insofar as geopolitical factors have prevailed, American-Russian relations have generally been harmonious, if also remote and indirect in nature. (By indirect I mean that each sees the other mainly in terms of other powers or processes, e.g., the state of the balance of power in Europe and/or Northeast Asia.)

¹ Allen C. Lynch, *The Cold War is Over—Again* (Boulder, CO: Westview Press, 1992), 140, 157.

² *Papers Relating to the Foreign Relations of the United States* (Washington, D.C.: U.S. Government Printing Office, 1938), 870–874; see also Albert N. Tarulis, *American-Baltic Relations, 1918–1922: The Struggle Over Recognition* (Washington, D.C.: Catholic University of America Press, 1965).

Let us recall that Russia, whether it be under Imperial, Soviet, or post-Soviet auspices, is an essentially continental Eurasian power. Its primary state interest for centuries has been to build and consolidate a trans-continental, multi-national and imperial state while also managing international power politics with a series of powerful adversaries throughout Asia and Europe. Above all, Russia sought to ensure that no powerful coalition of external (and in Europe technologically superior) powers could unite to challenge the Russian Empire's territorial or political integrity. Russian diplomats and rulers thus learned to play the European balance of power with considerable finesse (e.g., the Treaty of Nystadt, 1721, under Peter the Great; the Congress of Vienna, 1815, under Alexander I; the Treaty of Rapallo between Soviet Russia and Weimar Germany, 1922; the Nazi-Soviet Non-Aggression Pact, 1939; the Grand Alliance with the United States and Great Britain, 1941–45; and the Helsinki Final Act, 1975, to name just a few instances). As with Great Britain, maintaining a favorable European balance of power has been central to Russian statecraft.³

The United States, by contrast, is functionally an insular power (albeit on a continental scale) with respect to the rest of the world, surrounded as it is by two great oceans and militarily weak and isolated neighbors (i.e., Canada and Mexico). America's primary foreign policy concern throughout most of its history has thus been, like Russia's, to prevent the emergence of a hostile European hegemon that could threaten the country's expansion in North America and its own hegemony in the Western Hemisphere. Once the United States had stabilized its independence from Britain after the War of 1812, U.S. and British geopolitical interests tended to coincide.⁴

In this context, American and Russian interests have more often been complementary than antagonistic. It has been primarily the intrusion of ideological elements, reflecting for example Americans' global democratic aspirations or the Soviet Union's ultimate objective of the triumph of communism worldwide, that have rendered the bilateral relationship intransigent and even dangerous.⁵

Indeed, between 1989 and 1991, as it became apparent that the Soviet Union might actually fall apart, the Bush Administration did everything in its power to counteract these centrifugal tendencies. This was most ironic, since it had originally concluded that Reagan had moved too fast in relaxing tensions with Moscow and feared that Gorbachev's reforms at home and abroad were tactical rather than strategic in nature. The "freeze" that Bush placed on Soviet policy came to a sudden end by June 1989 when it became apparent that Gorbachev had set in motion forces that could not easily be reversed, including genuine elections in both the Soviet Union and Poland.⁶ It was now

³ John LeDonne, *The Russian Empire and the World, 1700–1917: the Geopolitics of Expansion and Containment* (Oxford, UK: Oxford University Press, 1997).

⁴ Richard van Alstyne, *The Rising American Empire* (New York: Norton, 1974).

⁵ John Lewis Gaddis, *Russia, the Soviet Union and the United States: An Interpretive History* (New York: McGraw-Hill, 1990), 25–27.

⁶ Melvyn P. Leffler, *For the Soul of Mankind: the United States, the Soviet Union, and the Cold War* (New York: Hill and Wang, 2007), 423–431; Mark Haas, "The United States and the End of the Cold War:

clear that when Gorbachev declared that communist ideology should not interfere with the operation of foreign policy, he meant it. Ongoing “round-table” talks in Poland between the communist governments and opposition leaders resulted in an electoral sweep for the anti-communist Solidarity bloc in Poland in early June 1989. Shortly afterward, a reform government in Budapest opened the border with Austria and for all intents and purposes, the Berlin Wall ceased to function. Gorbachev did nothing to intervene.

President Bush, tempered by the Tien-an Men Square massacre of democracy protesters in Beijing in early June 1989, approached these momentous events with caution. He feared that a too bold U.S. embrace of anti-communist forces in Eastern Europe might provoke a reaction against Gorbachev in the USSR that could undermine the remarkable transformation of the East-West landscape that was taking place before his eyes. Bush thus preferred dealing with the Polish (communist) General Wojciech Jaruzelski to Solidarity’s Lech Walesa. Bush now believed that it was critical to reinforce Gorbachev politically: at the Malta shipboard summit in December 1989, Bush promised Gorbachev that his government would not act to promote Baltic independence—in spite of the long-standing American refusal to recognize their annexation by the USSR—so long as Gorbachev refrained from the use of force in the region. Bush was as good as his word. Throughout 1990 and 1991, the U.S. government encouraged Baltic nationalist leaders to work out an evolutionary separation from the USSR, one that would not embarrass Gorbachev politically. As late as August 1, 1991, Bush warned Ukrainians in Kiev against “suicidal nationalism”. Remarkably, as in the 1920’s, the U.S. recognized Baltic independence only after the Soviet Union itself did, in the wake of the failed coup of August 19–21, 1991.⁷

Historical Patterns⁸

1989–91 was not the first time that U.S. leaders contemplated the disintegration of a Russian empire with ambivalence and even alarm. In late 1917, the advent of the Bolsheviks to power in Petrograd was seen in Washington at first through the prism of the balance of power: were Russia to withdraw from the Great War, the Western Front could be lost before substantial U.S. military power could be brought to bear. (In fact, this nearly came to pass with the Ludendorff offensive in France in the spring of 1918.) Moreover, while President Wilson dispatched some 5,000 U.S. troops to Arkhangelsk

Reactions to Shifts in Soviet Power, Policies, or Domestic Politics?” *International Organization* 61 (Winter 2007), 145–179.

⁷ Michael R. Beschloss and Strobe Talbott, *At the Highest Levels: the Inside Story of the End of the Cold War* (Boston: Little, Brown, 1994).

⁸ For a more extensive discussion, see the entry by Allen C. Lynch, “American-Russian Relations,” *Oxford Companion to American Politics*, Kathy Smith, Will Walldorf, and David Coates, eds. (New York: Oxford University Press, 2012).

in 1918 to guard Allied military supplies and kept them there for a time after the Armistice, he consistently maintained that U.S. policy was not to interfere in Russian internal affairs, nor would the U.S. acquiesce in the alienation of Russian territory. Likewise, the arrival of more than 8,000 U.S. troops in Siberia was aimed at containing Japanese territorial designs on Russia, an objective that the “idealist” Wilson shared with his “realist” predecessor Theodore Roosevelt.⁹ The latter had mediated the Treaty of Portsmouth (1906) ending the Russo-Japanese War on terms more favorable to Russia than the course of military operations warranted. This was aimed at maintaining a balance between Russia and Japan in Manchuria, thereby maximizing U.S. freedom of maneuver in the region.¹⁰

Relatedly, and as noted, the United States, which had not recognized Soviet Russia in the aftermath of the Russian Revolution, delayed recognizing Baltic independence for more than two years after the Bolsheviks themselves had done so (*via* the Treaty of Tartu, 1920). In the process, the U.S. government maintained the view that Russia’s temporary weakness could not justify the further territorial dismantlement of the country, while the State Department anticipated with equanimity that the Baltic territories would eventually revert to Russia.¹¹

Indeed, throughout the first century of American-Russian relations (1776–1881), balance-of-power considerations in Washington and St. Petersburg maintained ties on a reasonably even keel, in spite of mutually incompatible domestic political systems and ideologies. Consider as evidence:

Russian Empress Catherine II (“The Great”) refused Britain’s request in 1775 to send 20,000 Cossack troops to North America to help combat the American colonists then in revolt against British rule. Catherine did this not out of any political sympathy for the Founding Fathers but because she deemed Britain’s colonial policy in America imprudent, thought the colonists had a fair chance of winning, and did not want Britain tied down in a long colonial war overseas when her counterweight was necessary to Russia in balancing powerful continental powers like Austria and France.

In 1780, Catherine organized the League of Armed Neutrality with several European neutral countries in order to enforce freedom of the seas for neutrals. This measure was explicitly aimed against Britain, which had now become a threat to Russian commerce in the Black Sea. This initiative found wide resonance, as Catherine’s League was joined by Denmark, Sweden, Prussia, Austria, Portugal, as well as the Kingdom of the Two Sicilies and was supported by Spain and France, the latter by then an open ally of

⁹ George F. Kennan, *The Decision to Intervene: Soviet-American Relations, 1917–1920*, volume 2 (Princeton: Princeton University Press, 1989); David S. Foglesong, *America’s Secret War against Bolshevism: U.S. Intervention in the Russian Civil War, 1917–1920* (Chapel Hill, NC: University of North Carolina Press, 2001).

¹⁰ John Stoessinger, *Nations at Dawn: China, Russia and the United States* (New York: McGraw-Hill, 1994), 127–131; Gaddis, *Russia, the Soviet Union and the United States*, 32–41.

¹¹ *Papers Relating to the Foreign Relations of the United States*, op.cit.

the American revolutionaries. While generations of Americans would assign historical significance to the League in helping to deliver American independence, Catherine herself coolly described her initiative as the League of “Armed Nullity.” Whatever benefit the Americans obtained from the Russian Empress’s League flowed from her calculations of balance of power.¹²

In 1824, the Russian government, which by then had established outposts as far south as Fort Ross and Sebastopol along the Russian River just north of San Francisco, acquiesced to the Monroe Doctrine. Russia simply had not the resources to enforce a territorial claim so deep in North America and declared that the extent of its territorial interests lay along the line 54.40, thereby removing a likely source of future tension between the two countries.

In 1863, two Russian fleets made prolonged port calls in New York and San Francisco, in the midst of the U.S. Civil War. Hailed by Americans as a gesture of sympathy toward the Northern cause, the move was actually an attempt by Russia to avoid having its fleets bottled up by British and French navies in the event of war over the Tsar’s brutal suppression of the Polish rebellion of that year. At the same time, President Lincoln affirmed his support for Alexander II’s right to suppress Polish rebellion to Russian rule, not wishing to legitimize the principle of secession in the midst of the American Civil War: above all else, Lincoln wanted to avoid providing Great Britain and France with justifications to intervene on the side of the southern Confederacy. In each case, state interest in St. Petersburg and Washington prevailed over ideological and internal political differences.

In 1867, the Russian government sold Alaska to the United States for \$7.2 million. Driven mainly by recognition that Russia was hopelessly overextended in North America and would not long be able to retain the territory in any case, the Russian government also hoped that the transfer might introduce a bone of contention between the United States and Great Britain (suzerain in Canada) at a time when Britain and Russia were experiencing growing diplomatic tensions over Russian expansion in Central Asia, along the approaches to Afghanistan and British India. Once again, geopolitical imperatives in both Washington and St. Petersburg coincided to produce a mutually satisfactory outcome.¹³

By the late nineteenth century, however, the intrusion of ideological factors into diplomacy began to complicate the management of the bilateral relationship. Ironically, this happened at a time when Tsarist Russia had embarked upon the most comprehensive program of modernization along European lines in its history, signaled by the abolition of serfdom by Imperial edict in 1861. The resistance of the Russian crown to political accommodation with the new economic and social classes that its reforms had brought into being provoked a campaign of terrorism and assassination by radical members of

¹² N.N. Bolkhovitinov, *Rossiia otkryvaet Ameriku, 1732–1799* [Russia discovers America, 1732–1799] (Moscow: Mezhdunarodnye Otnosheniya, 1991).

¹³ N.N. Bolkhovitinov, *Russko-amerikanskiye otnosheniya i prodazha Aliaski, 1834–1867* [Russian-American relations and the sale of Alaska, 1834–1867] (Moscow: Nauka, 1990).

the Russian intelligentsia; this in turn led to a series of increasingly repressive responses by the Russian government that culminated, in the decade after the Assassination of Alexander II in 1881, in a fully formed police state under his successor, Alexander III. The subsequent connivance of the Russian authorities in a series of brutal anti-Semitic pogroms triggered a massive emigration of Russian Jews to the United States; Russian authorities thereafter refused to treat American Jews of Russian origin returning to Russia as U.S. citizens. These events highlighted the repressiveness of the Russian government and witnessed for the first time the emergence of humanitarian and “human rights” considerations as significant factors in the Russian-American relationship.

Publication in 1891 of the vivid and shocking “Siberia and the Exile System” by George Kennan (uncle of the later diplomat and Russian scholar) had a galvanizing effect on American opinion toward Imperial Russia. While a bilateral extradition treaty would be ratified in 1894, it was a sign of the times that the treaty received widespread criticism in the United States on the argument that Americans would thus in effect become agents of the Tsar in returning political émigrés to Siberian exile. By 1911, such U.S. domestic political pressures led to Congressional repudiation of the 1832 trade treaty with Russia, against the strong opposition of the Taft Administration. Americans were now insisting that Russian governments conduct themselves within their own country in a manner compatible with U.S. political values. Geopolitical imperatives no longer had a monopoly in framing American policy toward Russia.¹⁴

Geopolitical Constraints in American-Soviet Relations During the Cold War

Much more dramatically, the consolidation of communist rule in Russia introduced an entirely novel ideological element into world politics and in many respects an international cold war broke out already in 1917. In the aftermath of the Second World War, the United States would be fully engulfed in that cold war, which became the driving force in the international system for the next four decades (1947–1989).

Yet even in the context of cold war, the logic of geopolitics asserted itself, often decisively. While the Grand Alliance (1941–45) reflected a temporary coincidence of negative interests in the thwarting of Nazi power, it nevertheless proved central to each side’s vital state interests, leading both Britain and the United States to in effect abandon the Polish Government in London for *Staatsraison*.¹⁵ And even in the subsequent period of

¹⁴ David Foglesong, *The American Mission: the “Evil Empire” and the Crusade for a Free Russia Since 1881* (New York: Cambridge University Press, 2007); George Kennan, *Siberia and the Exile System* (New York: Century Co., 1891), also available on-line at: www.books.google.com.

¹⁵ Without Soviet victories in the battles of Moscow (December 1941), Stalingrad (1942/43), and Kursk (summer 1943), the Allied invasion of Normandy could not have happened as early as June 1944 and with the decisive results that it produced. Likewise, U.S. Lend-Lease assistance to the Soviet Union played an

“High Cold War,” U.S. actions over four decades made plain the compatibility – albeit a distasteful and even embarrassing one – of vital U.S. interests with the division of Europe. By the early 1950’s, neither the United States nor the Soviet Union were willing to risk “their” half of Europe and of Germany for the chimera of unification of the continent. Each feared that the cold war might end on the other’s terms.¹⁶

Thus, in June 1953, Allied troops stood down as Soviet occupation troops ruthlessly suppressed a revolt by East Berlin workers. In November 1956, President Eisenhower secretly informed Nikita Khrushchev that the U.S. would take no action in Hungary that would threaten Soviet security interests in the country. The next year, George F. Kennan, intellectual father of the “containment” policy, was virtually shunned in Western Europe (including West Germany) and Washington after his BBC Reith lectures calling for Four-Power “disengagement” from Germany and opening the path to a unified, democratic and disarmed but neutral Germany. The cold war status quo seemed preferable to any likely alternative. While too bad for the East Germans and East Europeans, this was a situation that the United States could easily live with.¹⁷

In August 1961, President Kennedy waited ten days before responding publicly to the erection of the Berlin Wall, allowing for the efficient consolidation of the Soviet and East German position; Kennedy himself breathed a sigh of relief over this “defensive” solution to the East German problem and the division of Germany now became the all-but-acknowledged foundation for détente in Europe.¹⁸ In August 1968, the Johnson Administration withdrew U.S. military forces 100 kilometers from the Czechoslovak frontier in a symbolic but convincing signal to Moscow that, as in Hungary, the U.S. would not challenge the Soviet sphere of influence in Eastern Europe.¹⁹ In effect, Basket One of the Helsinki Final Act (1975) codified this regime of geopolitical stability in European affairs.

essential role in sustaining Soviet participation in the war. For instance, Lend-Lease accounted for 30% of all military aircraft flown on the Russian front, 58% of high-octane aviation fuel, 33% of all wheeled motor vehicles, 93% of railroad equipment, 53% of ordnance explosives, 80% of the aluminum in T-34 tank engines, 30% of production-line machinery, 50% of copper wire and cables, food to feed 12 million people half a pound of food per day for four years, etc. U.S. and British strategic bombing of Germany also took 70% of the German air force off the Russian front to defend the German homeland, thereby giving the USSR air superiority over the Germans. Boris V. Sokolov, “The Role of Lend-Lease in Soviet Military Efforts, 1941–1945,” *The Journal of Slavic Military Studies*, volume 7, no. 3 (summer 1994), 567–586 (translated by David M. Glantz); idem, *Pravda o Velikoi Otechestvennoi Voiny* [The truth about the Second World War] (Moscow: Aleteiya, 1998), 160–190; and Albert L. Weeks, *Russia’s Life Saver: Lend-Lease Aid to the U.S.S.R. in World War II* (Lanham, MD: Lexington Books, 2010), 8–9, 107–127, 141–152.

¹⁶ John Lewis Gaddis, *The Long Peace: Inquiries into the History of the Cold War* (Oxford, UK: Oxford University Press, 1989).

¹⁷ George F. Kennan, *Memoirs, 1950–63* (New York: Pantheon Books, 1972), 229–266.

¹⁸ Willy Brandt, *Begegnungen und Einsichten: die Jahre 1960–1975* (Hamburg: Hoffman und Campe, 1976), 9–41.

¹⁹ Bennet Kovrig, *The Myth of Liberation* (Baltimore: Johns Hopkins University Press, 1973); Stephen A. Garrett, *From Potsdam to Poland: American Policy Toward Eastern Europe* (New York: Praeger, 1986); Jiri Valenta, *Soviet Intervention in Czechoslovakia: Anatomy of a Decision* (Baltimore: Johns Hopkins University Press, 1979).

Between 1979–1989, for all of the U.S. support for Afghan resistance to Soviet occupation, the United States government always refrained from challenging Soviet interests across the Afghan-Soviet frontier. Parrying Soviet intervention abroad was one thing; actively challenging the Soviet empire at home was quite another.²⁰ And to come full circle: When, between 1989–1991 the United States had a real opportunity to accelerate Soviet disintegration, the Bush Administration chose just the opposite policy, i.e., to reinforce Gorbachev economically and politically and encourage the non-Russian nations to negotiate their futures with Gorbachev in the context of a reformed but intact Soviet Union.²¹

The Atom, the Veto, and Location

One reason for this was to preserve a single nuclear power (and in effect partner) in Moscow. Here the Bush Administration was acting consistently with the thread of American nuclear policy since the Kennedy Administration: i.e., it was a vital U.S. interest to ensure effective command and control over Soviet nuclear weapons, to keep the “nuclear club” to as few members as possible, and to minimize the chance that nuclear weapons might ever be used. Beginning in 1963, the American and Soviet governments began to institutionalize a series of understandings about the role of nuclear weapons in their cold war relationship. In sum, these agreements, formal and informal, amounted to mutual recognition over time that nuclear confrontations should be avoided, that nuclear weapons should not be used, that nuclear war was unwinnable, and that the American-Soviet relationship should be organized to reflect these assumption. In an uncanny anticipation of post cold-war developments, in 1963 President Kennedy even offered to share with the Soviet Union the special electronic locks (“permissive action links”) that the American military had developed to prevent unauthorized use of nuclear weapons. While Khrushchev refused, Kennedy saw that effective Soviet governmental control over the country’s nuclear weapons was a vital American national interest. An implicit nuclear community of fate had been established, one that would outlive the cold war itself.²²

Nuclear weapons, which reinforced the reluctance of the United States as well as the Soviet Union to challenge directly each side’s sphere of vital interests, also generated their own geopolitical logic, one made plain in the course of Soviet collapse itself. By 1990, it became clear that nuclear possession reflected a Promethean political hubris: i.e., the

²⁰ The point is conceded even by Peter Schweizer, *Victory: the Reagan Administration’s Secret Strategy that Hastened the Collapse of the Soviet Union* (New York: Atlantic Monthly Press, 1994).

²¹ James Goldgeier and Michael McFaul, *Power and Purpose: U.S. Policy Toward Russia After the Cold War* (Washington, D.C.: the Brookings Institution, 2003), 18–40.

²² F. Stephen Larrabee and Allen C. Lynch, *Confidence-Building Measures and U.S.-Soviet Relations* (New York: Institute for East-West Security Studies, 1986).

breakup of the Soviet Union underscored that the half-life of states was very much less than the half-life of weapons-grade uranium or plutonium. Nuclear powers might also be unstable polities. Almost immediately, the U.S. government acted on this premise. The Bush Administration made U.S. recognition of post-Soviet states dependent upon their observing previous Soviet-American arms control agreements. The Clinton Administration worked mightily and effectively to remove post-Soviet nuclear weapons from Kazakhstan, Belarus and Ukraine to Russia, thereby recreating a single nuclear interlocutor for the United States. The Nunn-Lugar program has committed billions of dollars to improving the infrastructure of the Russian nuclear program, while the United States continues to purchase hundreds of tons of Russian uranium for reprocessing in the United States.²³ (Fully 20% of all U.S. nuclear-power generation is now derived from Russian uranium.) The ratification of the “New START” nuclear arms control treaty in 2010–11 in Washington and Moscow underscores the continuity of American nuclear policy over the decades and the reality of an exclusive Russian-American security community.²⁴ For decades to come, the two countries will remain bound in a nuclear community of fate, one that commits the United States to reinforcing the grip on power of the Russian leadership, of whatever political coloration, in order to ensure the safety of Russia’s nuclear archipelago. A strong Russian state is thus in the United States’ vital national interest, confirming the long historical pattern that we have already identified. U.S. policy toward Russia’s borderlands must inevitably take this reality into account.

The Russian-American nuclear partnership is just one, albeit a central component, of this bilateral relationship that acts as a prism through which American leaders assess tradeoffs in policy choices. Russia remains important to the United States not just because of the atom, as Robert Legvold has observed, but also because of its veto power in the UN Security Council and its central location bordering Europe, Central Asia and the Far East.²⁵ Insofar as the United States seeks whatever legitimacy the UN Security Council provides, it is constrained to obtain Russian agreement, or at least Russia’s abstention (as with the Libyan intervention). The weight of this fact of course varies with the relative importance attached to the UN by each US administration, but no administration can entirely ignore the costs of circumventing the Security Council. This allows Russia a degree of potential influence on American policy that no other state in post-communist Europe can hope to match.

Sheer geography also matters. In the fall of 2001, Putin’s Russia emerged as the single most important ally of the United States in overthrowing the Taliban regime in Afghanistan. Russia’s “*Monrovskaya doktrina*,” defining Russia’s security frontier as

²³ Goldgeier and McFaul, *Power and Purpose*, 41–58, 157–182.

²⁴ Andrew C. Kuchins, “The Obama Administration’s ‘Reset’ for Russia,” *Russia: the Challenges of Transformation (Possible Futures)*, Piotr Dutkiewicz and Dmitri Trenin, eds. (New York: New York University Press, 2011), 327–352.

²⁵ Robert Legvold, “Russia’s Unformed Foreign Policy,” *Foreign Affairs* (September/October 2001), at: www.foreignaffairs.com/articles/57239/

coterminous with that of the former Soviet Union, helped make this possible. Russian units in Tajikistan played a critical role in accelerating arms and other supplies to the Northern Alliance, and Putin opened Russian airspace to U.S. military overflights to bases in post-Soviet Central Asia. These were recently extended in the Obama “reset” to include military hardware.²⁶ Since early 2009, tens of thousands U.S. containers have traversed Russian territory by rail from Riga, Latvia to U.S. bases in Central Asia to reinforce combat operations in Afghanistan. And while the Russians prefer that the American stay in Central Asia remain temporary and on Russian terms, they recognize that American and Russian interests coincide in ensuring that Afghanistan not reemerge as a haven for radical Islamist terrorism.²⁷ This is a convergence of interests that American leaders cannot easily dismiss. *Nolens volens*, U.S. actions have reinforced Russia’s claim that Russia has a preeminent national security interest in post-Soviet Central Asia.

Geography also matters with respect to a favored item in U.S. national security policy, i.e., ballistic missile defense (BMD). A simple look at the map underlines the centrality of Russia – whose security sphere encompasses one-sixth of the earth’s surface spanning Eurasia--in any global scheme of BMD. The same is true with respect to nuclear non-proliferation, including the ability to contain or channel Iran’s nuclear ambitions.

Policy Implications

This is not to gainsay the considerable difficulties and tensions in contemporary Russian-American relations and the enormous well of suspicion that still prevails in national security bureaucracies and think tanks in both Washington and Moscow. This analysis does, however, suggest that the post-communist member-states of NATO should not expect the United States government to fully share their understandable preoccupations with potential or actual Russian ambitions along its historical borderlands. It would therefore be a major strategic error for regional governments to assume that, simply by being in NATO, they have resolved their most critical issues with Moscow. Geography and geopolitics continue to matter. Washington cannot simply be substituted for Moscow in terms of the post-communist region’s foreign policy and national security orientation. This was the fatal mistake that Georgian President Saakashvili made in August 2008, when he walked into a Russian trap that was to a considerable extent of his own making.²⁸ By contrast, the current Polish-Russian commission on “difficult problems” is an excellent example of the insight that post-communist states need viable relationships

²⁶ Pierre Lorrain, *L’incroyable alliance Russie-Etats-Unis* (Paris: Editions du Rocher, 2002).

²⁷ Jeffrey Mankoff, *Russian Foreign Policy: the Return of Great Power Politics*. Second edition (New York: Rowman & Littlefield, 2011), 89–132, 219–262.

²⁸ Ronald Asmus, *The Little War that Shook the World: Georgia, Russia and the Future of the West* (New York: Palgrave Macmillan, 2010), 19–140.

with Russia as well as with the United States in order to maximize the satisfaction of their national interests.²⁹

In sum, the United States and Russia remain implicated in a complex web of mutual dependencies that extend from nuclear security—bilateral as well as multilateral—to geopolitical stability throughout central Eurasia. After the cold war, and absent an ideological spur, Russian-American relations have returned to a pattern more closely resembling the pre-cold war norm based on the complementarity of each state's geopolitical interests. To be sure, a number of factors complicate a complete normalization of Russian-American relations, ranging from psychological and institutional legacies of the cold war to objective conflicts of interest (for instance, concerning the flow of Central Asian and Caspian-basin oil and natural gas). But even the most suspicious of Russian national security elites are hard pressed to identify plausible specific threats emanating from the United States (or NATO); much the same is true of the United States. The United States retains a major interest in a capable Russian state, one able to enforce its jurisdiction throughout Russian territory as well as its influence in the fragile borderlands of post-Soviet Central Asia. Other post-communist governments that ignore this powerful centripetal tendency in American-Russian relations do so at their peril.



²⁹ Timothy Garton Ash, "This Tortured Polish-Russian Story is Something We Can All Learn From," *The Guardian* (February 23, 2011), at: www.guardian.co.uk; "Regarding the Results of the Work of the Polish-Russian Working Group for Difficult Matters Session," at: www.msz.gov.pl (June 17, 2008), accessed May 31, 2012 (this is the Polish Foreign Ministry's web site).

Russia Under Putin's Presidency

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DUE to presidency of Vladimir Putin in 2000–2008 Russia received an authoritarian political system called by its leaders a “managed democracy”. Last decade in Russia, when Vladimir Putin was the President, appeared to be a “lost one”. Instead of modernizing country President Putin used all available facilities for creating a corporate state and chaired it. High prices for oil and gas at the international markets helped him to stabilize the country. In its turn, the Russian society accepted the “rules of game” proposed by President Putin: stability and economic prosperity instead of political rights and freedom. To certain extent it might be even justified, because of severe and painful years of living in 1990’s. President Putin proposed the Russian society very simple, but effective model of relationships, and the Russian society accepted it. In the context one can name the most prominent case of injustice and indifference of the Russian society during the two subsequent presidential terms of Vladimir Putin, which refers to the Yukos Affair and Mikhail Khodorkovsky. One should acknowledge that high prices for energy resources helped Vladimir Putin to maintain the model alive during eight years.

Having analysed the development of domestic politics in Russia during the first decade of the 21st century one should admit the absence of real oppositional parties and strictly hierarchised party system in Russia. One can also speak about the absence of the civil society in Russia, and quite limited activities of Russian citizens. One should also underline presence of intolerant and not well-thought-out politics of the state towards non-governmental organizations in the Russian Federation. At the same time, one should also acknowledge that manifestations of such politics in the first decade can be described as not-systematic and sporadic. In other words, the Russian authorities treated situations with civil activists, NGO and oppositional political leaders in every case individually. None of the Russian authorities expected the rise of civil activities in the nearest future and that it could have proved to be internal threat to the Putin’s regime.

When speaking about foreign and security policy of Russia in the first decade of the 21st century one should underline subsequent though slow move towards its strengthening and harshening. The second term of the President Putin in the international arena was marked by tough conflict with the Western countries, the major manifestation of

which was his speech at the Munich conference in February 2007.¹ Simultaneously, foreign policy of Russia was aimed at regaining status of superpower instead of becoming a real and influential partner of democratic community. Obviously, objective factors of unwillingness of the Western countries towards real partnership with the Russian Federation were present. However, that unwillingness was based on different system of values and norms accepted in the Western countries. Parallel, Russia modernized its security policy, giving a huge importance to its economic component, including the energy dimension. Usage of energy instruments was combined with other instruments of power. Such policies became efficient enough, especially towards Russia's neighbours (Belarus and Ukraine). At the same time such policies proved to be incompatible with modern-day realities and counterproductive. Giving Russia a new shape, Putin failed to give it real content. In other words, President Putin during his two first terms chose a Third World model of development for Russia, both in internal and external dimensions.

There were a lot of debates whether Vladimir Putin would stay or leave his office after 2008. One can also remind an open letter of famous Russian director Nikita Mikhailkov to Vladimir Putin and his appeal to stay for the third term.² However, President Putin decided to step out of the office. His decision was quite unexpected and gave hope that Russia would experience democratic procedure of transfer of power. Such expectations proved to be wrong when leaders of political parties presented in the Russian Parliament expressed consolidated support to Dmitry Medvedev as future candidate for the highest office in the state. Prime-minister Medvedev, in his turn, agreed to accept his nomination for the post of president in case that then President Putin would agree to become Prime-Minister after the presidential elections 2008. President Putin agreed. Such strange, from the first view, casting of authorities was shocking to the international community. Later it was called the "tandem".

Presidency of Dmitry Medvedev

Presidency of Dmitry Medvedev was closely linked with the presidency of Vladimir Putin. However, presidency of Dmitry Medvedev proved to be different from that predicted. There was a wide range of opinions about future presidency of Dmitry Medvedev. Commonly he was perceived as more liberal person, who would conduct less aggressive and much up-to-date policy, especially in the sphere of foreign policy. Among the main reasons of such belief one can stress his young age (as for the presidential office) and the upbringing in more democratic times in comparison to President Putin. A lot of analysts were sure that ways of thinking of Dmitry Medvedev and Vladimir Putin differ one

¹ "Vystupleniye i diskussiya na Miunkhenskoy konferentsii po voprosam politiki bezopasnosti," February 10, 2007, <http://archive.kremlin.ru/text/appears/2007/02/118097.shtml>.

² "Pismo prezidentu Rossiyskoy Federatsii V. V. Putinu," Rossiyskaya Gazeta, October 16, 2007, <http://www.rg.ru/2007/10/16/pismo.html>.

from another. At the same time creation of tandem was treated as substantial limitation of real power of President Medvedev. The major question Medvedev's presidency posed was: "what were the reasons that forced him to accept such (even the highest) office in the country, when his real power was cut and controlled by Vladimir Putin?"

Few experts took seriously Putin's words about Dmitry Medvedev, that they are people of the same blood.³ Furthermore, Vladimir Putin declared then that Dmitry Medvedev would guarantee continuity in domestic and foreign policy of Russia.

When analyzing presidency of Dmitry Medvedev one should acknowledge the presence of Putin's political legacy, which exercised complex and multidimensional influence on the development of Russia. At the same time no one can say that Dmitry Medvedev conducted politics identical to that, created and implemented by Vladimir Putin. With time the rhetoric of President Medvedev changed reflecting changes in his understanding of Russia's role in the international arena and its prospects in the rapidly changing international environment. One can assume that President Medvedev realized that Russia needed more transparent and competitive politics, in first turn within the country. President Medvedev, with the assistance of his experts, decided to propose Russia new idea of modernization.⁴ However, Putin's corporate state appeared to be fundamentally incompatible with the four 'I's President Medvedev identified in his program (genuine institutions, improved infrastructure, support for innovation and investments' growth).

The politics of modernization proposed by Dmitry Medvedev required assistance and support that only civil society and developed party system could have provided. Furthermore, such initiatives of President Medvedev showed his readiness to move away from the politics of Vladimir Putin. However, he was afraid to use political will and power to implement it, because then it would have meant substantial transformation of political system of Russia, which would have collided with the corporate state of Vladimir Putin.

One can also point out that half-hearted implementation of the politics of modernization threw aside the country in its development. Partial reforms in selected (not major) spheres and preservation of situation in the main domains of functioning of state lead to creation of potentially revolutionary situation. Two terms of Putin presidency served as a mask for the majority of people in Russia, helping them to ignore the key questions about future of the country and their own future. However, financial crisis started in 2008 and exercised an influence on the development processes in Russia. The situation forced a need of solid and substantial changes. It goes without saying, that such changes in Russia cannot be limited by one domain, they will happen in all spheres, also in political one. In the context, President Medvedev couldn't ignore the changes in the international arena, and therefore tried to update domestic politics in order to give Russia a breakthrough in its development.

³ Aleksandra Samarina, "Odnoy krov'yu," *Nezavisimaya Gazeta*, October 4, 2011, http://www.ng.ru/ng_politics/2011-10-04/9_tandem.html.

⁴ Dmitry Medvedev, "Rossiya, vperiod," September 10, 2009, <http://kremlin.ru/news/5413>.

Thus, the second half on President Medvedev term can be described as more liberal, and more open to the international community. Medvedev policies gave a hope to a great part of the Russian society that changes could be implemented in Russia in a peaceful way. Simultaneously, in foreign policy Dmitry Medvedev tried to show that he could have advanced Russia's national interests without locking it into a new confrontation. The most prominent example was Libyan case. However, Prime-Minister Putin severely opposed President Medvedev.⁵

On the other hand, Prime-minister Putin realized that such politics could have ruined the system he had created during his presidency. Additionally, President Medvedev lacked his own political party and team he could have relied in contrary to Vladimir Putin. To great extent, Dmitry Medvedev failed to become president for the second term because of the absence of strong political support. Political views he started to express during the second part of his presidency showed he could have become a powerful political leader with the substantial support of the Russian society. Such prospect was very much unacceptable for the majority of Russian local and regional authorities whose positions are very strong in the framework of the corporate state created by Vladimir Putin. One can assume that this factor was among the decisive in the process of Vladimir Putin's coming back to power.

Moreover, due to Putin's legacy Russia received a model of internal political and social establishment similar to that in countries of Northern Africa and Middle East. In contemporary Russia there is a severe lack of so-called social elevators that can vitalize current political elite. The problem is complemented by the fact that the Russian society is no longer ethnically and religiously homogeneous. It won't tolerate existing political and social systems, which has been proven by events in Russia at the end of year 2010 in Manezhnaya square in Moscow. Those displays of civil protest were treated principally by authorities like attempts to undermine the existing political order in Russia, not like the manifestations of Russians, who weren't satisfied with politics of the Russian authorities within the country. To the great extent those events resulted from the politics of Dmitry Medvedev, aimed at liberalization and modernization of the society. Politics of President Medvedev also displayed that Russia needs feedback between authorities and society to be present and canalized. The situation was complicated by strong unwillingness of federal and local authorities to accept substantial changes in the structure of the Russian society that has happened during last twenty years in Russia. Respectively, recognition of such transformations required innovated domestic politics within the country, which might have given a chance to Russia for rebirth. One might state that a lot of Russians were convinced that Dmitry Medvedev could have proposed and implemented such newborn politics in Russia, granting a country with a chance for

⁵ Dmitry Medvedev, "Zayavleniye Prezidenta Rossii v sviazi s situatsiyey v Livii," March 21, 2011, <http://kremlin.ru/news/10701>, "Predsiedatel Pravitelstva Rossii V. V. Putin, nakhodiashiyasa s rabochey poiezdкой v Udmurtii, v khodie biesiedy s rabochimi "Votkinskogo zavoda" prokomentiroval situatsiyu vokrug Livii," March 21, 2011, <http://premier.gov.ru/visits/ru/14539/events/14542/>.

substantial modernization, and raising its influence in the international arena not due to the possession of nuclear weapons and gas and oil deposits, but thanks to the existence of real market economy and real democracy.

However, the reaction of the Russian authorities proved that they were not ready for such shift in their politics towards the Russian society. Furthermore, the following policy displayed that the Russian authorities decided to exacerbate it, by playing the old Russian game “to find an enemy” so often being used during the USSR times. Such policy helped to consolidate society for fight with fictitious enemies instead of solving real problems.

Simultaneously, Dmitry Medvedev didn't resign officially from his policies of liberalization and modernization. Furthermore, in April 2011, in his interview to China Central Television⁶ he announced that he hadn't excluded the possibility of his run in the presidential election campaign. Later, in May 2011 President Medvedev declared that concentration of power in hands of one person was a dangerous thing, which could have brought a lot of serious problems to political leader, and the country, even in the form of civil war.⁷

On June 17, 2011 at Sankt-Petersburg International Economic Forum President Medvedev delivered the political speech⁸, as it was considered by experts and his personal assistant, Arkady Dvorkovich. In that famous speech Dmitry Medvedev criticized the legacy of last ten years, in other words, time of ruling of President Putin, stating that model of state's capitalism served its best and should be replaced by real market economy. He also announced that the speech might have been treated as strategy for the country for the nearest future. Dmitry Medvedev also proposed administrative and political reforms aimed at redistribution of power between federal and regional levels. In other words, President Medvedev proposed to introduce politics of decentralization on the contrary to the politics of Vladimir Putin. Such proposal was conditioned by the sharp need in modernization of Russian economy, which is slightly possible in the situation of high-centralized and corrupted power. Medvedev also proclaimed his intention to vitalize all public institutions in the country in order to force Russia for progressive development. He also declared that stability might mean stagnation Russia should avoid. Medvedev also announced that modernization of economy was impossible apart of modernization of political sphere.

Later, on June 20, 2011 President Medvedev in his interview to “Financial Times” confessed that he would like to stay for the second term as the President.⁹

⁶ “Interv'yu Dmitriya Medvedeva Tsentralnomu televideniyu Kitaya,” April 12, 2011, <http://kremlin.ru/transcripts/10911>.

⁷ “Vstriecha s molodymi parlamentariyami,” May 13, 2011, <http://kremlin.ru/transcripts/11236>.

⁸ “Dmitriy Medvedev vystupil na zasedanii Peterburgskogo mezhdunarodnogo ekonomicheskogo foruma,” June 17, 2011, <http://kremlin.ru/news/11601>.

⁹ “Interv'yu gazete ‘Financial Times’,” June 20, 2011, <http://kremlin.ru/transcripts/11630>.

In other words, during the first half of 2011 Dmitry Medvedev publicly criticized Vladimir Putin, arguing for the strong need of changing the way of managing the Russian economy in particular, and the country as the whole.

Exactly during the presidency of Medvedev it became obvious that the major problem, which challenges the Russian authorities, is the absence of fundamental approaches in economy and politics. Absence of real political competition resulted in the absence of real political institutions and the real distribution of power between three branches of power. In other words, the Russian Federation is an illusory state, to the great extent. Correspondingly, two political figures, Dmitry Medvedev and Vladimir Putin are also illusory leaders who exist in their own worlds, which vaguely correspond with reality of modern-day Russia. However, an attempt of Dmitry Medvedev to step out of the illusions cost him his second presidency, as Vladimir Putin treated him as serious threat to his position and influence in political system of Russia he has created in the period of 2000–2008.

As the proof of above-mentioned statement one can mention the reaction of Dmitry Medvedev at the “United Russia” party congress on September 24th, 2011. It was absolutely visible that Dmitry Medvedev was not ready to give up with his presidency. One might assume that Dmitry Medvedev was forced to reject from participating in the election campaign. A lot of analysts expected that they both, Dmitry Medvedev and Vladimir Putin would be nominated for the election campaign. One can also stress that experts and majority of Russian political elite believed that Dmitry Medvedev would serve his second term as president. His candidacy looked more acceptable both within the country, and in the international arena. Image of Dmitry Medvedev does not imply odious image that Vladimir Putin possesses. One might suppose that Dmitry Medvedev and Vladimir Putin at certain moment realized that they had different visions of the future of the Russian Federation. The fact became determinative for Vladimir Putin to return back in power.

At the same time, one could observe that during the whole year 2011 Vladimir Putin has been presented to the Russian society as a saviour against the background of instability in the world and within the Russian Federation. For external observer it was quite strange policy that the tandem was conducting. It looked like Dmitry Medvedev was (un)consciously playing a role of too modern leader for Russia, who was obsessed with matters that has no serious meaning for simple Russian people.¹⁰ On the contrary, Vladimir Putin was presenting himself as the person deeply engaged with fundamental routine Russian problems (for instance, in agricultural sphere, social sphere etc.).

One might assume that the situation within the country that required tough leader, namely Vladimir Putin, had been artificially created. One might also insist that Vladimir

¹⁰ In the context one can name his so-called “innovative visit” to the U.S. in June 2010 during which President Medvedev paid a considerable attention to development of new technologies and creation of innovation centre in Skolkovo (Russia).

Putin created to some extent an exclusive circle in political sphere of the Russian Federation, which serves best only to him, and which eliminates any serious competition to him. Anyway, closer to the end of 2011 Vladimir Putin gained a much more solid image in the eyes of the majority of the Russian society.

Therefore, the Russian society was brutally put before the fact of choosing “already the best ever possible candidate”.

But the range of factors that started to play against Vladimir Putin at the beginning of his election campaign embraces time and generational changes, which produced people, educated and brought up in different time and system of values than Vladimir Putin and his team. In other words, the collision (also with the usage of violence) of these two worlds was irreversible.

At the same time, one should admit that only few experts expected the actions of civil disobedience in Russia. However, they took place in Russia after the parliament elections in December 2011, and were named as “White Revolution”. The major demonstrations took place in Bolotnaya Square and Sakharov Avenue as displays of raising civil activity in Russia. One can also regard them as shaping of demand for other political organization, more transparent and pluralistic, in Russia. Nevertheless, the Russian authorities weren't ready to face such challenge and demand from the Russian society. Trying to react to the challenge the Russian authorities chose the model of confrontation based on division of the Russian society. In other words, people who went into the streets were promulgated as uppity part of population of Moscow and Sankt-Petersburg sponsored by the Western countries and companies on the contrary to other part of hard-working population within the country. This matrix was put in the basis of the election campaign of Vladimir Putin and helped him to win in the first round.

Third Presidency of Vladimir Putin

As the major factor that helped Vladimir Putin to return to power one should name the political system he formed during his presidency in 2000–2008. During his two successive terms he cherished infantilism within the Russian society, which resulted in the absence of oppositional political parties and governmental organizations that could have raised new political leaders and civil activists, who could have proved real opponents to Vladimir Putin during election campaign of 2011–2012.

Undoubtedly, third presidency of Vladimir Putin was expected both by the Russian society, and experts on Russian studies. And, certainly, third presidency of Vladimir Putin will be much more complicated than previous two terms.

After Vladimir Putin was proclaimed a new President of Russia, one can observe the raise of civil protest against his coming back into the main office, and sharpening of the reaction towards these protests. Currently, the Russian authorities face the problem of economic and political stagnation combined with peaceful civil protests.

One should assume that Vladimir Putin didn't expect such reaction from the Russian society for his return into power. As the best confirmation of the fact one should analyze the way his inauguration was conducted. In comparison to Putin's inauguration in 2004, one can admit that President Putin is afraid of his own population, relying on special services in his own country instead of Russian people. Indirectly it might be treated as sign of his uncertainty in his victory in elections, and in support of people, who in majority, undoubtedly, voted for him in elections. From the other side, his silent inauguration, held in phantasmagorical decorations, served as notification of future aggravating of power in Russia.

Taking into account that the Russian authorities tried and still try to control nearly all forms of non-governmental activity of Russian citizens, one can state that President Putin will conduct policy on preservation so-called stability, which was present in 2000–2008.

However, part of the Russian society became much more mature than people in power. In authoritarian country each peaceful manifestation and clear declaration of political position different from dominant one are being viewed as direct threat towards existing regime. So, the Russian authorities are afraid of peaceful and non-violent manifestations of disagreement; therefore they try to manipulate the situation using provocations, and afterwards strengthening repressive instruments.

One can assume that the Russian authorities expected fading of civil protests' movement; but they were wrong. Current authorities lack work-out and clear policy towards that part of society which can be defined as middle-class with liberal and democratic political views. That part of society cannot be treated as enough influential to change the political system in the country; therefore such not-proportional reaction of authorities on May 6–9, 2012 during "March of Millions" and after, cannot be explained by anything except the fear and inadequate perception of the situation both in Russia and in the international arena.

Obviously, President Vladimir Putin during his third presidency won't be able to reproduce his politics from period 2004–2008. Therefore, the Russian society won't experience political and economic stability as it was earlier. Reaction of the Russian authorities to the civil protests and manifestations only reaffirms these statements. The major problem Vladimir Putin faces in his presidency refers rather to his unwillingness to change the politics within the country, than to his inability to reshape it. In fact, Vladimir Putin faces dilemma whether he will remain hostage of the system and corporate state he created, or he will be able to transform it in peaceful way instead of waiting for the radical changes political regimes that the Middle East experienced in 2011.

At the same time one should acknowledge that Vladimir Putin is not a liberal politician, so no one should be surprised with severe and inadequate reaction of the Russian authorities towards active citizens and leaders of protests' movements (Aleksey Navalny and Sergey Udaltsov). One can also foresee that Vladimir Putin will try to handle the situation within the country in the category of famous "stability" using repressive machinery. Recent events in Russia show that the Russian authorities won't avoid such

politics, and one might expect the conjunction of violent and non-violent measures to be taken (arrests, censorship, etc.).

One should also admit that realizing the danger of possible violent scenario to be happened in Russia, Vladimir Putin is building a solid background for his repressive and tough politics within the country. As major trend in new Putin's Russia one can underline the following: building the country basing on new mythology. This new concept of Russia perceives a strong country, national consolidation and strong faith (primarily, Orthodox Church). Such concept (though not proclaimed officially) refers rather to the great past of the Russian and Soviet empires.¹¹ In the context one can stress that Vladimir Putin decided to consolidate the Russian society on the basis of common values. However, here he faced new problem – Russian society has no longer common values, even in the sphere of religion. The main proof of this appeared to be the case of Pussy Riot¹², which has divided the Russian society. At the same time, situation with the prayer incident allegedly performed by Pussy Riot should be also viewed in the context of the raise of civil protest movement in Russia. It's widely accepted that they were imprisoned and accused of "hooliganism", for which they face up to 7 years in prison because of protest against Vladimir Putin. Inappropriate accusations and ungrounded pre-trial arrest can also be regarded in the context of harshening domestic politics in Russia in public sphere. One should also admit that part of society tried to organize protests in support of girls, as well as several thousands of people signed a petition to Patriarch Kirill for pardoning for girls. However, those actions weren't successful. Meanwhile, Amnesty International recognized all three arrested participants of the group as prisoners of conscience due to "the severity of the response of the Russian authorities".¹³

Such intolerance and disregard towards own people and their rights widely accepted in Russia go far from system of values and norms of behavior accepted in the western countries.

Further, one should recognize that politics of managed violence was used not only within the country. The rest of the world saw new Vladimir Putin when he refused to visit G-8 summit in Camp David in May 2012.

Undoubtedly, international community was not surprised with Vladimir Putin's coming back into the power, however welcomed it reservedly. At the same time, none expected such straight and undiplomatic gesture of Vladimir Putin at the very beginning of his presidency. Thus, one can make a conclusion that Vladimir Putin by his actions

¹¹ Angela E. Stent, "Restoration and Revolution in Putin's Foreign Policy," *Europe-Asia Studies* 60 (2008): 1091, Grzegorz Ślubowski, "Religia Kremla," *Wprost*, April 20, 2008, 98–99.

¹² Pussy Riot is a Russian feminist punk-rock collective that stages politically provocative performances in Moscow, on subjects such as the status of women in Russia, and most recently against the election campaign of Prime Minister Vladimir Putin for president of Russia.

¹³ "Document – Russian Federation: Release punk singers held after performance in church. PUBLIC STATEMENT. AI index: EUR 46/014/2012," April 3, 2012, <http://www.amnesty.org/en/library/asset/EUR46/014/2012/en/c9edb950-30b6-4b90-a4d3-ddf8b97bc4c3/eur460142012en.html>.

clearly shows that he won't tolerate any kind of pressure on him, both within the country (even peaceful demonstrations) and in the international arena.

One can also state that Vladimir Putin decided to reconsider the context of the concept "Great Russia", but didn't get rid of the idea. From one hand, he realized that since 2008 the western countries lose their positions in the international arena. From the other side, the politics of Putin's "sovereign democracy" limits Russia's ability to play the role of a twenty-first century great global power. Furthermore, it's already obvious that Russia's idea of resurgent as a great power is not very much sustainable. Key components of power (military and energy) Russia used to implement its foreign policy are no longer such influential as they were previously.

One can even assume that Vladimir Putin doesn't take into consideration the importance of the processes occurring in the international arena, and developments within his own country, especially in the public sphere. It's slightly possible that President Putin will change the model of relations between authorities and society. However, time has passed since his second presidency and the Russian society nowadays will hardly tolerate such disregard to itself. As additional factor, which will play against Vladimir Putin one can name unstable development of economy, and the fact that period of economic stability won't return.

If Russia is to be a great power, the country has to actively participate in the globalized international system. However, having analyzed previous foreign policy of Russia under presidency of Putin and Medvedev one can slightly expect substantial changes, especially taking into account complicated processes occurring in the international arena in last four years, which the Russian authorities use for harshening politics, not its liberalization.

Basing on his pre-election statements placed in the seven pre-election programme articles¹⁴ one can state that Vladimir Putin will conduct policy, in first turn domestic, close to that from his second presidency, which embraces following milestones: strong power, state's control in economic and social sphere, and technological modernization.

President Putin will also continue policies of strengthening centralization of power, in contrary to the speech Dmitry Medvedev delivered in June 2011. President Medvedev failed to initiate the political changes from above. No one should expect President Putin to implement such policies.

¹⁴ Vladimir Putin, "Byt' silnymi: garantii natsional'noy bezopasnosti dla Rossii," Rossiyskaya Gazeta, February 20, 2012, <http://www.rg.ru/2012/02/20/putin-armiya.html>, Vladimir Putin, "Demokratiya i kachestvo gosudarstva," Kommersant, February 6, 2012, <http://kommersant.ru/doc/1866753>, Vladimir Putin, "O nashikh ekonomicheskikh zadachakh," Rossiyskaya Gazeta, January 30, 2012, <http://www.rg.ru/2012/01/30/putin-ekonomika.html>, Vladimir Putin, "Rossiya i menayushiysya mir," Moskovskie novosti, February 27, 2012, <http://mn.ru/politics/20120227/312306749.html>, Vladimir Putin, "Rossiya sosredotachivayetsya – vyzovy, na kotorye my dolzhny otvetit'," Izvestiya, January 16, 2012, <http://www.izvestia.ru/news/511884>; Vladimir Putin, "Rossiya: natsionalnyy vopros," Nezavisimaya Gazeta, January 23, 2012, http://www.ng.ru/politics/2012-01-23/1_national.html, Vladimir Putin, "Stroitelstvo spravedlivosti. Sotsialnaya politika dla Rossii," Komsomolskaya Pravda, February 13, 2012, <http://kp.ru/daily/25833/2807793>.

Speaking about future foreign and security policy of Russia, one should expect that President Putin will continue politics of resurging Russia as great power. However favourable situation in energy market won't be enough for reaching the goal.

Making prognosis on future foreign and security policy of Russia during the third presidency of Vladimir Putin one should expect that President Putin will substantially correct developments in foreign and security policy done during presidency of Dmitry Medvedev and adjust them according to his understanding of role of the Russian Federation in the international arena.

The major attention will be giving to the relationships with the European Union as the whole, and selected European countries in particular (for instance, Germany and Italy). That vector of foreign policy was seriously neglected during presidency of Dmitry Medvedev.

One can also assume that importance of American direction of the foreign policy of Russia will be corrected and diminished. The refusal of Vladimir Putin to visit G-8 summit in Camp David in May 2012 was very much directed towards American politicians, and the leaders of international community. In other words, President Putin decided to show that in effect of economic crisis the West lost their positions in the international arena, thus Vladimir Putin got the right to demonstrate his attitude to them, as well as displayed correction of foreign and security policy of Russia.

Additionally, demonstrative visit of Prime-Minister Medvedev to Camp David instead of President Putin can be treated as a sign that domestic politics will be much more important for President Putin than foreign one. At the same time tough policies within the country and return of nationalistic and patriotic rhetoric to the political sphere of the Russian Federation will undoubtedly have its impact on the sphere of foreign policy. Search for internal enemies within the country must be complemented by seeking for the external enemy. Taking into account the rise of opposition in Russia, standard accusations of support from the western countries, and Vladimir Putin's complicated relations with the U.S. leaders one might expect that so much advertised "perezagruzka" will fail.

As far as President Putin cannot be named as votary of democratic western standards, also in political sphere, one can expect that President Putin will argue for a special way of development of Russia, playing on the fact that the western countries face serious crisis, and thus cannot serve as development model for the Russian Federation. Unwillingness to meet Barack Obama at G-8 summit in Camp David may also complicate relations with the U.S. if Obama wins the presidential election in 2012. On the other hand, such behaviour of Vladimir Putin may be treated as a signal that Russia will reorient its foreign policy in the Eastern direction, towards China. A lot of experts also think that Vladimir Putin decided to use Chinese economic model as an example for Russia, what explains such shift in Russian foreign policy.

Such revision in the Russian foreign and security policy will be complemented by harshening of Russian politics towards Post-Soviet countries and strengthening of re-integration processes in the area.

Coming to conclusion one should acknowledge that President Putin after his two terms left to President Medvedev specific legacy – to change Russia’s political and economic systems, simultaneously making the country more stable internally and in the international arena, granting it with chance to be prepared for the irreversible changes in the international arena and in the neighbouring powerful countries, which will play dominant role in the international arena in the nearest future. President Medvedev failed to respond the challenge.

Currently President Vladimir Putin during his third term faces the same challenge.

Conclusion

Third presidency of Vladimir Putin will have substantial influence on the development of the Russian Federation and its future position in the international arena.

Until this moment the tandem artificially replaced the real essence of political life in the Russian Federation. This relationship substituted real political competition that Russia badly needs. Moreover, trying to modernize and upgrade the inherited system President Medvedev has destabilised Putin’s legacy in Russia, and simultaneously has endangered both Russia’s domestic situation, and its position in the international arena.

Currently, contrary to the wish of Vladimir Putin, Russia passes through serious system crisis with its major displays in political and social spheres. The main problem current Russian authorities face concerns the way of interaction between authorities and society under conditions of political crisis. The problem is also complicated by unwillingness of political elite to manage the crisis with peaceful means. However, harshening of politics and usage of repressive machinery may exercise a violent scenario, close to that in the Middle East, with some Russian specifics.

One can distinguish several possible scenarios for development of Russia in the nearest future. So, as the main realistic one can name the following: increasing authoritarianism, strengthening of modernization, radical transformation (also in a violent way), and developing inertia.

At the moment one can state that President Putin during his third presidency will try to reproduce the policies he has conducted during his second presidency, implement economic and technological modernization apart from political one. However, it looks barely possible taking into account processes occurring both within the country and in the international arena. Experts also suppose that radical changes Russia (likely from below than from above) will take place in the nearest future aimed at fundamental transformation of the model of state’s development.

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Eurasian Union: Objectives and Problems

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‘Close integration based on new values, politics
and economics is dictated by the time.’

V.V. Putin

IN HIS policy article called “New integration project for Eurasia: Future is born today” V.V. Putin puts forward four postulates for creating this structure. “First, we are not talking about restoration of the Soviet Union in this or that way. We suggest the model of a strong trans-national union which will be able to become one of the poles of the modern world, and, at the same time, to play the role of an effective ‘link’ between Europe and the dynamic Asia-Pacific region.

Second, Eurasian Union will serve as a center for future integrational processes.

Third, it would be a mistake to contrast Eurasian Union to the Commonwealth of Independent States. Each of these structures has its place and its role in the post-Soviet area.

Fourth, the Eurasian Union is an open project. We welcome other partners. (...) It should be an independent decision of the state based on its long-term national interests.”¹

The author argues that other integrational projects (CIS, CSTO, EurAsEC etc.) that have already been or are being realized, have prepared ground for their logical continuation, i.e. the Eurasian Union.

The reasons for announcing this project during a pre-election period are obvious. The candidate for president, being sure in his upcoming victory, and at a time when the attention of domestic and foreign observers is concentrated on the candidates’ political platforms, uses the possibility to address his point, within the framework of a pre-election campaign, not so much to the domestic voters but to:

- Global players of the world politics,
- Elites of the states in the entourage of Russia (outside of the post-Soviet space too).

¹ Vladimir Putin, “Novyi integratsionnyi proyekt dlya Yevrazii – budushche, kotoroe rozhdaetsya segodnya,” *Izvestiya*, October 3, 2011.

- The main objective is to put forward his competitive global project and contrast it to:
- European Union, which through the Eastern Partnership Program actively draws into its orbit Ukraine, Moldova, Belarus, Azerbaijan, Armenia, and Georgia,
 - American globalization project being consistently realized totally and particularly in Central Asia, Central Europe and the Great Middle East,
 - Chinese globalization project being successfully realized among other regions, also in Central Asia, Siberia, and Priamurye.

By saying ‘globalization project,’ we mean the following.

Perception of the Earth as something like a global world, where any point can be reached from any other, has led to establishment of globalization projects aimed at creating global infrastructures. This circumstance has naturally brought about the problem of removal of all artificial obstacles to ensure the free flow of any resources and products, including the money.

Global infrastructures demand global government, which implies control over infrastructures and their actions. According to the ideas inherited from the era of ‘white and black chess geopolitics’ (whose best exponent was Z. Brzezinski with his distanced worldview), to denote this control and achieve a monopoly over coordination of the actions of infrastructure hubs, a military and political domination should be established in the territories where infrastructures are located. As all significant projects in these areas have global or at least transregional nature, security systems of global or at least transregional nature should be modeled accordingly.

Consequently, it should be stated that the struggle for global governance is waged among global projects. This methodology of analysis principally differs from the accepted methodology of contrasting monopolarity to multipolarity.

Clashes occur not between civilizations but between global projects. Competing global projects are set up by global players, what’s more, global players are not only powerful states, but also network structures.

The analysis of global experience reveals the fact that the type of alliances suggested by Putin maximally realize their potential in case if political and ideological differences between member-states are minimal. In the given case, the realization of the project will face quite serious problems.

The problem is that ideological divergence in the search for post-Soviet identities is expressed, on the one hand, by models of ethnic nationalism (Armenia, Ukraine, Turkmenistan), and, on the other hand, religious fundamentalism, both Christian (Georgia) and Muslim (Uzbekistan, Azerbaijan, Tajikistan). It should be mentioned that it is cultivated and advocated against the background of official announcements about the commitment to European integration and, unofficially, of tendency of Muslim integrationism observed in a number of states.

From the point of view of ensuring the national security, the assumed members of the Eurasian Union have different foreign policy vectors. The most outstanding example is Georgia who consistently pursues a policy of joining the NATO. It is worth mentioning

that other states of the region too, such as Armenia, are actively cooperating with the NATO through participation in different projects and peace-keeping operations.

The two states with the most diverse national composition – Russia and NATO – are in search for a model suitable for their domestic organization, more specifically, testing different ideologems – from ‘Liberal Empire to ‘Eurasian Confederation’.

As demonstrated by a comparative analysis, the most effective alliances are those formed by “bottom-up” initiatives, with participation of societies interested in close cooperation and removal of obstacles hindering this cooperation.. This means that alliances formed by the “top-down” principle, i.e. by the governments, are not as effective.

Further, studies reveal that integration projects of such a scale appear to be successful if:

- The population of the member-states has more or less the same income,
- Member-states are geographically located close to each other,
- Economic and trade policies of the member-states do not have significant differences, Political leadership of the member-states is interested in the development of this organization.

In this case, only one of the requirements, geographical proximity, is satisfied. As for the remaining requirements, the situation is rather complicated.

A necessary condition for realization of such a big project is presence of a favorable, or, at least, absence of a resisting geopolitical and geoeconomical environment, that is the in which the project is to be realized. To all appearances, the authors of the project will face a number of serious problems in this domain as well.

The authors of the project from Moscow always underline that principles of delegation of certain components of national sovereignty, which serve as a basis for EU, should become operational for the Eurasian Union as well. By doing so, the authors of the project try to neutralize the widespread idea according to which any integrational project initiated by Moscow will lead to the recovery of the Soviet Union with Russia's domination. As an argument, Russian experts such as Grinberg² put forward Russia's initial domination in economy (more than 70%).

Perhaps, the main problem on the way of realization of the project is the distrust towards the stated value-based attitudes and the suspicion that the actions and declared principles of initiators will not correspond to each other.

Besides, this global project, first steps of which have already been taken, requires huge resources, a factor that may turn into one of the most serious obstacles.

At this moment, four states, Russian Federation, Belarus, Kazakhstan, and Kyrgyzstan, have expressed their real interest in the establishment of the Eurasian Union. The reaction of Georgia and Moldova was sharply negative to the idea of the project, while Armenia, Ukraine and Azerbaijan have reacted skeptically.

² Ruslan Grinberg, “Ne vizhu nikakoy alternativy shchedrosti Rossii pri sozdanii Yevraziyskogo Soyuzu,” *Izvestiya*, November 24, <http://izvestia.ru/news/507566>.

It should be noted that V.V. Putin's idea of a close integration based on new values, politics, and economics, is hard to realize in terms of all three mentioned directions as at the given moment, apart from theoretical considerations, there is no practical coincidence of interests of the assumed member-states neither in the domain of value orientations, nor in the political and economic spheres.



II

BELARUS:

POLITICS, ECONOMY AND CULTURE

Expecting Heavy Rain of Chinese Yuan over Central and Eastern Europe: First Drops in Belarus

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Introduction

CHINESE banks keep on opening new export credit lines for developing countries across the globe. Gamboled enough in Africa, China is considering Central and Eastern Europe as the next partner. If China gets seriously interested in this region, Central and Eastern European countries should expect the generous offers from Chinese export credits agencies. Through export credits, loans and guarantees, China promotes its exports and facilitates the participation of Chinese companies in international construction contracts and other investment projects. China directly benefits from offering its credits, because a recipient is obliged to use Chinese money to purchase Chinese goods and services. However, what does a recipient get from this type of support and, what is even more important, does this assistance bring the development of arecipient country?

The case study of Belarus is worthy of a closer analysis, since China chose this country to debut with its crediting activities in the region. Up to April 2012, Belarus used to be the only country in the European region receiving Chinese foreign aid and preferential loans.¹ The Premier of the People's Republic of China, Wen Jiabao is considering other Eastern and Southern European countries for opening \$10 billion credit line²; however, the cooperation today is on the embryonic stage. At the same time, Chinese-Belarus case study is an example of an active and dynamic cooperation that started several years ago. The development of the projects with Belarus using Chinese export credits are the different stages of implementation with some of them already completed such as, for instance, the modernization of two Minsk thermoelectric plants, a cement plant and a joint venture "Midea-Horizont" for the production of household appliances. In 2011, China provided Belarus with a soft loan in the amount of \$ 1 billion for the

¹ Jacob Koch-Weser, "What Drives China-Belarus Relations," *Belarus Digest*, March 26, 2011, accessed April 25, 2012, <http://belarusdigest.com/2011/03/26/what-drives-china-belarus-relations>

² Nikita Belyaev, "Belarus seeks China's political support and financial donor (Беларусь ищет в Китае политическую опору и финансового донора)," *Naviny.by*, May 20, 2012, accessed May 28, 2012. http://naviny.by/rubrics/economic/2012/05/20/ic_articles_113_177897/

implementation of the agreed joint projects and 70 million yuan as a grant.³ In May 2012, Prime Minister of Belarus Mikhail Miasnikovich stated the total investment in joint projects of Belarus and China which are estimated at \$16 billion.⁴

The paper touches upon two major topics related to Chinese export credits, which are why and how China is going to perform its crediting activities. The first question of the paper *is about* the reasons of Chinese sudden appearance in the region, which is traditionally assumed to be under the influence either Western donors or Russia. Belarus has been in good relations with China for years, but why has the need for China in Belarus appeared just now? Was it the Belarusian side who suddenly realized it needed Chinese assistance or was it China that realized it missed Belarus a lot? The problem is twofold: the answer is to be found in various types of aid motivation as well as recipient preferences. The theoretical basis of the paper consists of the recipient need and donor interest models as main motivators for aid given and received. The reasoning is simple and logical: thus, when donor motivation meets recipient needs, successful assistance takes place.

The second question of the current research is directed on the possible outcomes of Chinese generosity. What should Belarus and other Central and Eastern European countries expect from Chinese export credits? Advantages and disadvantages of this type of development assistance are discussed in the light of global trends of Chinese assistance in other regions of the world. This case study clarifies the knowledge building of what could be done with Chinese export credits and how these credits might impact a recipient country.

Needs of the Recipient Country: Theories and Reality

The recipient need model assumes that all aid is given to compensate for shortfalls in domestic resources. This model has the moral and humanitarian character and is based on the idea that poverty is absolutely intolerable. Decades back in 1965, Chandrasekhar noticed that the main reason for foreign assistance to poor countries, which have multiple economic and political problems, remains a moral one. He believed that millions of human beings fight against the age-old enemies of hunger, poverty, disease, and ignorance.⁵ Another author, Lumsdaine also stressed the “moral vision” that underlies foreign aid giving. The moral arguments of foreign aid given by the governments of the developed countries are based on the assertion that resources have been unequally distributed or there has been historical exploitation of poor countries.⁶

³ Belyaev, “Belarus seeks China’s political support and financial donor.”

⁴ “Belarus and China Engaged in \$16 Billion Projects.”, Telegraf.by, March 15, 2012, accessed May 25, 2012, <http://telegraf.by/en/2012/03/belarus-i-kitai-realizuyut-proekti-na-16-mlrd-dollarov>.

⁵ Subrahmanyam Chandrasekhar, *American aid and India’s economic development* (New York: Frederick A. Praeger, 1965).

⁶ David Halloran Lumsdaine, *Moral vision in international politics: The foreign aid regime, 1949–1989* (Princeton, N.J.: Princeton University Press, 1993).

The naïve approach laid in the foundation of the recipient needs theory could be easily criticized. According to the finding of Maizels and Nissanke, even though the recipient need model provides a reasonable explanation for the distribution of multi-lateral aid; it is clearly not applicable for bilateral aid, when the aid flows directly from one country to another.⁷ The moral myths are also destroyed by the study of Schraeder, Hook and Taylor. They analyzed the determinants of aid flows to Africa and came to a conclusion that an altruistic vision of donors' motivation is rarely translated into real actions.⁸

The literature does not provide us with an unambiguous answer whether the recipient model works with the distribution of foreign assistance in reality. However, whatever the level of a country's development is and whatever a country's government will do with the foreign aid, the euphony for both the donor and the recipient is moral intolerance to the global problems, such as poverty, underdevelopment and the disease.

Belarusian Reality

Summarizing the preceding subsection, the recipient model is built upon two main ideas: a) poor situation of the recipient country that needs help from the outside, and b) noble rich donors that, led by moral values, are willing to provide the poor country with the necessary funds for its development. Moving from theory to practice, this subsection explains the poor situation of the Republic of Belarus, answering the question why this Eastern-European country needs generous donors, partners, and investors.

The foreign assistance to Belarus is more than welcome, because Belarus has a devastating financial and economic situation. Belarus has been spending heavily to maintain its economy, but was not as successful in attracting any foreign investment in the economy.⁹ Moreover, one of the recent criticisms of Belarus by the International Monetary Fund (IMF) is that the country borrows at very high rates.¹⁰ Supporting statements above with real numbers, it is worth mentioning that on January 1, 2011 gross external debt was \$ 28.5 billion compared to the GDP of 2010 \$ 52.9 billion¹¹; the negative trade balance for the two winter months in 2011 was about \$ 2 billion; the govern-

⁷ Alfred Maizels and Machiko Nissanke, "Motivations for aid to developing countries," *World Development* 12 (1984): 879–900.

⁸ Peter J. Schraeder, Bruce Taylor, Steven W. Hook, "Clarifying the Foreign Aid Puzzle: A Comparison of American, Japanese, French and Swedish Aid Flows," *World Politics* 50 (1998): 294–320.

⁹ "Belarus finds new friends," *Business New Europe*, October 20, 2010, accessed March 12, 2011, <http://udf.by/english/politics/34597-belarus-finds-new-friends.html>.

¹⁰ "Statement by the IMF Mission to the Republic of Belarus," International Monetary Fund, February 2, 2011, Press Release No. 11/27.

¹¹ "Belarus Economic Statistics and Indicators," *Economy Watch*, assessed March 12, 2011, <http://www.economywatch.com/economic-statistics/country/Belarus/>.

ment expected devaluation of the Belarusian ruble from the National Bank of Belarus.¹² In such conditions, the government could not focus on the development issues, because it was occupied with closing the gaps in the budget.

Rich donors that have been assisting Belarus through the years of its independence are neither as noble nor as inspired by moral values as the recipient theory suggests. Russia has been supporting Belarus patiently waiting for the promised by the Belarusian government introduction of the common currency. Debt forgiveness, subsidized price for oil and natural gas are among the most visible examples of assistance. However, the situation has drastically changed. Before the last presidential elections, Lukashenka has already been looking for foreign investors who could step into the gap left when Russia withdrew its support.¹³ Since the relations with Russia have been spoiled, Lukashenka was open to any offer either from the West or the East that could save Belarus's dying economy and provide an alternative source of support other than Russia.

Belarus did not have a long list of the partners when it finally got its full independence from Russia. Two options were at the surface: 1) European Union/World Bank type of assistance combined with the requirements of democratization and 2) unconditional, as to the regime, Chinese export credits. Belarus gave its preference to China due to two main reasons: Chinese indifference to the political regime and, simply, a greater offer in money terms. The rest of this section reveals details on both reasons.

The theory related to global aid allocation explains why Belarus was reluctant to obey Western conditions. Hayter and Watson assume that bilateral donors as well as the World Bank had to "intervene, or attempt to intervene, in the policies of a country with political objectives, but cease to lend when their efforts have little chance of succeeding".¹⁴ Such instability and uncertainty of aid flow undermine its effectiveness. In order to maintain constant flow of Western assistance, Belarus had to stand on the path of democratization or at least pretend it plans to ease the regime. If Lukashenka had carried out fair and democratic elections in December 2010, either after the first or the second round, he would have had to leave his position. However, since Belarusian president was not planning to lose his power and to give up his position, he did not accept Western conditions.

The recipient model provides with a logic explanation for the preferences of Belarusian government towards China. Firstly, the position of Belarusian leader had not been under the threat, if Belarus chose Chinese export credits. China had fewer qualms as for Belarusian regime type than the Western donors.¹⁵ Secondly, on the eve of the presidential elections 2010, China offered much more assistance in the money terms than Western donors. Hoping the Belarusian authorities would change to democracy, the European Bank of Reconstruction and Development provided Belarus with additional

¹² "Belarus could face serious devaluation," Reuters, March 17, 2011, accessed April 10, 2011, <http://www.reuters.com/article/2011/03/17/belarus-forex-raiffeisen-idUSLDE72G1AR20110317>.

¹³ "Belarus finds new friends."

¹⁴ Teresa Hayter and Catherine Watson, *Aid: Rhetoric and Reality* (London: Pluto, 1985), 214.

¹⁵ "Belarus finds new friends."

\$50 million for 2009.¹⁶ In 2009, the International Bank of Reconstruction and Development also provided Belarus with the largest grant/loan in the whole history of the cooperation, equaling \$255.6 million. This state of affairs proves the “bandwagon” effect in aid allocation: when a recipient receives more aid from one donor this may attract more from other donors as well.¹⁷ Speaking of Chinese export agencies, Belarus was offered the credit line of \$ 15 billion in 2010.¹⁸ As numbers suggest, despite the Western bait on the eve of elections, generally, both development organizations mentioned above avoided the maximum assistance to Belarus as compared to China.

The hopes that the Western donors would offer more to the moribund authoritarian government due to their high moral principles, as a recipient model suggests, were futile. Moral principles were weaker than the hard economic interests. The nondemocratic argumentation for the limited aid was nothing more than a pretext. It is proved by several studies that “friendly regimes”, even if they are inefficient, economically closed, mismanaged and non-democratic, are more likely to be financed by Western donors than “unfriendly” ones.¹⁹

At the same time, Belarus has an equal potential for both increased development aid and investments as other developing countries that are considered by the Western donors and investors. According to the shadow rating for Standard and Poor’s, Belarus is comparable to many emerging market countries with regular market access. The results for this country range from BB to BB+, which puts it in a similar bracket as El Salvador, the Philippines, and Indonesia.²⁰

Export Credits and Development: Chinese Way of Making the World Better

The advantage of the developed world’s assistance over Chinese export credit or vice versa for the recipient country is an unrevealed topic in academic literature. While numerous studies were conducted on the aid and the investment provided by the OECD

¹⁶ “The EBRD has adopted a new strategy for Belarus for 2006–2008 (ЕБРР принял новую стратегию для Беларуси на 2006–2008 гг.),” *BelaPAN*, December 14, 2006, assessed March 31, 2011, <http://news.tut.by/economics/79054.html>.

¹⁷ Jane Harrigan and Chengang Wang, “A New Approach to the Allocation of Aid among Developing Countries: Is the USA different from the Rest?,” *World Development* 39 (2011): 1281–93.

¹⁸ “Belarus-China trade may exceed pre-crisis level in 2010,” *BelTA*, September 14, 2010, assessed March 31, 2011 <http://www.export.by/en/?act=news&mode=view&id=23332>.

¹⁹ Harrigan and Wang, “A New Approach to the Allocation of Aid among Developing Countries: Is the USA different from the Rest?,” 1281–93; Alberto Alesina and David Dollar, “Who Gives Foreign Aid to Whom and Why?,” *Journal of Economic Growth* 5 (2000): 33–63; Alberto Alesina and Beatrice Weder, “Do Corrupt Governments Receive Less Foreign Aid?,” *The American Economic Review* 92 (2002): 1126–37.

²⁰ Dilip Ratha, Prabal De and Sanket Mohapatra, “Shadow Sovereign Ratings For Unrated Developing Countries,” *World Bank, Development Prospects Group*, April 20, 2007.

countries²¹, China has been excluded from the analyses of western scholars. The possible reason could be that the intensive usage of export credit approach is a novelty. Less than 10 years have passed since China opened its first export credit agencies. At the same time, being a developing country itself, China recently became one of the largest donors for the developing world.

It is hard to estimate the full impact of Chinese export credits, since Chinese banks do not publish figures for overseas loans. However, the data available suggests that China finances more than the total export financing of the G7 combined.²² In 2009 and 2010, China Exim bank and China Development Bank (CDB) together signed loans of at least \$110 billion to other developing country governments and companies. It is worth mentioning that this amount is greater than provided by the World Bank over a similar period.²³

Chinese assistance for Belarus could be measured by numbers in two framework agreements signed between the Belarusian government and leading Chinese export credit agencies. Firstly, in December 2009, the Government of Belarus and the Export-Import Bank of China signed a framework agreement on a long-term opened credit line of \$5.7 billion, which could be used to finance investment projects in Belarus with the participation of Chinese companies. The second framework agreement on financial cooperation with the China Development Bank was signed in March 2010. According to this document, the Chinese bank opened an \$8.3 billion credit line. A \$1-billion preferential consumer loan from the Export/Import Bank of China for the Belarusian government became an additional general agreement signed in June 2010.²⁴

The donor interest model perfectly suits to explain China's motivations for foreign aid. As donor interest theory suggests, aid serves only donor interests defined to cover political/security investment and trade interests. While political and security interests are complicated to prove due to the lack of the research conducted on the topic, the argument of China's motivation to assist Belarus here is mainly built on pure economic interest.

Let us draw some parallels between China's behavior and the motivations of the OECD countries. Younas finds that OECD donors' motivation for providing aid *inter alia* arises from their interest in acquiring a larger share of the recipient nations' imports. Thus, besides pursuing political and strategic objectives, donors also use aid as an instrument for improving goodwill while expecting that recipients will reciprocate by buying

²¹ Javed Younas, "Motivation for bilateral aid allocation: Altruism or trade benefits," *European Journal of Political Economy* 24 (2008): 661–74.

²² "U.S. Export Financing Challenges China," *The Wall Street Journal*, January 12, 2011, accessed March 31, 2011, http://online.wsj.com/article/SB10001424052748704515904576076144043327686.html?mod=googlenews_wsj.

²³ Geoff Dyer, Jamil Anderlini and Henny Sender, "China's lending hits new heights," *The Financial Times*, January 12, 2011.

²⁴ "Belarus-China trade may exceed pre-crisis level in 2010."

more of their products.²⁵ It is not that China expects recipients to buy; recipients have no other options, since importing from China regularly is a part of the export credit contracts. Belarus has to use Export credits received from to buy Chinese equipment, complementary parts, consumer goods and materials.²⁶

Adopted projects reveal the Chinese motivation driven by economic interests. China could prosper from the export credit projects in various ways. First of all, modernizing and reconstructing Belarusian fabrics and plants, China can provide its equipment. In Svetlogorsk (a town on the south-east of Belarus), for instance, the Chinese can design the building project, provide their equipment and working force for construction of the plant for production of bleached wood pulp. While this project is welcomed by both Chinese and Belarusian officials²⁷, it raises a lot of controversy among the inhabitants of the town and Belarusian ecologists.²⁸

Secondly, Belarus could use a 20-year long credit line for not merely on supplies of equipment, but also on the improvement of transportation infrastructure. China benefits economically from these types of projects as well. For example, new and renovated highways and rail roads, where China participates in construction, in the long run facilitate transit of Chinese goods through the country.

Chinese investment in Belarusian transportation system raises some controversy as well. The Belarusian Department of the Ministry of Transport and Communications explained that on the first stage of negotiations with China, they were offered so-called “associated” credit: up to 70% of it had to be Chinese materials, Chinese equipment and a Chinese work force. However, the Belarusian officials of the lower levels that deal with the realization of the projects on the ground did not appreciate these terms and conditions. Thus, the head of the Road Maintenance Network, Alexandra Golovneva emphasized her personal preference to deal with the World Bank instead of China: “There are also concessional loan at 3% interest rate, but there are no conditions for the participation of foreign companies”.²⁹

Chinese assistance to Belarus was given a reward for promoting imports of capital goods and removing trade restrictions.³⁰ China benefits from the expanded market of

²⁵ Younas, “Motivation for bilateral aid allocation: Altruism or trade benefits,” 661–74.

²⁶ “Belarus-China trade may exceed pre-crisis level in 2010.”

²⁷ “In Svetlogorsk, they built a plant bleached pulp with the Chinese money (В Светлогорске на китайские деньги построят завод по производству белой целлюлозы),” *BelTA*, February 17, 2011, accessed May 5, 2012, <http://www.nest.by/content/v-svetlogorske-na-kitaiskie-dengi-postroyat-zavod-po-proizvodstvu-belenoi-tsellyulozy>.

²⁸ Alena Hermanovich, “Residents oppose the construction of Svetlogorsk’s bleached pulp plant (Жители Светлогорска выступают против строительства завода белой целлюлозы),” *BelaPAN*, January 24, 2012, accessed May 1, 2012, <http://news.tut.by/society/270332.html>.

²⁹ Vasil Slushny, “Белавтодор не верит китайцем, дары приносящим (Belavtodor does not believe in Chinese gifts),” *BelBiz*, March 31, 2010, accessed March 31, 2011, <http://bel.biz/news/28801.html>.

³⁰ “Investment attractiveness of the Republic of Belarus: five arguments for Chinese investors,” Belarusian Embassy in China, 2011, assessed May 1, 2011, <http://www.china.belembassy.org/rus/invest/attract/>.

the Custom Union between Belarus, Kazakhstan and Russia. Since 2010, Belarus has become a part of the common customs area with these two countries. This means that the customs' borders between Belarus, Russia and Kazakhstan are removed. Chinese investors can open a Chinese or a joint venture in Belarus and have an access not only to the market of Belarus (Belarusian population is around 10 million people), but also to Russian (around 140 million) and Kazakh (around 16 million).³¹

In its decision, China is guided by self-interest. At the same time, the recipient nations also gain because greater imports of machinery and transportation equipment help increase their production (and subsequently consumption).³² Thus, it is not only China, who will prosper from the credits lending. The subsections below explain possible positive effect on Belarus, built on the examples of the China's assistance in Africa. At the same time, the second subsection projects possible negative outcomes.

POSITIVE SIDE OF CHINA'S CREDITS

In the World

One of the brightest examples of Chinese export credits is the case of Africa. China and Africa have become closer economically over the last decade and, today, China is the largest international contributor to Africa's infrastructure development. Chinese export credit agencies issue loans in a wide range of African countries. Larger infrastructure projects in 36 countries were financed by Chinese export credits in 2006.³³ The traditional list of recipients such as Angola, Ethiopia, Nigeria and Sudan was recently expanded by Mozambique, Zimbabwe and Kenya. China Exim Bank and China Development Bank (CDB) became the main export credit agencies in Africa: their asset base of \$ 292 million in 1994 expanded dramatically to \$ 116 billion by 2009's end, with African assets accounting for as much as one-third of the total.³⁴

Chinese export credit agencies possess substantial assets, if compared to the Export-Import Bank of the United States, with \$ 7.8 billion in assets and only 7% of its total exposure in Africa.³⁵ At the same time, China is not a competitor for the United States. As a top Africa advisor to President Obama, Witney Schneidman has noted that even

³¹ Svetlana Sabilo, "What changes have brought a Customs Union?" Oboz.by, January 6, 2010, accessed May 1, 2011, <http://oboz.by/articles/detail.php?article=850>.

³² Younas, "Motivation for bilateral aid allocation: Altruism or trade benefits," 661–74.

³³ Tom Durkin, "China's Export Credit Agencies: Managing the risk of "going-global," China Africa News, August 17, 2010, accessed March 30, 2011, <http://www.chinaafricanews.com/index.cfm?fa=contentGeneric.mvaudpzxouiefxzh&pageId=1537096>.

³⁴ Charles, "How China Exim Bank and China Development Bank Contribute to China-Africa Trade," The China Sourcing Blog, July 15, 2010, accessed March 15, 2011, <http://www.chinasourcingblog.org/2010/07/how-china-exim-bank-and-china.html>.

³⁵ Ibid.

though “U.S. companies don’t build roads, don’t build dams, don’t do energy infrastructure”, U.S. companies are well represented” in the extractive sectors in a number of countries in Africa where it is competitive. Statistics currently support that China has essentially filled a gap rather than step on the U.S.’s toes, because China indeed supplies infrastructure projects and capital goods.³⁶

African people directly benefit from Chinese assistance. For instance, 80% of China Exim Bank funding in Africa is spent on the infrastructure projects such as an airport upgrade in Mozambique; the development of Zimbabwe’s water supply, the rehabilitation of the Benguela railway in Angola; and hydropower dams in Burma, Congo, Ethiopia, Laos, Sudan, and Zambia.³⁷ China Development Bank is more focused on investment; however, its funds also bring a boost in the economy of African countries. CDB provided South Africa with an export credit of \$226 million for a wind farm and \$228 million toward a platinum company, and DR Congo with \$284 million for a copper mine.³⁸

For Belarus

The Western donors are merely concerned about physical miseries, while focusing less on the reducing of economic hardships.³⁹ China’s priorities are mainly the opposite. While fulfilling its own political and economic interests, China facilitates visible development of Belarusian economy, and, as a result both China and Belarus benefits from cooperation.

The projects realized with China’s assistance in Belarus have a substantial and visible effect on Belarus’ development . The bet is made on the projects that can cumulate money for both Belarus and China. For instance, China invests in the industrial sector, so Chinese loans are used to build fabrics, renovate existing ones as well as improve infrastructure, both to move Belarusian goods to and from Belarus, as well as Chinese goods transferring throughout the recipient country. As a result, Belarusian population benefit from new and renovated plants, modern equipment, infrastructure and etc., which in total is an excellent impetus in the development of the country’s economy.

One of the largest projects, a \$1 billion credit line, is related to a white goods manufacturer that provides China with a manufacturing base in Europe.⁴⁰ Under such state of affairs Minsk could reclaim its status a top white-goods manufacturer in the region, it had in the Soviet Union.

³⁶ Durkin, “China’s Export Credit Agencies: Managing the risk of “going-global.”

³⁷ Charles, “How China Exim Bank and China Development Bank Contribute to China-Africa Trade”; Peter Bosshard, “China’s Environmental Footprint in Africa,” *International Rivers*, January, 2008, Working Papers in African Studies, The Johns Hopkins University, Washington, DC.

³⁸ Durkin, “China’s Export Credit Agencies: Managing the risk of “going-global.”

³⁹ Younas, “Motivation for bilateral aid allocation: Altruism or trade benefits,” 661–74.

⁴⁰ “Belarus-China trade may exceed pre-crisis level in 2010.”

Another group of projects worth mentioning boost the development of the Belarusian capital, Minsk, its real estate and transportation in particular. According to the mayor of Minsk, Nikolai Ladutko, China plans to construct a Canary Wharf-style office, residential and entertainment complex called Minsk-City. Chinese loans are to be used to improve Minsk's transport system and to electrify railroads in the Gomel and Mogilyov region. Under the latter project China will provide electric trains. Moreover, according to the news agencies, China plans to participate in the construction of an industrial park and two electric power plants in Belarus. The last detail to mention here is Lukashenka's statement that China will also facilitate the modernization of Belarusian oil refineries bringing them to international standards.⁴¹

Moreover, new Belarus-China relations included cooperation in the social sector. Vice Chairman of the Standing Committee of the National People's Congress of China, Jiang Shusheng declared China's interest in developing relations between citizens with Belarus: "We need humanitarian contacts. We believe that the relations in education and culture will promote all-round cooperation between Belarus and China".⁴²

NEGATIVE SIDE OF CHINA'S CREDITS

In the World

Over the past years, Western export credit agencies have regularly cited emerging market export credit agencies from China, India and Brazil, as serious competition for them.⁴³ Satisfying their donor self-interests, export agencies from developing countries do not play rules set by the Western world. According to U.S. Export-Import Bank Chairman, Fred Hochberg, "They're winning deals in part because they're not playing by the rules".⁴⁴

Newly emerged donors do not have the motivation to play Western rules, since they could prosper better by not obeying. Criticizing such export credits, donors from the developed countries call this approach unfair. At the same time, it is obvious that since none of China's export credit agencies are members of the OECD, they are not obliged to follow the OECD Arrangement on Export Credits which sets the rules for official export credits.⁴⁵ Moreover, even inside the OECD block, there is a stark contrast between the policies of the export credit agencies – which are oriented almost exclusively towards export promotion – and those of development assistance agencies and the World Bank

⁴¹ "Belarus finds new friends."

⁴² "Belarus-China trade may exceed pre-crisis level in 2010."

⁴³ "Report to the U.S. congress on Export Credit Competition and export-import bank of the U.S., "Export-Import bank, December 31, 2005.

⁴⁴ "U.S. Export Financing Challenges China."

⁴⁵ "Report to the U.S. congress on Export Credit Competition and export-import bank of the U.S."

supported by the very same OECD member countries. Most of export credit agencies have not adopted detailed social and environmental procedures.

Chinese export credits have an ambiguous reputation. On the one hand, as stated by the U.S. Ex-Im Bank, China compared to India and Brazil generally follows the Common Approaches recommendation on environmental and social standards.⁴⁶ On the other hand, Paul Wolfowitz, former president of the World Bank, had sharply criticized Chinese banks. According to him, lending to developing countries, especially in Africa, China ignores human rights and environmental standards which violate so-called “Equator Principles”, a voluntary code of conduct pledging that projects financed by private bank lending meet certain social and environmental standards.⁴⁷

The projects funded by Chinese export credit agencies have significant social and environmental impacts. Newly-built thermal power plants emit greenhouse gases; pulp and paper plants cause large-scale deforestation; and mining projects, oil pipelines and chemical facilities create serious toxic hazards. One of the vivid examples is the Merowe Dam, the largest hydropower project in Africa built with Chinese export credits. Its reservoir is 200 kilometres long, and has the capacity to produce 1,250 megawatts of power. The project, however, included displacing of 50,000 people from the fertile Nile Valley to arid locations in the Nubian Desert.⁴⁸ Another controversial example is an accident at a Chinese copper mine in 2005 in Zambia, which caused the death of 46 workers. The accident provoked violent protests and complaints that Chinese investors are exploiting workers and does not respect safety rules.⁴⁹

For Belarus

Despite sparking criticism from the competing export nations in general, violation of social and environmental standards is not observable in Belarus, because the majority of contracts are still on the implementation stage. While such arguments could not be used against export credits of China in Belarus today, Belarusian partners should be aware that projects realized with the Chinese assistance do not always match with sustainable development.

The major danger brought by Chinese credits is, however, of a political nature. Accepting the role of China as a main donor/partner, Belarus bears some negative consequences. The assistance that Belarus receives from China definitely does not promote

⁴⁶ Ibid.

⁴⁷ “Chinese Export Credits and International Environmental Impacts,” ECA Watch, Paris, October 30, 2006, accessed March 25, 2011 http://www.eca-watch.org/problems/china/ECAW_Chinese_ExIm_30oct06.htm.

⁴⁸ See EAWAG, Independent Review of the Environmental Impact Assessment for the Merowe Dam Project (Nile River, Sudan), March 1st 2006 and the Merowe Dam Project, see www.irn.org/programs/merowe/

⁴⁹ Jackie Range, “Zambia’s miners paying the price. Dow Jones Newswires. MAC: Mines and Communities,” October 12, 2005, assessed May 12, 2012 <http://www.minesandcommunities.org/article.php?a=501>.

political changes in the country, nor does it reduce the level of political violence. In its turn, China in general does not pay attention to the democracy level, whereas a stable government in a recipient country is of greater importance.⁵⁰

Looking at the offered export credits from the political point of view, the situation around China's and the Western assistance in Belarus looks like a vicious circle of aid: until the country gets on the path of democratization, it will not receive aid from the Western donors. Not receiving money from the West, Belarus starts to cooperate with the Chinese donors that do not pay attention to the regime type, and hence the regime strengthens by using Beijing's funds.

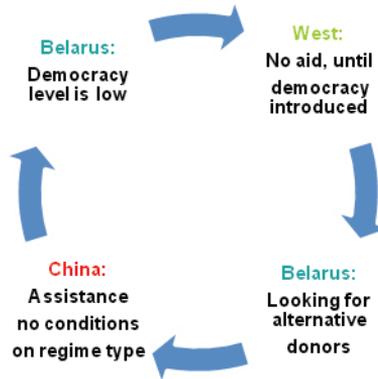


Figure 1. Vicious Circle of Outside Assistance in Belarus

Belarus is not offered the maximum volume of assistance the Western countries could provide it with, due to the Belarusian political regime. The rules of Western donors are extremely rigid: a denial of development aid to assist Belarus is an economical sanction in its way. Western donors use a pretext that Belarus should democratize in order to receive more assistance. Indeed, as proven by studies, countries that have democratized have received a surge in foreign aid, immediately afterwards. The typical democratizing country gets a 50% increase in aid.⁵¹ However, even 150% of current assistance from the West is still incomparable with the current offer of China, estimated at around \$16 billion.⁵² Moreover, the choice of an average Belarusian citizen should be on the side of China as well: the Western loans and grants introduce less visible changes in the country than Chinese export credits. Thus, a paradox lies in the fact that selfishness of bilateral ambitions of China leads to Belarusian development, whereas, “fairness” of the Western assistance seems to push off the development.

⁵⁰ Charles, “How China Exim Bank and China Development Bank Contribute to China-Africa Trade.”

⁵¹ Alesina and Dollar, “Who Gives Foreign Aid to Whom and Why?”, 33–63.

⁵² “Belarus and China Engaged in \$16 Billion Projects.”

Conclusion

A paradoxical finding of the paper is that selfishness of bilateral ambitions of China as a donor brings the development of a recipient country as the side effect. Despite that Chinese crediting behavior as a donor is merely driven by the self-interest, Chinese aid provided to Belarus overshadows Western in both monetary value and visible impact on the country development. Utilizing Chinese export credits, Belarus builds new highways, renovates its railroad infrastructure, refreshes the equipment in its old factories and plants and even constructs new ones. Offering export credits to Belarus, China stimulates its exports by getting an access to the entire market of the Customs Union of Belarus, Kazakhstan, and Russia.

Welcoming Chinese aid Belarusians should not lose their cautiousness, however. Despite the fact that Chinese loans are decent fertilizers for the economical development of the country, they also provide a ground for the regime stability. Not receiving money from the West, Belarus has no other option than to cooperate with the Chinese donors, who, in their turn, do not pay attention to the democracy level in the recipient country. Hence, the current regime strengthens with the help of Beijing's funds. The current study also leaves several controversial questions for further investigation, such as the environmental implications and the long-run impacts of projects supported by Chinese export credit agencies.

Of course, we cannot precisely forecast Chinese crediting behavior in Southern and Eastern Europe based on the observation of a single country. At the same time, the findings of this study suggest that China has started a serious competition with the Western donors in the region, since it becomes a complimentary or even substitutive source of development aid. Chinese development aid provided in the form of export credits has shaken the initial monopoly of the Western assistance in Belarus. In the same fashion, if China gets interested in other countries in South and Eastern Europe, the Western donors might lose its hegemony in that region. Whether or no the Western donors are concerned about it is an open question. In either case, they have to admit that the new balance has emerged between funds and countries that donate money and stimulate the development.

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Contemporary Cultural Identity in Belarus: *Terra Incognita*

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CULTURAL identity is a kind of consciousness of individuals, which is ordered as a group, on the basis of the common elements of heritage, tradition, symbols, values and common norms. It makes individuals similar to each other, or different from one another, and they are located in the social space closer or further from each other. As Tadeusz Paleczny pointed, “*cultural identity holds together all the ingredients of identity, imparting to them order and sense. When we use the notion of identity, we always put it next to an adjective; the identity can be individual, collective, ancestral, family, tribal, caste, ethnic, national, national, civilization, religious, territorial, regional, etc. The socio-cultural dimension shapes these elements of identity, which are connected with the sphere of values, norms, symbols (language included), aesthetics, morality and group bonds. Cultural separateness, the difference of values, norms, behavior, even desires, is a reflection of the historically different processes of the shaping of social bonds and also of the identity of individuals*”.¹

Identity can also have a character that is based on mutual agreement, which is symmetrical and harmonious. We talk then about the full compatibility between the state of the spirit, the knowledge and attitude of an individual towards the social context and group membership. However, the identity of an individual can be in conflict, in contradiction to the requirements of the group. Then we have to deal with asymmetry, a dissonance of attitudes, a conflict of values, and an identity that is divided and “split”.

According to Ihar Lalkou, “*modern Belarusian society is deeply split. One part of our society is so radically separated from the other that if a casual observer were to overhear conversations and read articles by the two groups, it could be concluded that they live in different worlds. Of the parameters that identify a nation, place of residence is the only thing these two groups have in common*”.² They differ by language, their historical memory, identity (despite the fact that both call themselves Belarusians, the meaning is completely different), relations with other nations (close and distant), their vision of the country’s future

¹ Tadeusz Paleczny, “Cultural identity: a sociological analysis of the phenomenon”, in Politeja. The Journal of the Faculty of International and Political Studies of the Jagellonian University. No. 2/1 (10/1), ed. Bogdan Szlachta (Cracow: Księgarnia Akademicka, 2008), 354.

² Ihar Lalkou, “National symbolism in Belarus: the Past and Present”, in *Belarus – the third sector: people, culture, language*, (Warsaw-Minsk: East European Democratic Centre, 2002), 12.

development, etc. It sometimes seems that these two groups would feel more comfortable in two different countries.

The first years after the declaration of independence in 1991 was the worst period of the economic crisis that began in the late 1980's in the former USSR. Meanwhile pro-Soviet and pro-Russian forces, primarily grouped in so-called „force structures“ (such as KGB) and who enjoyed strong support from outside, did not abandon hope to change the trajectory of history and involved themselves in incessant, secret and open, work among the population.“ This „work“ was most gratefully accepted by the older generation, Soviet veterans of World War II and pensioners, for whom the USSR was the country of their youth and the unexpected changes brought only poverty and want.³ It is worth noting that at that time those people made up almost one third of the working population. All of these factors were the main reason for the victory of Aliaksandar Lukashenka in the first free presidential elections in 1994.

Majority of Belarusian population still have a mentality burdened by significant residues of the Soviet era, which have shaped it decisively. Importantly, this mentality is not rooted in historically relevant self-identification of Belarusian people with national awareness and Belarusian as their mother tongue. Their self-identification owns heavily to the mentality of Soviet, Russian-speaking apolitical citizen, living in the BSSR and counting upon a certain level of social needs. Weak and by no means self-evident national history, permanent state of occupation by foreign powers and only incipient and episodic experience of state independence (in 1918) – all these important moments, in a certain sense even decisive factors of the entire Belarusian politics, including the contemporary situation.

When discussing the culture sector in Belarus one is immediately confronted with an important duality: there are two culture sectors in Belarus. On the one hand, there is the “official” or state-sponsored culture sector. This sector includes commercial and state-funded culture producers that serve the neo-Soviet state ideology, in other words, the prolongation of Lukashenka's dictatorship. On the other hand, there is what is increasingly referred to as the “counter-culture”. This is the independent culture sector and includes all forms of cultural production that do not conform to the “official” line proposed by the state culture sector or that dare to demonstrate critical liberty and freedom of expression. While the official culture is associated with propaganda and servility, the independent “counter-culture” is associated with resistance and change. And, while some incidences of overlap or inter-penetration of these culture sectors can be observed, they exist at two extremes and are diametrically opposed to each other. In the understanding of those involved, the official culture is protected but servile. The counter-culture” is suppressed, but free.

The official culture can be identified by several characteristics. In the first place, it is a product of the official ideology of the Lukashenka regime. This has its roots in Soviet

³ Yael Ohana, “Culture and Change in Belarus. Identifying Cultural Actors of Change in Belarus, Ukraine and Moldova,” in: *Report for East European Reflection Group (EE RG)*, (Bratislava, 2007), 19.

pan-Slavism. In the 1990s the regime attempted to justify its efforts to create a state union between Belarus and Russia through the active promotion of Russian language culture and Soviet iconography, the ethnic affinity of the Belarusian nation with the Russian nation and the active suppression of Belarusian language culture. The nation building project has been focused on the creation of a Belarusian identity in the image of the leader and has not led to any rehabilitation of Belarusian language culture. Rather the opposite. Those who favor working through the Belarusian language are suppressed and marginalized.

Lemez Lovaz and Maya Medich noted: *“It’s clear that the official Belarusian culture is morally corrupt and moribund. Typical products of the official culture include folk culture (folk dancing, music and arts and crafts), soap opera style TV series, Russian language “chick-lit” style reading material (romance novels, etc), mass pop entertainment, especially Russian language pop-music and, of course, the production of the state media. Importantly, the official culture promotes “home grown” Russian language cultural production, mostly in the field of pop-music and entertainment. This should be distinguished from the importation of mass cultural and especially entertainment products from Russia. As one respondent put it, the Belarusian regime a. produces its own ideologically charged cultural and entertainment products in the Russian language and b. uses the imported Russian mass cultural products to “cover the gaps” that appear due to the insufficiency of the domestic cultural production”*.⁴

At the same time, the counter-culture is everything which the official culture is not: dynamic, modern, free, experimental, and creative. It is characterized by the use of the Belarusian language, its attitude of resistance to the regime (through which it has become intimately bound up with the democratic opposition) and its value based approach to its production, including its European outlook. Its typical products include rock music and literature in the Belarusian language, innovative, experimental contemporary art and theatre, satire and a variety of forms of political comedy.

Unfortunately, independent cultural actors are not permitted to associate. If they have managed to maintain some form of legal association, their activity is regularly harassed and they are discouraged from performing or publishing using a variety of methods, from making it too expensive to outright banning. The regime strictly censors anything published or broadcasted. Freedom of expression is not respected. Even freedom of religion, an important cultural right, is not respected in Belarus. Any religious activity other than that of the Belarusian branch of the Russian Orthodox Church is discriminated against by the state.

Belarusian society is weighed down with different taboos (about politics, religion, history, Belarusian identity, human relations including sexuality and so on). The counter-culture tries through its art to address these taboos. In so doing, it becomes taboo of and in itself – the simple act of doing something which is considered “non-traditional”

⁴ Lemez Lovas and Maya Medich, “Hidden Truth: Music, politics and censorship in Belarus of Lukashenko,” in: *Report for FreeMuse*, ed. Marie Korpe (Copenhagen: Handy print, 2006), 46.

or outside of mainstream norms makes it suspect, something to speak about in whispers. In practical terms, for the visual arts, other related genres and in music, this means to engage in aesthetic conflict – to confront the post-Soviet aesthetic with its own moral bankruptcy and to destroy it in the eyes of its audiences and to open up to modern and foreign influences from the contemporary art scene.

In this time of polarization, some cultural actors continue to believe they can maintain a neutral position, neither supporting nor opposing the Belarusian regime. But, as any artist that has attempted to position themselves as independent or as “apolitical” has sooner or later been faced with having to choose between “towing the party line” and some form of punishment. An excellent example of this is pop-culture, which in many contexts is considered as mere entertainment, with no political value or objective. But, in Belarus it has become an important political instrument in the hands of the regime, which uses it to present its own version of reality to the masses.

Today, Belarusians live in the independent state called Belarus. But, the President has long sought integration with Russia, presents Soviet history and morality, as well as, Russian mass entertainment, as Belarusian culture and makes all this an obligatory tenet of the state ideology. So contemporary cultural identity in Belarus is still unformed on the one hand, and based on post-Soviet mentality of population on the other hand. But, nevertheless, the effectiveness of the use of cultural methods and forms (theatre, film, literature, music) for the purposes of civic education is doubtless.



State Ideology in Belarus: Main Problems and Concepts

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Introduction

STATE ideology in Belarus is being formed by the basic notions determined by communist (or post-communist) ideology, Russian or “Pan-Slavic” ideology and by so called “European idea”.¹ The latter is defined as a complex of political tasks and concepts presented mostly by political opponents of Lukashenka, the Belarusian President since 1994. The “European idea” has been hardly associated with the ruling regime but over the last 2–3 years some of official experts and state media started to draw upon the historical and cultural heritage of Great Lithuanian Duchy as a symbol of European roots of Belarus, and began to underline that relations with Russia belong to separate areas of interests.

One could imagine the ideological conflicts shock the society and make Belarusian political life a vital one. None of that. In fact what we still face in Belarus is an ongoing political process of shaping fundamental concepts that are rooted in juridical questions not answered since the beginning of 1990’s.

Last Constitution of USSR (1977) included the main tasks and purposes that were connected with promoting ideas of socialism and the Great October Revolution. Soviet People had their own idea even if every individual couldn’t believe in supremacy of communism over capitalism. The Belarusian society, as a most victimized Soviet nation that survived that ideological experiment (the national fundamentals of traditional society were ruined more than in any other region of USSR) had again to face the post-Soviet ideology for another 20 years.

Lukashenka’s idea of reunification of post-Soviet space (mostly Russia and Belarus) neglected the problem of a lack of ideological base. So the authorities decided to build the new “state ideology”. Some assumptions were taken from Leninism-Marxism, since the current academics and scholars worked mostly as lecturers of Communist Party schools and executives.

In this paper we try to describe the main notions of state ideology, trends and their representatives as well as areas of its conflicts.

¹ Mariusz Maszkiewicz, ed., *Belarus—Towards a United Europe* (Wrocław: Kolegium Europy Wschodniej, 2009).

Soviet and Russian Idea vs. European Idea?

The main idea in the Soviet Constitution (of 1977) was the historical mission of the Great October Revolution. It described the passage from capitalism to socialism, as the higher form of social life, in the evolutionary rather than positivistic theories of human development. In the old Constitution of Russian Empire, before 1917, the Tsar was shown as a Christian monarch – the supreme defender and the trustee of dogmas of ruling state religion and the Guard of the Orthodoxy of the Holy Church.

Constitutional acts in the post Russian and post-Soviet space in the newly born states were formed mainly in the beginning of 1990's by normatives and notions based on ideological concepts taken from Marxism-Leninism. On the other hand, the new political elites tended to take over new democratic ideas into their judicial systems from western political systems and constitutions. As Pashkov notices "Human being – its rights, freedoms are fundamental in the western liberal systems".² But for Pashkov this emphasis of individual's rights is somehow contradicting traditional mechanisms of social relations in Russia, relations shaped for centuries of their own domestic tradition and history. That split of political ambitions and traditional social relations marks Russia's drive to be a modern state. Do ambitions interfere with tradition? This is the fundamental question for modern Russia. How to deal with new ideological challenges?

For Pashkov, there still exists one more problem that hampers the traditional formula of modern Russian state. In Soviet Union, about 50% of population were Russians. That Soviet "national state" was not national in fact but based on social idea. In Russian Federation we have now about 80% of Russians but no-one of Federal subjects is Russia itself. Each piece of this "state patchwork" is generally Russian, but none of it could be named as specifically Russian. This paradox mirrors the problems that the creators of current Constitution in Russia Federation have. Now the supporters of restoration of the state ideology in CIS countries argue that "ethnos" should be its frame and base. Pashkov says that even in many western constitutional systems there are references to national ideology, i.e. the Spanish Constitution: "We the nation of Spain and other nations...". But in Russia, the problem is that "*russkiy*" differs from "*rossiyanin*". Citizens of Russian Federation are "*rossiyane*" what doesn't mean ethnical Russians. It then raises the question – who are we? For the nationalist politicians the answer is very simple. National idea should and could be the base for state ideology. In the USSR, we witnessed the so-called "communist eschatology", before the Bolsheviks, the Tsar Empire was tied by Christian eschatology (*Moscow – the third Rome*). Pashkov notices that the U.S. is founded ideologically on idea of liberal project "Pax Americana", in Israel – ethno political idea, in Turkey – „Panturkism". Iran is based on the idea of extending Islamic values. Other Muslim states build their advantage on the geopolitical hegemony tending to

² Roman Pashkov, "Gosudarstvennaya ideologiya i natsionalnaya idea: konstitutsionno-tsennostnyi podhod," *Vlast'* 3 (2007), accessed 22.03.2011, <http://constitutions.ru>.

gain more ideological roam all over the world. Only in the modern Russia we are facing something strange, indeterminate, vague axiological-political eclecticism. Is that an evidence of disablement of the so-called “pasionarism” (notion of Gumilov’s theory that proves liveliness, vitality of nations)?

Pashkov inclines toward a conviction that the base for national/state ideology could only be taken from a higher axiological structure/system, that goes beyond the rational frames that found most of modern European nations and states. State could not be founded on political correctness. Ultimate arguments of Pashkov makes him closer to the religious experience as a social fact that could constitute sane/healthy relations in the society. Religious elements in the systems of values mean that mature democracy is not at variance/conflict with that part of society that doesn’t acknowledge God as a central part of their system of values. Even for atheists, religiosity is an important part of socio-cultural structure, scaffold for historical process of creating modern society, ethics, such as it was philosophically underlined by Leszek Kołakowski (“... if the God doesn’t exist”) and earlier in the history of philosophy known as the “Pascal’s bet” or developed by Immanuel Kant – formal ethics.

Christian civilization is for modern Russia the only way out or even a solution to all these problems that the nation is facing (demographic decline, moral deconstruction etc.). Entire elements of Christian system of values should be mirrored within the Constitutional Act, basic juridical documents and to become the fundament of state ideology.

We have dedicated so much sentences above to the Russian problems with state ideology but in fact all post-Soviet countries struggle with the same issues and concepts. In Belarus, for instance, Sergey Kalinin is convinced that state system mirrored in the Constitutional Act is based on the same system of values and principles as in the Western World, where liberalism and human rights of individuals have the supremacy over collective rights.³ Along with the fall of Soviet Union, most of newly independent states mechanically caught on western patterns having assured that it leads to prosperity and stability. Meanwhile specific national and social condition of post-Soviet countries makes impossible absorption of ideological model of state typical for western cultural and political areas. Kalinin claims that Belarusian society since ages has been formatted by firm collective ideas, also rooted in Russian Christian-Orthodox tradition, which effects in rejection of many elements of western patterns and especially rejection of individualism. All this makes a lot of troubles in the politics while part of Belarusian society seeks for its western and part for its eastern roots. Kalinin says that it’s the crucial point of the question of nation’s self-identity.

Here is also noticed by Kalinin necessity of building state ideology that could take all that complex in to the consideration, having in mind specific experience and aspirations

³ Sergey A. Kalinin, *O gosudarstvennoy ideologii Belarusi*, in „Aktualnye problemy gosudarstva i prava Belarusi: Materialy Resp. nauch.-prakt. konf., 15–16 apr. 2005 g.,” ed. V. I. Pushkina, (Vitebsk: izd-vo UO VGU im. P.M. Masherova, 2005), 36–38.

of Belarusians. Many elements of such postulated state ideology could be transferred from Russian Orthodoxy, because under its influence for hundreds years social and national ideology has been shaped. Mechanical reception of alien, foreign ideologemes may lead to alienation or squeezing out the system of state ideology from the social space. Kalinin also states that the greatest example of the (ideological) rejection of foreign models was a terrorist act of 9/11. And for Soviet people contradiction between western liberalism and Orthodox religious and cultural identity is still recognized as a greatest tragedy (Kalinin uses a quote from the speech of Metropolitan Cyril – present Patriarch – at a conference in Oslo in 2002). That's not all, Kalinin considered that modern liberalism can easily turn into totalitarianism, and liberalism imposed from outside could result in global conflict. This also applies Belarusian self-identity, while most of values are rooted and related to Orthodoxy, among them:

- priority of “spiritual” over “material”;
- self-sacrifice and self-restraint over the desire of success;
- priority of “common” interests over “private”.

Kalinin recognizes the need to build solid axiological fundament for state ideology but also asks what kind of tools must be used to construct system of merits and not to confuse real values from those that appear to be such. Among pseudo-values Kalinin enumerates: gay marriages, *in vitro* and cloning. Against such pseudo-values is useful to introduce legal restrictions. For Kalinin that entire problem shows clearly contradiction between West and East, European Idea and Slavic-Orthodox, Western means liberal and Eastern (our) what outgrows from historically shaped tradition and way of reception Christianity.

In many handbooks of state ideology (there were about 30 in the fall of 2011) one could notice the basic intention of authors – they tend to present axiological system more attractive than that offered by opposition and recognized as a European stream. However the books written by authors of younger generations have basic scholar's workshop in humanities sciences and are intellectually on the higher level than that of authors, who were educated under communist system. This difference is visible when one compares first handbooks on state ideology edited in 1999 by Presidential Administration with the last academic works written by such authors as Greben or Bobrovitch.⁴

⁴ The first above mentioned handbook *Ideologiya belaruskay gosudarstvennosti: kontseptsiya, model, programa realizatsii* could be compared with: V. Bobrovich, *Gosudarstvennaya ideologiya* (Minsk, 2009), and the same author's: “Paradoksy ideologicheskoy raboty,” www.nmnby.eu, accessed 21. 04. 2011. In the period of 2001–2007 dozen of books and scripts appeared, among them: V. A. Greben, *Osnovy ideologii belaruskogo gosudarstva* (Minsk, 2009), S. Knazev, S. Reshotnikov, *Uchebnik po ideologii*, (Minsk, 2004), Svetlana G. Parechyna, *Kontseptualnye osnovy ideologii belaruskogo gosudarstva* (Minsk, 2005), Evgeniy Babosov, *Osnovy ideologii sovremennogo gosudarstva* (Minsk, 2007), Vladymir A. Melnyk, *Gosudarstvennaya ideologiya Respubliki Belarus. Kontseptualnye osnovy* (Minsk: Tesey, 2004), see also texts of: Evgeniy Babosov, “O sovremennom haraktere ideologii,” *Belaruskaya Dumka*, 2003 no. 6, V. Velichko „Nuzhna li obschchestvu ideologiya?,” *Belaruskaya Dumka*, 1996 no. 5.

National Idea or European Identity?

In the beginning of the 1990's many Polish experts tended to compare and point out common features of national and state revival in Lithuania, Belarus and Ukraine. From today's perspective we could hardly agree with that point of analysis, however this was widespread not only in Poland.⁵ But the main difference between all three post-Soviet states lies in the way of national destruction. The communist experiment to create a "new human being" was applied with extreme attention in Belarus. In Lithuania and Ukraine there remained some rests of Church, of national language, national schools, national higher education etc.

Sociological surveys conducted by Professor Oleg Manayev reveal that 15 years after fall of Soviet Union 52% of citizens of Belarus Republic identify themselves as a "Soviet men". And only 36% feel themselves European.⁶ Belarus has suffered in these cultural and moral areas the greatest loss and became a victim of huge social-political experiment aimed to create human being without past, tradition or ballast of "old ideologies". And yet despite this, to the astonishment of the inhabitants BSRB itself, during the short period of "perestroika", the nation, Church, self-identity of many local communities were revived from the ashes and cinders.

National issue was obviously too weak to create strong elites quickly and to construct a strong state with them.

In the fervor of new independence in 1994 Alexander Lukashenka came to power, a man who was created by that old Soviet system. For him the main *idée fixe* was opposite to national revival. He decided to save at least some parts of Soviet Union. For this project newly reshaped state ideology must be one of most crucial component. Of course, new ideology, without elements of communist or straight Marxist-Leninist philosophy. But the academics and senior functionaries of presidential administration responsible for this state ideology have been shaped and educated under the communist rule and control. So in the result most handbooks are very similar in their structure and way of formulations of the main notions to the concepts of Soviet Marxism-Leninism, however without the same formulations and names.

Some of key persons in the presidential administration during period of last ten years (among them: V. Zametalin, A. Rubinov, O. Proleskovsky) insist that state ideology must be on one side a strong support for power and legitimate it on the other side the fundament for functioning society. Such approach could only bring a smile because it rather reveals axiological and ideological vacuum than demonstrate powerful state. But the problem is much more complicated when we take on the observation, academic analysis and the condition of human sciences after communism. It is enough to review

⁵ See materials and texts of the Center for Eastern Studies, especially „Biuletyn białoruski”, published in the period of 1992–1997.

⁶ Oleg Manayev (ed.), Belarus' y 'bolshaya Evropa': v poiskah geopoliticheskogo samoopredeleniya, (Novosibirsk, 2007), 7.

universities' libraries in that area, read some handbooks or scripts on sociology, psychology, political sciences. Most of footsteps in these books relate to old Soviet or Russian bibliographical sources.

Crisis in that area has not been overcome since the 1980's and 1970's. In the articles of senior representatives of ideological "front" one could more often find notion "ideology" than "value", the word "doctrine" replaces "philosophy", theology is rather replaced by positivistic descriptions of prejudices and superstitions. At best, they under breath mention "tradition".

This clash of different worlds in Belarus has drawn our attention and had been described by Piotr Rudkousky who deeply analyzes the world of values that govern within Belarusian politics.⁷

Rudkousky leans over differences between Zenon Pazniak, legendary initiator and leader of Belarusian National Front (BNF), and quotes Vasyl Bykov (writer and national bard) and Pavel Jakubovych (editor-in-chief of the powerful governmental daily newspaper "Sovietskaya Belarus"). The first describes Pazniak as an "apostle of truth and justice" that could predict the fate nation, the second sneers and states that Pazniak is lost and ineffective politician. At the turn of 1980's and 1990's Pazniak and his followers led on a huge campaign focused to awake national identity and recover, rebuilt from remains and ruins, from archeological artifacts, form society immersed in the European and Christian political context. Personal ambitions of Pazniak seemed to be concentrated not at the current struggle for power but wider at the state-building. As a politician he failed, of course. Rudkousky doesn't build a monument for Pazniak, but accuses him that he too radically cuts Belarus off modern European model recognizing it as "liberal plague". "Founding father" of BNF changes national idea into to a fundamentalist, nationalist belief.

Pazniak himself, as an emigrant since 1996, judged and condemned division that was done in the BNF for two factions: European-liberal and national-Christian-democratic one. He also recognized that the first faction precipitates Belarus into the arms of "Berlin-Moscow-Coalition". Rudkousky with an analytical distance wonders that such a division has appeared so late, because in other countries social-national movements formed a diversity of political stage ("Solidarity" in Poland, "Sayudis" in Lithuania, "Rukh" in Ukraine and others). Liberalism, reasoning by Pazniak, differs from that complex of notions that we meet in Polish political discourse, notices professor Paweł Śpiewak. The effect of liberalism in post-communist countries is far-reaching confusion, jumble of concepts and meanings. The strong state can afford itself to such liberalism, but our societies, in this part of Europe, couldn't "chase new ideas", copy patterns, but should build with such material it has in its hands (social subsoil, cultural context, circle of conflicts and problems to be solved).⁸

⁷ Piotr Rudkouski, *Powstawanie Białorusi* (Wrocław: Kolegium Europy Wschodnie: 2009), the same author: *Białoruska idea narodowa w XXI wieku* (Lublin: Instytut Europy Środkowo-Wschodniej, 2008).

⁸ „Grzechy polskiego liberalizmu,” interview with Paweł Śpiewak, www.kulturaliberalna.pl, accessed: 28. 04. 2011.

In this sense we could agree with Pazniak, but in the very narrow meaning of “liberalism”, as a something imported, synthetic, as a product (medication) applied to the unprepared social body. Europeanism is for Pazniak equal with Christianity. Rudkousky quotes: “Belarusians historically defeated this struggle [for Europeanism – MM]. Defeated first of all because no one in Europe didn’t identify European culture and necessity to defend it. Solidarity in Europe was just enough for Crusades. Belarus as the Great Lithuanian Duchy remained alone in front of Muslims’ Orda and in fact, as wrote Husowski, at outskirts of Christian world”.

Such a way of thinking is mystical, says Rudkousky. And it’s hard not to be agreeing with him while the founder of BNF misses multifunctional and multilevel definitions of European civilization. Belarus in geopolitical sense, as the bulwark of Christianity is not alone. In many countries of our region such typical, mystical politics is very common.

For Pazniak Europeanism in Belarus is strictly related, knitted with the tradition of Great Lithuania Duchy. And of course the only right national identity in the current time and latest history is presented by the BNF faction “Revival” (Adradzhenie). Rudkouski doesn’t deny or ridicule such views but tend to put questions and this way opens wider discussion on models of “nationalism” with followers of BNF. He also seizes opportunity during discussion on bilingualism in Belarus to notice that among supporters of Pazniak most of them are moderate Euro-sceptics that would rather use “European idea” as an effective tool to strength state. BNF activists see as useful different geopolitical European projects such as Baltic-Black Sea Union which refers to old Polish idea of “intermaris” (isthmus), popular before II WW and associated with Pilsudski’s federalism.

The more dangerous than naive nationalism and post-Marxism in the new form of state ideology seems to be entire ideological complex of blurring idea of sovereignty. No side of this ideological war in Belarus could even formulate another modern threat – so called “post-politics” (or political technologies) and could not put direct question on fundamental controversy: where is the difference between “axiological” and “ideological”.⁹ Many authors state that basic distinction may be focused in the receiver (consumer). Ideology seemed to be focused on society while system of values refers to individual. And here maybe lies the difference between East Christian culture (Russian Sobornost’, collectivism) and western individualism rooted in tradition of Rome and Protestantism?

Political technologies are orientated on the social (collective) drive to be well organized, where hierarchy of goals and motivations is clearly and distinctly being formed by Power (political or spiritual). Political technologies are established for wider groups, collective, society and must be orientated for group. In this sense post-Marxist ideologists

⁹ E.g. set of texts, collection (ed. Pavel Usov), where authors contrast political technologies of power (presidential administration) and opposition, during last presidential campaign (2010) see more: www.n-europa.eu, accessed: 23.09.2011.

in Russia and Belarus are right because for them system of values is the point of reference. But the difference in the socio-political meaning between high organized western civilization and that area called “second world” (including post-Soviet space) that in that first world nobody creates state ideology twined on the axiological structure. The core is the legal system and constitution of course but it mirrors pre-existent axiological system of the society, not in contrary.

One could argue that it doesn't refer to the French revolution, however the époque of Enlightenment brought us to another problem – deposition of God and replace religious order to human system of values.

Political ideologies in the post-Soviet space are reflected in political doctrines and programs of various political parties, we could read programs, strategies, leaflets during election campaigns. And many specialists of human sciences are often employed by the parties and strongly argue that ideologies are necessary to govern effectively and lead management in the society (collective). Characteristic for post-Soviet space is that in the political sciences' centers, in the non-government organizations most frequently used notions are: technology, mathematic model of society, management of social groups.¹⁰

Technology becomes a sort of belief and ideology “per se”, because it supports “polit-technologists” and makes them sure that they are close to Philosopher's Stone (lapis philosophorum) which creates society itself, which manages system of motivations, human conscience and gives the power over people as that of ancient priests.¹¹

What in post-Soviet space is described as “polit-technologies” in Poland is more often replaced by the notion “post-politics”. Mykola Ryabchuk, well known Ukrainian historian and essayist, noticed once¹² that the caricature (cartoon) of state ideology could be presented as (while – management) “momentokratiya”. It is based system of justification of current political decision using all necessary political instruments that ruling power have at hands (journalists, mass-media, campaigns, etc.).

An even if we insist that there is a great gap between ideology and the system of values based on a Christian ethics, “Soviet” partners and interlocutors in Russia and Belarus would rather stick to its belief that it is nothing than ideology. Do they have right to express it that way? This question must be considered in another wider paper.

¹⁰ In Poland such „polit-technologies” are represented by Józef Kossecki, *Cybernetyczna analiza systemów i procesów społecznych*, (Kielce: Wyd. WZiA WSP, 1996), *Jak sterować społeczeństwem*, (Warszawa: Wyd. MAW, 1984), *Elementy nowoczesnej wiedzy o sterowaniu ludźmi. Socjotechnika, socjocybernetyka, psychocybernetyka*, (Kielce: Wyd. WZiA Akademii Świętokrzyskiej, 2001).

¹¹ José Ortega y Gasset, *La Rebelion de las Masas*, (1930), English edition: José Ortega y Gasset, *The revolt of the masses*, (University of Notre Dame, W.W. Norton, 1985), Gustav Le Bon, *La psychologie des foules*, (Teddington: the Echo Library, 2008) and Julien Benda, *La Trahison des clercs*, (Grasset, 1927).

¹² Mykoła Riabczuk, *Dwie Ukrainy*, (Wrocław: Kolegium Europy Wschodniej, 2009).

Faces of Belarusian State Ideology

European Union or “European idea” was not present in the last years in the state ideology since the senior officers responsible for its development were not prepared intellectually and mentally. Most of them, as it was mentioned above, were educated in Soviet Union. Their formulation and notions connected with ideology were rather closer to war time or totalitarian state. The main purpose in such state reduces to protection soldier or citizen against hostile meaning or information that may weaken him and consequently destabilize USSR.

One of the most committed advocate of the development of state ideology in Belarus was close contributor of Alexander Lukashenka, author of many political strategies – Oleg Proleskovsky, current Minister of Information.¹³ This person visibly illustrates the role of ideology – it must protect power during implementation political and economical tasks. It may wonder many observers from western world, but... if only we say about political technologies, public relations it sounds and looks like quite rational management. One could say that in every army effectiveness during psychological war could be reached in many ways. Belarusian senior officers are only responsible to protect President/State, its power and its economical interests. And they have two sorts of tools. One comes from the ethno-religious area, the second rational-self-identity. Let’s review some examples of characteristic formulations in the state ideology.

Panslavic-Orthodox Formula

There are few different versions of this formula. They are hung between catalogue of values rooted in the Orthodox Church. A widespread feeling of threat that comes from West is characteristic. Hostile western civilization brings to “Orthodox space” consumerism, pride of spoiled civilization, aggression of NATO, ruthless capitalism, rampant individualism, etc. Some of Lukashenka’s senior representatives uses many of this Orthodox phraseology which is present in Russian (and therefore Belarusian, Ukrainian) literature since 17th century. Oleg Proleskovsky, and besides him Lev Kryshchapovych, use from time to time instruments from this area.¹⁴ Both are authors of an article in the

¹³ Oleg V. Proleskovsky, (born 1963 in Zagorsk, n. Moscow), officer of the rocket troops, held military service in GDR, than lecturer at the War Academy and Academy of Secret Service, specialist of so called ideological division. After collapse of Soviet Union permanent resident in Belarus. In 2002–2003 – Chief of the State Information Press Agency BELTA. Since 2003 to 2009 deputy-chief of the Presidential Administration, responsible for ideology development, Head of Analytical Center. Since 2009 has been Minister of Information of the Republic of Belarus.

¹⁴ Lev Kryshchapovych (born 1949), Doctor of History, Deputy chief of the Information-Analytical Center of Presidential Administration. Author of many articles on history of Belarus and Russia (e.g.: *Belarus-Russia: historically based unity of both nations* (2006), and *Belarus as a Russia’s shrine* (2010). Within his area of interest are Uniatism, Jesuit Order in Belarus and Great Duchy of Lithuania.

Russian internet newspaper in which they don't agree with main thesis in the speech of Putin on September 1, 2009 in Gdańsk. They argue that Ribbentrop-Molotov Pact was rational and regrettably condemned by the last Supreme Soviet of USSR in December 1989. Both Proleskovsky and Kryshapowych are in favor of a strict Russia-Belarus co-operation based on historical heritage and spiritual community.

Predecessors at this post in administration were Vladimir Zamietalin¹⁵ and Sergey Posokhov.¹⁶ Both don't have serious academic background or literature output but were very active in the process of ideological building around "Russian-Belarus Unification" project in the 1990's.

For such officers any ideology based on the national-self-identity component must be hostile and brings threat because of national, citizenship or republicanism philosophy assumes or supposes participation of wider group of people in the process of formulation priorities within politics.

One of most active follower of state ideology based on the Slavic-Orthodox idea of unity is Sergey Kostyan¹⁷, which concepts presented for many years in the weekly "Slaviansky Nabat" (Slavic Bell), are aimed against West and against Poland. He's been blaming Western countries (neighbors) for drive to destroy nations of former Soviet Union and spoiling relations among Slavic nations (especially alleged Polish attempt to break "genetic unity" of Belarus and Russia). Similar opinion we meet in the academic handbook for state ideology of Anton Melnyk.¹⁸

Another representative of this stream is Mikhail Radkov.¹⁹ V. Bobrovych notices in his work that in 2003 Lukashenko has inspired himself workers of ideological divisions in the central and local administration and encourage them to seek "new ideological orientation", in which the unique "messianic" role among eastern Slavic nations would

¹⁵ Vladimir Zamietalin (born 1948), Russian, colonel in Soviet Army, serving in the ideological division. He became a citizen of Belarus after 1991. Worked for Prime Minister Kebych (rival of Lukashenko during first presidential campaign in 1994), than started to work for Lukashenka. During last 15 years was high representative (many years Minister of education) in government or presidential administration. Since 2009 has been the chief of the Film Studio "BELARUSFILM".

¹⁶ Sergey Posokhov (born 1944), Russian, colonel in Soviet Army, served in Grodno (Western Belarus, in the political division), responsible for many political campaigns against Polish minority in Belarus. Since 1994 active member of Lukashenko's campaign staff In Grodno. Subsequently worked as a senior officer in the presidential administration. Since 2003 retired and moved to Russia.

¹⁷ Sergey Kostyan (born 1941), historian, professor, lecturer at pedagogical university, well known activist of KOMSOMOL (Soviet youth movement) and Communist Party (CPSU), deputy of the Supreme Soviet and Chamber of Representatives, President of Belarusian Slavic Committee, author of numerous books and articles concerned on idea of slavistic unity (e.g: *Mir i Edinstvo Slavian* [World and Unity of Slavic Nations], 2008)

¹⁸ Vladimir A. Melnyk, *Gosudarstvennaya ideologiya Respubliki Belarus. Konceptualnyye osnovy* (Minsk: TESEY, 2004),

¹⁹ Mikhail Radkov (born 1951), deputy chief of the Presidential Administration, responsible for ideology, founder and activist Socio-Political Movement „Belaya Rus” (White Russia). This organization began its activity in 2007 and was though in need as to be a social basis for Lukashenko. However, this organizations is today in asleep.

play Belarus.²⁰ Lukashenko has ascertained that Russia loses its cultural and spiritual leadership or superiority in the Eastern-Euro-Asiatic civilization: "...in the entire world only Belarus remains a country that proclaims fidelity to our traditional values (...) in addition we could work not only for a profit but for the others, for community, for the good of collective. Liberal ideology is deeply strange for Belarusian mentality. In the contradiction to the western liberalism we would base on 'collectivism', mutual aid, social care and respect of the state for the nation" – stated Lukashenka.²¹

Soviet – Atheistic Formula

In 2006 the political row broke out in Belarus when professor Anatoly Rubinov²², deputy chief of the Presidential Administration published an article in the main official daily "Sovetskaya Belarus".²³ In his text Rubinov described religion as harmful superstition and referred to old communist slogans taken from 19th century, that religion is "opium" for the people. The title of his article was "Science and society" and most of it was dedicated to situation of science and education in Belarus. Professor stated that in the time of USSR it was well organized; young people could find work for themselves in many disciplines and scientific areas and that way support development in the country. Books, scripts and academic works were being published in thousands of copies. Popular science publications were widespread and accessible, willingly being read and inspiring for personal intellectual growth. Science was also fundament of rational outlook based not on the superstitions but on experience and experience-based conclusions. As the system was destroyed in 1990's rationalism was replaced by "dark phantoms of the past" – religious and nationalism. In mass media began to spread "superstition, divination and whisperers". Some of scientists, reasonable in the past, changed ideological orientation and publically started to proclaim that God stays behind everything. Frontal attack against materialism and empiricism was launched. The respect for monks, monasteries began to spread while it doesn't bring anything to material development of human kind. What one call soul, it is in fact coincidence of psycho-emotional reactions on the world around us. These are not only reflective reactions but also rooted in education, personal experience, tradition, ethics etc. Rubinov firmly states that main carrier of these reactions is our brain. What religion takes as a spiritual world in fact is material transposition of various experiences.

²⁰ V. Bobrovich, „Paradoksy ideologicheskoy raboty”, 4.

²¹ Ibid.

²² Anatoly Rubinov, (born 1939) professor of physics, specialist in the field of organic conductors, quantum physics and optical physics. In the period of 2006–2008 Deputy Chief of the Presidential Administration, responsible for the ideological division. In 2010 he becomes the President of the Council of the Republic (upper chamber of parliament – *Saviet Respubliki*).

²³ Anatoly Rubinov, „Nauka i obshchestvo,” *Sovietskaya Belarus*, December, 12, 2006, 1 – 5.

Rubinov underlines that he is not against religion, it has a right to exist but should be far from state. The weaker state ideology, the weaker the state. Strengthening Belarus could be realized through increasing role of science and reducing role of religion.

The Orthodox Church felt the most hurt by this article. The result was the official reaction of Orthodox episcopate. Metropolitan Filaret send a personal letter to President Lukashenka demanding to cease atheistic propaganda in official state media, to respect rights of believers and stop “attempts to restore communist system”. Despite the outrage of Orthodox hierarchy, which is widely recognized as a conducive to current power, Rubinov held the key position in the administration of Belarusian President for two years. In 2010 he became the head of upper chamber of parliament.

Martial Formula

Specific sort of state ideology is represented in Belarus by Alexander Zimovsky.²⁴ He is well known as a TV presenter, author of “scathing” comments on current political situation. For many years Zimovsky was regarded as a main ideologue of political system of Lukashenka. Many of his programs and comments in state TV were illustrated with pictures and materials from war in Yugoslavia. He used to present current world’s politics as a global conflict between West and East and Belarus as one of the most important frontline of this war. Democratic opposition’s been presented as traitors collaborating with West. This simplified vision of world’s politics was regularly and frequently presented in the state mass media, became a interpretation and ready material to use by all ideology officers in Belarus.

Alexander Zimovsky for two-three years was widely recognized as an informal head of state ideology division in Belarus.

“Quasi-European” Formula

Among the analyst of younger generation devoted to authorities in Minsk we could notice growing competencies in human sciences and therefore in state ideology area. They seem to be far from “Soviet-martial” formulas and vocabularies, more likely use term of modern sociology. They are better educated, speak foreign languages and could be experts on equal level at open discussions and panels. Their conceptual apparatus, neat semantic and methodological approach let them defend thesis even on the international level, conferences and meetings. Some of them started few years ago to name “Lukashenka’s state”

²⁴ Alexander Zimovsky (born 1961 in GDR), officer of Soviet Army, graduated from the War Academy of Politics in Lviv. In 1998–1999 worked as a correspondent in Yugoslavia. In 2007 completed State University in Pinsk (established by President Lukashenka in 2006) as a specialist in a field of banking.

as a “dissident of Europe”. It means that contemporary Belarus is the European state and has right to have specific political choice situating country outside of the process of European integration. In March 2011 in official newspapers some of them began open debate on the position of Belarus within Europe. This proves the problem as important for ruling power and doesn't imply or prejudge of so called “Belarusian geopolitical choice” as it is described in most of handbooks and scripts on state ideology.

As a personal example of such doubts and discourse in the governmental environment may serve three main figures: Sergey Kizima, Yuri Shevtsov and Vladimir Gigin. Kizima works as academic lecturer in Presidential Academy of Management in Minsk.²⁵ In March 2011 he took part in the international conference, organized by German Marshal Fund in Bratislava. During his presentation Kizima tried to explain the “true” course of events in December 2010, when opposition gathered thousands of Belarusians at main square of Minsk and demanded to invalidate and repeat of presidential elections. Kizima started detailed explanation about financial sources, external sponsor and ringleaders of this demonstration. When started to compare Belarus democratic opposition to Al-Qaida hosts and organizers of conferences disrupted his speech.²⁶ Kizima expresses in his articles main view that Europe is not democratic and could not regard different systems and socio-political models. European Union should reject its imperial way of development otherwise will collapse.²⁷ When Kizima returned full of outrage from Bratislava to Belarus announced together with Yuri Shevtsov that Europe doesn't want to discuss and doesn't want to hear anyone else than its followers. Shevtsov used that event in Bratislava to describe a model of Belarus – EU relations, defining position of Minsk as a dissident. The most interesting in that case is that Shevtsov worked for many years as an academic lecturer at private European Humanitarian University in Minsk – recognized in European Union as independent and dissident academic centre (since 2006 in exile in Vilnius, Lithuania).

Yuri Shevtsov describes EU as a bureaucratic structure, which doesn't have chance to maintain in the future. It is particularly clear during the current financial crisis, when the prosperous countries impose conditions of poorer countries of South and Eastern Europe.²⁸

²⁵ Sergey Kizima (born 1973), Doctor of Political Sciences, historian, lawyer, Head of Department of International Relations at Academy of Management in Minsk, expert and advisor of Consultative Council of the Analytical and Information Center in Presidential Administration. Kizima has written many papers about state ideology, relations with Russia, Belarus position within global relations. In last two years he wrote several texts about the process of Belarus-Venezuelan integration. Detailed list of his works one can find at website: (http://www.pac.by/ru/general-information/structure/institut_gos_sluzhbi/fakultet_perepodgotovki/kaf_mezhdunarodnih_otnoshenii/shtatnyi_sostav) (access: 29.05.2011).

²⁶ See: „Belaruskih ideologov lishili mikroфона na forumie v Bratislave,” accessed March 18, 2011, <http://charter97.org/ru/news/2011/3/10/36653>.

²⁷ N. Romanova, I. Kolchenko, I. Kirylenko, „Osobennosti evropeyskogo dialoga,” *Sovetskaya Belarus'* – Belarus Segodnia, April 7, 2011, accessed April 14, 2011, <http://sb.by/post/114929/fontsize/11/>.

²⁸ *Ibid.*, 3.

Shevtsov expressed his critical approach to the „EU project” in his many academic and journalistic writings. He also criticizes historical project of Grand Duchy of Lithuania.²⁹ He describes East European resistance against communism and Soviet Union of 1930’s and 1940’s, including Polish underground army (*Armia Krajowa*), as a fascists’ collaborators.³⁰

In 2005 Shevtsov published a book in Moscow, with the support of Gleb Pavlovsky, one of well known ideologist and PR specialist of Vladimir Putin, titled “Phenomenon of Belarus”. Enthusiastic introduction is written by Pavlovsky.³¹ Shevtsov proves that the socio-economical model in Belarus conducted by Lukashenka is the most favorable, beneficial and effective. He states that Belarus as a “country of catastrophes” (II WW, Chernobyl, etc.) rejects EU integration prospect since it is alien to Belarus’ culture and tradition.

In Belarusian self-identification he sees specific merits such as reluctance, aversion to Russification and, on the other hand, to “Europeanisation”. This characteristic of Belarus is focused in term “country of catastrophes”, where Chernobyl disaster of 1986 plays a key role. Belarus lies within Europe, but in that worse, hidden, hunted by misery. For Shevtsov the notion “Belarusian” isn’t ethnologic but technologic, because inhabitant of this country always put question “how to survive?”. Technology of survival is dominant in Belarusian policy and geopolitical choices.

Shevtsov justifies Lukashenka’s system finding neat formulation to describe it – the “authoritarian modernization”. The power seems to be abused but in fact the goal is to strengthen state and make step ahead toward a development, argues Shevtsov. He notices: “We could not accept standards imposed on us by Europe, despite the fact that we are Europeans, because it would lead us to national revival through Russophobia. Belarusians are not capable of doing this. Belarusians could not afford themselves for rehabilitation of Nazi’s collaborators while it is in contrary with common ‘historical remembrance’. Belarusian could not accept ‘shock therapy’ in economy what has been imposed by EU standards, while these standards don’t come from integration policy itself but from Brussels’ bureaucracy that do not take into account local and regional differences. Conflict Minsk-Brussels is rooted not in the system of values but in the struggle against dull European bureaucrats”.³²

One could agree that most of such thoughts seems not so original and could be easily directly copied from texts of many European diplomats, politicians and theorists of political sciences.

²⁹ Y. Shevtsov, *Dezintegratsiya kulturno-politicheskogo prostranstva Rechi Pospolitoj v 1587–1592*, (Vilnius, 1994).

³⁰ Y. Shevtsov, „*Belaruskaya ideologiya antinacizma v ohvachenoy kultom kolaborantov Vostochnoy Evrope*,” accessed April 20, 2011, http://www.perspektivy.info/misl/cenn/beloruskaja_ideologija_antinacizma_v_ohvachennoj_kultom_kollaborantov_vostochnoj_jevrope_2008-10-29.htm.

³¹ Y. Shevtsov, *Obiedinonnaya naciya. Fenomen Belarusi*, (Moscow, 2005). Similar vies are presented in previous text of this author and others. See: Y. Shevtsov (ed.) *Geopolityka Belarusi*, (Minsk, 2002).

³² See: Romanova, Kolchenko, Kirylenko, „*Osobennosti evropejskogo dialoga*,” 3.

Vadim Gigin³³ doesn't agree with Shevtsov in description Belarus as an „European dissident”. It's colorful, attractive, sounds good but brings connotations and associations with Soviet dissidents who were treated in USSR as losers and duffers. Belarus doesn't have a good brand in the West and for the most Europeans it is a “partisan country”, what means resistance both in the sense of II WW and mentally what describes a hidden and withdrawn personality. Gigin convinced that Belarus associated in Europe with the name of Lukashenka, kolkhoz and tractors needs “rebranding”, change stereotypes. But for such activity a huge financing from state budget is necessary.³⁴

Shevtsov sees another positive aspects of current political situation in Belarus, which is not sufficiently promoted by authorities in the international relations – the good neighborhood. Despite the fact that in most of neighboring states dominate right-winged governments, Belarus doesn't have conflicts with any of the neighbours and no territorial claims. For Lithuanians Belarusian self-identity and historical heritage may cause problems and threats. Belarusian nationalism irritates its neighbours and its escalation may bring confrontation with Lithuania, particularly the problem of state adhesion of Vilnius. With Poles local nationalists would have many ideological problems, while Belarus as a post-Soviet state is recognized as a stranger. As Gigin says: “...traditionally we bet on those political parties and ideological sympathies that are described as left-wing”.³⁵ This could be an outline of lobby strategy for Belarus, agrees Shevtsov.³⁶

Three mentioned above analysts agree in discussion in „Sovetskaya Belarus” that Belarusian allies in the relations with EU are all members dissatisfied with decisions made by Great Four (London, Berlin, Paris, Rome), countries with strong Euro-sceptic political parties and neighbours of former USSR (Lithuania, Latvia and Estonia). Most of them notice great harm for their economies caused by sanctions and tariff limitations (e.g. withdrawal of General System of Preferences – instrument of EU). These bureaucratic sanctions hit members of EU (weakening transport corridors, significance of sea ports, energetic cooperation etc.). Analysts suggest official Minsk to make ad hoc alliances with different dissatisfied and Euro-sceptics and “play on contradictions”.

This younger generation of Belarusian “ideologists” may seem calculative and cynic but bring much more content into state ideology than the old generation of officers. What is worth to underline, younger analysts distinctly escape from old Soviet model of ideology seeking new definitions and new ideological areas that are not yet “inhabited” and “occupied”.

³³ Vladimir Gigin (born 1972), Ph. D., Editor-in-Chief of monthly „Belaruska dumka” (“Belarusian Thought”, socio-political journal founded by Presidential Administration). Author frequently publishes his articles at various Russian websites (e.g. „Suvorov vs. Kościuszko”, „Victory of Grunwald: glory and limits of our history”, „Lesson of Kulikovo Field Battle” and many others).

³⁴ See: Romanova, Kolchenko, Kirylenko, „*Osobennosti evropeyskogo dialoga*,” 4.

³⁵ See: *Ibid.*, 5.

³⁶ See: *Ibid.*, 5.

Citizen's Belarus and State Ideology

Idea of citizens', "republicans" state appears in many works and books of the EU orientated Belarusian experts. The most important sociological surveys in that area, based on years of research has been realised by professor Oleg Manayev³⁷ and his team as well many different authors from various expert centres.³⁸

Basic notions concerning public activity, responsibility of citizens could be observed in the relation to "European idea" and European integration. First of all it shows effectiveness of state ideology presented above by senior officials and government experts. Andrey Kazakevich summarizing his survey based on respondents of Belarusian political, scientific, culture elites divides this into four groups, "corporations".³⁹

This coincides more or less with our previous considerations on state ideology. The point of reference is the relation to the "European idea" and Kazakevich puts such questions as: "What does mean Europe for you and what place has Belarus in it?" "What Europe could bring Belarus?" "How does Belarusian self-identity look like, what designates it?" "Does anything like 'Slavic self-identity' exist?"

Based on answers author indicates four typical attitudes toward the "European idea". First represents post-Soviet elites, for whom Europe refers rather to geography than ideology. That group absorbs more likely ideological offers coming from Russia since it's easier and closer. Most frequent connotations are: Slavic community, common geopolitical space, cultural and spiritual community etc. Europe doesn't bring generally negative associations. The above mentioned case of Sergey Kostyan is rather exception. Even during the last years of USSR many citizens and official propaganda treated European project as a common economic space what was more or less acceptable as model of cooperation for communist power.

Second group – national elites representing contrary approach to European integration. For them "European idea" fits to national revival since they regard Europe as the community of values, culture, history and tradition. Return to Europe means comeback to the roots of Belarusian state, based on heritage of Grand Duchy of Lithuania. Kazakevich concludes that in contrary to some Eurasian post-Soviet state (e.g. Kazakhstan) European idea was not mixed with post-Soviet ideology since nationalistic parties (BNF) were pushed from the political field to the dissident position.

Third group of Belarusian elites was formed in the post-ideological circumstances. The fall of USSR for them was equal with the fall of all ideological systems. Representatives of this group reject with aversion every sort of idea. They recognize themselves as

³⁷ Oleg Manayev, "Belarus' i 'bolshaya Evropa': vybor puti. Pozitsiya osnovnykh subiektov geopoliticheskogo vybora Belarusi," in: Belarus' i „bolshaya Evropa: v poiskah geopoliticheskogo samoopriedielyeniya, ed. Oleg Manayev, (Novosibirsk, 2007), 12–30.

³⁸ See: Valer Bulhakau et al., Belarus: neither Europe nor Russia: Opinions of Belarusian Elites (Warsaw: Stefan Batory Foundation, 2006).

³⁹ Ibid., 247–256.

pragmatics, aimed to reach good material status without any strong ethnical or cultural identification. Kazakevich describes them as the new elites. They treat equally instrumentally either European or Russian ideological offer. This approach seems to become a mainstream in the political life in Belarus. Most of them without deeper reflection accept official propaganda. In this group one could meet such opinions like: “West means threat”, “Yugoslavia was attacked groundlessly by hostile NATO”, “colourful revolutions are being supported and financed by USA”, “terrorist attack of 9/11 was done by CIA and Israel” and similar products of official and informal post-Soviet propaganda. Oppositional activity is not of interest of course since it means threat for personal status.

And fourth group indicated by Kazakevich is described as younger generation. For these people appreciate first of all personal success and effectiveness, not without a bit of cynicism. We could meet representatives of this group in all mentioned above. They could be a member of democratic opposition, willingly take part in various “contracts” political or economic with ruling power. Ideas are receipt only on the operational level not as a fixed system of values. Every contact with Europe (tourism, professional, cultural relations) is quite natural and accepted. In this sense they are advocates of openness to Europe if it only brings such profit as freedom of travel, work, economic exchange. What is interesting in this context – Kazakevich wrote this text in the age of 26, therefore we could take it as an example of his own experience, observation among mates and friends.

Let’s follow professor Manayev results of surveys: how did the „European idea” looked like through sociological mirror? In 2007 Manayev noticed characteristic diversity and dynamism when he put the question about hypothetic Belarus’ membership in the EU. Professor sees a huge role of mass media, official propaganda, economic situation, since the same question in various moments brings significance different results. This instability of social opinion, mood swing, hesitation indicates weak ground of system of values and susceptibility to social engineering tricks. Here Manayev sees the reason of irritation of ruling power caused by presence in the informational space of such new international initiatives as media broadcasting from abroad : TV BELSAT, RTVi, Radio Ratsiya, Deutsche Welle and others). It refers even to Russian media, which are at times critical to Lukashenka. Authorities could sometime cut off terrestrial broadcasting of Russian TV. On the contrary official propaganda could play with Moscow demonstrating wave of sympathy to West in media. In 2007 36% of respondents were for hypothetic Belarus’ membership in the EU. Almost the same percentage (36,2%) were advocate of integration with Russia.⁴⁰ Liability of public opinion is visible, when we compare results of such surveys in the perspective of a few years.

⁴⁰ Manayev, “Belarus’ i ‘bolshaya Evropa’: vybor puti,” 13.

| | | | |
|------------------------------|-------|-------|-------|
| Types of questions | 02'06 | 09'10 | 10'10 |
| Integration with Russia | 56.3 | 34.9 | 35.4 |
| EU Membership | 27.5 | 41.7 | 42.2 |
| Without answer, I don't know | 16.2 | 23.4 | 22.4 |

Based on: <http://www.iiseps.org/arhiv.html>

Results of surveys in March 2011 presented by Manayev's team distinctly show significant jump and change in favour of the European option. Table below shows answers for the question "If today was referendum about EU membership what would you answer?"

We notice significant difference by date December 2010, where public opinion was under strong influence of propaganda during the time of presidential campaign.

Below the results of public opinion poll concerning the hypothetical entrance to EU (perspective 2006–2011):

| | | | | | | | | | |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Type of Answer | 06'06 | 12'08 | 03'09 | 12'09 | 03'10 | 06'10 | 09'10 | 12'10 | 03'11 |
| Yes | 31.5 | 30.1 | 34.9 | 40.7 | 36.2 | 36.4 | 42.2 | 35.3 | 48.6 |
| No | 49.2 | 40.6 | 36.3 | 34.6 | 37.2 | 39.4 | 32.5 | 40.6 | 30.5 |

Based on: <http://www.iiseps.org/arhiv.html>

Besides the serious lability of answers one should pay attention that in the key questions on geopolitical choice permanent growth for European integration is visible. It is also noticeable in changing dynamic concerning question about integration with Russia (perspective 2001–2011).

| | | | | | | | | | | |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Type of Question | 08'01 | 06'06 | 12'07 | 12'08 | 03'09 | 03'10 | 06'10 | 09'10 | 12'10 | 03'11 |
| Integration with Russia | 57.4 | 44.9 | 43.6 | 35.7 | 33.1 | 32.1 | 29.3 | 33.1 | 29.8 | 29.2 |
| Against integration with Russia | 20.9 | 28.9 | 31.6 | 38.8 | 43.2 | 44.5 | 48.6 | 45.4 | 46.9 | 53.1 |

Based on: <http://www.iiseps.org/arhiv.html>

In the study, edited by Manayev and his team, we observe how the notions of "European idea" and European integration are strongly associated with demands of the democratization, free market and improvement of social situation in Belarus. Even leader of oppositional Communist Party (which changed official name in 2010 into Social Democratic Party) is for "integration with EU" as it is strictly connected with the process of democratization⁴¹.

The correlation between „democratization” and „European idea” was pointed out by Vitaly Silitsky in 2006. He noticed that ideological activity of the Presidential

⁴¹ Sergey Kaliakin, „Budushche Belarusi v ramkah ili za predelami 'bolshoy Evropy',” in: Belarus' i „bolshaya Evropa”: v poiskah geopoliticheskogo samoopriedieleniya, ed. Oleg Manayev, (Novosibirsk, 2007), 31–48.

Administration is not effective. There is still growing interest of society in politics and still greater attraction of democratic and free market models.⁴² His conclusion is that the opposition, more and more marginalized since 1994, in fact takes more public space in the ideological sense. They are not effective in the struggle for power in the country, but more powerful in the struggle for public opinion in Belarus. As Silitsky jokes, this may be a kind of consolation.

Official propaganda began to take some elements of „European idea” and implement them in its electoral campaign (both parliamentary in 2009 and presidential in 2010). Lukashenka started to use national self-identity and many other elements of oppositional notions (stability, good relations with neighbours, good of the nation). Activity of younger generation of Lukashenka’s system’s officers indicate that soon we may even witness official propaganda using the terms and concepts related to cooperation with EU rather than with Russia.



⁴² Vitaly Silitsky, “Signs of Hope Rather than a Colour Revolution,” in: *Prospects for Democracy in Belarus*, eds. J. Forbrig, D. Marples, P.Demeš, (Bratislava, 2006), 20–26.

III

EU'S POLICY TOWARDS THE SOUTH CAUCASUS

The European Union and the Southern Caucasus: Geopolitics and Security

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Introduction

IN 2004 and 2007 the European Union faced new challenges and problems as several Eastern countries joined its structures. Issues of, so far, secondary importance – ones connected with Eastern neighbours (Ukraine, Belarus, Moldova) and the Southern Caucasus (Armenia, Azerbaijan, and Georgia) – started to influence EU's internal policy after the access of the Central European countries. Problems included migration, energy management, and security.¹ On the other hand, after joining the Union, Poland, as well as other Central European countries, became decision-makers when it came to EU's foreign policy, including policy towards the Eastern countries.

European Union's actions towards the countries of the Southern Caucasus do not make a coherent policy. It comes from the lack of consistent EU's Eastern policy, as well as from the need to take into consideration until now frozen conflicts in Nagorno-Karabakh and recently un-frozen conflicts in Abkhazia, South Ossetia, as well as relations with the Russian Federation and Turkey. One has to mention the involvement of the U.S., China and NATO in this region.² Until European Neighbourhood Policy was established, the European Union had not acknowledged the need to improve its relations with the Southern Caucasus countries. The European Neighbourhood Policy is a flag EU's policy, directed at forming a circle of friends on its exterior borders by supporting wealth, stability, and security. These goals are consistent with priorities set out by the European Security Strategy in 2003, that emphasizes importance of a stable neighbourhood.

¹ Compare with: Tomasz Stępniewski, *Geopolityka regionu Morza Czarnego w pozimnowojennym świecie* (Lublin–Warszawa: Instytut Europy Środkowo-Wschodniej, 2011), Małgorzata Klatt, Tomasz Stępniewski, *Normative Influence. The European Union, Eastern Europe and Russia* (Lublin-Melbourne: Wydawnictwo KUL, 2012); Tomasz Kapuśniak, Krzysztof Fedorowicz, Michał Gołoś (eds.), *Białoruś, Mołdawia i Ukraina wobec wyzwań współczesnego świata* (Lublin: Instytut Europy Środkowo-Wschodniej, 2009).

² Wider: Krzysztof Iwańczuk, Tomasz Kapuśniak (eds.), *Region Kaukazu w stosunkach międzynarodowych* (Lublin: Wydawnictwo Uniwersytetu Marii Curie-Skłodowskiej, 2008).

It is worth reminding that crucial reasons for establishing the ENP (European Neighbourhood Policy) were concerns over illegal immigration, smuggling, etc.; the problems that could have intensified after the access of Central- European countries into the EU. Another reason was an intent to reassure older members and not-member neighbours. That is why the issues of security and stability on the EU's borders were prioritised. It is worth mentioning that the overriding aim of the ENP was to prevent formation of the new division lines, that would contribute to isolation of non-member countries. Because of that, prevention of conflicts within the EU's external actions is a priority.

The EU policy towards Southern Caucasus countries focuses on aid, nevertheless the Union is contributing ever more actively to solutions of regional conflicts. What is more, the EU tries to form market and economic relations with the countries of the region. The Rose Revolution in Georgia in 2003 changed the EU's approach towards Georgia. The sign of this change was the fact that the EU sent to Georgia an advisory mission related to reforms of judicial system and crime prevention – EUJUST Themis – based on common action 2004/523/CFSP from 28th June 2004 (dates of the mission execution 15th July 2004–15th July 2005).

The aim of the following analysis is to show that the EU is intensifying its actions in the Southern Caucasus region in order to establish political stability and security of the region. Issues of strategic importance of the Southern Caucasus are addressed here, and then framework of the ENP, as well as regional projects based on the ENP, are discussed, such as the Black Sea Synergy and the Eastern Partnership. In the second part of this article, the main focus is put on Russia's war with Georgia in August 2008, the EU's involvement into solving the conflict, EUMM observer mission that stabilized the situation in the region, investigation and the EU report on the causes of breakout of this war.

Strategic Importance of the Southern Caucasus

The Caucasus region is situated at the junction of Europe, Central Asia and the Middle East. When considering quality of the relations in this region, one has to take into account historical background, cultural identity as well as third-party actions. An important characteristic of the Caucasus region is its great variety due to the fact that it consists of countries belonging to various integration structures. There are EU membership candidates – Turkey and partner countries within the ENP framework: Armenia, Azerbaijan, Georgia. There is also the Russian Federation, with which the EU established a “strategic partnership” based on four common aspects of integration (economic integration, common liberty, security and justice policy, external security integration, integration of research, education and science).³

³ Tomasz Kapuśniak, *Wschodni wymiar polityki Unii Europejskiej. Aspekty prawne i polityczne* (Lublin: Analizy Instytutu Europy Środkowo-Wschodniej, vol. 18, 2007), 42–43.

Strategic importance of the region is connected with availability of petroleum and natural gas resources there as well as with infrastructure of energy transport routes between Iran, Turkey, Russia, the Caspian Sea and the Black Sea. Such geostrategy creates an opportunity for diversification and assured security of the EU's energy supplies. The territory has great potential, however it is also exposed to competition for influence of third-party actors who are involved in the region. That is why in the 21st century the Caucasus became a scene of power struggle of the most important actors of world politics. Not only is the EU more involved in it, but also the Russian Federation, the U.S and China show growing interest in the region. The European Union spotted the significance of the region in transport routes map and took actions aimed at linking the countries in question with EU's internal market.

Infrastructural projects of strategic meaning are worth mentioning. Their objective is to diversify both suppliers and transit corridors. Such corridors include the one linking the Caspian and the Black Sea, as well as pipelines: Nabucco, *Constanta-Trieste*, and AMBO (Albania Macedonia Bulgaria Oil). There are also other projects being planned that will apply to gas and crude oil transport and will go through the Black Sea (for example White Stream).⁴ There are also INOGATE project (Interstate Oil and Gas Transport to Europe) and TRACECA (Transport Corridor Europe-Caucasus-Asia) which aim is to unite the regions of the Caspian and the Black Sea.

Black Sea Synergy

Regional projects based on the European Neighbourhood Policy – ENP, created by the EU on 12th May 2004⁵, do not create new framework of cooperation between the EU and the Eastern countries, including Southern Caucasus countries. Nevertheless, the EU changed the approach towards the Eastern neighbourhood which was reflected in the report titled *Black Sea Synergy – a new initiative of regional cooperation*⁶, that was issued on 11th April 2007 by the European Commission. Black Sea Synergy, accepted during German EU presidency, is not an effective project. Countries that have distinct goals take part in it, what affects the program's low efficiency. Due to contrary interests of the Russian Federation and Turkey, the Synergy has not become a successful project. It has to be mentioned that the Synergy goes beyond the framework of the ENP, because

⁴ Tomasz Kapuśniak, "Struktura interesów Ukrainy w regionie Morza Czarnego," in *Region nadczarnomorski w polityce europejskiej*, ed. Tomasz Ciesielski et al. (Odessa-Opole-Wrocław: Instytut Historii Uniwersytetu Opolskiego, 2008), 220–221.

⁵ Communication from the Commission: European Neighbourhood Policy – Strategy Paper, COM (2004) 373 final, Brussels, 12 May 2004.

⁶ Communication from the Commission to the Council and the European Parliament. *Black Sea Synergy – A New Regional Cooperation Initiative*, Brussels, 11.04.2007, COM(2007) 160 final.

it talks about countries that are not included in the ENP.⁷ Poland pointed out that it was a disadvantage of the Synergy, since it was not included in the EU's political dimension (among others liberalisation of the visa policy, implementing *acquis communautaire*, free trade treaties, etc.). Poland also pointed out the lack of prospects for institutionalising the cooperation (a special coordinator).⁸ By establishing the synergy, the EU tries to strengthen regional and transnational cooperation in the Black Sea region. It tries to achieve it by using, apart from the Organization of the Black Sea Economic Cooperation, other regional organizations, such as Community of Democratic Choice, and the GUAM Organization for Democracy and Economic Development (Georgia, Ukraine, Azerbaijan, and Moldova).

In conclusion, the importance of the Black Sea Synergy in the EU's Black Sea policy is relatively little.⁹ It comes from the lack of new institutions that would coordinate the EU's policy in the region, as well as from divergent interests of the countries included in the Synergy. However the EU may want to solidify the regional cooperation of the Black Sea countries, other actors of the region, Russia and Turkey, strive to maintain the current state of affairs. Moreover, they are sceptical about the next EU initiatives in the Black Sea region.¹⁰

Eastern Partnership

The new uncover of the EU's Eastern policy is a project issued in the half of 2008 by Poland and Sweden – the Eastern Partnership.¹¹ The document was officially accepted as a EU project during the summit in Prague on 7th May 2009. The Eastern Partnership gives hope to Eastern European and Southern Caucasus countries by equalizing dimensions of the EU's external policy. Moreover, it creates opportunity to strengthen the cooperation between eastern countries. It is worth mentioning that Russia's war with Georgia in August 2008 played a role in implementing the Eastern Partnership. Although the Russian Federation achieved its goal by military actions, nevertheless the conflict assured the Union's position and made the EU take actions. Obviously, the

⁷ Paweł J. Borkowski, Katarzyna Doświad-Borysiak, Tomasz Kapuśniak, *Wymiar południowy, północny i wschodni Unii Europejskiej: osiągnięcia, szanse, wyzwania* (Lublin-Łódź-Warszawa: Prace Instytutu Europy Środkowo-Wschodniej, vol. 1, 2009), 67–86.

⁸ A. Balcer, A. Krawczyk, K. Wóycicki, *Nowe wymiary polskiej polityki zagranicznej. Wektory Północy Południowy oraz alternatywa południowo-wschodnia, „Sprawy Międzynarodowe”, no. 4 (2009): 15.*

⁹ Borkowski, Doświad-Borysiak, Kapuśniak, *Wymiar południowy*, 77–78.

¹⁰ Yannis Tsantoulis, “Black Sea Synergy and Eastern Partnership: Different Centres of Gravity, Complementarity or Confusing Signals?,” Athens: ICBSS, Policy Brief No. 12, February, (2009), Michael Emerson, “The EU's New Black Sea Policy. What kind of regionalism is this?,” CEPS Working Document No. 297, July (2008).

¹¹ Andrzej Gil, Tomasz Kapuśniak (eds.), *Polityka wschodnia Polski. Uwarunkowania – Koncepcje – Realizacja* (Lublin-Warszawa: Instytut Europy Środkowo-Wschodniej, 2009).

Partnership is not the EU's response to Russia's military actions in the region, because such actions cannot be answered with a political-economic project. That is why the Partnership should be treated as a "soft" project aimed at bringing the Caucasus countries closer to the EU's standards. At present the Partnership is being implemented. Questions concerning the efficiency of the project arise, especially the ones related to other EU's initiatives directed at the East – Black Sea Synergy. Is Eastern Partnership going to be a complementary project, or are these two initiatives going to overlap?

An added value to the Eastern Partnership should be (mutual) cooperation among eastern partners, that would reinforce building regional bonds. Program should as well begin (start) new economic initiatives, when it comes to supporting institutions in the Caucasus countries. In that way these countries would be able to meet EU requirements as well as apply EU solutions and regulations. On the other hand, the disadvantage of the initiative are: setting it within the ENP framework, scarce financial outlays in 2010–2013 (European Commission dedicated only 600 million Euros for that aim), lack of observation of human rights by some countries of the Partnership (Belarus, Armenia, and Azerbaijan) or a problem of developing this initiative alongside with EU strategic partnership with Russia.

The Eastern Partnership is a long-term project. The success of the project depends on involvement of the partners as well as skilful application of Poland's historical experiences and political contacts with the country's Eastern neighbours. That potential should be then integrated with the EU's structures. The success of the project will create a viable opportunity to change the situation on the EU's Eastern borders.

Russia's War with Georgia in August 2008: the European Union's Standpoint¹²

On August 7th 2008 conflict broke out in the Southern Caucasus. At first, it only took place in Southern Ossetia (Georgia's actions), but quickly it turned into a war between Georgia and the Russian Federation.¹³ Several months before the outbreak of the military conflict both on Georgia and Russia had been causing some provocations. Both countries had breached international law. The 5-day-war contributed to geopolitical changes in the Southern Caucasus¹⁴, changes in policies of the Caucasus countries, changes in regional cooperation. The conflict also influenced alterations in relations between the West and the Russian Federation. Seeing how the events in

¹² Stepniewski, *Geopolityka regionu*, 209–212.

¹³ See also: Russian invasion of Georgia. Basic facts and figures (Tbilisi: BTKK-Policy Research Group, 2008), http://www.btkk.ge/files/files/Aggression_in_Georgia.pdf; After August 2008. Consequences of the Russian-Georgian war, (Tbilisi: Caucasus Institute for Peace, Democracy and Development (CIPDD), 2008).

¹⁴ Konrad Zasztowt, "Zmiany w polityce regionalnej Turcji, Armenii i Azerbejdżanu po konflikcie zbrojnym w Gruzji w sierpniu 2008 roku," *Rocznik Instytutu Europy Środkowo-Wschodniej* 6 (2008): 113–120.

Caucasus unfolded, international organizations started, almost immediately, negotiations aimed at ceasefire. The French EU presidency was put to the hard test. President Nicolas Sarkozy became a mediator on behalf of the Union between the Russia's president Dmitry *Medvedev* and the Georgia's president Mikheil *Saakashvili*. On August 8th 2008, French foreign minister Bernard Kouchner talked on the phone with Russia's foreign minister Sergey *Lavrov*. Other EU member states got involved in the mediations as well. There were Russian-German talks and on 8th August Germany called the both parties of the conflict to put a stop to use of force in Southern Ossetia. Similar appeals were made by (before mentioned) France, Great Britain, Turkey, Javier Solana, the High Representative of the Union for Foreign Affairs and Security Policy, as well as NATO Secretary General Jaap de Hoop Scheffer. On 8th August the Olympic Games in Beijing began, and PRC appealed to both parties of the conflict for cease fire. On 9th August Russia's prime minister Vladimir Putin came to the Northern Ossetia (Vladikavkaz). On the next days, representatives of France came to Georgia, Bernard Kouchner (10th August) and Nicolas Sarkozy (12th August) as France was holding EU presidency then. French politicians proposed Georgia a 6-point cease fire plan.

As a result, on 12th August Russia's president Dmitry *Medvedev* declared the end of military actions in Georgia. Later the same day, *Medvedev* and Georgia's president *Saakashvili* signed the cease fire document that had been negotiated by the EU representative president Sarkozy. In the final version of the document following points were included: ban on force use, end of all military actions, rearrangement of Russia's forces into pre-war positions. A point concerning international negotiations over status of Abkhazia and Southern Ossetia was included in the document.

It is worth mentioning that on 13th of August president of the Republic of Estonia, Toomas Hendrik Ilves, president of the Republic of Lithuania Valdas Adamkus, president of Poland Lech Kaczyński, and prime minister of the Republic of Latvia Ivars Godmanis visited capital of Georgia Tbilisi and declared further activity in order to solve the conflict.¹⁵ In the declaration they expressed their full support for the president and the government of Georgia, they appealed for peace and for establishment of "international peace forces supervised by the EU".¹⁶ It was pointed out that in the document negotiated in Moscow on 12th August 2008, there was not a clear notation concerning preservation of Georgia's territorial entirety.

During the next days Georgia was visited by: on 15th August Estonian foreign affairs minister Urmas Paet and the U.S. secretary of state Condoleezza Rice, on 17th August U.S. senator Joe Biden, chancellor of Germany Angela Merkel, and the leader of the UK Conservative Party David Cameron, on 19th August a monitoring group from European Commission, that included Mathias Iorsh and Castro Islam; on the same day British

¹⁵ "Oświadczenie Prezydentów Estonii, Litwy, Polski i Premiera Łotwy dotyczące dalszych działań na rzecz rozwiązania konfliktu w Gruzji," Warsaw, August 13, 2008, <http://www.prezydent.pl>.

¹⁶ Ibid.

foreign affairs minister David Milliband and European Parliament delegation as well as the UN High Commissioner for Refugees Antonio Guterres; on 21st August president of Romania Traian Basescu; on 22nd August the OSCE representative from Finland, the organisation's leader country, Alexander Stubb, he visited Georgia for the first time on 10th August; on the same day R. Simmons NATO secretary general's representative for Southern Caucasus and Central Asia, on 24th August American senator R. Lugar; on 25th August Thomas Hammarberg, the Commissioner for Human Rights of Council of Europe, on 3rd September representative of Italy Franco Frattini; on 4th September the U.S. vice president Dick Cheney.

It is worth mentioning that on 26th August 2008, both chambers of the Russian parliament declared independence of Abkhazia and Southern Ossetia. The following day D. *Medvedev*, the president of the Russian Federation, signed documents (decrees) acknowledging independence of these two new quasi-state entities.

On 1st September 2008 extraordinary session of the European Commission took place, during which the situation in Southern Caucasus and its possible solutions were discussed.¹⁷ Mere fact that the EU called a summit must be seen as a success, due to the fact that in similar circumstances there is only a meeting of ambassadors or foreign ministers of the EU member states. Having in mind the time spent on making a stance when faced with conflict in Chechnya, this time the Union acted more quickly.

The detailed document that regulated Russia's relations with Georgia was signed on 8th September 2008 in the presence of president of France Nicolas Sarkozy, the president of the European Commission Jose Manuel Barroso, and the EU's High Representative for Common Foreign and Security Policy Javier Solana. According to the document Russia had to leave territory of Abkhazia and Southern Ossetia within a month, at least 20 EU observers were to be allowed to enter the buffer zone, OSCE observers were to return to Tskhinvali, the UN mission were to stay in Abkhazia, and the president Mikheil *Saakashvili* declared that Georgia would abstain from using force. International negotiations were scheduled on 15th October 2008. The EU became a guarantee of the treaty. Although arrangements of the treaty were not executed in an efficient way, nevertheless the Russian Federation withdrew troops from Georgia "proper" on 10th of October.

European Union's Observer Mission in Georgia¹⁸

According to the declarations form 8th September 2008 the EU should create new mission that would embrace all the territory of Georgia and would work under the supervision of the EU. The mission would be a continuation of the UN missions –

¹⁷ "Extraordinary European Council held in Brussels (1 September 2008), Presidency Conclusions, Council of the European Union," http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/102545.pdf.

¹⁸ Stepniewski, *Geopolityka regionu*, 214–216.

UNOMIG (Abkhazia) and OSCE (Southern Ossetia), and would contribute to stabilization of the Caucasus situation. Following the decision of Council of the European Union a EU observer mission in Georgia came into being – European Union Monitoring Mission – EUMM. The mission began on 1st October 2008 according to the treaty negotiated with the EU and concluded between Moscow and Tbilisi on 12th August and 8th September 2008.¹⁹

The mission is being carried out within European Security and Defence Policy. Its main goal is to stabilize the situation in Georgia, and on surrounding territories, according to the 6-point agreement concluded on 12th August 2008. The mission's particular tasks include: stabilization, normalization of the situation in the region, building trust between the parties involved and reducing tensions between them. Last but not the least, the mission tries to bring back internal refugees from the region. The mission consisted of 340 people, including 249 observers from 26 EU member states. They were located in four Georgian cities: Tbilisi, Gori, Khashuri, and Zugdidi.²⁰ In March 2009 makeup of some groups was changed and specialists on international law and constabulary issues were included. When put to the practice EUMM was not an effective mission due to lack of interest from the conflicted countries. The other obstacle was the mission's reduced access to administered territories by troops of separatist republics as well as Russian forces. In that way EUMM monitors the territory of the former buffer zone, however it did not enter area controlled by separatist republics. What is more, authorities of Southern Ossetia and Abkhazia accused international observers of partiality and passiveness when it comes to breaking ceasefire agreement. These authorities claim the mission disrespected Memorandum of Understanding treaty concluded on 26th January 2009 between Georgia's Foreign Ministry and EUMM.²¹ The treaty stipulated number of troops deployed in border areas. After the August 2008 conflict Memorandum of Understanding is a part of the EU's new strategy towards the South Caucasus. Additionally, within the framework of EUMM Incident Prevention and Response Mechanisms – IPRMs were created. On 31st December 2008 OSCE mission mandate expired; the Russian Federation vetoed UN Security Council resolution on extending the mission in Abkhazia (it stopped functioning on 15th–16th June 2009), so EUMM mandate was prolonged until September 2010. It must be pointed out that currently EUMM is the only active mission in Georgia. What is more, due to lack of success of Geneva negotiations, the EUMM mission is even more useful.

¹⁹ "European Union Monitoring Mission in Georgia Fact Sheet," October, 2008, http://consilium.europa.eu/uedocs/cmsUpload/081023-EUMM_in_Georgia-version3_EN.pdf.

²⁰ "European Union Monitoring Mission in Georgia Fact Sheet," March, 2009, http://www.eumm.eu/data/factsheets/factsheet_March_2009_en.pdf.

²¹ See: Joanna Dziuba, "Ocieplanie wizerunku Gruzji. Memorandum of Understanding pomiędzy MON Gruzji a Misją Obserwacyjną UE," *Komentarze Natolińskie* 1(19) (2009), http://www.natolin.edu.pl/pdf/komentarze/Natolin_Komentarze_1_2009.pdf.

European Union Report on Causes of the August 2008 War²²

On 2nd December 2008, following the decision of Council of the European Union The Independent International Fact-Finding Mission on the Conflict in Georgia – IIFFMCG – was created (came into being); it was led by ambassador Heidi Tagliavini. Her deputies became: former German ambassador in Georgia U. Schramm and M. Staszewski, PhD, who since 1992 participated in UNOMIG mission in Abkhazia. Additionally, the IIFFMCG included Ch. Burton, who was responsible for finances, L. Rodriguez, who was responsible for administration, and A. Schnyder, who was a political advisor.²³

When finding reasons for military conflict in Georgia in August 2008, IIFFMCG took into consideration historical and military background, observance of international law (including the Helsinki Final Act), observance of humanitarian law and human rights. The mission also looked into the conflicted parties' accusations (including allegation of war crimes perpetration). When the mission came into being, a report was expected to be presented until the end of July 2009. However, new information and evidence emerged, so the report on the investigation results was submitted to both parties of the conflict, Council of the EU, OSCE, and UN on 30th September 2009.

The main aim of the fact-finding mission was to determine facts- causes of outbreak of military conflict (armed conflict) in Caucasus. It was stressed that the mission is not a tribunal.²⁴ The mission stance is that knowledge of facts is necessary when it comes to stability and security of Caucasus. Due to extremely complicated Georgia's internal situation and difficulties in determining facts from August 2008, the report does not say who was directly guilty of starting the war.

The IIFFMCG final report had political significance for the EU, as well as for Georgia and mutinous provinces. The report stated that 850 people were killed during the war and more than 100 thousand left their houses. The document did not directly blame any party for military actions, because it would have deteriorated EU's relations with Caucasus partners. It was confirmed that Georgia started military actions in Southern Ossetia, and Russia retaliated by using inadequate means. In general, the report produces "the Solomon's verdict" because the EU did not blame any party of starting war in August 2008, for fear of deteriorating and exacerbating the situation in Caucasus.

Apart from above mentioned diplomatic actions, the EU also provides financial support to Georgia. During donors' conference in Brussels on 22nd October 2008, it was

²² Stepniewski, *Geopolityka regionu*, 216–217.

²³ "Independent International Fact-Finding Mission on the Conflict in Georgia, <http://www.ceiig.ch/Report.html>, GCSP-based Independent International Fact-Finding Mission on the Conflict in Georgia releases its report," September 30, 2009, http://www.gcsp.ch/e/meetings/Events_new/Special_News/2009/IIFFMCG.htm.

²⁴ "Raport w sprawie konfliktu w Gruzji. Niezależna Międzynarodowa Misja Wyjaśniająca w sprawie Konfliktu w Gruzji," *Międzynarodowy Przegląd Polityczny* 1 (25) (2010), 70–108.

concluded that Georgia would get 500 million euro of financial support in 2008–2010. The money was to be used for reconstruction of Georgia's economy. It was concluded that total amount of the EU's (European Commission's) support for Georgia would be 3,440 million Euros.²⁵ Apart from the European Commission other donors were EU member states, international financial institutions, and other countries – Canada, Japan, Norway, Switzerland, Ukraine, and the U.S.

Conclusions

Does the EU take effective actions in order to prevent Caucasus conflicts? The above analysis shows that the EU's outlook on the Southern Caucasus have changed. Russian-Georgian war in 2008 was a wake-up call for the Union. One cannot forget that the August conflict contributed to deterioration of Russian-Georgian relations. It also strengthened independence of Abkhazia and the Southern Ossetia and because of that, tightened their relations with the Russian Federation. An indirect result of the war was intensifying Eastern Partnership works by the EU that was addressed to Eastern neighbours (including the Southern Caucasus countries). Russia's military actions were aimed at preventing Georgia from getting closer to the West. By these actions Russia scared Western countries and led to cooling down of mutual relations. Nevertheless, the EU's involvement is still limited. The situation gets even more complicated by the fact that some EU member states (for example France) prefer to tighten economic and military cooperation with Russia at the expense of the Caucasus countries.

The armed conflict showed how limited EU's actions for Caucasus stability were, on the other hand, it contributed to increase of financial and humanitarian support for Georgia. The EU stays, however, the actor on the international scene who is the most involved in stabilizing operations in the Caucasus region. It must be emphasized that the Union's involvement – without noticeable effects – may lead the Caucasus countries to believe that the EU is little effective. That may result in weakening the EU's position in the region. Whether the quality of EU's relations with the Caucasus partners and the Russian Federation will change depends on positive outcome of Geneva negotiations. The Caucasus region poses not only the problem of separatist Georgian republics – Abkhazia, the Southern Ossetia, Nagorno-Karabakh, but there are also separatist, to a lesser or greater extent, republics that are a part of the Russian Federation – Chechnya, Dagestan, Ingushetia.

A challenge for the EU is to support reforms, encourage the Caucasus countries to turn into stable, peaceful, and secure actors that would create good neighbourly relations in this unstable region. That is why it is so important to remember that the EU's

²⁵ "Georgia Donors' Conference, European Commission/World Bank," October 22, 2008, http://ec.europa.eu/external_relations/georgia/conference/donor_eur_en.pdf.

policy in the Caucasus region will be complete only when the Union is actively engaged in problem-solving and when it takes actions to build civil society.

Without correct relations based on trust among the Caucasus countries it will not be possible to build a stable situation in the region. The European Union has to face the new challenge and assume the role of a constructor of mutual trust and understanding culture, that is a necessary condition for the Caucasus countries true dialogue.



IV

**POST-COMMUNIST EUROPE:
CULTURAL CHANGES**

Discourse on Minorities and Social Exclusion in Post-Communist Poland and Serbia: An Exercise in Political Correctness or a Test for Tolerance

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Introduction

WHILE the communist ideology proclaimed equality of all people, the practice of communism promoted uniformity, the elimination of differences among men, and, in extreme cases, even physical elimination of those who were *different*. It is therefore not surprising that more than two decades after the fall of the Berlin Wall and the collapse of communism in Eastern Europe, post-communist countries are still learning to be accepting of differences among people. While many Eastern Europeans, and Poles in particular, take pride in their tradition of tolerance for people of different religion or different ethnicity, some minority groups, specifically the Jews, the Roma and people of alternative sexual orientation often remain singled out and excluded as the stereotypical *other*.

This paper looks at language practices associated with discourse on minorities and some of the mechanisms of exclusionary language, with a **focus on Polish and Serbian** public and private discourse practices. We examine the vocabulary used to refer to members of the above-mentioned minorities, focusing on the question of whether the use of foreign or borrowed terms versus native words indicates a difference in societal attitudes.

The Jewish and Roma minorities in Eastern Europe have a long history and the terms of reference show a high level of adaptation and assimilation; however, to describe alternative sexual preferences, it that appears that most languages of Eastern Europe still use predominantly foreign terminology (e.g. *gej* or *lesbijka* in Polish or *gej* and *lezbejka* in Serbian). Interestingly, the foreign terms seem to be mostly used in public media where they have a veneer of political correctness. The native terms are used in a vulgar and derogatory manner and appear in private conversation and populist propaganda that can be hateful or homophobic.

Members of the sexual minorities, on the other hand, appear to create their own way of referring to themselves and they use both assimilated borrowings and native terms turned into positive self-labels. We argue that by employing foreign vocabulary,

the seemingly tolerant speakers are in fact trying to label the phenomena described as being foreign in nature as well, that is, alien and undesirable. The language examples and translations are provided by the authors as native speakers of the languages in question.

Why Eastern Europe? The Case of Poland

Before World War II, Poland, like most states in Eastern and Central Europe, was a country of many cultures. For centuries, people who were persecuted for their religious beliefs elsewhere, settled in Poland because of its policy on religious tolerance. The diet (parliament) of 1555, under king Sigismund II introduced the Freedom of Confession Act legislating religious tolerance. A variety of religious groups – from the distinct protestant denominations to Muslims, Greek-Orthodox and the Jews expelled from Spain – built their places of worship in Poland and felt safe to observe their religious practices. The Union of Lublin, signed July 1, 1569, replaced the former personal union and a single state, the Polish–Lithuanian Commonwealth, was created. The Union of two multicultural states with very diverse populations had to accept the policy of tolerance as one of its founding principles. The Warsaw Confederation of 1573 extended religious tolerance to all nobility and to all free persons within the borders of the Polish-Lithuanian Commonwealth and is considered the first such legislation in Europe.¹ Norman Davies acknowledges that “the wording and substance of the declaration of the Confederation of Warsaw of 28 January 1573 were extraordinary with regards to prevailing conditions elsewhere in Europe; and they governed the principles of religious life in the Republic for over two hundred years.”²

This is not the case now. Though ethnic conflicts started well before 1939, more dramatic change has taken place because of the Second World War. After 1945, Poland had new borders, which left most of the ethnic Lithuanians, Belorussians, Ukrainians, and Germans outside its frontiers. The Nazi inflicted Holocaust resulted in the extermination of the majority of Eastern European Jews and the waves of both pre- and post-war Anti-Semitism forced many of those who survived the war to emigrate. After centuries of multiculturalism, Poland became an ethnically homogeneous country, where Roman-Catholic Poles were the majority. Even though communist ideology proclaimed equality, it also promoted uniformity. Anyone who looked or acted differently stood out and attracted attention.

Ethnically and religiously homogeneous societies tend to have a lower level of tolerance for anything that deviates from what is considered the “norm.” The problem of eth-

¹ cf. Jan Tazbir, *Państwo bez stosów. Szkice z dziejów tolerancji w Polsce XVI-XVII w.* (Warszawa: Państwowy Instytut Wydawniczy, 1967). and Jan Tazbir, *Reformacja, kontrreformacja, tolerancja* (Wrocław: Wydawnictwo Dolnośląskie, 1996).

² Norman Davies, *God's Playground. A History of Poland, Vol. 1: The Origins to 1795, Vol. 2: 1795 to the Present.* (Oxford: Oxford University Press, 1979), 126.

nic and sexual intolerance is therefore particularly present in post-traditional societies and in societies that are relatively homogeneous in terms of culture.³ The homogeneity of a **population makes the issue of “acceptance of others” more problematic since societies that have a long tradition of multiculturalism and diversity (e.g., Great Britain) are thought to be more tolerant.**⁴ It seems that in Poland, “today, ‘tolerance and multiculturalism’ serve rather as a myth that legitimises current politics than actual administrative and political practice.”⁵

In the case of Eastern European countries after World War II, there was also a relatively low exposure to foreign tourists and international students, while limitations on foreign travel further reduced contact with other cultures. Traditional minorities in such societies (Jews, Germans, Roma) were quite well integrated and the languages of the region had words to describe them. Linguistic integration does not, however, prevent discrimination and even a well-established minority can become a target if it is defined as inferior, deviant, or a **source of negative influence. New subcultures and new immigrant groups, on the other hand, are often labeled with colloquial or even derogatory terms. It requires time for people to adjust; so too their language use may need time to integrate the new groups linguistically into the fabric of the society.**

Cultural diversity was for the last few decades assumed to be a positive notion in Western Europe and in North America, even though the understanding of the term *multiculturalism* may have differed from country to country. With German Chancellor Angela Merkel’s statement in October 2010 that multiculturalism without integration has failed in Germany,⁶ the politics of multiculturalism and tolerance are back at the top of the European political agenda. Negative attitudes towards immigration, typically associated with the nationalist Right, have become politically mainstream. Minorities are turned into problems as mass migration makes cultural diversity ever more visible and national cultural identity is perceived as being under threat. Is tolerance a fair-weather phenomenon in Europe? In Western Europe, multiculturalism has been the default strategy for managing diversity. But now, critics say, multiculturalism has failed; the anxious avoidance of conflict and the emphasis on collective rights are based on misguided assumptions of cultural identity; **enlightenment values are jeopardized when the appeasement of religious and cultural sensibilities is regarded as more important than the right to freedom of expression or gender equality.** The debate about Islam in Europe vividly illustrates the dilemmas involved but Muslims are not the only target of discrimination.

³ Elsje Bonthuys et al. “Modes of (In)tolerance: South African Muslims and Same-Sex relationships,” *Culture, Health & Sexuality: An International Journal for Research, Intervention and Care* 14 (2012).

⁴ cf. Robert Ford “Is Racial Prejudice Declining in Britain?,” *The British Journal of Sociology* 59 (2008).

⁵ Michał Buchowski et al. *Tolerance and Cultural Diversity Discourses in Poland*. Accessed June 5, 2012 <http://www.eui.eu/Projects/ACCEPT/Documents/Research/wp1/ACCEPTPLURALISMWP1BackgroundreportPoland.pdf>

⁶ Sabine Siebold, “Merkel says German multiculturalism has failed.” Accessed on June 5, 2012 at <http://uk.reuters.com/article/2010/10/16/uk-germany-merkel-immigration-idUKTRE69F19T20101016>.

The Linguistic Labeling of the Other

The linguistic labeling of an ethnic group or a subculture as the proverbial *other* can be the first step towards creating a scapegoat. If we look at who, over the centuries, was singled out as the *other*, we see that any person or group of people that was different in terms of appearance, gender, wealth, ethnicity, religion or behaviour was easily targeted. These individuals/groups were **often blamed for the problems of the larger group, especially in crisis situations, often triggering what Cohen calls moral panics.**⁷ In the Bible, the scapegoat, actually an erroneous translation of the name Azazel, was a sacrificial goat who was killed as part of a cleansing ritual. A medical definition of *scapegoating* explains it as the mechanisms of projection or displacement of feelings of aggression, hostility, frustration, etc., focusing them on an individual or a group who had no real connection with the events for which they were blamed.⁸ Probably the most dramatic case of scapegoating was the singling out of the Jews in the Third Reich and attributing to them the blame for economic crisis in Germany and Europe.

Tolerance

Voltaire, in his *Philosophical Dictionary* asks “What is tolerance?” and answers his own question as follows: “It is the consequence of humanity. We are all formed of frailty and error; let us pardon reciprocally each other’s folly – that is the first law of nature.”⁹ We use Voltaire’s definition as it seems free from any partiality. For him it was “clear that the individual who persecutes a man, his brother, because he is not of the same opinion, is a monster.”¹⁰

The language we use to talk about the *other* reveals a lot about our beliefs and our ability to accept differences. As long as the other is seen as a *foreign* element, an *outsider*, then *foreign terms* are likely to be used to describe him or her. With time, these foreign words adapt to the morpho-phonemic constraints of local tongues or native equivalents are found. As language is a reflection of people’s attitudes, these terms may be neutral or value laden. There is also a difference between the words used by a minority group as a means of self-reference (self-labels) and the words used by the majority to describe this minority (other-labels). There is also a difference between the language used in the official media (public discourse) and the language used by individuals in everyday conversation (private discourse). Public discourse is usually governed by the principles of

⁷ Stanley Cohen. *Folk Devils and Moral Panics*. (London: MacGibbon and Kee, 1972).

⁸ *Mosby’s Medical Dictionary, 8th edition*. (Elsevier Health Sciences, 2009).

⁹ Voltaire. “Tolerance” in *Philosophical Dictionary*. *Project Gutenberg’s Voltaire’s Philosophical Dictionary, by Voltaire* (New York: Carlton House, 1764) accessed on May 5, 2012 <http://archive.org/stream/voltairesphiloso18569gut/18569.txt>, 302.

¹⁰ Voltaire, “Tolerance” in *Philosophical Dictionary*, 302.

what we may call political correctness. However, in extreme cases, as in the case of the Third Reich, ethnic and/or racial discrimination may be supported by powerful interest groups and the derogatory vocabulary of private discourse may enter the public domain and be used in speeches, posters and banners, for example, at demonstrations and marches. It is the responsibility of the legal system to protect the rights of the citizens, but with state sanctioned intolerance, minorities, though citizens, may be actively and even violently discriminated against with no recourse in the law.

This paper looks at language practices associated with discourse on minorities and some of the mechanisms of exclusionary language, using Polish and Serbian for examples. We examine the vocabulary used to refer to members of ethnic and sexual minorities, focusing on whether the use of foreign or borrowed words versus native-language terms indicates a difference in societal attitudes.

Origins of the Minority Labels

How did we choose the words we are using today to describe ethnic and other minorities? We shall examine the etymology of words used to describe Jews and Roma in Slavic languages in order to discover the word formation processes underlying the mechanism of naming new social phenomena. We shall then investigate whether modern names of sexual minorities follow the same word formation patterns.

The Jewish minority

The Jewish minority in Eastern Europe has a long history, reflected in a high level of adaptation and assimilation of words used as terms of reference. There are two roots used in Slavic languages to form words describing Jews. The first root comes from the Hebrew word יהודי, pronounced 'Yehudi', denoting a person from the tribe of Judah or from the province of Judea. The Latin form *Judaeum* (nom. *Judaeus*), derived from Greek *Ioudaios*, led to Old French *giu*. Old English used the form *Judeas*, later changed to Jew. In Yiddish the word for Jew is *Yid*, and it may have been the immediate source for those Slavic languages that, like Polish use this borrowing. In Yiddish, the word was originally a neutral term of self-description, then it became a form of insult. It is only now regaining its positive connotations (i.e., as a reference to a person who observes religious traditions). As a borrowing, it functions as a neutral form in West Slavic languages and in Croatian.

Other Slavic languages, most notably Russian but also other East and South Slavic languages (e.g., Serbian), consider the word *жид* (*judob* in Serbian) highly inappropriate and offensive. East Slavic languages and Serbian adopted a different word as a neutral term: *еврей*, pronounced [yevr'ey]. It has been derived from the Hebrew word עברי, meaning *Hebrew*.

In Poland, if asked whether the word *Żyd* is a foreign term or a native Polish word, most people would likely choose the latter option. The word was adapted to Polish spelling conventions and Polish pronunciation and shows today a high degree of assimilation, allowing for a variety of morphological modifications.

The Gypsy/Romani minority

The origins of the Roma are often linked to India. The complexities of the migration routes of the Roma are well beyond the scope of this paper but the origin of the word *Gypsy* (*Gitano* in Spanish, *Gitan* in French) is often associated with the word *Egyptian* as groups of Gypsies entered Western Europe from Africa. The German word *Zigeuner*, which gave the origin to the ethnic labels used in most Slavic and Eastern European languages (e.g. Hungarian) has an unclear etymology. Some link it to the Greek word *Ἀθίγγανοι* (Athinganoi) which was used to describe a Gnostic sect that originated from Western Anatolia and which appeared in Byzantium in the 12th or 13th century.¹¹ Two other hypotheses about the origins of the word *Zigeuner* can be found in the literature: one derives it from a Persian term, *Ciganch*, meaning a ‘musician’ and a ‘dancer’ –; the other derives from an Old Turkish word, *čigān*, meaning ‘poor’, ‘without any means.’¹² Slavic words picked up the German form or, possibly, adopted the Turkish word. All Slavic languages use the same root.

French and Spanish use also *bohémiens* and *bohemios* which originally were applied to the Roma but later had their scope of reference narrowed down to the members of the artistic community, often poor and without a permanent place to live but also colourful and non-traditional (i.e., living outside mainstream society). Thus the title of the opera by Puccini *La bohème* translates into Polish as *Cyganeria*. The reason for this choice of words is not entirely clear but there may have been a perception that the Roma communities that moved to Western Europe had come from Bohemia (i.e., today’s Czech Republic).

The ethnic labels *Gypsy*, *Zigeuner* and *Cygan* became linked with negative stereotypes and, starting in the 19th century, the term *Roma* was already being used to describe the community in order to avoid pejorative or offensive associations. It seems that the only way to remove the negative connotations of the native terminology (e.g., *Cyganie* in Polish or *Cigani* in Serbian) was to replace native terms with the new word ‘Roma’ (*Romowie*)

Lexicalisation of Negative Attitudes

It may be relatively easy to control the use of ethnic and other minority related terms when talking about people who are members of the groups in question. What people fail to notice, however, is the number of words and phrases that contain lexicalized

¹¹ Rüdiger Vossen, *Zigeuner. Roma, Sinti, Gitanos, Gypsies. Zwischen Verfolgung und Romantisierung*, (Frankfurt a. M./Berlin/Wien, 1983), 20ff.

¹² cf. Marek Stachowski, “Das Ethnonym ‚Zigeuner‘, sein slawisch-türkischer Hintergrund und ungarisch, szegény.” *Studia Etymologica Cracoviensia* 7 (2002): 159ff.

negative stereotypes. Some English dictionaries (cf. The Free Dictionary on-line) list verbs like *jew* or *gyb* (also *gyp/gip*) without really explaining their etymology¹³. The verb *jew* is marked as offensive and explained as meaning “to bargain shrewdly or unfairly” with someone or “to haggle so as to reduce (a price).” It is often used with *down* (e.g., he got jewed down) The expression is explained as being related to Jews’ “supposedly extortionate practices as moneylenders in the Middle Ages.”¹⁴ *Gyb* (or *gib*) is a slang expression meaning “to swindle, cheat, or defraud”, explained as a back formation from *Gypsy* (quoting the same source). Polish has the verb *cyganić*, also meaning “to cheat”, and expressions such as *wieść cygańskie życie* (‘to live a Gypsy life’, meaning ‘po or or not settled down’), and *dla towarzystwa da się Cygan powiesić* (‘a Gypsy lets himself be hanged for company,’ meaning ‘to get into illegal activity because everyone else was doing it’). Other expressions with Jewish references include *targować się jak Żydzi, kochać się jak bracia* (‘to haggle like Jews and to love each other like brothers’, meaning to be unscrupulous in business but generous in emotional relations). What is more, the word *Żyd* is used by Polish soccer (pseudo)fans as an insult towards the opposing team and its supporters, and their chants include slurs like “Who’s not jumping is a Jew” (*Kto nie skacze, ten jest Żydem*).¹⁵

Serbian has the form *cigančenje* which means ‘asking for something by fawning and giving excessive compliments’ therefore implying ‘someone very cheap’. People using such expressions rarely realize that the idioms are making ethnic references and they would deny any ethnic stereotyping. But, as Victor Klemperer warns in his study of the language of the Third Reich: beware of the “cultivated language that writes and thinks for you.”¹⁶ We abandon ourselves to the language we speak, unquestioningly and unconsciously, he says, and then he asks:

And what happens if the cultivated language is made up of poisonous elements or has been made the bearer of poisons? Words can be like tiny doses of arsenic: they are swallowed unnoticed, appear to have no effect, and then after a little time the toxic reaction sets in after all.¹⁷

There can never be enough warning about the subtle power of language and the psychological effects of hate speech.

¹³ *Free on-line Dictionary*, accessed May 30, 2012, <http://www.thefreedictionary.com/jew> and <http://www.thefreedictionary.com/gyp>.

¹⁴ *Free on-line Dictionary* quoting The American Heritage Dictionary of the English Language, Fourth Edition 2009,” accessed May 30, 2012, <http://www.thefreedictionary.com>.

¹⁵ “Euro 2012: Stadiums of Hate.” Accessed June 9, 2012, <http://www.bbc.co.uk/programmes/b01jk4vr>.

¹⁶ Victor Klemperer, *The Language of the Third Reich: A Philology’s Notebook*. Trans. Martin Brady (London & New Brunswick: The Athlone Press, 1947/2000), 25.

¹⁷ Victor Klemperer, *Language of the Third Reich*. 15-16.

Sexual Minorities

On the surface the situation for sexual minorities in Serbia and Poland is similar: neither country recognizes same-sex relationships and the issue is considered controversial. Yet, same-sex activity is not illegal and discrimination of sexual minorities is banned. In both countries the members of sexual minorities attempt to gain recognition, thus they organize parades and other events. However, Gay Pride parades organized in Belgrade have in the past been connected with violence. The first Gay Pride Parade in 2001 was in fact so violent that the second one was not organized until 2009. In Poland, the history of the so-called “Equality Parades” is also ridden with controversy. The parade was banned in Warsaw in 2004 and 2005 by the then Mayor of Warsaw, Lech Kaczyński. The official reason given in 2005 was that the application was not properly filed by the organizers but the Mayor commented that the parade would promote a “homosexual lifestyle”, not desirable in a mostly Roman-catholic country.¹⁸ It is also interesting to note that in Poland these parades are not openly named as “Gay Pride parades” but rather given euphemistic and opaque names such as “March of Tolerance” or “Equality Parade”, thus they can be associated with a call for non-specific equality. According to Mizielińska “[t]his could be seen as a closeted strategy of not naming what it is, not daring to speak its name.”¹⁹ Mizielińska claims that this may be an attempt to bring together the supporters of the idea of equality without having to name and define their group from the beginning. Therefore it can be seen that in both Serbia and Poland, sexual minorities may be considered excluded groups since general attitudes towards them are far from accepting.

In Poland, anti-gay attitudes are strengthened by the position of the Roman Catholic Church. In Polish society, disapproval of sexual minorities is strong. In a public poll conducted by the Public Opinion Research Center (Centrum Badań Opinii Publicznej) in 2010, 29% of respondents said that sexual minorities should not have the right to display their affection in public, while 63% said homosexuality was a deviation from the norm, but one that should be tolerated.²⁰ In comparison, a Serbian survey conducted in the same year by the Center for Free Elections and Democracy (CeSID) and the Gay Straight Alliance (GSA), showed 50% of respondents believing that homosexuality is dangerous to society.²¹ Thus, “the LGBTIQ community in Serbia still remains rather

¹⁸ “Gay marchers ignore ban in Warsaw,” Accessed on June 6, 2012 <http://news.bbc.co.uk/2/hi/europe/4084324.stm>.

¹⁹ Joanna Mizielińska, “Travelling Ideas, Travelling Times: On the Temporalities of LGBT and Queer Politics in Poland and the ‘West’” in *De-Centring Western Sexualities*, ed. Robert Kulpa et al. (Great Britain: MPG Books Group), 90.

²⁰ Public Opinion Research Centre, *Postawy wobec gejów i lesbijek*. Warszawa, 2010, 15, Cat. No. BS/95/2010 CBOS <http://BS/95/2010>.

²¹ Đorđe Vuković et al. “Prejudices exposed - Homophobia in Serbia: Public opinion research report on LGBT population.” Accessed June 5, 2012 <http://gsa.org.rs/wp-content/uploads/2012/04/Research-Prejudices-Exposed-2008-GSA.pdf>.

invisible, afraid to report acts of violence and discrimination suffered and not ready to openly advocate for their rights.”²²

In our investigation of how Polish and Serbian languages refer to sexual minorities our main research question was: are the borrowings used in the media a way to mark the sexual minority members as excluded and “foreign”? In order to answer this question we created a corpus of articles from two Polish newspapers – *Rzeczpospolita* and *Gazeta Wyborcza* and three Serbian newspapers – *Politika*, *Blic*, and *B&S*. These newspapers are relatively representative for the spectrum of political opinions in the two countries respectively. The corpus is limited to articles published in 2010, available online and, in order to make the amount of the material in both languages comparable, we further limited it to 20 articles per newspaper. In our investigation, we also consulted media run by members of the sexual minorities themselves: in Polish, the websites *homoseksualizm.org* and *homiki.pl*, and the bimonthly newspaper *Replika*; in Serbian, the website *gay-serbia.com*. In both languages the words that are most often used to refer to sexual minorities are *lesbijka* and *gej*; Polish also uses the words *homoseksualista* (Singular) and *homoseksualisci* (Plural). The words *gej* and *homoseksualac* and *lezbejka* also function in Serbian. In general, in both Polish and Serbian these words are not immediately recognized as borrowings because they are already well established in the language. However, there are also some words that have entered the language recently and they still stand out in discourse. Examples from Polish include *coming out* and *queer* as well as the acronym *LGBT*. *Coming out* and *queer* have so far preserved the original English spelling.

In the Polish corpus the expression *coming out* appears seven times, *queer* can be found three times and there are as many as 26 instances of *LGBT*. There is a large discrepancy between the newspapers as in a corpus of 13881 words from *Gazeta Wyborcza*, there are only 3 instances of *LGBT*, while in the 17409 words in *Rzeczpospolita*, there are 23 occurrences of this abbreviation. It would seem that this way of referring to sexual minority members is preferred by *Rzeczpospolita*, even though (or maybe because) the abbreviation obscures the meaning. On the other hand, the words *gej* and *lesbijka* occur in both newspapers comparably frequently (in *Gazeta Wyborcza* *gej* occurs 90 times, *lesbijka*, 49; in *Rzeczpospolita*, there are 81 usages of *gej* and 133 of *lesbijka*).

Foreign Words as Labels

It would seem that the foreign words are used to mark the “otherness” of sexual minorities. This observation was confirmed by the statement by the Campaign Against Homophobia (Kampania Przeciwko Homofobii), in which it is claimed that the Polish

²² Jelisaveta Blagojević, “Between Walls: Provincialism, Human Rights, Sexualities and Serbian Public Discourses on EU Integration” in *De-Centring Western Sexualities*. ed. Robert Kulpa et al. (Great Britain: MPG Books Group), 29.

equivalents of the borrowings should be used. The members of sexual minorities claim: “everywhere we are a domestic, not an imported product” (wszędzie jesteśmy produktem rodzimym, a nie z importu)²³ and language should reflect this fact. Thus, in Polish, instead of *queer*, one should use the literal translation *odmieniec* (‘misfit’). *Wychodzenie z ukrycia/ujawnianie się* should be used instead of *coming out*.²⁴ Usage of LGBT does not raise any objections, most probably due to the fact that the “Polish” equivalents of the words that are used in this abbreviation have the same initial letters (*Lesbijki, geje, biseksualiści, transseksualiści*).

In our study, we have not encountered any proposals to use native words in Serbian. Our corpus suggests that Serbian newspaper use the four expressions to refer to sexual minorities but their frequency in different sources is thought provoking. *Politika* – the most authoritative Serbian newspaper, uses *gej* 36 times, *lezbejka* just 7 times, *homosexualac* appears 20 times, while LGBT occurs 20 times. The tabloid *Blic* uses the general terms *homosexualac* and *LGBT* less frequently (5 and 17 times respectively). The word *gej* appears in *Blic* 25 times, while *lezbejka* just five. *B92*, that was established first as a youth radio channel and now is an online newspaper, seems to use the four expressions with greater variety: *gej* appeared 35 times and LGBT 41 times, while *lezbejka* five times and *homosexualac* just three.

In addition, both Polish and Serbian have developed an array of native terms that are used to refer to sexual minorities, but all of these terms are offensive. However, in Polish a major change is being observed as LGBT members start to include these offensive words in their own jargon (similar to the usage of the word *nigger* among Afro-Americans). That is why it is acceptable for a gay person to call another homosexual *pedał* or *ciota*. The word *pedał*, when used that way, “is not a vulgarity as it used to be, but it is a spicy linguistic emphasis” (“nie jest już wulgaryzmem jak kiedyś, a tylko pikantnym językowym podkreślnikiem”).²⁵ In this insiders’ language, not only do the offensive terms lose their power, but also the in-group solidarity is being strengthened since the LGBT community is currently using the word *normal* as synonymous with *heterosexual*, thus projecting themselves as the *other*, different or ‘special’.

A further investigation of the Polish language used in the media by the members of sexual minorities themselves revealed that the borrowings are not being rejected, but rather they are becoming more and more assimilated. The word *gej*, for example, is consistently spelled according to Polish and Serbian norms. For example, the controversial *coming out* in Polish started acquiring regular morphological derivational suffixes, thus

²³ Homoseksualizm.org “O seksualności,” Accessed May 1, 2012. <http://www.homoseksualizm.org.pl/index.php/o-seksualnosci/>.

²⁴ Kampania Przeciw Homofobii, “Język, Ideologia, Postawy, Władza, Kwestie do Przemyślenia,” Accessed May 1, 2012. <http://www.homoseksualizm.org.pl/index.php/jezyk-ideologia-postawy-wladza-kwestie-do-przemyslenia/>.

²⁵ Siatkarz, “Pedalski Samobój Językowy,” Accessed May 1, 2012, <http://homiki.pl/index.php/2007/11/pedalski-samobj-jzykowy/>.

one may encounter derivatives such as, for example, *comingoutowy* (coming out_{ADJ}). Derivatives of the word “queer” are also common in the LGBT Polish media (e.g., the adjective *queerowy*). In the future, one may expect the adaptation of spelling to Polish norms. This is the same process that has been applied to terms originally borrowed for the Jewish and Gypsy minorities. It may also be predicted that the lexicalization of negative attitudes will likely take place. In English, expressions such as “It is so gay” or “You queer” are sometimes used by teenagers as a general insult. These phrases may be considered a sign of an “internalized homophobia”²⁶ and their use is highly criticized by the general public. It seems that in Polish this process of lexicalization has already started since the adjectives *gejowski* or *pedalski* (both meaning ‘gay-like’, the latter offensive and not used in public discourse) can be used to mean “trashy” or “effeminate.”

From this limited study, it would seem that the status of sexual minorities in Poland and Serbia, despite apparent political similarities, is different. The Polish language first acquired foreign terms to mark LGBT people as “other” and to metaphorically or linguistically “exclude” them. However, the minorities have started to use these terms of exclusion themselves as a mark of inclusion, thus deflating and inverting the intended slur. On account of the borrowings, the same can be said for Serbian. However, the difference lies in the fact that Serbian maintains a separation between the English borrowing and Serbian suffix (e.g. *coming out-u*, *queer-ovi*). The LGBT community in Serbia maintains the preference for foreign terms rather than adapting them to native language. The media imitate the usage of terms by LGBT members by using the few general terms that refer to this minority community.

Poland has had a longer exposure to the LGBT community and more time to assimilate the gay culture. Language reflects this: Polish media use more words, both borrowed and native to discuss issues pertinent to sexual minorities. In Serbia, the issue has been pushed to the margin and so there was no motivation to develop some normative guidelines for public and private discourse. Polish membership in the European Union may also have contributed to the fact that such norms had to be spelled out.

Conclusion

Discrimination will not disappear if we simply stop talking about it. Unfortunately, neither can discriminatory thoughts be eliminated by the use of politically correct language. Negative stereotypes may be hidden behind apparently neutral language or in indirect forms of speech such as quotations or satire. If we are to seriously consider the problem of social exclusion, we need to address its causes and not limit ourselves to merely hiding its linguistic symptoms. The use of discriminatory language often serves

²⁶ Reece Manley, “When a Teen Says It’s So Gay,” Accessed June 9, 2012, <http://suite101.com/article/when-a-teen-says-its-so-gay-a104702>

as a tool of social exclusion. Banning discriminatory words makes it more difficult to say offensive things but it still does not address the underlying problems. In a recent interview, Michał Głowiński, a Polish linguist and expert on communist newspeak and post-communist rhetoric, acknowledged: “Words can harm people in many ways. (...) Words create a reality. Their use does not go unpunished”²⁷ When asked what language should be used to stop the current spread of populist hate speech in Poland, he replied: “It can be stopped by metalanguage, that is language about language. (...) Language should be constantly critiqued, analysed. One should demonstrate how hate speech works and what are the goals of those who use it.”²⁸ The study of language tells us a lot about the people who use it. It is critical to see the use of language as an indication of social problems and to apply linguistic knowledge as a diagnostic tool in analyzing social exclusion among other issues.

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²⁷ Michał Głowiński, “Słowo, które Może Zabić.” *Newsweek* – Polish edition. 17 (2012): 21.

²⁸ Głowiński, “Słowo, które Może Zabić,” 22.

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V

**ECONOMY:
REGIONAL AND GLOBAL CONTEXT**

Twenty Years of Economic Transformation: The Price of Economic Orthodoxy

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Introduction

INDEPENDENT Poland has adhered to classical liberal views both in politics and economics. The Polish-Lithuanian Commonwealth (1569–1795) had a very weak central government and collected very little taxes.¹ During the inter-war period classical economics views dominated the intellectual discourse and, consequently, taxes in Poland were among the lowest in Europe.² After the fall of communism Poland reverted to its traditions and throughout most of the period followed a neo-liberal transformation model. The results of this strategy are mixed. The nation experienced an increase in the standard of living, but the improvement was significantly slower than in Far East nations under both democratic and autocratic regimes.

¹ Antoni Mączak, “The structure of power in the Commonwealth of the sixteenth and seventeenth centuries,” in: *A Republic of Nobles, Studies in Polish History to 1863*, eds. J.K. Fedorowicz, Maria Bogucka, and Henryk Samsonowicz (Cambridge, UK: Cambridge University Press, 1982), 109–34. Around 1580 the royal revenue in Poland was equal to about 17 tons of silver and reached a peak of about 45 tons in the period of a critical war effort in years 1653–55. On the other hand, before 1618 the king of Bavaria, a much smaller state, had an annual income of between 26 and 35 tons of silver. Similarly, Denmark with a population of less than a tenth of that of the Polish-Lithuanian Commonwealth, boasted an income of 10 tons in 1608. France, with a population twice as large as that of Poland, had an income of about 350 tons per year in late XVI century. In 1785 per capita tax revenues in the most developed nations, the Netherlands and Great Britain, were equal to, respectively, 35 and 34 English shillings. The same metric among East European nations equaled 6 shillings in both Prussia and Russia, and in Hungary proper, Transylvania, and Bohemia-Moravia it was 12, 7, and 14 shillings, respectively. On the other hand in the Polish-Lithuanian Commonwealth it amounted to one shilling. R.R. Palmer, *The Age of Democratic Revolution, A Political History of Europe and America, 1760–1800*, vol. 1 of, *The Challenge* (Princeton: Princeton University Press, 1959), 155.

² Casimir Dadak, “National Heritage and Economic Policies in Free and Sovereign Poland after 1918,” *Contemporary European History*, vol. 21, no.2 (2012): 193–214.

The Program of Shock Therapy

The 1989 shock therapy program implemented by Deputy Prime Minister Leszek Balcerowicz included the rapid deregulation of the economy, removing of most price controls, bringing the budget into equilibrium, fast-track privatization of state-owned enterprises and attracting foreign investment.³ Additionally, a drastic decrease in import barriers resulted in “one of the most liberal trade regimes in the world”.⁴ The architects of this strategy expected a dramatic improvement in the rate of economic growth.⁵ But instead the therapy produced a huge decrease in output and the standard of living; in just two years the GDP dropped by 18.3 percent.⁶ This outcome was not entirely unexpected.⁷

During the period of 1990–93 state-owned enterprises were neglected at best and

“at worst, the state sector was deliberately attacked through crippling taxation, discriminatory with respect to the private sector and therefore distortionary, and through the indiscriminate denial of investment credit regardless of economic viability. This process ... was welcomed as ‘creative destruction’ – a travesty of this Schumpeterian concept in the absence of innovation, investment and competition necessarily associated with its creative component.”⁸

As a result, unemployment rose dramatically, from 6.5 percent in 1990 to 16.4 percent in 1993.⁹ In such a situation the expansion of the private sector is difficult, if not impossible. Similarly, a focus on balancing the budget is misguided, because the emerging private sector may not be able to shoulder higher taxes.¹⁰ Overall, shock therapy created a powerful demand-side shock to the economy and set the stage for a decline in output and the standard of living.

Since the early 1990s high unemployment has been a constant feature of transformation in Poland. Ken Morita and Yun Chen note that:

³ Leszek Balcerowicz, Barbara Blaszczyk, and Marek Dabrowski, “Polish Way to the Market Economy 1989–1995,” in: *Economies in Transition: Comparing Asia and Eastern Europe*, eds. Wing Thye Woo, Stephen Parker, and Jeffrey D. Sachs (Cambridge: The MIT Press, 1997). See also Jeffrey Sachs, *Poland’s Jump to the Market Economy* (Cambridge: The MIT Press, 1993).

⁴ Grzegorz W. Kolodko and D. Mario Nuti, “The Polish Alternative, Old Myths, Hard Facts and New Strategies in the Successful Transformation of the Polish Economy,” Working Papers 55 (Warsaw: Institute of Finance, 1997), 28–29.

⁵ Tadeusz Kowalik, www.POLSKATRANSFORMACJA.pl (Warszawa: Warszawskie Wydawnictwo Literackie Muza SA, 2009), 101.

⁶ Balcerowicz, Blaszczyk and Dabrowski, ‘Polish Way’, 143, Sachs, *Poland’s Jump*, 61.

⁷ Kazimierz Dadak, “U progu Wielkiej Depresji?” *Kontakt* no. 101/102 (1990): 75–87.

⁸ Kolodko and Nuti, *The Polish Alternative*, 22–3.

⁹ Stanisław Uplawa, *Transformacja a międzynarodowa konkurencyjność polskiej gospodarki* (Warszawa: Instytut Rozwoju i Studiów Strategicznych, 1996), 69.

¹⁰ Olivier Blanchard, *The Economics of Post-Communist Transition* (Oxford: Clarendon Press, 1997).

“one of the most serious issues for Poland seems to be undoubtedly the extremely high unemployment rate. It had reached around 20 percent. What does the high unemployment show? We may recognize the Polish mentality which is described as ‘ultra-liberalism’. That seems to explain why around 20 percent of unemployment rate can exist.”¹¹

Aside from this ideological bias, the authors conclude that the extremely high unemployment is a result of inefficient economy.¹²

Poor job prospects drive Poles to seek employment abroad. The 2010 national census showed that the actual number of Polish citizens residing in the country is lower by 1.1 million than what had been estimated. This was a big surprise to experts who also noted that it was mostly young people who had left.¹³ This very disturbing news failed to ignite a national debate, however.

Shock therapy had also deleterious effects on Poland’s international trade. An integral part of the program was a radical reduction in custom duties; by the end of 1990 tariffs on over two-thirds of imported goods were equal to 3.5 percent. Additionally, goods imported from countries that had a lower GDP than that of Poland enjoyed a preferential treatment. In 1990 even these low tariffs were periodically suspended. The suspensions were applied to both investment and consumer goods. Overall, in 1990 duties were lifted on about 50 percent of all imported goods. Moreover, in many cases duties were eliminated on the importation of final products while duties on raw materials and semi-finished goods used in the manufacturing of those goods were kept higher, a policy that put Polish producers at a considerable disadvantage in the global market.¹⁴

The problems that local firms faced as a result of the sudden trade liberalization were compounded with the fact that the value of the Polish currency, the zloty, was kept constant between January 1, 1990 and April 30, 1991. Poland experienced a rapid increase in the price level and, therefore, the currency appreciated greatly in real terms. This, in turn, made imported goods very attractive in the domestic market and Polish exports not competitive abroad. As a result, the share of imports in total consumption expenditure rose from 17.8 percent in 1990 to 34.7 percent in 1991. On the other hand, over the same period the share of exports in GDP declined to 19.1 percent, from 23.0.¹⁵ These factors further depressed employment.

Another critical area that suffered significantly under shock therapy was spending on research and development; it dropped from 1.9 percent of GDP in 1990 to 0.8 percent

¹¹ Ken Morita and Yun Chen, *Transition, Regional Development and Globalization, China and Central Europe* (Singapore: World Scientific, 2010), 146

¹² Morita and Chen, *Transition*, 152.

¹³ Bartosz Marczuk and Aleksandra Fandrejewska, “Młodzi wyjechali, milion Polaków mniej,” *Rzeczpospolita*, December 23, 2011, <http://www.rp.pl/artykul/295866,777776.html>

¹⁴ Uplawa, *Transformacja*, 64–66.

¹⁵ Uplawa, *Transformacja*, 67–8.

in 1993.¹⁶ It has never recovered since then. In 2010 it amounted to a miniscule 0.74 percent of GDP, while the European Union's average was 2.0 percent.¹⁷ Similarly, employment in this field decreased substantially, from 96,734 in 1989 to 81,843 in 2010.¹⁸ As a consequence, the number of patents granted in the country dropped precipitously, from 2,854 in 1989 to 1,536 in 2009.¹⁹

Many western researchers have been less than kind to the program of shock therapy. For instance, Joseph E. Stiglitz opined that:

“historically, the shock therapy approach to changing institutions is associated with Jacobinism in the French Revolution and (ironically) with Bolshevism in the Russian Revolution. ... The irony of it all is that the modern critique of utopian social engineering was based particularly on the Bolshevik approach to the transition from capitalism to communism, and the shock therapy approach tried to use many of the same principles for the reverse transition.”²⁰

Another Nobel prize recipient, Robert Mundell, ventured an equally devastating opinion of this type of transformation:

“output contracted by a cumulative percentage never before experienced in the history of capitalist economies (at least in peacetime). Early denials that the contractions were occurring have proved to be incorrect. ... The contractions represented a bungle of economic policy on an unprecedented scale (pp. 97–99).”²¹

A comparison of the economic performance of countries that implemented a form of shock therapy and those that opted for a gradual change, China and Vietnam, showed that a gradual approach resulted in success but, on the other hand, neither the speed of liberalization nor its degree played a significant and positive role in a successful transformation to a market system.²²

¹⁶ Uplawa, *Transformacja*, 74.

¹⁷ Eurostat, European Commission, accessed April 25, 2012, <http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes>

¹⁸ Główny Urząd Statystyczny, *Statistical Yearbook of the Republic of Poland, 2010* (Warszawa: Zakład Wydawnictw Statystycznych), 474, Główny Urząd Statystyczny, *Statistical, 1990*, 461.

¹⁹ Główny Urząd Statystyczny, *Statistical, 2008*, 421, Główny Urząd Statystyczny, *Statistical, 1990*, 451.

²⁰ Joseph E. Stiglitz, *Whither Reform? Ten Years of the Transition* (Washington D.C.: World Bank, 1999), 22. Kolodko and Nuti express a very similar sentiment saying that “drastic systemic changes were often implemented as a centrally planned form of institutional engineering, similar to that imposed by the Soviets in the transition to communism.” (Kolodko and Nuti, *The Polish Alternative*, 23.)

²¹ Robert A. Mundell, “The Great Contractions in Transition Economies,” in *Macroeconomic Stabilization in Transition Economies*, eds. Mario I. Blajer and Marko Škreb (Cambridge: Cambridge University Press, 1997), 73–99.

²² Vladimir Popov, “Shock Therapy *versus* Gradualism Reconsidered: Lessons from Transition Economies after 15 Years of Reforms,” *Comparative Economic Studies* 49 (2007): 1–31.

Shock therapy set the stage for economic policies in Poland for the entire post-1989 period. Nevertheless, the dramatic deterioration in economic performance necessitated a temporary reversal of the extreme neo-liberal policies. Because of a rapidly growing current account deficit import duties were increased and the currency devalued in mid-1991.²³ After 1993, the government in power reinstated supports to state-owned enterprises and agriculture and ended discriminatory taxation of state-owned enterprises.²⁴ These steps brought a very significant improvement in economic performance. The nation's GDP expanded at a rate of 6.2, 7.1 and 5.0 percent in the years 1995, 1996 and 1997, respectively. But, as the current account improved import duties were lowered again. In his plan called PACKAGE 2000, Deputy Prime Minister Grzegorz W. Kołodko, the main architect of the policies adopted in 1993–97, proposed a further lowering of import duties and taxes, as well a decrease in government spending.²⁵

Overall, market fundamentalism has prevailed over most of the transformation period. Data presented in Table 1 clearly demonstrate that, so far, this approach has yielded limited results. The gap between Poland and the developed world is still very large. The country's GDP at purchasing power is a small fraction of what Americans enjoy.

Table 1
Poland vs. the developed world

| | Poland | EU-15 | U.S.A. |
|--|--------|-------------------|--------|
| GDP/capita (at purchasing power, EU-27 = 100, 2009) | 61 | 110 | 146 |
| GDP growth (in %, 2000–10 average) | 3.9 | 1.5 | 1.8 |
| Gross capital formation (% of GDP, 2000–10 average) | 21.2 | 20.1 | 18.7 |
| Productivity/hour (2010, at purchasing power, EU-27 = 100) | 66.8 | 109.1 | 143.5 |
| Exports of goods and services per capita (2010, in 000s €) | 3.9 | 12.2 | 4.8 |
| Triadic patents (2007, per million of labor force) | 0.03 | 6.84 ^a | 21.77 |
| R&D expenditure (2008, % of GDP) | 0.6 | 2.0 | 2.8 |

^a Euro-area (16)

EU-15 includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom.

Data: Eurostat, accessed April 10, 2012,

²³ Uplawa, *Transformacja*, 70.

²⁴ Maciej Bałtowski and Maciej Miszewski, *Transformacja gospodarcza w Polsce* (Warszawa: Wydawnictwo Naukowe PWN, 2006), 67. See also Kołodko and Nuti, *Polish Alternative*, 67.

²⁵ Grzegorz W. Kołodko, "Strategy for Poland Package 2000: Growth, Stabilization, Competitiveness," *Working Papers* 51 (Warsaw: Institute of Finance, 1997), 20, 36, 41.

The table also shows that there are few signs that the country will be able to catch up soon. The rate at which Poland augments its physical capital is close to that experienced in mature and slow-growth nations. On the other hand, expenditure on research and development is much lower than in the United States and Western Europe. As a result, Poland generates an insignificant number of discoveries that are simultaneously awarded patent protection in the European Union, United States and Japan (Triadic patents). Consequently, the economy lags in terms of productivity and is incapable of producing a substantial amount of high-tech products that find buyers in world markets.

The World Bank reports that Poland lags also in areas that require no financial investment, the bureaucratic burden. In this respect Poland is closer to communist-led China and Vietnam than to fast growing capitalist Asian nations or the United States and the European Union. In 2011 it took on average 32 days to start a business in Poland. The same metric stood at 6, 12 and 14 in the United States, OECD countries and the European Union, respectively. In Malaysia an entrepreneur needed only 6 days to accomplish this task, in Korea 7, and in China and Vietnam, respectively, 38 and 44. Overall, in terms of the ease of doing business Poland was ranked 62 among the 183 nations. On the other hand, the United States placed 4, South Korea 8, and Thailand and Malaysia, respectively, 17 and 18. The average rating among OECD countries was 32 and China was ranked 91.²⁶

This outcome is in part a result of reforms that produced a legal system that is complex, lacks consistency and transparency and allows government bureaucrats to make arbitrary decisions regarding important issues.²⁷ Similarly, the tax system violates the principles of efficiency, stability, consistency and fairness.²⁸ The fact that the resolution of disputes is very time-consuming does not make things better.²⁹ Moreover, power is frequently located outside formal democratic institutions and the executive is sometimes commercialized.³⁰

²⁶ *World Development Indicators*, The World Bank, accessed April 20, 2012, <http://data.worldbank.org/data-catalog/world-development-indicators>

²⁷ Wiesław Nowak, "Konstytucja. Prawo. Świadomość prawna," in *10 lat obowiązywania Konstytucji RP – i co dalej?*, ed. Waldemar J. Wołpiuk (Warszawa: Wydawnictwo Wyższej Szkoły Zarządzania i Prawa im. Heleny Chodakowskiej w Warszawie, 2008), 67–90.

²⁸ Grzegorz Szczodrowski, "Polski system podatkowy – ocena i możliwości zmian," in *Transformacja gospodarcza a sektor publiczny*, ed. Grzegorz Szczodrowski (Gdańsk: Wydawnictwo Uniwersytetu Gdańskiego, 2002), 81–113.

²⁹ *Country Reports*, Freedom House, accessed April 12, 2011, <http://www.freedomhouse.org/template.cfm?page=22&country=7900&year=2010>.

³⁰ Jadwiga Staniszkis, *Post-Communism: The Emerging Enigma* (Warsaw: Institute of Political Studies, Polish Academy of Sciences, 1999), 145–210

Poland and the Asian Experience

China, Vietnam, and the Asian Tigers have outperformed Poland over the last two decades. The nations that had a higher GDP per capita extended the lead and those that were behind narrowed the gap or even leaped over Poland.³¹ For instance, in 1989 the standard of living at purchasing power in China was equal to about one third of that in Poland, but by 2008 it amounted to two thirds (Table 2).³²

To a lesser or greater degree in all these nations the government plays a much more active role in economic affairs than in Poland. China and Vietnam are still governed by a communist party and present an obvious case, but governments in Malaysia, Taiwan and South Korea also exert a great deal of influence over the economy.³³ Malaysia continues to devise extensive national economic plans.³⁴

Table 2
Real GDP per capita (Poland = 100)

| Year | China | Malaysia | S. Korea | Taiwan | Thailand | 12-WEC | Vietnam |
|------|-------|----------|----------|--------|----------|--------|---------|
| 1989 | 32.3 | 84.3 | 141.2 | 167.8 | 74.3 | 296.0 | 17.5 |
| 2008 | 66.2 | 101.3 | 193.0 | 206.0 | 86.1 | 219.0 | 29.2 |

12-WEC (Western European Countries) includes Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom.

Data: Angus Maddison, *Historical Statistics of the World Economy: 1–2008 AD*, accessed March 1, 2012, www.ggd.net/maddison/Historical_Statistics/vertical-file_02–2010.xls.

³¹ *The Economist* finds the South Korean experience truly remarkable. At the beginning of its march to prosperity the nation was among the poorest in the world. It was so poor that in 1980, after almost two decades of rapid growth, the country's standard of living was about one fifth of that in the United States. But by 2011 Korea's GDP per capita exceeded the average for the European Union ("South Korea's economy: What do you do when you reach the top," *The Economist*, November 12, 2011, 79–81).

³² Data on economic performance of Taiwan are very limited; therefore, this paper focuses primarily on the economic performance of China, South Korea, Malaysia, Thailand, and Vietnam.

³³ Erik Thorbecke and Henry Wan, "Taiwan's Development Experience," in *Taiwan in the 21st Century*, eds. Robert Ash and J. Megan Greene (London: Routledge, 2007), 54–73. Gerard Epstein, Ilene Grabel and K. S. Jomo, "Capital Management Techniques in Developing Countries: Managing Capital Flows in Malaysia, India, and China," in *Capital Market Liberalization and Development*, eds. José Antonio Ocampo and Joseph E. Stiglitz (New York: Oxford University Press, 2008), 139–69. C. S. Eliot Kang, "Segyehwa Reform of the South Korean Developmental State," in *Korea's Globalization*, ed. Samuel S. Kim (Cambridge: Cambridge University Press, 2000), 76–101. Joseph E. Stiglitz, "The role of government in economic development," in *Annual World Bank Conference on Development Economics 1996*, eds. Michael Bruno and Boris Pleskovic (Washington, D.C.: The World Bank, 1996), 11–23. The World Bank also agrees with this assessment, a box in one of its reports carries the title, "Korea: The success of a strong interventionist state" (The World Bank, *World Development Report 1998/99* (Oxford: Oxford University Press, 1999), 32).

³⁴ Asan Ali Golam Hassan, *Growth, Structural Change and Regional Inequality in Malaysia* (Burlington: Ashgate Publishing Company, 2004), 67.

From the very beginning of their transformation China and Vietnam opted for a gradual change and this clearly proved to be a superior strategy. During the entire transformation neither of the countries ever suffered a period of negative growth, let alone a Great Depression-like collapse of the standard of living.

There are many factors that contributed to the starkly different economic performance in Poland and the rest of the former Soviet bloc and the Asian economies in transition to a market system. For instance, Ha-Joon Chang and Peter Nolan explain the better performance in Asia with an argument that rapid transition created a great deal of uncertainty and that in such an environment economic players engage in speculation rather than in long-term investment. They also note that command economies had excess physical and human capital and that the slow transition allowed China to capture the surplus capacity while a shock therapy-type transition resulted in the destruction of this potential.³⁵ The case of China proves this point as over the period of 1979–1989 the nation was growing at an astonishing average rate of 9.5 percent.³⁶ Nevertheless, in 1990 only 9.76 percent of its industrial production was made by the private sector.³⁷

Another distinguishing factor is a different approach to the privatization of state-owned enterprises. China and Vietnam did not institute a program of fast privatization.³⁸ In this way they avoided a rush to take advantage of political connections. Although in Poland privatization was not as corrupt as in Russia, where the oligarchs managed to acquire the cream of state enterprises for next to nothing;³⁹ nevertheless the process led to the establishment of “political capitalism”, a system that allowed the former communist nomenclature to retain significant privileges and control over the economy.⁴⁰ Instead, the Asian countries focused their energies on the building of new private firms. This method promoted individuals with entrepreneurial skills and the private sector soon became dominant.⁴¹ In 1990 in China private firms accounted for less than 10 percent of industrial output, but in 2000 they generated over 62 percent.⁴² But a more

³⁵ Chang, Ha-Joon and Peter Nolan, “Europe versus Asia: Contrasting paths to the Reform of Centrally Planned Systems of Political Economy,” in *The Transformation of the Communists Economies: Against the Mainstream*, eds. Ha-Joon Chang and Peter Nolan (New York: St. Martin’s Press, 1995), 3–45.

³⁶ *World Development Indicators*, The World Bank, accessed April 20, 2012.

³⁷ Morita and Chen, *Transition*, 150.

³⁸ In fact, in China the first large-scale major privatization program took place twenty years after the start of reforms, when in 1997 the central government transferred the control over small enterprises to municipalities with an explicit mandate to privatize them (“Privatisation in China: Capitalism confined,” *The Economist*, September 3, 2011, 67–70).

³⁹ Luigi Manzetti, *Neoliberalism, Accountability, and Reform Failures in Emerging markets: Eastern Europe, Russia, Argentina, and Chile in Comparative Perspective* (University Park: The Pennsylvania State University Press, 2009), 117–21.

⁴⁰ Jadwiga Staniszkis, *O władzy i bezsilności* (Kraków: Wydawnictwo Literackie, 2006). The author finds this arrangement to be counterproductive.

⁴¹ In Russia many of the oligarchs proved to be inefficient managers of their empires (Manzetti, *Neoliberalism*, 123).

⁴² Morita and Chen, *Transition*, 150.

conservative approach to privatization is not typical of only the Chinese and Vietnamese transformation, but also of some Asian Tigers. For instance, the three largest commercial banks in Taiwan had been 100 percent owned by the government until 1999. Even after their privatization the state has remained their largest shareholder.⁴³

In 1993, when Poland was at an early stage of transformation, The World Bank published an extensive study that provided ample hints what policies Poland could adopt to emulate the Asian Tigers.⁴⁴ The study concluded that the most successful “northern-tier economies—Japan, Korea, Taiwan, and China—halted the process of import liberalization, often for extended periods, and heavily promoted exports” and to accomplish this goal frequently devalued currencies. These nations also encouraged “investment by, first, creating infrastructure complementary to private investment” and by setting “tax policies favouring investment, keeping relative prices of capital goods low.”⁴⁵ Moreover, the authors note that those nations experienced both high growth and declining inequality. Additionally, in some countries, especially in Japan, Korea, and Taiwan, policy tools “sometimes included extensive government intervention in markets to guide private-sector resource allocation.”⁴⁶ The study stresses that the countries used “an immense variety of policies to achieve three critical functions of growth: accumulation, allocation, and productivity growth.”⁴⁷ Consequently, the authors refrain from making any general recommendations, except that export promotion is a very important factor in raising the rate of economic growth.⁴⁸

Other authors agree and expand on this conclusion. For instance, Alice H. Amsden argues that import substitution leads to the establishment of large local firms. However, this alone is not enough to produce superior performance. The next step is a strong export drive, an ingredient that successful Asian newly industrialized nations adopted and that was missing in other developing regions that resorted to protectionism, for instance, in Latin America. Moreover, Asian firms were required to meet specific export targets in exchange for protection from foreign competition in the domestic market.⁴⁹

Consequently, Asian nations both under democratic and autocratic regimes are much more engaged in world markets than Poland is and are capable of manufacturing advanced products. Table 3 shows that in 2009, the last year for which data for all nations are available, even Vietnam exported a greater proportion of high-tech products than Poland did.

⁴³ Chu, Yun-Peng, Tain-Jy Chen and Been-Lon Chen, “Rethinking the Development Paradigm: Lessons from Taiwan,” in *Industrial Policy, Innovation and Economic Growth: The Experience of Japan and the Asian NIEs*, eds. Poh-Kam Wong and Chee-Yuen Ng (Singapore: Singapore University Press, 2001), 197–244.

⁴⁴ World Bank, *The East Asian Miracle: Economic Growth and Public Policy* (Oxford: Oxford University Press, 1993), 22.

⁴⁵ World Bank, *The East Asian Miracle*, 16–17.

⁴⁶ World Bank, *The East Asian Miracle*, 10.

⁴⁷ World Bank, *The East Asian Miracle*, 25–6.

⁴⁸ World Bank, *The East Asian Miracle*, 23–5. Interestingly, a strong pro-export policy is behind the recent robust economic performance in Germany, as “exports provided nearly all Germany’s growth from 2001 to 2007” (“Germany’s economic model: What it offers the world,” *The Economist*, April 14, 2012, 31).

⁴⁹ Alice H. Amsden, *Escape from Empire: The Developing World’s Journey through Heaven and Hell* (Cambridge, MA: MIT Press, 2007), especially chapter 6.

Table 3
Poland vs. Asian nations

| | China. | S. Korea | Malaysia | Poland | Thailand | Vietnam |
|--|--------|----------|----------|--------|----------|-------------------|
| GDP growth (in %, 2000–10 average) | 10.3 | 4.5 | 5.0 | 3.9 | 4.4 | 7.2 |
| Gross capital formation (% of GDP, 2000–10 average) | 41.9 | 29.5 | 21.7 | 21.2 | 25.9 | 36.1 |
| Saving rate (% of GDP, 2000–10 average) | 47.0 | 31.5 | 34.7 | 17.3 | 29.3 | 32.3 |
| Exports (% of GDP, 2010) | 29.6 | 52.4 | 97.3 | 42.3 | 71.3 | 77.5 |
| Trade balance (% of GDP, 2005–10 average) | 7.4 | 2.1 | 15.4 | −4.6 | 2.7 | −5.6 |
| Hi-tech exports (% of manuf. exports, 2009) | 27.5 | 28.7 | 46.6 | 6.1 | 25.3 | 6.2 |
| R&D expenditure (% of GDP, 2006) | 1.39 | 3.01 | 0.63 | 0.56 | 0.25 | 0.19 ^a |
| Broadband subscribers (per 100 inhabit., 2010) | 9.4 | 36.1 | 7.3 | 13.2 | 3.9 | 4.2 |

^a Data for 2002.

Data: *World Development Indicators*, accessed April, 10, 2012.

Joseph E. Stiglitz stresses that successful development requires, among others, an active role of the state, the extent of which may differ depending on local circumstances.⁵⁰ He finds that “in the most successful countries, government has taken on the broader set of roles associated with the *developmental state*.”⁵¹ More recently, industrial policy has also been successfully used in Latin America.⁵² The finding that government intervention is not necessarily harmful has been proven throughout modern history. *The Economist*, a publication not known for any statist tendencies, observed that:

“state-directed capitalism is not a new idea: witness the East India Company. ... Rising powers have always used the state to kick-start growth: think of Japan and South Korea in the 1950s or Germany in the 1870s or even the United States after the war of independence.”⁵³

⁵⁰ Joseph E. Stiglitz, “Is there a Post-Washington Consensus Consensus?” in *The Washington Consensus Reconsidered, Towards a New Global Governance*, eds. Narcis Serra and Joseph E. Stiglitz (Oxford: Oxford University Press, 2008), 41–56.

⁵¹ Stiglitz, “Is there a Post-Washington,” 54.

⁵² Dani Rodrik, “Industrial Policy: Don’t Ask Why, Ask How,” *Middle East Development Journal*, 1, no. 1 (2009), 1–29. Kazimierz Dadak proposed this rout in the Polish context (“Industrial Policy: A Way to the European Union,” in *Proceedings of the International Conference ‘Poland in Europe,’* vol. 2 (Krakow: 1994), 225–32.)

⁵³ “Emerging-market multinationals: The rise of state capitalism,” *The Economist*, January 21, 2012, 11–12. The World Bank gives examples of successful government leadership in economic affairs in the United States.

Ha-Joon Chang argues that East European countries should adopt an explicit industrial policy because the state anyway influences economic outcomes through macroeconomic and regional development policies, expenditure on education and training, corporate taxation, defence procurement, and so on. The author also debunks the argument that Asian experiences cannot be transplanted to Eastern Europe because of idiosyncrasies. He argues that, for instance, a rapid change took place in China in spite of the fact that Confucianism is a conservative ideology. Similarly, Japan was able to adopt a western model in the nineteenth century; so why would the Eastern Europeans be incapable of a similar feat?⁵⁴

Alice H. Amsden concludes that the state can successfully conduct industrial policy, because picking winners “is no big deal for latecomers that have a live model in the form of a developed economy to follow.”⁵⁵ This view is widely accepted by the practitioners as exemplified by, for instance, *The Economist*.⁵⁶

The Asian model is not necessarily incompatible with European values. Werner Abelshausen, a German economic historian, credits, among other things, the “co-ordinated market economy” based on the notion that no-one “makes full use of freedom” to appropriate all benefits to himself for making his country such an economic success.⁵⁷

On the basis of an analysis of the Japanese and Polish experiences, Ken Morita and Yun Chen make specific recommendations. They conclude that to be successful Poland should strive to establish many small and medium size firms, improve the degree of competition in the domestic market and assure more equal distribution of income to stimulate more savings and higher investment.⁵⁸

But, there is preciously little evidence that policymakers in Poland pay any attention to these opinions. Even the consensus view that a pro-export push tends to increase economic growth is ignored. For instance, only three percent of Polish small and medium

For instance, the federal government constructed the first telegraph line in the world; similarly, it has sponsored research and development in agriculture that resulted in an enormous increase in productivity in this area and, more recently, supported the development of the Internet (The World Bank, *World Development Report 1998/99*, 32).

⁵⁴ Ha-Joon Chang, “Return to Europe? Is there anything for Eastern Europe to Learn from Asia?” in *The Transformation of the Communist Economies: Against the Mainstream*, eds. Ha-Joon Chang and Peter Nolan (New York: St. Martin’s Press, 1995), 382–99.

⁵⁵ Alice H. Amsden, “The wild ones: Industrial policies in the developing world,” in *The Washington Consensus Reconsidered, Towards a New Global Governance*, eds. Narcis Serra and Joseph E. Stiglitz (Oxford: Oxford University Press, 2008), 95–118, 118.

⁵⁶ “When a country or a company is playing catch-up it can look at what others are doing and do it better. This Korea has done well. ... The South Korean model of 1960–2010 remains an example for developing countries” (“South Korea’s economy,” *The Economist*, 80).

⁵⁷ Quoted in “Germany’s economic model,” *The Economist*, 30.

⁵⁸ Morita and Chen, *Transition*, 70. Mid-size firms (*Mittelstand*) have greatly contributed to Germany’s economic growth and strong exports over the past decade (“Germany’s economy, Modell Deutschland über alles,” *The Economist*, April 14, 2012, 17–18).

enterprises report obtaining any public financial assistance in this area. This places Poland twenty-third among the thirty three European nations that were researched.⁵⁹

Another critical area where Poland lags is the quality of infrastructure. The 2010–2011 Global Competitiveness Report ranks Poland overall 39, but in terms of the quality of infrastructure the nation is rated a distant 72.⁶⁰ Studies show that government spending on infrastructure enhances productivity and the rate of economic growth. For instance, the construction of a nation-wide network of interstate highways had a positive causal effect on productivity in the United States.⁶¹ In fact, public spending on productive projects attracts (crowds-in) private investment.⁶² Overall, there is a significant positive impact of infrastructure spending on the rate of economic growth in countries with a low level of physical capital.⁶³

The World Economic Forum study also confirms that Asian economies are more competitive than that of Poland. Taiwan, South Korea, Malaysia, China, and Thailand are ranked overall 13, 22, 26, 27, and 38, respectively. Poland, rated 39, only places ahead of Vietnam ranked 59, a much less developed country. Poland lags not only in terms of infrastructure development, but also in other matters. For instance, with regard to innovation Poland places 50. On the other hand, Taiwan, South Korea and Malaysia rank 7, 18, and 25, respectively. In this important category they rank above their overall competitiveness index, which bodes well for their future progress. China is considered the 31 most innovative country. Again, only Vietnam is considered less innovative than Poland; it ranks 53, but also this country enjoys a better rating in this category than its overall position.

This poor performance is related to the disparity in spending on research and development (R&D). Although information on the level of expenditure on R&D in some Asian nations is dated, there is no doubt that the most advanced nations spend by far more than Poland does. Table 3 shows that Poland's effort in this area is closer to that of Malaysia and Thailand rather than that of South Korea. The last country boasts one of the largest R&D budgets in the world.⁶⁴ China is also well ahead of Poland and closing the gap with the advanced world. For instance, in 2006 European Union members on average laid out 1.85 percent of their GDP for this purpose.

⁵⁹ European Commission, *Internationalization of European SMEs* (Brussels: European Commission, 2010), 67.

⁶⁰ *The Global Competitiveness Report 2010–2011*, ed. Klaus Schwab (Geneva: World Economic Forum, 2010), 13–20.

⁶¹ John G. Fernald, "Roads to Prosperity? Assessing the Link Between Public Capital and Productivity," *American Economic Review*, 89, no. 3 (1999), 619–638.

⁶² Erdal Atukeren, "Politico-Economic Determinants of the Crowding-in Effects of Public Investment in Developing Countries," *Journal of Money, Investment and Banking* 13 (2010): 55–73.

⁶³ Ward Romp and Jakob de Haan, "Public Capital and Economic Growth: A Critical Survey," *Perspektiven der Wirtschaftspolitik*, 8 (2007): 6–52.

⁶⁴ The World Bank summarizes the Korean experience in this way: "Korea followed a strongly interventionist and nationalist route, keeping FDI [foreign direct investment – K.D.] to a minimum and relying instead on other modes of technology transfer and a concerted domestic technological effort (The World Bank, *World Development Report 1998/99*, 32).

Data in Table 3 also provide evidence that the superior working of Asian economies is a result of the time-proven virtues of thrift and hard work. The saving rate in Poland is by far lower than in all of its Asian competitors. Moreover, with the exception of Vietnam, Asian nations finance investment with domestic savings. In fact, over the years 2000–11 their saving exceeded their expenditure on physical capital. This, combined with significant trade surpluses, resulted in a dramatic increase in official reserves. For instance, China's reserves rose from 171.8 billion dollars in 2000 to 2.9 trillion in 2010.⁶⁵

Overall, twenty years of transformation in Poland along a neo-liberal prescription has failed to produce a vibrant, efficient and competitive economy. The country is developing faster than its mature European competitors and this offers the populace some consolation, but it is incapable of generating a rate of growth comparable to those observed in more advanced democratic Asian nations, let alone to those of rapidly catching up China and Vietnam.

The Present Crisis

It is noted that following the 2008 financial crisis Poland has enjoyed one of the best growth rates among the European Union members. But this is largely due to the fact that Poland has its own currency and is conducting an independent monetary policy. Sweden, a mature European economy that also retained its money, matched the rate of growth of Poland (4.0 percent) in 2011 and performed better in 2010, growing at a rate of 5.6 percent compared to Poland's 3.9 percent.⁶⁶

As a result of the crisis, the zloty recorded a very real substantial depreciation against other major currencies. Between July of 2008 and May of 2009 the zloty lost 36.6 percent against the dollar and 26.7 percent against the euro, while inflation in Poland was comparable to that in most of its major trading partners. This development had a salutary impact on international competitiveness of the economy. In the first quarter of 2009 Poland recorded a surplus in trade in goods and services, the first such an occurrence since 1995. This success came at a very critical moment, because between July of 2008 and January of 2009 the total value of Polish official reserves declined to \$59.3 billion, from \$85 billion, or by 30 percent.⁶⁷

⁶⁵ *World Development Indicators*, The World Bank, accessed April 20, 2012. Although in Poland official reserves also rose substantially over this period, from 27.5 billion to 93.5 billion dollars, this was a result of capital inflows. Over the same time Poland suffered substantial trade deficits and the nation's net investment position deteriorated to a negative 305.4 billion dollars, from a negative 55.2 billion (*National Bank of Poland*, accessed April 20, 2012, <http://www.nbp.pl/homen.aspx?f=/en/statystyka/statystyka.html>).

⁶⁶ *Eurostat*, accessed April 10, 2012, <http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes>

⁶⁷ *National Bank of Poland*, accessed April 26, 2012. Final data for 2011 are not available yet.

Despite this positive development, in other respects Poland's economy is performing poorly. By some metrics its functioning is closer to, if not worse than, the European Union's average or that of the struggling Italy. For instance, throughout the entire 2008–11 period budget deficit in Poland exceeded the European Union's average and that in Italy. Similarly, over the same time the country's rate of unemployment was hovering around the Union's average and significantly exceeded the Italian level.⁶⁸

In comparison to most of its European peers and the Asian Tigers, Poland performed well during the years 2008–10.⁶⁹ But, China and Vietnam did much better. While Poland grew at an average rate of 3.5 percent over the period, growth in China and Vietnam averaged 9.7 and 6.1 percent, respectively.

Additionally, after a brief period of trade surpluses resulting from a dramatic fall in the value of the zloty, Poland reverted to significant trade deficits. This, on one hand demonstrates that the economy is not competitive internationally, and, on the other, shows that the currency is overvalued. The nation's central bank focuses only on keeping prices stable, and, consequently, keeps interest rates at a relatively high level. For instance, at the end of 2011 short term interest rates were equal to 4.5 percent in Poland, while the European Central Bank kept them at 1 percent and the Fed at close to zero.

Conclusions

The process of economic transition in Poland is a product of neo-liberal ideas as exemplified by *laissez faire* policies, government non-intervention, and free trade. The ruling elites ignore voluminous literature on the benefits of industrial policy and have never implemented a strategy aimed at the speeding up of the rate of economic growth. This approach combined with poor infrastructure (physical, institutional, and legal) results in an economy that lacks international competitiveness, produces few high-tech goods, underinvests in R&D, suffers from exceptionally high unemployment and forces young people to leave the country in search for a better future.

On the other hand, high-growth nations in Asia under both democratic and autocratic regimes stimulate their growth with policies favouring saving and investment, aggressive R&D effort, and exports. The last twenty years offer ample evidence that the Asian model is by far superior to the one chosen by Poland. Today the standard of living in South Korea is about twice as high as in Poland and fast approaches the level of

⁶⁸ *World Development Indicators*, accessed April 14, 2012, Eurostat, accessed April 14, 2012.

⁶⁹ Democratic Asian Tigers, recorded a significant economic slowdown in the late 2008 and early 2009, but they quickly recovered. For instance, at the end of 2011 the unemployment rate in South Korea was just 3 percent. This was not only a result of strong exports to China, but also of a program of public works that absorbed about 2 percent of the labor force. Additionally, the government drastically increased direct support and credit guarantees to small and medium enterprises. It also asked banks to roll over their loans to such firms ("South Korea's economy," *The Economist*, 81).

the most developed countries of the European Union and that enjoyed in the United States. Nations that twenty years ago were much less advanced than Poland are quickly catching up. Malaysia has already accomplished this goal and China has been narrowing the gap at a breath-taking pace. There is precious little evidence that Poland is ready to adopt economic policies that could reverse the present trends.



Characteristic of the international governance. G-20 financial coordination experience in 2007/2008+ financial crisis: where this can lead?

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Introduction

The PAPER shows what where the effects of the 2007/2008+ financial crisis on the economy both on the international and national level and how states reacted in their strategies to overcome the crisis. The main reasoning of the paper is focused on finding an answer to the question which is recently very popular as a topic of economic discussions: is the currently surpassed crisis a new turning point economic policies leading to departure from liberal solutions and return of intervention, or it is just the opposite? In the paper one will find information on consequences of the crisis on national and global level, tools applied and their impact on the depth of the crisis. This is followed by international coordination of the policies conducted within the G-20 and solutions formulated to some other, external to the G-20 bodies.

Negative Effects of the Crisis

The sources of the financial crisis were covered in a number of articles and books. There is no need to repeat this here. It is fully justified – in such circumstances – to move directly to the negative effects of the crisis. There is a number of negative consequences both on national and international level. Picking the most important ones, one can concentrate on four main issues. The financial crisis 2007/2008+ had a negative impact on rate of the GDP growth. For the first time in over twenty years the rate of GDP growth declined below zero in the group of developed economies.¹ With an exception of Japanese economy, which also went into the red but it was also in

¹ “World Economic Outlook. Recovery, risk and Rebalancing,” IMF, October, Washington, 2010, 69 I 74.

red on the turn of the new century.² The crisis originated in the US economy and was caused by malfunctioning financial institutions.³ It was transferred to other economies within the banking system.⁴ Part of the negative effects of the crisis were resulted by acceleration of the processes of moving industrial production to emerging economies, where the costs of production are lower. The second negative effect of the crisis was ascribed to fall of volume of international trade, the third to fall of volumes of FDI flows, while the fourth to the symptoms of return to nationalistic and protectionist moves in certain economies, in areas where such moves were still possible. On national level of the economy, policies of stimulation as well as policies addressed towards keeping the liquidity of certain financial or production institutions caused increase of budgetary deficits, which have stimulated the growth of rate of inflation, resulting also on the level of interest rates. Not only negative results could be seen as effects of the crisis. The major positive effect can be ascribed to coordination of financial policies within a wider group of states than in the past, when policies were planned and adjusted within the G-7. In the 2007/2008+ crisis the coordination embraced a bigger group of states within the G-20.

In the World Economics

World economy was hit strongly by the crisis, what can be measured by several indicators, which show the scale of the downturn of the economy. Comparisons of the recent downturn with the crisis of the 1929/1930 indicate that there were certain common elements in both cases but also some differences occurred, which decided that the current crisis was more shallow, shorter as far as time span is concerned and hurt a limited number of economies, despite its global impact. The limited size of the downturn in comparison with the 1930's can be explained by two main specific features of the today's international relations. First is the scope of liberalization of the world economy within WTO and also within the all regional free trade agreements, including customs unions, association agreements, as well as agreements on access to the markets. Such agreements are binding the participants, which otherwise could have returned to protection by using national tariffs and other protection tools. With the new net of free trade agreements such reaction was eliminated. Nevertheless some elements of economic nationalisms could be found in behavior of consumers or policy decision making groups.

² "Japan: Economic and Policy Developments," Country report IMF No 01/221, December 2001, 5.

³ Joachim Osiński (ed.), *Zrozumieć kryzys 1. Nauki społeczne wobec kryzysu na rynkach finansowych*, (Warszawa: Oficyna Wydawnicza SGH, 2009).

⁴ Joachim Osiński (ed.), *Zrozumieć kryzys 2. Nauki społeczne wobec kryzysu ekonomicznego*, (Warszawa: Oficyna Wydawnicza SGH, 2009).

Here the scale of the financial crisis will be measured by the collapse of the economic relations among states illustrated in an aggregated form, what shows well the dependency of each economy on international relations. This aggregate indicators embrace the scale of GDP drop, followed by still larger drop in international trade turnover and FDI transfers. The drop of the trade turnover is smaller than in the 1930, although it is much steeper than the previous fall. The fall in imports and exports were synchronized. The fall of trade noted in EU-27 and 10 remaining economies, which together account for over 75% of the world trade exceeded 20% between second quarter of 2008 and 2 quarter of 2009. In some sources the drop in trade in this group of economies is estimated for 30%. The drop was sudden, turnover was positive in beginning of 2008 and became negative in 4 quarter.⁵ The drop in turnover did not affect on the same scale all types of products which are subject to international trade. The latest but also the deepest fall was not in case of minerals, while the most stable, although falling was the turnover in agriculture trade. Manufactured goods can be considered the main trend marking group of goods. The global GDP declined by 2.2% in 2009, what was resulted by bigger decline of GDP rates growth in developed economies in comparison with developing ones. The rate of GDP growth in the developing economies stayed in green, dropping only from a very high level to a high level. In average terms the drop in the group of developing economies was from 5,6% to 1,2% (in real terms).

The drop in the GDP indicated that trade can be considered as the main victim of the financial crisis, what was also followed by the drop of FDI transfers. According to the data given by World Investment Report the FDI flows dropped from 1979 bln in 2007 to 1697 bln in 2008. This made a decline of 14%. The trend started in 2008 was continued in 2009, thus the scale of the decline was bigger, amounting to 44% of the level noted in 2008. 2010 brought a recovery in FDI transfers. The countries hit most by the decline of FDI flows are the developing economies, which both with the transition economies lost about 43% of FDI inflows to their markets in 2008.⁶ In 2010 the FDI flows noted modest, although uneven recovery.⁷

Drop of global trade – in the light of the global recession is not so surprising. Nevertheless there is a number of questions which have to be answered here. Why the drop was steep, why it was so deep, why it was deeper than the drop in the GDP rates of growth?

⁵ WTO online database.

⁶ “World Investment Report. Transnational Corporations, Agricultural Production and development,” WIR 2009, New York, Geneva, 2009, XIX.

⁷ “World Investment Report. Investing in Low-Carbon Economy,” WIR 2010, New York, Geneva, 2010, XIII.

In the National Economies

In the national economy recession is reflected by size of the GDP drop, growth of the unemployment rate, fall of the investments and increase of the state borrowing.

Table 1. Rate of unemployment in years 2004-2009 divided into female and male and under 25 followed by 25-74 year old working force

| Contents | Male | | Female | | <25 years | 25-74 years |
|-------------|------|------|--------|------|-----------|-------------|
| | 2004 | 2009 | 2004 | 2009 | 2009 | 2009 |
| EU-27 | 8.5 | 9.0 | 9.8 | 8.8 | 19.6 | 7.6 |
| Euro area | 8.1 | 9.3 | 10.1 | 9.6 | 19.4 | 8.2 |
| Belgium | 7.5 | 7.8 | 9.5 | 8.1 | 21.9 | 6.6 |
| Bulgaria | 12.6 | 7.0 | 11.5 | 6.6 | 16.2 | 6.0 |
| Czech Rep. | 7.1 | 5.9 | 9.9 | 7.7 | 16.6 | 5.8 |
| Denmark | 5.1 | 6.5 | 6.0 | 5.4 | 11.2 | 5.0 |
| Germany | 10.3 | 8.0 | 9.1 | 6.9 | 10.4 | 12.0 |
| Estonia | 10.4 | 16.9 | 8.9 | 10.6 | 27.5 | 12.01 |
| Ireland | 4.8 | 14.9 | 4.0 | 8.0 | 24.4 | 10.1 |
| Greece | 6.6 | 6.9 | 16.2 | 13.2 | 25.8 | 8.3 |
| Spain | 8.0 | 17.7 | 14.3 | 18.4 | 37.8 | 15.9 |
| France | 8.4 | 9.2 | 10.3 | 9.8 | 23.3 | 7.8 |
| Italy | 6.4 | 6.8 | 10.5 | 9.3 | 25.3 | 6.4 |
| Cyprus | 3.6 | 5.2 | 6.0 | 5.5 | 14.0 | 4.4 |
| Latvia | 10.6 | 20.3 | 10.2 | 13.9 | 33.6 | 14.9 |
| Lithuania | 11.0 | 17.1 | 11.8 | 10.4 | 29.2 | 12.1 |
| Luxemburg | 3.6 | 4.6 | 6.8 | 6.0 | 16.9 | 4.2 |
| Hungary | 6.1 | 10.3 | 6.1 | 9.7 | 26.5 | 8.7 |
| Malta | 6.6 | 6.7 | 9.0 | 7.6 | 14.3 | 5.4 |
| Netherlands | 4.3 | 3.4 | 4.8 | 3.5 | 6.6 | 2.8 |
| Austria | 4.5 | 5.0 | 5.4 | 4.6 | 10.0 | 3.9 |
| Poland | 18.2 | 7.8 | 20.0 | 8.7 | 20.6 | 6.6 |
| Portugal | 5.9 | 9.0 | 7.7 | 10.3 | 20.0 | 8.7 |
| Romania | 9.1 | 7.7 | 6.9 | 5.8 | 20.8 | 5.4 |
| Slovenia | 5.9 | 5.9 | 6.9 | 5.8 | 13.6 | 5.1 |
| Slovakia | 17.4 | 11.4 | 19.2 | 12.8 | 27.3 | 10.4 |

| | | | | | | |
|----------------|------|------|------|------|------|------|
| Finland | 8.7 | 8.9 | 8.9 | 7.6 | 21.5 | 6.4 |
| Sweden | 7.6 | 8.6 | 7.1 | 8.0 | 25.0 | 5.9 |
| United Kingdom | 5.1 | 8.6 | 4.2 | 6.4 | 19.1 | 5.5 |
| Croatia | 12.1 | 8.0 | 15.7 | 10.3 | 25.0 | 10.3 |
| Turkey | | 12.5 | | 12.6 | 22.7 | 10.3 |
| Norway | 4.6 | 3.6 | 3.9 | 2.6 | 8.9 | 2.2 |
| Japan | 4.9 | 5.3 | 4.4 | 4.8 | 9.1 | 4.7 |
| United States | 5.6 | 10.3 | 5.4 | 8.1 | 17.6 | 7.9 |

Source: Eurostat (une_rt_a).

Unemployment in the developed economies was decreasing until 2009. In 2009 it raised but unequally. In the EMU it reached 10,0% in January 2011, but the recent tendency is showing a decline in the rate of unemployment. In February the rate was 9,9%. In the EU-27 the unemployment was in January 9,6%, while in February it went down by 0,01%. Also the unemployment rates went up in Japan and the US but they reached a lower level than in the EU. The lowest increase of unemployment was noted in Germany, Luxemburg, Austria and Malta. The highest reduction of the unemployment rate recently was noted in Germany, Belgium, France, Romania, Finland, Sweden, UK, where the employment increased by 0,5%. The biggest fall of employment was noted in Estonia, Lithuania, Greece, Spain and Slovakia.

The table below presents the fiscal engagement of the government in the OECD countries. It illustrates the impact of the downturn on the size of revenues, what together with increased intervention influences the budget deficit. The data indicates also different approaches in dividing the support into three years. Some of the economies were supported all over the three years, others were treated with additional stimuli in one of the years, while still remaining ones were stimulated in two consecutive years. In some cases, like in the UK, the money was paid back by the supported institutions.

Table 2. Fiscal Packages in the OECD economies* in years 2008–2010

| Contents | Net fiscal effect in 2008-2010 ^y as % of GDP from 2008 r. | | | Division of support in years 2008-2010 as % of support in the whole period | | |
|------------------|---|----------|-------|---|------|------|
| | expenditures | revenues | total | 2008 | 2009 | 2010 |
| USA ^z | -2,4 | -3,2 | -5,6 | 21 | 37 | 42 |
| Japan | -1,5 | -0,5 | -2,0 | 4 | 73 | 24 |
| KoreaSouth | -1,7 | -3,2 | -4,9 | 23 | 49 | 28 |
| Australia | -3,3 | -1,3 | -4,6 | 15 | 54 | 31 |

| | | | | | | |
|---|------|------|------|----|-----|----|
| Canada | -1,7 | -2,4 | -4,1 | 12 | 41 | 47 |
| New Zealand | 0,0 | -4,3 | -4,3 | 5 | 46 | 49 |
| Mexico | -2,1 | 0,8 | -1,3 | 0 | 100 | 0 |
| Norway | -0,7 | -0,1 | -0,8 | 0 | 100 | 0 |
| Switzerland | -0,3 | -0,2 | -0,5 | 0 | 68 | 32 |
| EU | | | | | | |
| Germany | -1,4 | -1,6 | -3,0 | 0 | 46 | 54 |
| France | -0,4 | -0,2 | -0,6 | 0 | 75 | 25 |
| Great Britain | 0,0 | -1,5 | -1,4 | 15 | 93 | -8 |
| Italy | -0,3 | 0,3 | 0,0 | 0 | 15 | 85 |
| Spain | -1,9 | -1,6 | -3,5 | 31 | 46 | 23 |
| Austria | -0,3 | -0,8 | -1,1 | 0 | 84 | 16 |
| Belgium | -0,6 | -1,0 | -1,6 | 0 | 60 | 40 |
| Czech Republic | -0,5 | -2,5 | -3,0 | 0 | 66 | 34 |
| Denmark | -1,9 | -0,7 | -2,6 | 0 | 33 | 67 |
| Finland | -0,5 | -2,7 | -3,1 | 0 | 47 | 53 |
| Hungary | 4,4 | 0,0 | 4,4 | 0 | 58 | 42 |
| Ireland | 0,9 | 3,5 | 4,4 | 15 | 44 | 41 |
| Luxemburg | -1,9 | -1,7 | -3,6 | 0 | 76 | 24 |
| Holland | -0,1 | -1,4 | -1,5 | 0 | 51 | 49 |
| Poland | -0,6 | -0,4 | -1,0 | 0 | 77 | 23 |
| Portugal | - | - | -0,8 | 0 | 100 | 0 |
| Slovakia | -0,5 | -0,6 | -1,1 | 0 | 42 | 58 |
| Sweden | -0,9 | -1,8 | 2,8 | 0 | 52 | 48 |
| Average OECD (weighted average) ^q | -1,5 | -1,9 | -3,4 | 17 | 45 | 39 |

^x – data from 24 March 2009.

^y – estimated effect does not cover the financial support for banking system (such as capitalization of banking system, guarantees and others). It does not include changes in terms of regulations of tax commitments and realization of the government orders.

^z – data concerning the US economy refer to the federal government. A number of states (including California in that number) applied restrictive action which aimed at restructuring of the expenditures and limitation of their level.

^q – average calculated for all the OECD with exception of Greece, Iceland, Mexico, Portugal and Turkey.

Source: <http://www.oecd.org/dataoecd/12/62/42555546.pdf> s. 7 (10.10.2010).

Additional financial injection into the economy could be also considered as a protectionist tool.⁸ This was so, when the payments were acting as limitations for new business to start or for the ones that started but were still in the early phases of their development.⁹

R. J. Barro argues that the approach of the 1980's where economists were putting stress on the supply side of the economics, directly linked with reduction of taxes, which in longer run were supposed to create increased revenues to the budget is recently replaced by stimulation of the demand-side.¹⁰ He also states that the expected multiplier of such expenditures is not 1,5 as some economists say but 1 in the best case. Replacement of one type of economics by another one is called by this economists a voodoo-economics.¹¹ This statement is explicit in supporting the policy of difficult money. At the same time other known economists announce departure from market-liberal-laissez-fair economics. Such an approach can be found among other publications in the study of N. Birdsall and F. Fukuyama.¹² F. Fukuyama's idea is not a new one. Before him similar criticism towards the Washington Consensus was made by D. Rodrik.¹³ Nevertheless, despite they are not alone in making such statements, they are necessarily accurate in their assumptions on the end of the M. Friedman – monetary oriented vision and return of Keynesian intervention.¹⁴ Arguments that such assumptions are wrong are numerous. Enough to mention the economic policy reforms presented in the new economic survey published by the OECD in 2011.¹⁵ Those reforms show direct impact of Washington Consensus, prepared by J. Williamson, continued changes of the structure of the expenditures and reduction of the presence of the state in the economy. Similar solutions can be found in the EU Strategy 2020. All changes are pointed at enhancing long-term income levels, fiscal balances consolidation, sustainable employment levels, education and health systems improvements, pensions system reforms. The study is presenting strategies for highly developed economies as well as for the BRIICS¹⁶ and new EU members, who are included into a group of lower income countries.

⁸ Paul van den Noord, "Exit strategy: is 1937/38 relevant?," ECFIN ECONOMIC Brief, EC, Directorate General for Economic and Financial Affairs, Issue 7, February, 2010.

⁹ Janos Varga, Jan in 't Veld, "The Potential Impact of EU Cohesion Policy Spending in the 2007-13 Programming Period: A Model-Based Analysis," European Economy. Economic Papers 422, September, 2010.

¹⁰ Robert J. Barro, *Macroeconomics a Modern Approach*, (South Western College Pub. Mason, 2007), 341.

¹¹ Robert J. Barro, "Government Spending is not a free lunch. Now the democrats are peddling the voodoo economics," *The Wall Street Journal*, January 22, 2009.

¹² Nancy Birdsall, Francis Fukuyama, "The Post-Washington Consensus: Development after the Crisis," Working paper 244. Foreign Affairs, March/April, (2011).

¹³ Dani Rodrik, "Goodbye Washington Consensus, Hello Washington Confusion. A Review of the World Bank's Economic growth in the 1990's: Learning from a Decade of Reform," *Journal of Economic Literature*, Vol. XLIV, December, 2006, 973-987.

¹⁴ Salvador Barrios, Sven Langedijk, Lucio Pench, "EU Fiscal Consolidation after the Financial Crisis. Lessons from Past Experiences," *Economic Papers* 418, July, 2010.

¹⁵ "Economic Policy reforms. Going for Growth," OECD 2011.

¹⁶ BRIICS stands for BRIC – Brazil, Russia, India and China with S- for Southern Africa and I for Indonesia.

What Tools Countries Applied in Their Protection Strategies?

The crisis 2007/2008+ has proved that states are clever in finding tools which can protect their national interests as far as trade is concerned and this is so even in the conditions when the prospects of increasing tariffs are limited. In such circumstances the best tool of protection was ascribed to exchange rate policy, there were it could be utilized. This was the case with low income new members, who are not in EMU, this was also the case with the emerging Asian economies, where with exception of South Korea, China, Japan and Singapore – the currencies of remaining states lost in their value. Such a solution was enabling stimulation of exports, compensating some of the losses of slow down of the rate of growth, followed by reduction of imports from the Asian markets.¹⁷ But low value of the exchange rate was also noted in the highly developed economies. This trend was seen in the US economy and the dollar, as well as temporarily with the European market and the euro.

Despite the protectionist tendencies when economy slows down there is a strong pressure on the politicians to change their approach to protection and rely more and more on the market mechanism. In other words it is not the departure from the *laissez-faireism* but rather its acceleration and stimulation and this is done not only within a growing but still limited group of economies which are members of EU or wider of OECD but it is also addressed to countries outside the two mentioned organizations.

According to the OECD opinion the “higher income OECD countries face a range of policy challenges and can roughly be broken down into two groups. The first group consists primarily of continental European countries, which need to raise labour utilisation. In consequence, improving the design of benefit systems, addressing labor market dualism through job protection reform and shifting the tax burden away from labour are common recommendations, although product market reforms also feature prominently. The remaining relatively wealthy OECD countries face a more balanced set of challenges, with a greater focus on labour productivity – especially for the Asian members countries – and with reforms of network sector regulation, FDI restrictions, tax structure and public sectors frequently recommended”.¹⁸

At the same time a different policy mix is proposed for the “lower income countries – including in that number: Chile, Estonia, Israel and Slovenia that joined the OECD in 2010 – and BRIICS face far more challenges related to their education systems and product market regulation. Reforms in these areas are aimed at enhancing productivity. Labor informality also raises specific policy challenges in these countries. In many cases, the nature of policy priorities for the BRIICS is similar in content to that for low-income OECD countries, though the amount of needed reform is typically greater in the

¹⁷ Katarzyna Żukrowska, “The Growing Reserves in Asia and their Consequences” (paper presented on Conference in Wrocław, November, 2010).

¹⁸ “Economic Policy reforms. Going for Growth,” OECD 2011.

BRIICS. Recommendations for the BRIICS and some lower-income OECD countries also include in several cases reforms of legal systems and contract enforcement as well as improvements in governance systems that would address corruption.”

The report enumerates a number of ideas which can lead to growth and development. Among the priorities listed in the Report one can find two, which seem to be most important and reflect the deep changes in applied political measures as well as policies. It is advisable to concentrate on some of them and present them closer. These financial market reforms and fiscal tightening in the OECD member states, product market reforms in Germany and in Japan, what should be followed by increased of public health's spending (by 2% points of the GDP). This should be followed by the financial market liberalization in China. Such a move could reduce the size of the global imbalances, which already had melted down to some extent. The list of priorities in growth strategy embraces also housing supply, housing policies facilitating mobility, innovation in mortgage markets, banking regulations, removal of tax distortions.

Governments have differentiated abilities to reform, especially when a country has weaker fiscal position. Reforms should be consistent with pressing need of the consolidation of the fiscal deficit.¹⁹ Reforms should deliver quick jobs and income gains, where lower barriers to competition seem to crucial.

What Was the Impact of the Applied Solutions on Depth of the Crisis?

The applied solutions resulted in increase of the budget deficits in the developed economies. In the US the budget deficit share in the GNP is -8.8, while in the EMU – 6.3% and in the EU-27 6.8%. The Public debt as a share of the GDP is in EMU – 79.2% and in EU-27 – 74.0%.

Table 3. Macroeconomic indicators in EA16 and EU-27 in years 2006–2009

| Contents | 2006 | 2007 | 2008 | 2009 |
|---|---------|---------|---------|---------|
| Euro area (EA16) | | | | |
| GDP market prices (MP) (mln euro) | 8561831 | 9019608 | 9248228 | 8957736 |
| Government deficit (-)/surplus (+) (mln euro) | -116763 | -58519 | -186010 | -563419 |
| (% GDP) | -1.4 | -0.6 | -2.0 | -6.3 |
| Government expenditure % of GDP | 46.7 | 46.0 | 46.9 | 50.8 |
| Government revenues % of GDP | 45.3 | 45.3 | 44.9 | 44.5 |

¹⁹ Martin Larch, Paul van den Noord, Lars Jonung, “The Stability and Growth Pact: Lessons from the Great Recession. European Economy,” Economic Papers 429, December, 2010.

| | | | | |
|---|----------|----------|----------|----------|
| Government debt mln euro | 5865245 | 5967265 | 6452348 | 7092408 |
| % GDP | 68.5 | 66.2 | 69.8 | 79.2 |
| EU-27 | | | | |
| GDP mp | 11700493 | 12397513 | 12494932 | 11787182 |
| Government deficit (-)/surplus (+) mln euro | -173319 | -106248 | -292783 | -800430 |
| | -1.5 | -0.9 | -2.3 | -6.8 |
| Government expenditure mln euro | 46.3 | 45.6 | 46.9 | 50.8 |
| % GDP | | | | |
| Government revenues % GDP | 44.8 | 44.7 | 44.6 | 44.0 |
| Government debt mln euro | 7194795 | 7292373 | 7726636 | 8720027 |
| % GDP | 61.5 | 58.8 | 61.8 | 74.0 |

Source: Provision of deficit and debt data for 2009 – second notification, Eurostat. News release eu-roindicators 170/2010 – 15 November 2010, p. 1.

In 2009 EMU and the whole EU-27 noted increase in the twin deficits: public debt and budget deficit in comparison to 2008. This was resulted by two factors, as mentioned before: (1) fall of the GDP, resulting in decrease of budgetary revenues, as well as by (2) intensified state expenditures. In EMU the government expenditures to the GDP ratio increased from 2.0% in 2008 to 6.3% in 2009, while in the EU-27 from 2.3 to 6.8%. In the EMU the public debt to GDP ratio increased from 69.8% at the end of 2008 to 79.2% at the end of 2009, while in the EU-27 it reached the ration of 61.8% and 74.0% respectively in the two consecutive years.²⁰

In 2009 the biggest government deficits calculated as shares of the GDP were recorded in Greece (-15.4%, Ireland (-14.4%), and the UK (-1.4%), followed by Spain (-11.1%), Latvia (-10.2%), Portugal (-9.3%), Lithuania (-9.2%), Romania (-8.6%), Slovakia (-7.9%), France (-7.5%) and Poland (-7.2%). None of the EU member states registered a surplus in their budget. Nevertheless, some of the states with their budget results were close to that level. Those were: Luxemburg (-0.7), Sweden (-0.9%) and Estonia (-1.7). In sum 25 members of the EU recorded a worsening trend in the fiscal policies.²¹

In 2009 following states had highest ratio (in compared to their GDP): Greece(126.8%), Italy (116.0%), Belgium (96.2%), Hungary (78.4%), France (78.1%), Portugal (76.1%), Germany (73.4%), Malta (68.6%), the United Kingdom (68.2%), Austria (67.5%), Ireland (65.5%) and the Netherlands (60.8%). The lowest shares of the public debt to the GDP were noted in: Estonia (7.2%), Luxembourg (14.5%), Bulgaria

²⁰ Euro Area and EU 27 government deficit at 6.3% and 6.8% of the GDP respectively. Eurostat newsletter euroindicators.

²¹ Ibid.

(14.7%), Romania (23.9%) and Lithuania (29.5%).²² Twelve EU members states have exceeded with their public debt ration the level marked by the fiscal convergence criterion. Remaining fifteen had their public debt below the 60% GDP ratio threshold. In 2010 the situation has worsened and a number of states with Greece, Spain and Portugal in that number were asking for the international aid helping them to keep the liquidity of the public finances and on top of that reducing the budget deficit.²³ The EU is giving its hand with support of the IMF. Special laws were introduced in this area.²⁴ Some of the solutions closely resemble the solutions which were applied in Poland in the beginning of transformation. This can be mainly ascribed to the methods used to reduce the state spending and curb the public debt and external indebtedness.

The G-20 Coordination Moves

The new element in comparison with the 1930's is that there was a successful attempt to coordinate applied policies within a wider group of economies not only parallel actions undertaken by states autonomously. In the 1930's autonomous decisions were often pointed at losses of the trading partners, what resulted in a spiral of growing protectionists measures. In the current crisis some of the protective measures were eliminated by a number of solutions which eliminated the use of traditional protective tools like increase in tariffs. The new features embraced: binding conditions of trade institutionalized within WTO membership conditions of 154 states, FTA's and CU's which regionally and subregionally liberalize trade, what often is followed by some additional liberalization moves concerning capital flows, trade in services, control of state's presence, competition laws and antimonopolistic policies, etc... New conditions in trade embrace also new division of labor where developed economies are in post-industrial stage of development and developing economies are divided into a group of emerging markets in industrial phase and developing economies still in pre-industrial or industrializing phase of development. It is also worth to mention that the division of labor on world scale is more specialized and the specialization is characterized by more intra-branch cooperation vis-à-vis former inter-branch one. All those mentioned features decide that the trade must be going despite the rate of growth of the world economy. The high collapse of trade in comparison with the GDP decline shows the weight of developed economies in trade. At the same time the rates of growth, lowered, but still high in emerging markets show their growing role in stimulating the world economy.

²² Ibid.

²³ "Financial Stability Review," European Central Bank. EC 2010, December, 2010.

²⁴ "The Economic Adjustment Programme for Greece. Second Review – Autumn 2010," Directorate-General for Economic and Financial Affairs, European Economy. Economic and Financial Affairs, European Commission 2010.

In other words the role of two main world markets: the Northern America (US+Canada) as well as the European Union with 27 or wider the EEA²⁵ (EU+rEFTA²⁶) member states is crucial in the world trade but at the same time its share in the world turnover is falling down in favor of emerging markets. This finding decided about the inclusion of additional economies into the group which tried to act together in overcoming the crisis.

G-7/8 was replaced here by G-20, what does not mean the G-7/8 disappeared. The G-20 embraced 20 player in international economics, who decided to work together in overcoming the 2007/2008+ crisis. G-20 became a new link in the world management structure, which before embraced such elements as: G-7/8, G-10, ECOFIN, Joint Development Committee of the IMF, Board of the Governors of IMF, working group meeting of the OECD, G-24, G-77. There is a number of additional bodies consisting of states which have common interests and try to formulate them, expressing them in coordinate way, so their message sounds stronger and more precise. One can list here additionally BRIC²⁷ (with different structure BRIIC, BRIICS, BRIICKS) CIS²⁸, ASEAN²⁹, Mercosur, etc. Most of the listed bodies show interest, concern and common activities as far as this improves the functioning of financial markets, namely financial and fiscal policy, balance of the international payments system.

There is interesting interdependence and hierarchy between the G-7/8, BRIC and G-20. The mutual relationship is illustrated by the chart below.

²⁵ EEA is abbreviation for European Economic Area which integrates EU with three EFTA states: Iceland, Lichtenstein and Norway.

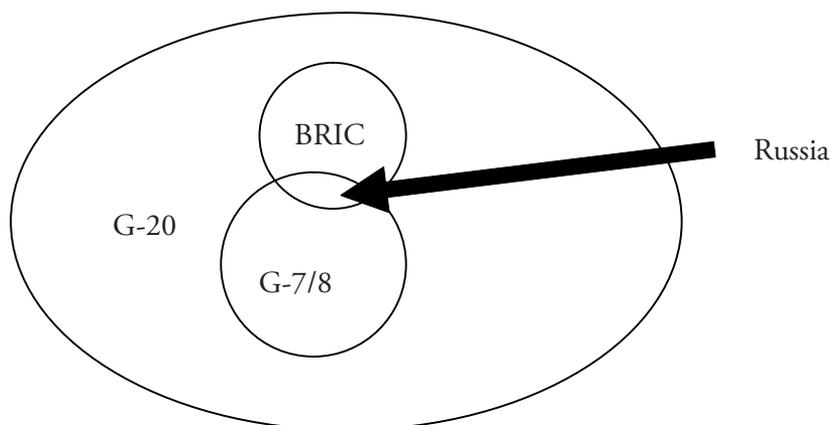
²⁶ rEFTA stands for rest of EFTA: Island, Lichtenstein, Switzerland and Norway, from which all except Switzerland participate in EEC. Switzerland has signed individually an agreement with the EU on free transfers of goods, capital, people and services.

²⁷ BRIC is abbreviation for Brazil, Russia, India and China. BRIIC adds Indonesia to the group, BRIICS adds additionally South Africa, BRIICKS adds South Korea. Nevertheless, the core of the group is formed by BRIC and this is the group to which we will refer most in the future.

²⁸ CIS stands for the Commonwealth of Independent States, what covers: Russia, Ukraine, Byelorussia, Moldova, Uzbekistan, Azerbaijan, Georgia, Kirgizstan, Kazakhstan, Turkmenistan, Tajikistan. Those are the republics (except the Baltic three who have joined the EU in 2004: Estonia, Latvia, Lithuania) that became autonomous states after the dissolution of the SU in 1991. In 2000 there were 2 free trade areas established within the former territory of the USSR: GU(U)AM a free trade zone, surrounding Ukraine. (Second U represents Uzbekistan, who was once joining, to withdraw or suspend its membership). The second free trade zone was organized around Russia within a customs union. It embrace the rest of the republics. The closest ties between Russia and remaining republics are being established with Byelorussia and (EURASEC – European East Asian Economic Community) is composed of Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan.

²⁹ ASEAN integration started with five states: Indonesia, Malaysia, Philippines, Thailand and Singapore. Today it expanded to 11 states with a expanded net of cooperation partners, where the main role is played by: China, Japan and Korea (within a Group of ASEAN-3), and India, Australia, New Zealand.

Chart 1. Mutual relations between the G-7/8, BRIC and G-20



Source: own arrangement.

Russia being the common element between G-7/8 and BRIC can serve as a transmission link between the G-7/8 and BRIC. A type of inclusive exclusion which is applied for Russia in G-7/8 makes the state more acceptable by the remaining BRIC states, where Russia also is included a bit as favor or sentiment as it does not achieve such high dynamics of growth as the other in the Group.

The crisis 2007/2008+ has intensified meetings among the G-20. First of the meetings was held in 2008. Since that time G-20 met at least twice a year within different specialized summits of heads of the states or chiefs of the national finances together with representatives of main financial institutions and Central Banks. The last two meetings of the Group were held consecutively in Seoul and Paris. After a round of meetings with some general conclusions the Ministers of finances and representatives of Central Banks have formulated the synthesis of the diagnosis of the financial market what was followed by some priorities helping to reform the International Monetary System (IMS).³⁰ The list of negative occurrences which decide that the system should be reformed consist of following deficiencies:

- Increased volatility of the exchange rates, what creates uncertainty for households and the business in terms of economic decision making. The best proves of this can be seen in the fluctuations of the euro exchange rates towards the dollar but also and even on a greater scale between national currencies and the US dollar (Brazilian dollar, Polish zloty, Hungarian Forint³¹, etc...)

³⁰ International Monetary System (IMS) – stands for mechanisms and institutions that organize and regulate international monetary exchange, as well as foreign exchange systems.

³¹ <http://www.principalglobalindicators.org/default.aspx> (14.04.2011)

- Accelerated flows of capital, what can strongly affect the liquidity problems on national markets. The emerging markets here are considered to be the most hard hit by the capital moves;
- The risk of “currency war³²”, caused by the exchange rate instability and flows of capital, what encourages some of the countries to experience their power on the financial markets not following the cooperative pattern of behavior but trying to apply nationalist policies;
- Increasing macroeconomic balances between 1998–2007, measured by the surplus of the G-20 economies which increased in this period from 2,3% of the GDP to 5,6% of the GDP (\$580 bln to \$2.5 trillion).³³

The framework of the financial reform proposed by the G-20 embraced a number of moves, which cover:

- Reinforcement of macropolicy coordination;
- Reduction of the need to accumulate currency reserves, which are one of the tools used in period of financial constraints and crisis;
- Stimulation of stable flows of capital, which are pointed at development and growth;
- Support for internationalization of the emerging market currencies.

Those goals can be achieved by moves which can strengthen multilateral cooperation to promote external sustainability and pursue policies conducive to reductive excessive imbalances and maintaining the current account imbalances at sustainable levels. This includes Financial Inclusion Plan, the Global Partnership for Financial Inclusion and flexible SME finance Framework. All mentioned measures can improve access to financial services increasing opportunities for households and investors.³⁴ The undertaken actions are pointed at promoting job creation activities, which stimulate demand, especially in the areas of services in education and health, followed by energy supplies, intelligent economic solutions and methods increasing food and environment security.

The declaration from G-20 Paris summit makes clear that the consolidation policies are considered to be widely approved and applied. That the members of the G-20 are fully aware of need to implement the Basel III new standards for banks within the agreed timelines.

Final Decisions of the G-20

The decisions made in Paris embrace both type of solutions which have to be undertaken on international and on national level. In both cases sufficient tools have been worked out and proposed. The international level is engaged in limiting the build-up of fi-

³² Zsolt Darvas, Jean Pisany-Ferry, “The Threat of “*Currency Wars*”: European Perspective,” Bruegel Policy Contribution, Issue 2010/12, December, 2010.

³³ <http://www.g20-g8.com/g8-g20/root/bank/print/351.htm> (retrieved 14.04.2011).

³⁴ “The G-20 Seoul Summit. Leader’s Declaration,” November 11–12, 2010.

financial leverage in good times and soften the system during the down-turn. In other words the designed instruments are aimed at calibrating the financial support by available tools in accordance to the stage of the cycle, what includes periods of stresses and of the drop in production as well as periods of reduction of tensions when the economy pick-up.

The international level also includes close cooperation between the International Accounting Standards Board (IASB) and the US Financial accounting Standards Board (FASB) which are supposed to facilitate early recognition of credit losses and thus helping to dampen procyclicality. The Basel Committee has developed a number of proposals in 2010 to make possible losses detectible in early phases of their occurrence.

It is expected that the bodies engaged in preparing an early warning system here will agree on introducing certain universal standards which will enable supervisor review process, starting a counteraction early enough to be successful.

On national level some of the states were already using prudential tools, which were based on quantity and prices indicators, which helped to mitigate the procyclicality of the applied solutions. In case of price based tools, countercyclical changes in risk weights on certain instruments, markets or sectors which are exposed towards such constrains embrace foreign currency denominated loans, consumer credits, real estate, construction sector, stock market etc. Those solutions were introduced to protect the system against increasing credit risks in periods of excessive growth of the credit demand. There are possibilities to calibrate such credits by debt-to-income ratio or loan-to-income ratio. There are also some solutions applied to limit excessive credit growth. In such cases liquidity requirements on foreign currency exposure can be applied. Such solutions were introduced in Korea.

In number of countries also some other measures were introduced. Often they are associated with monetary policy, restricting the credit expansion. Such solutions embrace: marginal reserves requirements, limits on level of growth rate of aggregate credit or specific exposures. There are also some proposals on levies put on non-deposit liabilities that can alleviate externalities from unnecessary resource exposed to wholesale funding.³⁵

Table 4. Tools proposed in Basel III

| International level | | |
|----------------------------------|--|--|
| Countercyclical financial buffer | Designed to accumulate during the periods when systemic risk builds up, acting as stabilizer in phase of expansion and contraction | Common Equity Tier 1 |
| Haircuts to funding collateral, | market-to-market and collateral requirements applicable to over-the counter (OTC) derivatives | (OTC) derivatives markets to assess financing conditions |

³⁵ "A Fair and Substantial Contribution by the Financial Sector," IMF, 2010.

| | | |
|--|--|---|
| International Accounting Standards (IASB) | National Accounting Standards | Indicating exposure to losses |
| Basel III standards concerning capital | Increased bank capital and liquidity | Cross sectional dimension |
| Instruments lowering the risks | International derivatives infrastructure underpinning the OTC derivatives market | Reinforcement of effectiveness of macroprudential policy aims, improving transparency |
| Systematically Important Institutions (SIFI) | Attributes and tools of effective national regime; cooperation agreements facilitating cross-border resolutions; mandatory recovery and resolution plans for Global SIFI | Increasing loss absorption, facilitate restructuring; intensifying supervisory oversight; |
| National level | | |
| Marginal reserves kept by banks, funding limits, growth rate of aggregate credit | Monetary policy tools | Lowering the systemic risk |
| Levies put on non-deposit liabilities | Monetary policy tools | Lowering the risk |
| Restrictions on permissible activities of systemic institutions | Structural measures managing risk concentration | Reduction of spill-overs (in US "Volcker Rule" introduced by Dodd-Frank Act) |

Source: based on Macroprudential policy tools and frameworks. Update to G-20 Finance Ministers and Central Bank Governors, 14 Feb. 2011. FSB.

G-20 agreed that the financial sector grows rapidly and there is need to continue work helping to identify what tools can be used to monitor, measure and eliminate the systemic risks undermining the financial security of the system. It became clear that there is need to introduce appropriate solutions and often some of the methods can be adopted from the other partners who have applied them and tested. The international and national tools of macroprudential measures should be intertwined together, what increases their operability. The stability of the financial system has often regional and global dimensions. The applied arrangements can enforce each other when the tools are properly combined one with another one and when the system emerges from coordinated moves based on close of exchange of experience and cooperation.

What Can Come Next?

First move in international, global financial cooperation can lead to some more moves in the same direction. This will be so, when the first experience will turn to be fruitful and effective. The final goal which is in stake can be ascribed to one world currency. There are certain hints which indicate that such model of cooperation is in stake.

G-20 included in its agenda several moves which are relatively difficult to be solved without one currency. Those are:

- Elimination of the global imbalances;
- Stimulation of growth within the model approved in the Millennium Goals of the UN;
- Inclusion into the goals the problem of energy supply;
- Inclusion also of the problem of environment protection and climate change;
- Goal pointed at increasing the world demand;
- Financial stability of the world system.

There are additional points which could be put on the list of the Agenda to change the world into a more friendly environment for growth and catching up. The list is limited to the most important issues which were discussed in the paper. The common world currency and need to keep its value on sufficient level which will stimulate both growth and catching up by those states who have lower per capita income – seems to be an important issue around which states can cooperate. The first moves towards such solutions are made. The world economy is relatively close to the solutions which are called optimal currency area (OCA). With creation of EMU the world economists have practiced how to introduce a common currency. Within the 2007/2008+ crisis states have proved that they can cooperate coordinating their monetary policies and introducing some reforms into their national fiscal systems. Although the way ahead is still far and difficult G-20 seems to be the right group to use that challenge. OECD is engaged in preparing the liberalization on world scale in capital flows, WTO is waiting to continue the Doha Agenda talks on liberalization of trade. The two mentioned areas in addition to financial system reforms seem to be crucial for the world single currency introduction.



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