Regional Economic Development and Strategies in Post-Socialist Societies: Context, Constraints, Dilemmas, and Prospects.

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Restructuring and reorienting socialist economies is an integral but also deeply problematic aspect of their post-socialist transformation.[1] The full range of problems involved here emerges most clearly when one recognizes at the outset that economic activities themselves are always socially embedded and socially regulated and that they are also overdetermined by various geo-political, socio-cultural, and other non-economic factors. There are no pure market economies nor could there be.[2] This enables us to identify at least four major problem-complexes which affect economic restructuring in post-socialist conditions. First, any post-socialist transformation would involve not only structural disembedding of emergent market forces from their erstwhile state socialist straitjacket but also re-embedding them into an institutional framework which could help to regularize accumulation. Second, post-socialist economies must escape from one-sided economic dependence on their inherited links to former Comecon economies and move towards closer integration in the world capitalist system. This process is complicated by the problems involved in managing the economic (and political) disintegration of the Soviet bloc (cf. Andreff 1993) as well as the uncertainties related to major changes occurring in capitalism independently of those provoked by the Soviet collapse.[3] A third problem-complex is tied to the collapse of the bipolar security regime which emerged during the Cold War and the resulting need to build a post-socialist security order for Eurasia which recognizes various ‘spheres of interest’ and the legitimate security needs of the USA, West European states, and the successor states in the Soviet bloc (cf. Tökés 1991: 102-105). And, fourth, there are serious problems for any economic transformation rooted in the complex and controversial politics of post-socialist identity construction, nation-building, and state formation.

It is impossible for this chapter to deal with all four sets of issues. Instead it focuses on the former Comecon (or CMEA) countries and reviews the relations between their attempts to move from state socialism to capitalism and proposals for regional economic blocs and strategies. This focus can be justified by the link between structural adjustment in post-socialist economies and the complex spatial organization of capitalist economic relations. The CMEA’s collapse has broken established regional linkages in the former Soviet bloc and opened new opportunities for strategies oriented to sub-national development and/or supra-national economic integration. It has also left a legacy of interdependencies which constrain and limit the chances of successful integration into new regional economic systems. Moreover, despite current fascination with ‘globalization’ in the capitalist economy, most economic activities are still oriented to other spatial scales. This entails a complex, contradictory dialectic between globalization and regionalization, to which the newly emergent post-socialist market economies will have to adapt if they are not to decline further in the international hierarchy. In short, the forms and outcome of economic transformation will depend on the local and regional dimensions of the emerging post-socialist economies themselves and on how different economic forces seek to become integrated into emerging post-socialist and/or capitalist regional blocs.

This chapter first considers various discontinuities and continuities in Eastern and Central Europe which bear on its economic transformation. It then reviews major changes in the capitalist economy into which the post-socialist economies are trying to become integrated. Given the complex dialectic between internationalization and regionalization involved in these changes, I then examine the problematic status of 'regions', propose to interpret them as 'imagined' economic spaces, and note some basic material differences between regions in post-socialist and capitalist societies. The discursive character of 'regions' is further illustrated through a brief review of nine different types of supra-national regional economic strategy proposed for one or more post-socialist societies. Next I review sub-national strategies for regional cooperation and development in post-socialist economies. These general overviews of regional strategies are followed by some brief comments on specific countries but no attempt is made to give a comprehensive survey of developments in every post-socialist economy. The chapter ends with some general remarks on present trends and future prospects in regional economic strategies and developments within and beyond the post-socialist bloc.

I. Discontinuities and Continuities in Eastern and Central Europe

As reforms continue to evolve haltingly in Central and Eastern Europe and the former Soviet Union, there are at least five major shifts occurring in post-socialist countries which bear on the issues of international competitiveness and regional economic strategies of concern here.

First, the CMEA has disintegrated as a regional bloc organized under Soviet economic, political, and military domination. Comecon included members outside Europe and Central Asia (e.g., Cuba, Vietnam, Mongolia) and had some developing countries as cooperants. Nonetheless its chief role was to manage the bulk of trade and payments in the contiguous Eurasian Soviet bloc. From 40 to 80 per cent of the overall trade of individual members was cleared in the CMEA until 1989. Although some members had already begun to reorient their trade relations in the 1980s, Comecon as a whole began to collapse visibly, albeit gradually, from early 1990. It was formally disbanded on 28th June 1991 without agreement being reached on any successor organization or new trade and payment regimes. This self-dissolution did not (and could not) at once end the strong economic linkages which existed among CMEA members due to the overall division of labour imposed on all of them by the Soviet Union. This involved overemphasis on heavy industry in each of the socialist economies, regardless of local comparative advantage;

heavy dependence on the USSR for the supply of raw materials and energy and as a market for Comecon products; and diverse national specializations in producing certain goods for the whole of the CMEA market, regardless of local comparative advantage or saleability on the world market (Hare 1992: 228-229).

Second, the former Soviet Union (subsequently renamed the Commonwealth of Independent States, referred to below as CIS) has also been disintegrating economically, politically, and socially. The three Baltic republics split off first in the wake of perestroika, moving from independent financial status to political independence as sovereign states. This prompted the 'Nine plus One' agreement in April 1991, involving the governments of the remaining nine Soviet Republics and the Soviet President; its aims were to coordinate economic reforms and avoid fresh departures. It failed in both respects due to uneven economic development, unresolved political disputes, and the impact of the abortive Moscow coup against Gorbachov in August 1991; the Ukraine and Belarus were the next to opt for independent statehood, followed at close intervals by the five Central Asian republics.[4] Disintegrative tendencies have been further aggravated by the re-emergence and/or re-articulation of national, regional, local, and ethnic identities within and across different republics. This is reflected in local autonomy movements and ethnic disputes in individual republics; religious, linguistic, ethnic and cultural conflicts in and across republics; and so forth.[5] Such tensions reinforce the growing economic and political conflicts among different tiers of government in the various republics and are disrupting trade within the CIS itself and with its former CMEA partners. The latter also show signs of medium-term disintegration, with mounting ethnic or national tensions, unresolved border disputes,[6] irredentist movements, and religious confrontation. If ethnic and border disputes pose the most serious medium-term threats, Islamic Fundamentalism is more threatening in the longer term (cf. Peterson 1992).

Third, the post-socialist economies are re-orienting their activities to world markets and European economic space. This process is very uneven in its extent and success; but it has further disrupted previous links in the CMEA as economic mechanisms and regulatory regimes diverge. Poland and Hungary had already begun to reorient their trade towards Western Europe in the 1970s and 1980s; others have been following at different speeds and with different prospects (cf. Bakos 1993; and below). In all cases there is growing emphasis on structuring trade relations in terms of world market prices and on the need to export to western markets. Such shifts involve neglecting the former CMEA's redistributive role and so tend to aggravate national and regional imbalances among its past members. Indeed, as Brabant notes, 'countries that seek to gear their economy rapidly to market criteria encounter problems in dealing with partners who, by and large, still adhere to administered trade or whose economy is in fundamental disarray' (1992: 23).

Fourth, attempts are now well under way to move to marketized, competitive economies through the seeming paradox of active state sponsorship of a neo-liberal economic transformation. The dynamic of capitalist economies is fundamentally determined by the fundamental mediating role of market forces, these forces will only function effectively if they are embedded in a much broader ensemble of social institutions. Thus the transition to capitalism entails both the liberation of market forces and their restriction. If the emerging market forces are not embedded in appropriate non-market relations, they will produce catastrophic disequilibrium and strengthen tendencies to systemic vacuum in Eastern Europe.

Fifth, attempts have been initiated to develop more democratic forms of political organization, especially regarding multi-party elections and the restructuring of central-local relations. Unfortunately it is far from self-evident that market-oriented economic reform and democratization are wholly complementary. Ideally the state's economic capacities would be reinforced by an institutionalized, democratic compromise on a viable post-socialist economic strategy; and the play of political forces within a democratic system would be aided by the material resources generated by this strategy. In reality, however, post-socialist societies are marked by acute structural crises, fiscal and financial crises, and social disintegration. Nor can one choose once-and-for-all to prioritize the struggle for economic regeneration or that for democratization. Instead oscillation is likely between economically and politically motivated responses in which neither a coherent economic strategy nor a stable political order is fully secured. In turn this risks a retreat into localized informal markets and/or reliance on primordial solidarities.

At the same time there are major structural and strategic continuities. It is worth noting just four of these here and, although they are no less important for international competitiveness and regional economic strategies, they will be dealt with more briefly. First, despite the disintegration of the CMEA's formal institutional and cooperative structures, the economic structures it involved have survived in individual member states together with their associated interdependences. Thus the ex-CMEA economies are generally marked by low levels of economic specialization and trade profiles oriented to the relatively closed CMEA model. The post-socialist economies are therefore proving to be significant competitors with each other (as well as with peripheral EC economies such as Greece or Portugal and with third-tier NICs) in world markets. Moreover, even where specialization developed, it derived from political coordination rather than market-based static or dynamic competitive advantages. In some cases a given sector's output is too large to be absorbed on the home market and could not be dumped (let alone sold at cost) on the world market. In other cases ex-CMEA economies remain critically dependent on inputs from elsewhere in the old Soviet bloc. Second, the various post-socialist economies have generally inherited out-dated production structures, labour processes, and modes of social regulation. But they may also have inherited certain sources of flexibility which enabled the formal command economy to survive as long as it did despite its inherent contradictions and/or which at least helped individuals, families, networks, and communities to survive despite its inefficiency. These may prove useful in managing the transformation of post-socialist economies (on this see Hausner et al., 1993). Third, despite the collapse of the communist state, the political nomenklatura has survived in many post-communist societies. With varying success it has attempted to transform itself into an economic nomenklatura through its use of state and managerial resources during a period of primitive accumulation and/or into a democratic post-socialist political class. Finally, survival of primordial identities and informal networks as protective devices in a period of economic and political chaos has reinforced the fragmentation and privatism of political life. Not only does this affect the political stability of post-socialist societies; it also affects their economic transition. The specific ways in which these continuities and discontinuities work themselves out will vary from country to country, sector to sector, and conjuncture to conjuncture.

II. The International Context of Post-Socialist Transformation

The context in which this simultaneous liberation and restriction of market forces must occur is marked by considerable instability and restructuring in the capitalist world order and its constituent economies. This presents opportunities to post-socialist and capitalist societies alike. But the very instability and uncertainty linked with this restructuring also involves real dangers that the transformation of the post-socialist societies could be disrupted through economic and political influences from abroad as well as through a systemic vacuum at home.

In this regard I suggest that: (a) the capitalist economy is currently in transition between two long waves of economic expansion - one associated with the postwar Atlantic Fordist dynamic, one with a post-Fordist growth dynamic; (b) there is much enhanced state intervention throughout the capitalist world as the search continues for appropriate industrial paradigms, macro-economic regimes, and modes of social regulation which might help to consolidate this transition; (c) this intervention is strongly shaped by increasing economic internationalization and, especially, its implications for the changing forms of competitiveness which shape the play of market forces; (d) part of this restructuring process is the search for ways to integrate the post-socialist economies into the world economy so that accumulation in advanced capitalist economies can be promoted; and (e) this means that, independently of any enhanced economic role for post-socialist states associated with the general systemic vacuum and the specific economic crises they face, they will also be subject to indirect intervention from capitalist states to facilitate crisis-resolution on their own behalf. In short, we are living at a time when state economic functions are especially marked and wide-ranging in scope; and in this regard we must study the relation between post-socialist and capitalist states.

All of these features of the current capitalist economic (dis)order have a major bearing on the post-socialist transformation and its regional aspects. The technological upheaval linked with the crisis of Fordism and the trial-and-error search for a new growth dynamic was one of the factors behind the crisis of the state socialist model.[7] It still threatens the competitiveness of the outdated technological bases of the post-socialist economies but may also facilitate a technological leap through their inclusion in international product cycles (so that they become production platforms for mature products for domestic or export markets) and/or through technology transfer thanks to foreign direct investment, strategic alliances with foreign transnationals, or foreign aid. In any event it is clearly changing the terms and conditions of international competitiveness. The changing role of capitalist states has been seriously mis-interpreted in their post-socialist equivalents. For the self-evident 'rolling back' of forms of state intervention associated with Fordism is also combined, even in self-professed 'neo-liberal' regimes, with the 'rolling forward' of the capitalist state in new directions. At stake is the redrawing of the boundaries and forms of state intervention rather than the impossible resurgence of some mythical nightwatchman state. There is a real danger that capitalist neo-liberalism is taken at face value with the result that post-socialist states are simply dismantled rather than actively restructured (cf. Jessop 1991). The internationalization of the capitalist economy is especially significant for post-socialist economies since this presents a complex and contradictory set of opportunities as they re-orient themselves to the world market (see below). In this regard one should note that the forms of this integration will be singificantly determined by the strategies adopted towards the post-socialist societies by capitalist forces abroad and that these strategies are themselves complex and contradictory.

For the moment I want to focus on the link between internationalization and regionalization. Despite the current fascination with 'globalization', internationalization rarely takes a global form. What is usually subsumed under the latter rubric is a complex, even contradictory, process. Thus it currently includes: (a) internationalization of national economic spaces through growing penetration (inward flows) and extraversion (outward flows); (b) the growth of 'local internationalization'[8] through economic ties between local and regional authorities in different national economies; (c) the extension and deepening of multinationalization as MNCs and TNBs move from limited economic activities abroad to more comprehensive and worldwide strategies, sometimes extending to 'global localization' in and through which corporations pursue a global strategy based on exploiting local differences; and (d) the emergence of globalization proper due to the introduction of global norms and standards, globally integrated markets, globally oriented strategies, and 'deracinated' firms with no evident national operational base (on the last process, see Petrella 1989, 1990). Rather than an homogenization of the world economy, these processes involve a reordering of differences and complementarities across national and local spaces as the basis for dynamic competitive advantages. This in turn offers opportunities for supra-national, national, and local states to shape these differences and complementarities and thereby influence their structural competitiveness.[9]

In this context we are witnessing a revalorization of the regional level of economic activities and intervention and this has major implications for the global economic hierarchy. Indeed, the latter is now being redefined yet again, with increased emphasis on the role of three supra-national growth poles. These are based on the regional hegemonies of the USA, Japan, and Germany and reflected in attempts to create a North American Free Trade Area, a European Economic Space, and an Asian Pacific Economic Community. There is already a major material basis to these latter developments with the growing intensity of internal trade in each bloc (this is most marked in the European Community) and/or the deepening of the inter-regional division of labour in each bloc. But this trend also has a strong discursive dimension in so far as triad strategies have become more popular in various quarters. Celebration of 'triad power' in much recent work should not, however, blind us to three other important tendencies: (a) the growing interpenetration of the so-called triad powers themselves as they develop specific complementarities and form strategic alliances; (b) shifts in the national hierarchies within each triad due to uneven development; and (c) the re-emergence of regional economies within some national economies as part of the internationalization process and/or in reaction to it. These changes also have their own material and/or strategic bases and one should not regard regionalization as inherently supra- or sub-national in its dynamic. Instead there is a complex re-articulation of global-regional-national-local economies with differential effects in different contexts (cf. Taylor 1991).

As these complex and contradictory processes unfold, states must tackle the many domestic repercussions of global restructuring by getting involved in managing the process of internationalization itself. This in turn points to the need for alliance strategies among states on different regional scales to secure the basis for economic and political survival as the imperatives of structural competitiveness make themselves felt. These alliances will vary with the position of the economies concerned in the international hierarchy. Thus, whilst a small open economy (whether capitalist or post-socialist) might well seek closer integration with the dominant economic power in its immediate triadic growth pole, the dominant power itself might well seek not only selectively to bind neighbouring economies into its strategic economic orbit but also to enter alliances with other dominant triad powers. These alternatives are already emerging in post-socialist economies with Germany playing a key role in shaping alliances and forging new links among different transitional economies (see below). Exactly how such strategies develop cannot be determined at this level of analysis, however, depending as it does on the changing balance of forces and different modes of strategic calculation. But we can at least review alternative strategies and consider some of the general problems involved in their implementation. This is the task of the next three sections.

III. What is a Region?

Before dealing with supra- and sub-national regional strategies for economic and political transformation, we should ask what constitutes a region. Rather than seek an elusive objective economic criterion for defining a region,[10] this paper treats the region as an emergent, socially constituted phenomenon both in nation-states and in the relations among them. Bassin provides an interesting historical example in changing views about the geographical identity of Russia vis-à-vis Europe and Asia and their link to geo-political and cultural factors (Bassin 1991). In more contemporary vein, Neumann notes that the Nordic region ‘is constantly being defined and redefined by its members in a permanent discourse with each member attempting to identify itself at the core of the region. The core is defined in both territorial and functional terms and this definition necessarily involves a manipulation of knowledge and power’ (1993: 53). More generally, there is continuing debate about the validity of a divide between Central and Eastern Europe which might be rooted in historical and/or current divisions (for different positions in this debate, see Agh 1993; and Enyedi 1990a) or about the distinction between northern and southern republics in the Commonwealth of Independent States (Derluguian 1993). Discursive struggles are especially important during economic and political upheavals which create opportunities for new regional projects and programmes. Moreover, despite Neumann’s claim, it is not just potential members of a region who are engaged in defining it. Outside forces can also contribute to this by privileging certain discourses or promoting certain regional tendencies over others. This can be seen in the tendency for western powers to regard the Visegrad four as forming a Central European bloc distinct from Eastern Europe through their inclusion in the Gulf War alliance, special links with the EU, and similar forms of economic or political treatment (cf. Tökès 1991: 110).

We must also recognize that regions can have multiple boundaries and will be distinguished (or ‘imagined’[11] or simply ‘imaged’) in different discourses for different purposes and effects. In relation to economic strategies we can distinguish a complex and tangled hierarchy of regions. At the peak of the hierarchy we can discern two broad geo-strategic realms (the Maritime realm comprising Western Europe, North America, Maritime East Asia, Australia, and the Mediterranean littoral and the Eurasian Continental realm comprising in particular the former Soviet Union and China); next come subordinate geo-political regions (e.g., Europe, Japan, North America) and independent geo-political regions outside the two main geo-strategic realms (e.g., South Asia); below these we find individual national states; and, below these in turn, sub-national economic regions and cross-border regions (cf. Cohen 1991). These various types of region are characterized by different and changing degrees of hegemony and hierarchy, overlapping spheres of influence, national components and transnational influences, interdependences and pockets of self-containment, embryonic and dying regions, marginal spheres and areas of confrontation.

During the postwar period the world economy was structured around, inter alia, the bipolar confrontation between the USA and the Soviet Union as the world’s principal superpowers. Following the end of the second Cold War a space has opened for new forms of rivalry in Europe and the wider world: in particular there is an obvious and growing conflict between Russia, Germany, and the Anglo-American Atlantic alliance for influence within the post-socialist economies (cf. Neumann 1994). The decline of the Soviet Union as a global power has not, however, led Russia to abandon pretensions to international influence or spheres of interest, albeit on a more restricted scale. Thus, besides seeking continued influence (if necessary through armed conflict or economic resources) in the former Soviet Union, it is also trying to revive its influence in the Scandinavian region, the Balkans, and the Middle East. At the same time the re-unification of Germany has shifted the latter's economic centre of gravity eastwards, provided it with direct access to Poland and other ex-CMEA economies, and presented it with opportunities to develop a D-mark bloc partially located beyond the immediate framework of the European Union. Other national economies and states are also strongly interested in shaping the economic future of post-socialist societies and how they will be integrated into the new global economic hierarchy.

Nonetheless it would be misleading simply to equate regions in capitalist and post-socialist economies. At least three distinguishing factors matter here: namely, the relationships between national territories and national identities, administrative and historical regions, and central planners and local bodies responsible for implementing their plans. First, in contrast to other post-socialist societies, the former USSR has inherited an allegedly unique combination of national territorialization (republics are identified with national groups) and the official ascription of national identity independent of birthplace or current residence. This has created the space for a wide spectrum of disputes among national minorities in different republics as well as inter-republican conflicts over the rights of so-called 'nationals' elsewhere in the CIS or former Comecon members. Second, as van Zon has emphasized, regions in centrally planned economies also differed in many respects from those in advanced capitalist economies. Their development was orchestrated from above through the industrial location decisions of ministries rather than emerging from below through market forces (Van Zon 1992); and administrative decisions in turn were typically made without regard to traditional local or regional considerations (cf., on agricultural policy-making and rural communities, Maurel 1990: 213-215). However, third, despite the continuing attempts at top-down economic planning, the nature of the shortage economy meant that power was partially deconcentrated to production ministries and/or regional authorities. These assumed de facto responsibilities for pursuing priority goals and developed transregional and regional networks to compensate for shortages and other planning defects (cf. Sapir 1993: 8-10).

Analogous differences existed among cities in socialist and capitalist societies, with the former affected by the absence of a market in land, state control over housing allocation and rents, a trend toward large housing estates, lower levels of suburbanization, limited new investment in and new uses for inner city areas - effectively freezing the appearance and uses of old inner city areas, lower levels of service employment, and a tendency to industrial deconcentration for regional and planning reasons (Musil 1993: 900-903; also Enyedi 1992: 871).

Such regional and urban differences have important implications for the current development of regional and supra-national economic strategies in post-socialist societies. For East and Central Europe, Van Zon identifies these implications in the following terms: (a) the inherited administrative regions were weakly developed and local and regional authorities still have few formal competences to pursue local or regional economic strategies; (b) administrative regions typically do not coincide with historical regions; (c) during the socialist period, a certain de-regionalization occurred, with few inter-sectoral links developing on the regional level due to the dominance of central allocative decisions in socialist shortage economies with the result that a sectoral or branch economy rather than a territorial economy emerged; (d) large enterprises had a key role in social life, including the provision of social infrastructure for regions, so that the crisis of the former often provokes a severe crisis in social policy; (e) regions are less diversified compared to those in capitalist societies; (f) there is a greater degree of uneven development between cities and larger towns and the countryside such that, whereas there were typically many medium-sized cities and large towns rather than one dominant capital city (Hungary is an exception due to territorial losses), border areas and remote or uplands regions were neglected and suffered depopulation and underdevelopment; and (g) the western halves of socialist economies were better developed than those in the east even though trade flows were directed eastwards[12] (Van Zon 1992: 3, 16; on city size, see also Bachtler 1992: 665).

Chumachenko likewise argues that the various republics of the old Soviet Union did not develop as independent economies based on market forces. Their pattern of production and inter-republican trade, urbanization, and migration reflects years of rigid, centralized planning. Compared to East and Central Europe, however, a certain degree of inter-regional specialization developed. Thus some Central Asian republics could have specialized in agriculture; but they became cotton producers and imported food. Likewise Central Siberia now produces a large proportion of refrigerators and other household appliances for the CIS - even though its labour-power is scarce and expensive. There are many other examples of this imposed division of labour. Thus, as the Soviet republics become independent in the emerging CIS framework, they will need to develop their own economic strategies to develop their comparative and/or competitive advantage within an emerging inter-republican and international division of labour (cf. Chumachenko 1993: 243-5).

These different legacies can be seen to hinder an easy restructuring of economic relations - especially if one adopts an institutionalist approach which rejects the neo-liberal assumption that the liberation of market forces and entrepreneurial spirits would be sufficient to regenerate capitalism. Indeed these legacies have tended to stifle the role of regional authorities in re-invigorating regional economies and organizing them for structural competitiveness as well as posing specific social problems.

IV. Supra-national Regional Strategies

Having briefly reviewed the nature of regions and emphasized their historical constitution in and through social practices, we can turn to supra-national regional strategies for the East and Central European economies. Of interest here are the strategies oriented to re-situating them in the world economy. We can distinguish ten main alternatives in this context. These have all been seriously mooted at one time or another in one country or another but I am not claiming that they have all been advocated in all post-socialist economies nor that they are all equally viable or suitable for them all. Indeed, as I summarize the various options, it will become clear that they are by no means equally suited for a post-socialist transition.

The first option is the whole-hearted adoption of free trade and unconditional integration as quickly as possible into the world economy. This is not so much a supra-national regional strategy as a policy based on belief in the beneficence of free trade and competition. It subordinates the post-socialist economy to the free play of market forces. Historically, advocacy of free trade is typically associated with economically dominant powers, that is, powers which have a lead in new technologies, a predominant role in production and trade, and control of a hegemonic or master currency. It is not usually advocated by those in weak economies, with relatively poor technological development, marginal roles in world output or trade, and weak currencies. In such cases free trade is more likely to generate declining economic coherence or disintegration of the economy and its subordination to external influences - whether through growing technological dependence, import penetration at the expense of local enterprise (with little chance to adjust structurally), or currency depreciation and inflation. Unsurprisingly this strategy was more often associated with western advisers than with local policy makers. Although it was nowhere pursued in all its free market purity, important elements of this neo-liberal strategy can be found in several post-socialist economies. On more local scales, neo-liberalism is also evident in proposals for free economic zones, open market enclaves, free trade zones,[13] and so forth (on these see: Hamilton 1990: 156-7).

Second, at the opposite end of the spectrum, there are various plans for protectionism, if not autarky. Such plans involve selective, if not complete, withdrawal from the world economy (including links with old CMEA partners) to develop a strong national economic base before being exposed to international competition or, in one Russian variant, before renewing an imperial project. This approach is sometimes linked to infant industry-style arguments and/or referred to the import substitution phase of several East Asian NICs' growth trajectories before they turned to export-led development. It is also linked occasionally to geo-strategic and security considerations (again as in the South Korean or Taiwanese cases). Neo-imperialist autarky is most associated proposals for a national salvation front committed to creating Greater Russia and with Zhirnovsky's populist Russian nationalist project (cf. Kipp 1994; Harrison 1994). A full-blown autarkic strategy is improbable (even in cases such as Albania or North Korea, which lie beyond our remit) for four main reasons. First, most post-socialist economies lack the means to be autarkic in the short-term; second, popular expectations are oriented to achieving western living standards as soon as possible; third, despite relatively low levels of specialization, there is a developed intra- and inter-sectoral division of labour inherited from the CMEA period and many post-socialist economies still depend on natural resources supplied by Russia; and, fourth, those economies in debt to the west would not be allowed to become autarkic at the expense of repayment schedules. Indeed leading international organizations and capitalist powers are pressing for apertura rather than closure. Not only is autarky impossible for economies such as Ukraine and Belarus; it would also be hard for relatively more self-sufficient economies. Moreover, whilst protectionism may prove viable as part of a medium-term restructuring strategy, provided it is accepted by major trading partners and international creditors, long-term protectionism is unlikely to generate the economic growth and social consumption that, rightly or wrongly, many people in post-socialist societies currently expect.

Third, the most popular initial option was integration into the European economy, preferably as associate or full members of the European Union or, if not that, at least of the European Free Trade Association (EFTA). Experience with Greece (1981) and Spain and Portugal (1986) does suggest that the EU can cope with integrating poorer economies.[14] But the export profiles of former Comecon economies is biased towards products considered ‘sensitive’ by the EU (including many products which would compete directly with those of Greece, Spain, and Portugal) so that tariffs on these products have been maintained in association agreements and early accession is unlikely. In addition, the financial costs of integrating the East and Central European economies would be even greater than those involved in the last enlargement and would be incurred at a time of increasing pressure on EU resources. If Sweden, Norway, Finland, and Austria also join, however, they may bring additional resources to help finance the costs of integrating the ECE economies. Poland, Hungary, and Czechoslovakia applied for membership and were granted associate membership from December 1991.[15] Albania and the Baltic states were granted most favoured nation status in May 1992. The Visegrad three also applied for EFTA membership but, given the likely accession of EFTA’s founding members to the EU in the near future, this can only be an interim measure.[16] It is interesting to note here that over half of the total exports of Poland, Hungary, and the former Czechoslovakia in 1993 went to the EU (a 50 per cent rise since the collapse of Comecon) and a further 15-20 per cent went to EFTA economies (Bakos 1993: 1029). How much further this growing de facto economic integration will go depends not only on the desires of economic forces in various post-socialist societies but also on the politics of the existing EU member states. Whereas some member states (most notably Britain) favour wider membership as a block on (political) deepening of the existing Union, others are more inclined to veto post-socialist membership or limit it to long-lasting associate status in order to ease the Union’s transformation into a political confederation. The most likely outcome is a growing, stepwise association with Europe, proceeding at different speeds for different countries.

In addition to its general agreement on associate membership as a prelude to eventual full membership, the EC has also been sensitive to the economic restructuring and strategic reorientation of the ECE countries. It promoted various programmes for economic assistance as the socialist economic bloc started to collapse. These include programmes to help specific economies (such as PHARE, first established in 1989),[17] projects which aim to develop a network of cooperative links between regional and local authorities in the EC and Eastern Europe (such as Ouverture and the European Cities Cooperation System, or ECOS),[18] projects to form and develop joint ventures among EC and ECE firms, schemes to transfer 'know-how' regarding the operation of market economies, and plans for cooperation in areas such as integrated energy markets or concerted response to environmental crises (see respectively the EC's European Energy Charter and EC- and US-sponsored Regional Environmental Center for Eastern and Central Europe) (on Ouverture and ECOS, see Brown 1993; and European Commission 1994: 70-1). The OECD also established a Centre for Cooperation with European Economies in Transition in March 1990 and EFTA member states signed cooperation agreements with Poland, Hungary, Czechoslovakia, Bulgaria, and Romania in late 1991. In addition, individual EU member states, local authorities, non-governmental organizations, and other agencies (including private sector consultancies) are getting involved in similar projects on diverse scales for various goals.

Fourth, building on the experience of European economic integration in the EC and EFTA, there are plans for a wider European common market. Although this would be wider than the European Union, it would also be 'shallower'. Essentially the proposals are for a common market of some kind. For example, whilst at the European Bank for Reconstruction and Development, Jacques Atali argued for a Continental Common Market, expanding the EC's market structure to all of Europe. Equally ambitious proposals include a 'New Europe from the Atlantic to the Urals' or a 'free trade zone which spans Continental Europe' (on these and other plans, see Andreff 1993).

Fifth, given the continued legacy of economic interdependence, there are proposals for the partial resurrection of the Comecon as a multilateral macro-economic organization (cf. Smyslov 1992; Andreff 1993). Besides instituting the exchange of information, consultation over common interests, and so on, this could also take the form of a Customs Union with common external customs regulations and/or a Central European Payments Union which would clear trade imbalances on a bilateral or multilateral basis, with the means of payment pegged (according to some proposals) to the Deutschemark or the ECU (Bakos 1993: 1029-30). The payments union would not revive the forms of a common market with community-wide decision-making institutions and common modes of social and economic regulation. This stands more chance of success if it is restricted to the Central European economies (Poland, Hungary, the Czech lands, Slovakia); but, in the reckoning of some, if the CIS states joined, it might pose problems of stability. In any event, given current preferences for alternative regional economic strategies, a payments union is only likely as part of a more complex development linked to other strategies.

Sixth, rather than recreating the CMEA in post-socialist conditions, there are proposals for local economic integration among subsets of the former post-socialist economies. The most important case (and one strongly supported by western capitalist forces) involves the Visegrad grouping of Hungary, Poland, and Czechoslovakia. It initially involved regional cooperation, agreed in the Visegrad Treaty (February 1991), over democratic transformation following the dissolution of the Warsaw Treaty Organization. A subsequent agreement, signed in December 1992, established the Central European Free Trade Association (CEFTA). The founding document emphasized the role of trilateral cooperation in “(a) security policies and relations with European institutions; (b) transport, highway infrastructure and telecommunications; (c) sub-regional and micro-regional projects; (d) enterprise-to-enterprise cooperation; (e) cooperation among the private sectors in tourism and retail trade; (f) cultural, education and youth exchange; and (g) the establishment of bilateral foundatons to promote cultural, historical and scientific cooperation” (cited in Bakos 1993: 1030-1031; to this list, Tökés adds human rights, local government and sub-regional contacts, and ecological cooperation, 1991: 111). CEFTA has some potential as an economic association not only because of its growing trade with the EU but also because of complementarities among the three (now four) economies themselves. These include intra-sectoral trade specialization dating from the 1980s, especially in semi-finished goods, Hungary’s labour surplus and the Czech lands’ labour shortage, and the potential for exchanging Polish energy and raw materials for Hungarian food and manufactures. CEFTA members decided against admitting the Ukraine in February 1992 because, while they favour NATO, the Ukraine has opted for neutrality.

Seventh, there are international proposals for regional cooperation between post-socialist and capitalist economies to create new economic formations. Among these proposals and projects are the following:

a) the Black Sea Economic Cooperation Project was established in 1992 on the initiative of Turkey and its signatories included: Albania, Bulgaria, Romania, Moldova, Russia, Georgia, Azerbaijan, Armenia, Turkey, and Greece. Among the areas for cooperation are: the environment, transport, communications, trade and investment banking, energy, information, mining, science, technology, tourism, agriculture, health, and free trade zones (Bakos 1993: 1034: Gençkaya 1993). The post-socialist partners have been especially interested in deepening these links to consolidate their sovereignty and security; Italy was interested in countering increasing German influence in the region; Turkey hoped to expand its trading links northwards given that its producer services and consumer products are less competitive in the advanced capitalist economies and its long-awaited EU membership had been blocked; it also wanted to further its regional power status by adding hegemony in the BSECP to its growing influence to the west through Balkan cooperation and to the east via the Economic Cooperation Organization (see below).[19] Were the Project to be realized, it would help to consolidate a north-south axis across Europe stretching from the Baltic to the Adriatic and Black Seas. This could link Silesia, Moravia, Hungary, and Croatia to the member states in a continuous industrial belt (Bakos 1993: 1035) and would help to counteract the west-east axis from the Benelux countries through Germany and Poland to the Baltic republics, Belarus, the Ukraine, and Russia.

b) the Economic Cooperation Organization (Izmir treaty) in Central Asia. This was founded by Turkey, Iran, and Pakistan in the late 1980s and was extended to include Afghanistan and six Muslim republics of the CIS in November 1992. Romania also seems interested in joining. There is some disagreement on its future development with Turkey seeing it as akin to the European Union and Iran as an 'Islamic Commonwealth'; at least two of the Muslim republics are also unstable. The region has potential in terms of ecological cooperation, control over informal or illegal cross-border trade, a common market for small and medium manufacturers, integration of energy supplies and trade, and trade routes (cf. Gharabaghi 1994). In addition, plans for a Central Asian Common Market were announced in January 1993. Here too the most engaged regional actors are Turkey and Iran together with the Moslem republics, with Saudi Arabia, Pakistan, Egypt, and Israel also showing interest (cf. Gharabaghi 1994: 115).

c) the 'Japan Sea' Rim Economic Zone. This proposal is intended to build on a history of regional exchanges, growing economic ties between South Korea and the former Soviet Union, between South Korea and China, and the potential for Russo-Japanese exchanges. If developed it would be based on on the complementary strengths of different partners (e.g., raw materials and marine products in Sibera and Far Eastern provinces, the agricultural and light industrial products of northeastern China, labour-power in China and North Korea, consumer goods from South Korea, and the capital and technology of South Korea and Japan (Kanamori 1990; European Commission 1992: 43; Kwan 1994: 130-2; Nester 1993: 717). Such a scheme is still far from realization, however, in part because of the Russo-Japanese dispute on sovereignty over the Kirile islands, uncertainty about Russia's future political stability, and Japanese wishes not to become overdependent upon Russian raw materials and energy (cf. Nester 1993: 729).[20]

d) Baltic cooperation. There are several proposals to further economic cooperation in the Baltic. One interesting example is the Nordic Baltic Investment Programme designed to last three years in the first instance and to cover five different areas of cooperation: technical assistance to investment banks, joint Nordic-Baltic projects, privatization, investment fund, and risk capital (Abbott 1993: 230-1). A Baltic Council was formed in March 1992, comprising 10 states including Russia.

e) Project Bridge. Proposed by Branko Horvát, this was to comprise a new common market and monetary union embracing post-socialist and capitalist countries from the Baltic to the

Black Sea and Mediterranean which form a bridge between the EC and the Soviet Union (Horvát 1992).

Eighth, there are analogous plans to revive actual or proposed politico-economic links from the past. Today these would typically involve one or more post-socialist states forming ties to a neighbouring state which had remained capitalist. Thus we can find plans for a Danubian Confederation, an idea that dates back to the late eighteenth century and was periodically resurrected; in its present form it would comprise Austria, Hungary, Romania, Croatia, and the southern Slavic provinces (cf. Bakos 1993; on interwar plans for Czech or Austrian-dominated Danubian Federations, see also Arter 1993: 66-70). There are also schemes for Bulgaria to enter into an alliance with Turkey as part of a revival of the Ottomon empire. And, of course, the emergence of a Baltic economic community is reminiscent of interwar plans for a Baltic Federation or of the even earlier Hanseatic League.

Ninth, various cross-border regional partnerships have been proposed to link more than two sub-national economies into new regional entities in the hope of deepening existing complementarities. The most developed example of such partnerships consists in the Central European Initiative (formerly the Pentagonale). This started in 1978 as the Alpe-Adria 'Euroregion' (comprising Italy, Hungary, Austria, and what was then Yugoslavia) with shared regional concerns (economic, social, ecological). It became the Pentagonale in April 1990 with the inclusion of Czechoslovakia; the Hexagonale when Poland joined in 1991; the Septagonale when Slovenia joined; and the Central European Initiative when Croatia joined. It was concerned to promote micro-regional cooperation between the bordering provinces of the signatories in such fields as transport, telecommunications, energy, small and medium enterprises, migration, scientific and technical research, tourism and culture, and so on. The strength of this grouping is related to the common heritage of its first members (due to their inclusion in the Venetian Maritime Republic and/or the Austro-Hungarian Empire), the importance for their growth dynamic of small and medium enterprises and flexible industrial districts (especially in mechanical engineering and textiles), and good connections between the major cities (Cappellin 1992: 10). Its further potential is signified by the facts that Bulgaria and Romania have asked to participate in CEI projects; Bavaria and Baden-Württemberg have shown interest in some of the projects; and Sweden has been an observer at some meetings (Bakos 1993: 1033-34; Bowers 1992: 7).

The EC is involved in promoting a number of similar proposals for cross-border regional cooperation where a member state shares borders with post-socialist countries. This is seen to complement national level cooperation and to address specifically issues of disparities in frontier regions (cf. European Commission 1994: 62). In addition to the Alpe-Adria Euroregion, one could mention here: Interreg Greece, with borders to Albania, Bulgaria, and Macedonia as well as Turkey; Interreg Italy-Slovenia; four Euroregions involving Germany and its Eastern European neighbours;[21] and the Danish island of Bornholm and the Baltic states. Beyond the

European Union, another example is the January 1992 agreement on cross-frontier cooperation in the economic and cultural fields in the 'Carpathians-Tisza' group, comprising Hungary, the Ukraine, and Slovakia (Bowers 1992: 7). Likewise there are plans for increased trade and specialization on the Russo-Chinese border in the context of the collapse of more centralized control in both Russia and China (cf. Pleskovic 1993: 300). Among other proposals in this context is that for the Mutankiang delta, involving Siberia and the Far Eastern republics of the CIS, provinces in north-eastern China, and North Korea, with Japanese backing (cf. European Commission 1992). Such strategies raise the danger of 'cherry-picking', i.e., of the selective integration of the western regions of Eastern and Central European economies into cross-border economic units at the expense of the overall economic and structural coherence of post-socialist economies.

Tenth, as already hinted above, some proposals exist for linkages to East Asia as a source of FDI and trade and/or to exploit complementarities between capitalist and post-socialist economies. This applies particularly to the potential of linkages based on counter-trade between a resource-rich, capital-poor Russia and a resource-poor, capital-rich Japan. In exchange for raw materials, food, and investment opportunities, Japan would provide Russia with machine tools and capital goods for industrial restructuring and transfer the production of mature products (just as it has done elsewhere in the emerging North East Asian economic region). Intensifying Russo-Japanese trade would help to free Japan from dependency on the US market in a period when neo-mercantilism and the North American Free Trade Agreement could well restrict further growth opportunities there. The development of this 'Northern option' would seem to be politically acceptable to the dominant Liberal Democratic forces in the Japanese state as well as economically profitable for Japanese capital (cf. Leaver 1989). There are also certain complementarities between the first-tier East Asian NICs (such as Taiwan and South Korea) and the needs of Hungary and the Czech lands. Indeed, there was already some early inward investment from Korea and Taiwan in the 1980s. This was intended to exploit local markets and to secure an indirect route into European Community markets as well as to gain a march on Japanese capital, which is already seen as having captured the best markets in western Europe (cf. on Korea, Abdoolcarim 1993). It is also interesting to note that East Asian NIC investment in the former Soviet bloc is currently greater than that of Japan, due mainly to Japanese worries about political stability (European Commission 1992: 20, 110). Nonetheless it must be noted that the amount of East Asian investment in the post-socialist economies is still limited and is far outweighed by German and US investment (see below).

V - Sub-national Regional Strategies

So far we have considered various regional economic strategies which involve some form of economic integration or cooperation extending beyond the borders of individual post-socialist economies. Current internationalization trends in capitalist economies are also associated with the resurgence of regional economies and renewed interest in local and regional economic development and the role of local and regional authorities in its promotion. Comparable trends can be discerned in the post-socialist economies. But the reasons for this are somewhat different.

In particular, the rise of local or regional economies can be seen as a response to: (a) the protracted crisis in the shortage-inducing central planning system and the problems of macro-economic management in economies in transition - a crisis which had already prompted decentralization and relocalization measures in some East-Central European economies in the 1980s;[22] (b) the collapse of economic relations stretching over extended areas due to deterioration and disruption of the transport and communications infrastructure, crises in money and credit relations regarding domestic as well as international trade; (c) pressures to deal with massive problems of economic restructuring and/or environmental damage in areas which were dependent on one or two industrial sectors - especially where these are no longer viable in marketized conditions; (d) the problems generated by the crisis of a system which had at least a nominal[23] commitment to regional redistribution with the result that the intensification of tendencies towards uneven regional development consequent upon marketization are not matched by corresponding central governmental reaction;[24] (e) a reaction against the centralization of decision-making in the former command economy which leads to local governments being established in even the smallest communities;[25] and (f) the search of local officials for political support and legitimacy leads them in turn to protect local economic interests against the centre and other regions. In some cases these trends are transforming inherited patterns of regional differentiation into a form of economic segmentation marked by autarkic tendencies (cf., on Russia, Sapir 1993: 11). These largely economic problems have been further aggravated by ethnic, national, and religious national tensions in many post-socialist societies as well as by the population movements associated with ecological disasters, socio-economic disintegration, and threats of limited civil war in the CIS.[26]

In this context republican, provincial, and local level authorities have tended to replace enterprises as basic economic units. As the latter have become increasingly marketized and abandon extra-economic activities (such as social provision), pressure on local states to intervene has increased (cf. Artobolevskiy 1993). Their willingness and capacity to respond are assisted by a tradition of regional or local cooperation among party secretaries in assisting local enterprises to obtain supplies in a shortage economy (see, on the Soviet case, Kaser 1990: 597). In the former Soviet Union, for example, the local state appropriates a major proportion of key commodities (fuel, raw material, foods, consumer goods) to maintain regional commodity inventories; and uses these in inter-governmental barter trade to provide their respective local communities with non-local products. This trend is reinforced by the relative weakness of a market infrastructure (including wholesalers, distributors, etc.) and enterprise distrust of the ruble as a medium of exchange (cf. Pchelintsev 1993: 276; Prokop 1994).

The development of regional economic strategies cannot proceed, however, without some basic restructuring of the state apparatus and its capacities to project state power. Moreover, given the inherited crisis of state socialism, this restructuring must be one oriented to developing regional governance rather than regional government (cf. Schnieper 1993: 260; Popov 1993: 284). In other words, what is needed are forms of public-private partnerships and regional networks which can be mobilized to solve specific economic, social, and ecological problems taking account of local potential. In addition they should develop local fiscal capacities, especially as the centre lacks resources to help the regions (Popov 1993: 282). This would contrast sharply with the top-down administrative structures typical of the former political order, in which ministries were more concerned with industrial than regional interests and local and regional enterprises were accountable to the centre rather than to local authorities (Shnieper 1993: 258). In short, regional economic restructuring must be premised on restructuring of the local state.

Finally we should note that explicit regional policy (as opposed to those de facto developments leading to greater regionalization or localization of economic spaces) has not received high priority in post-socialist economies. Indeed Artobolevsky and Treivish claim that ‘regional policy ... is still absent in Eastern Europe. In particular, despite recognition of crisis phenomena - including regions formerly regarded as highly developed - not a single East European coutrny (unlike Western countries) has created a broad programme of measures for protecting problem areas. This applies all the more to supra-national policy within the framework of the whole of the former CMEA’ (1993: 54). In part this absence of explicit regional policy reflects the primacy of macro-economic transformation and the belief that regional problems would be solved through free market forces. In part it reflects uncertainty in identifying the regional disparities which might form the basis of a coherent regional policy during a period of rapid change. This is compounded by the ongoing reform of territorial structures and the relations between central, regional, and local government structures; in this sense, ongoing political processes of regionalization mean that state capacities to pursue regional economic policy are limited and insecure. A fourth problem is the limited experience with decentralized regional economic policy in a planned economy oriented to sectoral planning. The overall result has been greater concern to promote (potentially) strong growth regional poles with the best prospects of leading the national recovery and restructuring process rather than to address problems of regional disparities or uneven development - except in the form of emergency aid to relieve mass unemployment or ecological disaster areas (this paragraph draws on Bachtler 1992: 670-2).

VI. Remarks on Individual Cases

It is impossible within the ambit of this chapter to comment extensively on all the countries involved in the transition. Accordingly I will focus on some representative cases.

The three Baltic states of Estonia, Lithuania, and Latvia lie on the central north-south and west-east axes of the new Europe. At the westernmost point of Russia and on the northwest borders of Belarus, they provide a crucial gateway to the CIS. All three are involved to differnet degrees in active economic restructuring and strategic reorientation around an emergent Baltic economic region. Estonia is the most advanced of these economies. Its trade is still strongly oriented to former Soviet bloc economies (especially Russia) but there has been some diversification (fuel supplies now come from Scandinavia rather than Russia) and trade in resources, textiles, light industrial goods, etc., is being re-directed to the west. Finland is the biggest source of foreign direct investment with Sweden also playing a major role among capitalist economies. Latvia is also exploiting its new economic independence to resume its traditional role as a trading nation. In certain respects its infrastructure is superior to Estonia's and it has some high tech heavy and light industry (especially in electronics and electrical goods as well as textiles, household chemicals, and machinery) which are attracting western trading partners and joint ventures. Both the Estonian and Latvian economies are drawing strong interest from Scandinavian economies as well as from various European Community programmes. Infrastructural improvements and foreign investment suggest that the embryonic Baltic economic community will expand. In contrast Lithuania has rather limited agricultural and industrial potential. Its trade is still strongly oriented to the CIS (mainly agricultural goods exchanged for energy supplies) and Klaipeda is a major port for Russian oil exports. Nonetheless trade is being steadily integrated into the new Baltic regional economic bloc.

Belarus still faces difficulties because 70 per cent of its manufacturing output was delivered to other republics in the former Soviet Union, a higher proportion than for any of the other 14 successor states. It has been hard hit by price liberalization in the other republics and the breakdown of the old centrally planned distribution system. The republic has joined the IMF, the World Bank, and the European Bank for Reconstruction and Development. In the wake of independence a number of strategies were proposed. Among these were: a mercantilist search for economic autarky based on a national-democratic agricultural-industrial growth strategy and long-term tariffs; a Slavic economic model (based on renewed triangular cooperation among Belarus, Russia, and Ukraine and parallel reform strategies in each economy); a Baltic Union with the three new Baltic states based on a customs and currency union; reorientation westwards, thereby serving as a bridge between western Europe and the former Soviet bloc, based on growing cooperation with Germany, Italy, France, Poland, and other East European economies; and acting as a platform for a joint attack on European markets, drawing on local high tech and skills and East Asian capital. The principal problem with all of these strategies is the heavy dependence of Belarus on Soviet energy supplies and raw materials; the Slavic variant also depends on an improbable convergence between the economic and political reform processes in all three economies. There is some polarization around these strategies with the Belarus national front inclined towards autarky or a western orientation, the old nomenklatura and communist forces inclined towards the slavic model (cf. Zaiko 1993).

As in most former CMEA economies, Bulgaria overreacted against the idea of maintaining old trade links, especially with the ex-Soviet Union. In practice such trade remained important; and it is now being encouraged once again with new trade and clearing arrangements. As a symbol of economic re-orientation, however, Bulgaria signed an association agreement with the European Community (in March 1993) as well as a multilateral free trade agreement with EFTA. In addition there are attempts to revive the trade in goods and services which developed in the early 1980s with developing countries (especially in the Middle East) on the basis of bilateral agreements and concessionary finance. The continuing civil war in the former Yugoslavia, varying sympathies with the belligerents in other Balkan countries, and the impact of trade sanctions on Serbia and Montenegro and Danubian river traffic have meant that Balkan regional cooperation has not yet extended much beyond traditional bilateral foreign trade relations. The Bulgarian government established five free trade zones to promote regional economic development in Bulgaria itself and has also considered extending the scheme to eleven border regions (cf. Jackimova 1993). We should also recall that Bulgaria is involved in various regional cooperation schemes such as the Turkish project for a Black Sea Economic Community. It may well fall under Turkish economic hegemony (see below).

Czechoslovakia has split into the Czech lands (Bohemia and Moravia) and Slovakia. This reflects differences in the economic as well as political and cultural history of the Czech and Slovak regions. Czech industry was much more advanced in 1918 and stayed ahead of Slovakian industry in the interwar period; under the Communist regime, however, active regional policy and planning enabled Slovakia to catch up so that, by the end of the 1970s, the gap had nearly disappeared (cf. Capek and Sazama 1993: 211-214). Following the collapse of the communist regime, major disputes occurred over the pace of economic reform. Slovakia's economic profile and location made it more dependent on links to the CIS (especially due to its military-industrial complex, its energy-intensive production, and its export markets) and this favoured a slower rate of change. It still has less autonomy in production than the Czech lands, still depends more heavily on imports from the former Comecon economies and the west, and is more reliant on export markets in the former Soviet bloc (including the Czech lands). Conversely, Czech industry felt more confident about marketization and the scope for a westwards reorientation. It also has a more flexible and potentially competitive industrial base. This is reflected in the fact that, after Hungary, the Czech lands have attracted the largest amount of foreign direct investment from capitalist economies. Notwithstanding the formal political separation, emerging collaboration in the framework of the Visegrad Treaty, increasing integration into a virtual Deutschemark bloc, and associate membership in the European Union are leading some Czech and Slovak economists and politicians to consider some form of economic harmonization along Benelux lines (Capek and Sazama 1993: 229).

Hungary enjoys a favourable location in the new Europe and has attracted extensive foreign investment as well as being active encouraged to re-orient its activities to capitalist markets. As with other post-socialist economies attractive to foreign capital, however, this FDI is often associated with an interest on the part of western investors or partners to maintain trade with former Comecon partners. Hungary has been relatively successful in trade re-orientation and is already an associate member of the European Community. Its tendential integration into a series of new supranational alliances and cross-border links is already quite evident, although there are some fears about Hungarian irredentism in neighbouring states. Hungary had an active regional policy aimed at regional convergence during the communist period and this has been retained by the new Ministry for Environmental Protection and Regional Policy (Sillince 1987; Hare 1992).

Although Poland experienced a severe adjustment shock from the neo-liberal Balcerowicz programme, the impact of recession in the Soviet Union, and the loss of markets in the former East Germany, four years of experimentation with economic stabilization policy have started to show dividends in terms of trade reorientation, export growth, currency stabilization and convertibility, and integration into a European regional economic bloc. As a pioneer in political as well as economic reform, Poland attracted foreign official lending, especially from the World Bank, to modernize its economic infrastructure. Equally Poland looked to the western powers to help consolidate its reforms against a potential Soviet backlash. Regional development has been emphasized both in the economic advice and financial support of foreign experts and authorities and by regions and cities in Poland itself. This is exemplified in the proposed development of Gdansk, Gdynia, Sopot as a major regional hub or gateway into Europe since the region occupies a key position on two international trade routes - north-south axis from Nordic countries to central and southern Europe and the east-west corridor which links European Union economies to the Baltic states, Belarus, and Russia. There are many other proposals both from abroad and within Poland itself for the development of regional or city economies, often in alliance with foreign capital and/or partner regions or cities beyond Poland's borders. This is especially clear in regions which border the unified Germany and the Czech lands. In this respect one can discern the gradual re-emergence of historic regions and cities from the administrative straitjacket imposed by the command economy. Although van Zon suggested that regional policy was low on Poland's policy agenda due to the economic crisis and the neo-liberal expectation that regions will find their own level (van Zon 1992: 34), there are now growing signs of interest in regional economic development and local states and city authorities are active in the field (cf. Stokes 1993: 694). Even so proposals often refer to non-profit regional development bodies - necessitated, it is claimed, by the fact that, while firms are too profit-oriented, the state apparatuses are pre-occupied with privatization, commercialization, and the structural adjustment of apparatuses themselves (Kidyba and Lobocki 1993). In this context one finds the usual package of proposals involving the promotion of small and medium enterprises, regional innovation, technology transfer, the mobilization of local capital, the need for vocational training and retraining, the importance of an overall regional development strategy, etc. (cf. Kidyba and Lobocki 1993).

Russia was the largest economy by far in the former Soviet Union. It has a total population of 148 million and was responsible for 61.1 per cent of the net output of the USSR in 1988; second rank was taken by the Ukraine with some 51.8m people and 18.2 per cent of net output; and Belarus, despite having only 10.3m people, managed to produce 4.2 per cent of net output[27] (cf. Duignan and Gann 1993: 181). The largest part of its population, its industrial output, its high tech, and its R&D was found in the provinces to the west of the Urals and there is still considerable economic potential in this region. Nonetheless Russia has been particularly affected by the disintegration of the Soviet Union and, besides the disruption caused to economic ties by the declaration of independence by the other Soviet republics, it has also experienced extensive fragmentation at provincial, regional, and local level. In certain key respects there has been a reversion to barter trade between regions - a phenomenon which gives regional and local authorities a potentially important broker role in the restructuring of regional economic relations as well as encouraging a short-term trend towards local empire building and the search for economic self-sufficiency. The overall effect of this has been to promote a series of disparate local or regional economic strategies in response to the overall crisis of economic integration and to provide opportunities for foreign capital and western powers to selectively integrate regions into the global economy. Thus the western provinces are being drawn into the Baltic economic region; Moscow and its immediate environs are clearly attractive because of the central political and economic significance of the region; Siberia offers enormous opportunities for a resource-based economic expansion based on foreign investment. To date Russia has received less FDI than Hungary, the Czech lands, or Poland, however, owing to fears about its political stability. Even Russian expectations of official aid linked to such issues as decommissioning nuclear weapons, ecological relief work, progress towards democratization, and financial and commercial reforms have been significantly disappointed. In this context we are likely to see a more fragmented response to regional economic strategies and a more selective integration of regions and sectors into the world economy. Special economic zones have been proposed and these are strongest in Sibera and Far East (European Commission 1992: 60f).

Ukraine gained political independence in the wake of the Moscow coup in 1991 but lacked any immediate basis for economic development independent of Russia and other former Comecon states. It joined the CIS as the easiest way of exiting from the old Soviet Union.[28] But weak political leadership, an ineffective state apparatus, and a paralysis prompted by worries about the reactions of the large Russian minority in the more industrialized parts of Ukraine, have meant that Ukraine has signally failed to gain any real measure of economic independence or to pursue any effective economic reforms. It has not developed the necessary institutional and organizational apparatus of a relatively independent economy nor has it effectively addressed the legacy of the predominant role of military-industrial and heavy industrial enterprises oriented to the Comecon division of labour. Meeting international competitive conditions in these sectors or converting them to consumer goods production has proved almost impossible. Unsurprisingly the economy is still in severe financial and economic crisis. This explains the second thoughts about the break with Russia (as also in Belarus), the renewed popularity of the ex-Communist party, and growing recognition that ‘markets are markets, wherever they might be in the world’ (cf. Minossian 1994: 346, writing on Bulgaria). Nonetheless there are some signs of limited regional reorientation of trade (especially through barter trade with other former Comecon members) and regional development associations are beginning to emerge in areas such as the Donbas region (cf., on the latter, Popov 1993: 286-8).

VII. Concluding Remarks on Current Trends

Having reviewed the context of regional economic strategies, we can now draw some provisional conclusions. First, we should note that the formulation and implementation of such strategies has not received a high priority in post-socialist transformation. Other changes have taken precedence and, indeed, in certain respects should have done so for transformation to be effective. The second point to note is, perhaps, equally obvious and important: that the transformation process is clearly and inevitably overdetermined by extra-economic constraints and forces. This is not simply a question (significant though this is) of the sequencing of economic, political, and constitutional reforms; nor is it simply a question (equally significant) of the sequencing of various kinds of economic reforms. It is a question of the instability and disruption associated with a situation in which short-term economic and political survival rather than medium-term restructuring has been given priority. This is especially important because of the primacy of political factors in driving forward many of the changes which can be seen.

If we assess the different pressures on the reform process stemming from foreign and domestic forces, regional restructuring is relatively weakly represented. The leading international institutions and organizations as well as many foreign governments have given higher priority to macro-economic stabilization, marketization and privatization, structural adjustment, and debt repayment. Regional strategies are associated more with the influence of foreign regional or local authorities and the interest of the European Union in promoting regional cooperation. Likewise, within individual ex-socialist states, regional restructuring is weakly developed because of the weakness of regional and local authorities in the old state socialist order. And concerns about these issues are overdetermined by ethnic, national, religious, and other tensions. This in turn inordinately complicates the process of regional economic planning. Thus as Pleskovic notes:

> If Russia, Ukraine, and other republics are unable to balance their budgets or reduce deficits, and are unable to implement tight monetary policies, realistic exchange rates, and income policies, then hyperinflation will continue, making it extremely difficult, if not impossible, to implement effective regional development strategies and policies' (Pleskovic 1993: 300).

It follows from this that no single regional strategy is likely to become predominant. Instead there will be a large number of small-scale strategic initiatives which interact with an even larger number of more spontaneous developments rooted in market exchanges, foreign direct investment, and so forth. Regional economic strategies are most likely to develop on a local or regional scale through decentralized collaboration and joint undertakings in which border regions and/or economic affinities will play a key mediating role. The sheer multiplicity of these initiatives can be seen from a partial list provided by Neumann in relation to the Nordic-Baltic region - which some Danish experts envisage as a 'blue banana'[29] comparable to the developments in the curvilinear London-Milan growth region. Thus he notes that programmes for economic renewal include: a new Hanseatic League, a Baltic Sea Region, the Mare Balticum, a Euro-Baltic Region, a Scann-Baltic Political Space, an Ostseeraum, a severo-baltiyskiy poyas (i.e., Nordic-Baltic Belt comprising the Nordic states and the four Russian political entities of Murmansk, St Petersburg, Karelia, and Kaliningrad)[30], and a Barents region centred on Norway and extending to the Arctic, Baltic, and North Seas (Neumann 1994: 67-8, 71). A similar profusion of projects exists for other regions within the European and Eurasian context. Whilst it is impossible for all of these to succeed, many are likely to attract political support and economic resources. It follows that the eventual regional configuration will be complex, tangled, and an evolutionary product.

One of the factors influencing the subsequent (if still provisional) outcome of this evolution in the coming years will be the political learning curve for economic policy and the problems involved in consolidating various political regimes and strategies. After some four years of experimentation with economic and political reform in different countries and constantly changing circumstances, it would now seem that the most probable models of regional economic development would be as follows.

First, adaptation of the initially predominant neo-liberal model in a social market direction (especially as German influence in Central Europe expands). Rather than leaving regional problems to solve themselves, there would be a stronger supply-side role for regional and/or local states; these would also operate in a selective neo-corporatist governance structure and so complement the more neo-liberal macro-economic stabilization and structural adjustment programmes pursued at the central level. This pattern will be most marked in Poland, the Czech lands, and Hungary, which were already most advanced in the movement to post-socialist market economies, and in the Baltic republics (additionally influenced by links to the social democratic economies in Scandinavia). These economies will form a second or third tier in the European economic hierarchy. Their respective capacities to sustain this development will be assisted in this regard by the fact that they also seem to be most advanced, albeit not in identical fashion in all relevant regards, in the transition to some form of democratic regime[31] (cf. Agh 1993). They are also in the most favoured position for integration into a wider European economic space due to their proximity to the heartland of the European Union and their privileged location on west-east and north-south transportation and communication routes.

Second, more authoritarian and/or national populist governments are likely to emerge in South Eastern Europe, the Ukraine, and Russia. This reflects greater political instability in these cases as well as the greater economic tasks involved in modernizing their economies. In this case one can expect to see tendencies towards medium-term protectionism, the resurrection of trading links with former Comecon members, and the development of trade with more peripheral economies in the Mediterranean and Black Sea regions. Rather than full integration into European economic space, one will see indirect linkages as these economies form a probable fourth tier in the European economic hierarchy. Such developments pose problems for pursuing regional economic strategies since the decentralization required by such strategies may well prove inconsistent with the political demands of maintaining authoritarian rule. Nonetheless the need for local or regional authorities to manage the social cohesion of the local or regional economies will leave some scope for initiative provided that there is a sufficient flow of inward investment and proposals for joint ventures to exploit any local competitive advantages.

Third, whether or not an authoritarian pattern emerges in this context, we can also expect some regional development associated with peripheral export platforms. This will be linked to investments to exploit cheap labour and/or other resources for export in the short term and to take up forward positions in relation to any subsequent local development of domestic markets. Where this leads to an inflow of foreign currency, wages may rise and social services can be sustained. Export rents lead to segmentation. In this context there are already various proposals for 'free economic zones' and some are being developed. Fourth, parts of the former Soviet Union (including some Russian provinces) may become resource exporters comparable to Australia or Canada at earlier stages in their capitalist development. This would imply a major role for foreign (including Japanese as well as North American and European) as well as domestic capital (cf. Bremm 1993). It would also offer possibilities of regional enclave development around resource exports and/or resource processing.

VIII. Concluding Remarks on Future Prospects

Any concluding remarks about current trends, let alone future developments, are necessarily speculative. It is too early to evaluate present trends in the hope of adequately distinguishing long-term structural tendencies from short-term fluctuations, temporary reactions, conjunctural shifts, and the sheer chaos provoked by such a massive crisis. Skepticism is also prompted by the failure of various interwar proposals for regional federations (whether in the Balkan, Baltic, or

Danubian regions) due to divergent economic and/or political interests (cf. Arter 1993: 61-71); and by the checkered record of regional cooperation agreements among developing countries (ranging from free trade areas to economic communities) (cf. Langhammer 1992: 214-215). These difficulties in launching and consolidating new regional blocs reflect the complex cooperative-competitive-conflictual relations which are involved in any regional bloc - relations which will be no less evident in the post-socialist countries than elsewhere (cf. Tökès 1991: 110).

Even if one ignored worrying historical precedents, the costs of economic development in post-socialist societies are themselves very daunting. Thus, using 1989 capital stock as their base for calculations made in 1991, Collins and Rodrick estimated that an annual investment of USD 420 billion for ten years would be required for Eastern Europe to catch up with average incomes in the European Community; the analogous figure for the whole of the former Soviet Union was USD 1.2 trillion per annum (Collins and Rodrick 1991). Only around USD 20 billion of Western capital has gone into the Eastern bloc since 1989. China received USD 26 billion in 1993 alone. Even if these vast sums could be raised in the West (at a time when South Africa as well as the Asian NICs are emerging as important alternative sites for investment), they exceed the absorptive capacities of many of the post-socialist economies. Resulting delays in convergence between post-socialist and capitalist countries will in turn delay effective continental economic integration - let alone political integration. At most there will be partial and/or patchy regional integration of the kinds discussed below. There is also continuing uncertainty about the economic, political, and social forces which will execute regional strategies and their relative position in the changing balance of forces in different regions. Given these current difficulties, it is even more problematic to predict future developments. For these also depend heavily on events beyond the borders of the post-socialist economies and on emerging relationships between these economies themselves. Moreover, as emphasized above, regional economic strategies are heavily politicized. Five broad speculations would nonetheless appear in order.

First, a unified Germany will markedly extend its economic and political influence eastwards. Germany will be the key player and the epicentre in the regionalization of the East and Central European economies now that Comecon has collapsed and the old Soviet Union slowly disintegrates. This reflects not just its overall economic strength in Europe but also its role in trade and investment in the post-socialist economies. The probable result will be an extensive Deutschemark economic bloc which embraces at least Poland, the Baltic Republics, the Czech lands, Hungary, Slovenia, and Croatia. This reflects in part important economic and cultural links in historic Central Europe which could now be revived in the aftermath of communist collapse; in part, the current relative strengths and needs of the various economies involved;[32] and, in part, Germany's interests in seeking new and rapidly expanding markets where triadic competition is less intense (cf. Szromnik 1992: 67). Moreover, to the west, this bloc will also include other European Economic Area members whose economies are closely integrated, or at least convergent with, Germany. Among these one can mention the Netherlands, Luxemburg, Denmark, and, to the south, Austria and northern Italy.

Second, German influence will be reinforced by three further continuing trends. These comprise: (a) the emergence of a Baltic economic region in which Germany and Sweden are the major advanced capitalist players (with Denmark and Finland also playing key roles) and in which northern Poland, the Baltic republics, and the western provinces of Russia are the main post-socialist members; (b) continued consolidation of the Visegrad cooperation agreement between Poland, Hungary, and the former Czechoslovakia; and (c) the extension of influence southwards through the Pentagonale, in which southern German Länder are already partially involved. These growing linkages within central Europe mark a shift from the pre-war period when, although Poland, Hungary, and Czechoslovakia each had trading links to Germany, Austria and the Soviet Union, they engaged in little mutual trade among themselves (cf. Bakos 1993). Poland will clearly play a key role in helping to mediate and consolidate this series of linkages, which will enable the Baltic and Adriatic regions to be closely linked into the European Economic Area.

Third, further east still, we can also expect growing German and, more generally, Western European influence in the former Soviet Union. This will be associated both with competition against USA and Japanese influences and with strategic alliances or joint ventures involving partners from the other two triad regions as well as from the former Soviet republics. It will also be associated with the attempt by Russia to assert its traditional dominance in the Eurasian Continental geo-strategic realm. It is important to remember that, despite the collapse of the Soviet bloc and the partial disintegration of the CIS, Russia still massively outweighs the other CIS states. This suggests that the key terrains of economic and political contestation will be the western provinces of Russia, Belarus, and the Ukraine. For, despite their new-found independence as politically sovereign nations, these three republics still have important economic linkages and some form of conflictual cooperation is likely. Even within Russia itself, moreover, there are worries about the influence of Moscow. This helps account for the interest in the western provinces for seeking economic contacts with neighbouring non-Russian areas (Neumann 1994: 68).

Fourth, the destiny of the rest of the Soviet Union is less clear. Whereas the most easterly provinces and republics may eventually be integrated into the Japanese (or even Chinese) economic orbit, the former Moslem Republics of the Soviet Union as well as the post-socialist states of Eastern Europe (notably Romania and Bulgaria) might well fall under the influence of Turkey (with possible US support on geo-strategic and military as well as economic grounds) as part of an emerging Black Sea economic community or Central Asian common market. Iran will also play a role in the latter regard but will seek to polarize the emerging regional economy around its interests. In this and other regards, of course, the Middle East remains an important 'shatterbelt'; in particular, the potential for conflict between moslem and orthodox parts of the region is still strong. Although some observers have suggested that the USA might consolidate control over a ‘huge Moslem area’ (Graziani 1993: 255) including Turkey, the Moslem Republics, Iran, Saudi Arabia, etc., this is, to say the least, a problematic political project, given the volatility of the region.

Fifth, the above developments could in turn provide the basis for the growth of a wider and greater Europe with the European Economic Area at its core. This would embrace the member states of the European Union, the new member states likely to accede in the next few years from Scandinavia, the Visegrad states, Austria, and the Balkan states, economies on the North African coast, and neighbouring middle eastern countries (cf. Perrone 1993: 1). This would be of interest to the European Union as competition with the North American and East Asian economic blocs intensifies. For the European Union economies would benefit from closer ties to the Mediterranean just as many economies in this region need European investment to overcome their relative backwardness (cf. Agh 1993: 234).

Endnotes

Select Bibliography

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[1] In writing this paper I have benefitted from discussions with John Campbell, Paul Hare, Jerzy Hausner, Ivona Jackimova, Anatolij Kredisov, Klaus Nielsen, Claus Offe, Ioan Popa, Jean-Yves Pôtel, Larry Ray, Ngai-Ling Sum, Lenny Zaiko, and Hans van Zon. The usual disclaimer applies. I have also benefitted from a grant from the EC under its ACE programme to study marketization and neo-liberal strategies in Europe.

[2] Even at the most abstract level of analysis, capital accumulation rests on a complementary but contradictory mix of commodity and non-commodity forms. Cf. Jessop 1990.

[3] But this collapse and the changes it entails are themselves modifying the impact of other changes (see below for more details).

[4] The republics could win political independence with relative ease because their right to secede was formally recognized in the Soviet constitution.

[5] Thus there are growing problems of regional sub-republican autonomy movements in the Sovereign Republic of Siberia, the Far East Republic, and Sakhalin (Mursaliev 1992); growing ethnic disputes between different national groups in several republics (cf. Brubaker 1994; Clark 1993); language issues in Central Asian states (cf. Glenn 1993). The first major outbreak of inter-ethnic strife occurred in 1988 when Muslim Azerbaizhanis and Christian Armenians conflicted in Transcaucasia.

[6] Only the Latvia-Estonia border is truly uncontested.

[7] The technological lag was greater in the Soviet Union than Central Europe, which was more closely integrated into the capitalist world economy; even here COCOM restrictions meant that

imported technology tended to be obsolete (cf. Enyedi 1992: 870). More generally, despite the crisis of Fordism in the European Community, the economic gap grew wider from the mid-1970s through to 1990. Thus, as Hamilton notes for 1985-90: ‘Western Europe achieved rapid growth of productivity in older sectors, significant restructuring into higher-technology activities and sophisticated services, while East-Central Europe generally failed to modernize or modify its outdated economic structure’ (Hamilton 1990: 153).

[8] This term is used by the Institute for Economic Planning for Peace to describe economic integration which depends less on cooperation among central authorities than on links between local and autonomous bodies in different countries (European Commission 1992: 191).

[9] In this context structural competitiveness refers to the capacity of national economies to compete through the creation and retention of core economic competences with strong vertical and horizontal integration in a number of interrelated sectors together with the specific socio-political and cultural supports necessary for these always socially embedded, always socially regulated economic activities to occur and prosper.

[10] For some of the problems involved in such endeavours, see Langhammer 1992.

[11] The reference is to Benedict Anderson’s work on the nation as an ‘imagined’ community; the region is also an ‘imagined’ entity (see Anderson 1991).

[12] This situation is a remnant of the prewar period when East and Central European economies either comprised the periphery of a more developed core of European economy or, as in the case of Bohemia and Upper Silesia, were connected with the European core economies in western part of Europe. The exception is the location of raw materials processing plant in the east, close to sources in the Soviet Union. On these aspects see Van Zon 1992; Bachtler 1992.

[13] For example, Russia has established the port city of Kaliningrad as the largest free enterprise zone in the world and it should serve as a gateway to the western provinces (cf. Feller 1993). Free trade and/or free enterprise zones are also significant in the far eastern provinces.

[14] In terms of GDP per capita, Czechoslovakia and the DDR had attained the levels of Italy and Ireland in 1986; Bulgaria was on a par with Greece; Romania was ‘better off’ than the poorest EC country, Portugal; Hungary, Poland, and Yugoslavia were slightly ‘worse off’ (Hamilton 1990: 153).

[15] These three post-socialist economies committed themselves to a gradual removal of trade barriers to EC exports over five years whilst the EC member states agreed a one-step liberalization of imports from the Visegrad three.

[16] We should note that Baldwin (1992) argued that an alliance between EFTA and the ex-CMEA economies would provide the former with additional leverage in negotiations over EU membership and the latter with the shortest route into the European Economic Area.

[17] PHARE is the acronym for Pologne Hongrie assistance à la reconstruction économique; the programme has since been extended to Bulgaria, the former Czechoslovakia, the former East Germany, and Romania.

[18] A typical Ouverture project is the Baltic gateways project. This grouped local authorities - Esbjerg in Denmark, Gdynia in Poland, Rostock in Germany, North Tyneside in UK, and, a late joiner, Klaipeda in Latvia - with a common interest in port development, industrial development, tourism, and the development of new Baltic links.

[19] Indeed Turkey hoped to become to the Asian republics what Germany was to Europe (cited in Gençkaya 1993: 551).

[20] Indeed Nester concludes that it would make more sense for Japan to invest in Eastern and Central Europe, since this would provide an export platform to the European Community and to the former Soviet republics (1993: 732).

[21] These comprise: the Neisse Euroregion; the Elbe-Labe Euroregion; the Ertzgebirge Euroregion; and the Egrensis Euroregion.

[22] On the rediscovery of the value of the locality in the 1980s and its implications for relocalization in Czechoslovakia, Bulgaria, the DDR, and, in particular, Poland and Hungary, see Maurel 1990: 216-17.

[23] In practise, however, substantive measures of redistribution, whether in industrial location decisions or attempts to equalize living conditions, were often counteracted by plan-induced disparities within and across regions.

[24] Owing to its enormous territorial scale and inherited inter- and intra-republican economic and social inequalities, this last problem is especially acute in the former Soviet Union. The former Baltic republics have the highest standard of living, followed by Slavic republics, then the Transcaucasian republics, and, finally, the central Asian-Moslem republics.

[25] On the fragmentation of local authorities in post-socialist conditions, see Enyedi 1992: 872.

[26] On the problems posed by population migration, see especially Pchelintsev 1993.

[27] Although Uzbekistan (20.3m) and Kazakhstan (16.7m) were more populous than Belarus they accounted for only 3.3 and 4.3 per cent of net output respectively.

[28] This can be contrasted with the Belarus case - where independence and CIS membership was the quickest route into the European Union; and the Russian case, where the CIS seemed the

best chance of maintaining the old Soviet Union (cf. Likhotal 1992; Peterson 1992).

[29] The blue banana is so-called because of its shape (analogous to that of the 'banana' curving from the Home Counties around London through the Benelux countries, northern France, and central Germany, to northern Italy) and its axis around the Baltic sea.

[30] Note that the Nordic-Baltic Belt proposal excludes both Poland and the German Länder bordering the Baltic.

[31] In referring to democracy in this context, I refer to the normal form of capitalist political rule in the current phase of capitalist development. It should not be mistaken for non-bourgeois democratic forms nor with earlier bourgeois forms (such as liberal parliamentary democracy). On the nature of the modern bourgeois state, see, inter alia: Poulantzas 1976 and 1978; and Jessop 1993.

[32] Thus Germany is specialized in the production of capital goods and machine tools useful in the modernization drive of post-socialist economies once inflation is brought under control and a modicum of economic stability is secured; and the post-socialist economies can supply cheap consumer goods, agricultural products, and raw materials to Germany.