

SYLLABUS

Europe – From Warfare to Union

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Chapter I:

World War I was the start of a transformation process of the European society from feudalism via fascism and its special version of German National Socialism as well as communism to World War II and step by step transformation to democracy; this process is still going on.

It was Winston Churchill in his speech in September 1946 at the University of Zurich who described Europe as the most beautiful and cultivated territory on the globe, origin of old and new cultures, arts, philosophy and science. If Europe would learn to administer its heritage peacefully, its 300 or 400 million inhabitants could enjoy unlimited happiness, wealth and glory. Whatever one may think about Churchill, he was a realist and not a dreamer. 60 years later the core of his vision came true.

At the end of the 19th century, when the old Osman Empire died, emperors and kings of the former big powers in Europe, Great Britain, France, Germany and the Austro-Hungarian monarchy, met in Berlin to settle their influence in the Balkans as well as in Africa. Colonial imperialism could not substitute the distrust among them. Driven by their upcoming industries and their international trade companies they tried to win on the account of the competitors, but finally they all lost; and the United States not only entered the scene but finally made the decisions in both wars, based not only on their economic power but on their democratic structure, which permitted to mobilize what is mostly needed in a modern, industrialized world: the full support of its citizens, who have come from different parts of Europe, but by their free decision in order to achieve a better life, based on individual freedom – something which should be recalled nowadays.

With the exception of the United Kingdom the former big powers, emperors and Zars lost their thrones. Based on Wilson's promise to support new states, based on ethnic origin and same language, short sighted politicians created or legitimated small republics, which in many cases did not correspond with the theory of one nationality in one state. The typical example was Czechoslovakia. There was a high identification with the new state in Czechia as well as in Moravia. They had been under the same administration during the Austro-Hungarian rule, Austrian part. They had a similar language, but not identical with the Slovaks, who were administered by the Hungarian part of the monarchy from Budapest. In all three Slavic parts of the new Czechoslovak republic lived a strong German speaking population of approximately 3.5 million people, a quarter of the whole population of the new republic. What was left from the Austrian part of the monarchy from its neighbours respectively the dictate of Saint Germaine of 1920 tried to convince the victorious allies of World War I to unite the German speaking people in Czechoslovakia with Austria. It was not negotiated by the winners.

In the case of later Yugoslavia it was tried to overcome differences and dominating nationalities by constructing a south Slavic federal republic consisting of Serbia, Croatia and Slovenia. It was not only the competition between the three republics but also the disregard of the fact that mainly but not only in Serbia people of different ethnic origin were concerned, having no decisive influence on the policy of their state. Apart from mainly protestant German farmers in the north-east of Serbia Croats and Slovenes were catholic, Serbs and Montenegrinians orthodox, Bosnians and Albanians Muslims. This religious partition to some extent reflected the different situations of the people concerned during the times of Turkish occupation or at least domination. This was and to some extent still is the reason for distrust in the Western Balkans.

In Western Europe Count Coudenhove Kalergi founded the European Union in 1923 in Vienna, but unfortunately he could not achieve more than a pan-European movement based on intellectual individuals from the centre of the bourgeois parties and the right wing of social democrats. The ideas could not attract the masses of people. They were either demanding radical changes in European society, represented by social democrats and mainly by communists, or afraid of both and therefore supporting either re-installation of the monarchy or fascism. Nevertheless the League of Nations was the first international organization and especially Prime Minister Poincaré and Aristide Briand wanted to develop a European association in support of the League of Nations. Both failed.

The crisis of world economy since the crash of the New York stock exchange was the problem people had to tackle. They saw the solution of their individual economic and social problems in the framework of their – partly only ten years old – national status. They misunderstood Wilson's guarantee of self determination as an excuse for inconsiderate nationalism. By splitting up, Europe made itself weaker than it really was.

Three ideologies promised people to hale society and individuals. All three had their roots in the former feudalistic society.

The social democratic labour movement developed in the second half of the 19th century and organized in the "Socialist International" failed to fulfil its mission as an international, trans-border acting movement by voting in their respective national parliaments for entering into the First World War. Their left wing split off.

The Russian October Revolution defeated not only the dictatorship of the Zaristic regime but also a kind of liberal democracy represented by the Duma and the government of Kerenski. The idea of an equal participation of the working class in polity was replaced by the rule of a minority of professional revolutionaries acting in a feudal, agriculture dominated, multinational empire with a small minority of people working in industries.

Disappointed and disoriented losers of World War I were distrusting democracy introduced by the winners of this war, partly thinking back to their former feudal privileges and compensating their politically and economically weak position by a revival of national pride. Instead of fighting the worldwide economic crisis by cooperation, they propagated an economic model of autarky. José Ortega y Gasset therefore whipped the juvenile national states in his book "Uprising of the Masses" for their nationalism. The philosopher Oswald Spengler saw it even worse and spoke about the "Fall of the Occident".

In 1922 the Italian Fascists took over power after their march to Rome. Their Duce was a dissident of the Italian socialist party. He was the first to create a diabolic mixture of thinking in old terms but dressed in a modern suit, based on military traditions but with a social touch.

It could not have been by accident that fascist movements, strongly connected with the Catholic Church, mainly appeared in such countries where Catholicism was more or less the dominating religion. The examples in Croatia, Austria, Slovakia, Spain and Portugal prove it.

A unique case was the development of "the National Socialist Party (NSDAP)" in what was left of Germany after World War I. The North of Germany was protestant, the South catholic. According to the structure of the Roman Catholic Church, German Catholics had more problems in accepting the national socialist ideology and especially the godlike treatment of the leader. German national traditions were more developed in the protestant part; on the other

hand they were accepting the democratic Weimar republic to a higher extent than in the South and, according to their religion, had a higher degree of self responsibility. Supported by the leading German industrialists and their money, Hitler's NSDAP became the strongest party in the German parliament. With the support of right wing parties he became Prime Minister (Reichskanzler) on a legal basis. The highly mobilized and motivated private army of the party SA and later also SS, consisting of losers of World War I or of the economic crisis, they wanted to create what they thought would be a modern, strong, technologically leading Germany, showing that the defeat of 1918 was once and for all. The central difference of this movement to other types of fascism in Europe was a seemingly science-based racism. It was the basis for all later atrocities. Just to name some examples:

With irrational arguments Jews were qualified as subhuman creatures. A weekly was created under the name of "Der Stürmer" means "attacker", full of accusations against Jewish religion, Jewish personalities, the role Jewish people played in economy, but especially that all these accusations are the logical outcome of their human substandard. The message was: they are not like us, they are substandard. But it was not only the Jewish question. Also gypsies were subhuman beings. Together with people fighting the regime of NSDAP, Jews, homosexuals, witnesses of Jehova etc. they were brought to concentration camps. But in 1942, immediately after more than a quarter of a million of German soldiers had lost their lives in the fight of Stalingrad, the office for racial control of Germany found out, that there is a group of pure bred gypsies, the tribe of the Sinti. Therefore they picked out the king of the Sinti in Austria and his son in law from the concentration camp of Buchenwald, dressed them with the German uniform and sent them to the various concentration camps to sort out imprisoned Sinti there. The argument of the office for racial control was: we should have pure bred gypsies. If we have them already we shall keep them, otherwise we would have to breed back from mixed gypsies to racially clean ones like we had to do it in the past with house cattle, breeding them back to Auerochs.

Racism, especially anti-Semitism, had also an economic aspect. Between 1933 and 1939 Jewish property was confiscated step by step. It started with special taxes and ended by forced, underpriced sales to the state, which sold it for a higher price but still very cheap compared with market prices to privileged citizens belonging to or at least supported by the NSDAP. Since the war started and men were convocated to the armed forces "Wehrmacht", the shortage of manpower for heavy working like in mining, war industries, farming and other work which could not be done by women alone was compensated by prisoners from the concentration camps, prisoners of war, especially from the Soviet Union, and workforce from occupied countries like Poland, Czechoslovakia, France, Belgium, Luxemburg, Yugoslavia, Greece, finally even from Italy. The owners of the German industries had to pay the salaries for this workforce completely to the state. Hitler's state took then the money to a large extent for itself; only pocket money was left to the workers.

At the same time occupied countries were exploited by forcing them to sell goods and services to the German occupation administration, mainly for covering the living costs of the "Wehrmacht". The "Reich" paid to them in special German treasury bonds. These bonds were neither exchanged into German Reichsmark nor any other real currency. Receivers had to change them into local currency of the respective country, but also their national bank did not receive any equivalent except the promise to get money after the war. It was practically a forced gift to Germany paying their occupation cost, enabling German soldiers, who received a certain amount of treasury bonds, to buy and send home luxurious goods to their families, giving them on the other hand the feeling that they have paid because they individually did

not know that they were part of just a more modern form of requisition, of seemingly legalized stealing.

Using this way of exploitation had also a psychological advantage: it was easier to keep soldiers from robbery. People in the occupied countries and territories could make business with the occupants. It was similar to selling to tourists.

Along these lines the defeated paid for their conquerors to a high extent. Until winter 1941/42 troops as well as home front of the German Reich did not very much suffer from war. Some celebrated heroes died.

Things changed with Stalingrad and the increasing bombardment of German and in nowadays Austrian cities. But in contrast to World War I nobody in Germany suffered from hunger until the last days of the war when the allied forces entered.

The economic management of World War II was as inhuman to the victims as economically successful for the German "Reich".

Entering the social administration of Austria as an employee in 1949, I had access to documents from the GESTAPO office in Vienna, managing in 1939 the forced emigration of Jews to Palestine. Jews had to pay to this bureau of Eichmann and his colleagues to be permitted to emigrate. By train they were brought to Bratislava, at that time capital of the German satellite regime in Slovakia, ruled by the catholic clergy man and President Dr. Jozef Tiso, his Prime Minister Dr. Tuka and the fascist Hlinka-guard (Andre Hlinka was also a clergy man and political leader of Slovak patriots. Until his death in 1938 he cooperated with the leader of the German National Socialist Party in Czechoslovakia Konrad Henlein and the leader of the Hungarian extremists Prince Eszterhazy. The Hlinka guard was a kind of imitation of the German SA.).

From Austro-Hungarian times there existed in Bratislava a damaged plant of a former bullet production named "Patronka". In this devastated building and watched by the Hlinka guard Jews had to wait for ships coming up the Danube with grain from Romania. After being unloaded these ships were packed with Jews and sent down the Danube until the sea harbour of the black sea. There Greek ships in unbearable bad conditions were waiting for them to bring them to Palestine. In order not to annoy the Arabs, many of these ships were not permitted by the British to land in their by the former League of Nations legitimated mandated territory Palestine, but had to go to British occupied Mauritius. There, one third of them died of yellow fever. In some cases the old Greek ships already sunk in the Mediterranean Sea.

By knowing these means of transport it was obvious that the real travel costs for the Jews were much lower than the amount they had to pay to the GESTAPO. This was another source of income for the "Reich".

The wages of German employees were practically kept unchanged throughout the war except the introduction of a bearable war tax at the beginning of the war. Goering, responsible for the economic decisions of the leadership of NSDAP, tried to avoid any taxing which could result in a bad mood of people working in the so called home front.

Taxing Jews, confiscating their property, using millions of political, racial, ethnical prisoners and even prisoners of war, in contradiction to the "Haager Landkriegsordnung", forcing

additional millions of labour force from all over Europe to work for the “Reich”, letting the occupied pay for the occupants, was the basis of financing the war. This connection pushed the regime into the direction of territorial expansion by aggression. It was imperialism and colonialism in Europe. It was at the same time a turning away from European human standards and international law developed since Enlightenment, Emanuel Kant, the great German philosopher, creating the self responsibility of human beings to respect man’s dignity. His categorical imperative was denied and violated.

The historical and political interpretation is: nations whose people have high educational and moral standard are not immune against methodically used crime. Even more: their ability to perfect use of crime can make them even more dangerous if democratic control does not function, because people do not trust democracy anymore.

By explaining the more ideological reasons for tensions between the two World Wars and the outbreak of World War II many historians and political scientists forget to clarify how and where fascism developed outside Germany. Ignoring its existence and influence in large parts of the continent would be a great mistake. As I already mentioned in connection with Slovakia, the German “Reich” would not have been able to expand to the extent it did without the support of more or less clerical fascism.

The ideological basis was the encyclica quadragesimo anno of May 15th, 1931 by Pope Pius 11th. Its final part dealt with the political and social changes in economy and sentenced socialism and communism. A good catholic Christian could not be a socialist or communist. It did not deny the necessity of reforms in society, but proposed to resolve existing problems in the framework of professional associations where entrepreneurs as well as employees should negotiate their relations obedient to Christian principles. State or local authorities should only help where problems could not be solved by the partners themselves. Even in the period of upcoming democracy in feudal states before World War I many catholic clergy men entered politics and became members of their parliaments. The settlement of communism in the Soviet Union and the upcoming self determination of human beings in the framework of the social democratic parties were perceived as a danger for the future of the Catholic Church.

Antonio de Oliveira Salazar, more than three decades dictator of Portugal, studied theology and should have become a priest.

General Francisco Franco of Spain carried out the fascist counter revolution against the republican secular regime with full support of the Catholic Church.

Ante Pavelic, founder of the Croatian independence movement Ustascha, killing at least 300.000 orthodox Serb Christians, some 60.000-90.000 Jews, Roma and political opponents had the full support of the Archbishop of Zagreb, Stepinac. As already mentioned all Slovak fascist leaders were clergy men. The Austrian Chancellor Dr. Engelbert Dollfuß, who dissolved the Austrian Parliament in 1933 and prohibited all political parties in 1934 after a short civil war with the social democratic “Schutzbund”, killed in February 1934 dozens of “Schutzbund” leaders sentenced by illegal drumhead court martial, started his political career in a catholic priest seminar.

Although Mussolini was a dissident from the socialist party of Italy, his fascist movement was based on a close relation to the Vatican as well as to the very catholic influenced King Victor Emanuel III.

Sooner or later all these regimes paved the way for Hitler actively or as victims as Dollfuß and his Austro fascist regime in Austria. Spanish volunteers were fighting as the “blue division” against the Soviet Union. Pavelic cleaned the North of Yugoslavia from enemies of Germany. I personally – at that time a citizen of the “Reich” – profited from the Tiso regime in Slovakia. When bombing by allied air forces started in Austria and Vienna my school was moved to a very nice tourist place in the middle of Slovakia, where even in 1944 was no food shortage. The administration there was in the hands of NSDAP and we had the feeling that many of the officials were very glad to live in such good circumstances being kept off from what was already declared the “total war” by the chief of the propaganda, Joseph Goebbels. I also remember when we tried to visit the next village, as foreigners we were not received friendly but by stones thrown by the Slovak boys. Even chocolate was available there and a Jewish female dentist, who could survive because the local Slovak authorities told the German administration that nobody was there to replace her.

The “quadregesimo anno” encyclica also expressed what many conservatives and former legitimists felt in the 1920’s. “We were brave but betrayed by the reds who didn’t want to fight anymore” was their opinion in Germany and Austria. They are to blame for disorder and economic breakdown. Therefore they cannot belong anymore to the catholic family. Therefore they have to be excluded, even by force, from political decision making.

Even until 1970 the Austrian People’s Party (ÖVP) tried to terrify the farmers, telling them that if socialist won the elections, they would take their last cow, and told small business people that their shops would be nationalized.

Economic decenders, farmers, handicraftsmen, small business people as well as large parts of jobless workers were seeking save haven close to God. The political leaders close to or identical with the Catholic Church seemed to guarantee the prevention of Bolshevism. By killing democrats, destroying for the first time in history a whole town and its civil population, the city of Guernica, in the Basque province of Spain during the civil war in 1936, they destroyed the national power of resistance against “Nationalsozialismus” as well as Bolshevism. The defeat of young democracies in Europe between the wars opened the door for fascists and national socialists to prepare a war against other races, beliefs, ethnic entities, against humanity altogether.

In 1942, when I was 12 years old, I was instructed in my high-school in Vienna – not by the teacher but a leader of the “Hitler Youth” – to learn English, because it would be needed for administering in the future the colonies of the UK. “But”, the leader sais, “it is not necessary to learn any language of lower races like French or Slavic languages, because they would have to learn German”. All in all: fascism in catholic countries was a kind of “symbiosis” between those afraid of the new and open industrialized and open societies and the fear of the church to loose influence and property.

The third and most important political movement, incompatible with a pluralistic and democratic state was communism. The “Soviet Republic” means “council Republic” and had a good sound for a population who never experienced a kind of real democracy. Many intellectuals also wanted to exclude the Tsar, nobility and bourgeoisie from political decisions. In the beginning of the revolutions of 1917 there was an open discussion in the Soviets. Bolshevism was victorious. It attracted the masses because they wanted to bring the war to an end. They managed peace with Germany and the Austro-Hungarian monarchy, but they had to fight a bitter war against the so called “Whites”, Poland, Turkey, all supported by Britain, France, USA and Japan. For years the Red Army was the most important instrument

of the Soviet regime. The original hope to get support from revolutions in other countries sick of war, especially Germany, did not materialize. The communist party (Bolsheviki) therefore was increasingly busy with solving the problems at home: fighting the white troops, the Poles, hunger and epidemics. Lenin introduced in 1921 the NEP – period, the new economic policy, in order to advance farming production and enrich the offer of foodstuff on the markets. Vladimir Ilytsch Uljanov studied Latin and Ancient Greek. His brother Alexander was hanged in 1887 for participating in a plot against Tsar Alexander III. He was expelled from Kazan University for participating in student protests. He continued to study independently and earned a licence to practice law in 1891. He worked in Samara and St. Petersburg. He studied Marxism, took part in revolutionary propaganda, was arrested for 14 weeks and afterwards exiled to a village in Siberia. He married Nadeshda Krupskaya and published in 1899 the “Development of Capitalism in Russia”. After he was released from Siberia he had to leave Russia. He visited Zurich, Geneva, Munich, Prague, Vienna and London. He founded the newspaper ISKRA and wrote books which introduced a new version of Marxism: “Marxism-Leninism”. The mistake of the Paris Commune in 1848, so Lenin, was that the revolutionaries missed to exterminate their enemies, endeavoured to exert moral influence on them. The proletariat exercised an excess of magnanimity, ignored the importance of pure military actions in a civil war. To some extent Lenin introduced his Russian tsarist experience and his conclusions into Marxism. Human beings and their individual rights were undervalued. His experiences under the dictatorship of the Tsar and his regime obviously induced the low significance of a single human life for Lenin.

After the Russian February Revolution in 1917 the German government arranged the journey of Lenin from Zurich to Scandinavia and Petersburg in a sealed train. Their calculation that Lenin will weaken the ability of Russia to further warfare came true.

When Stalin, General Secretary since 1922, after Lenin’s strokes and death came into full power and the original expectation of world revolution had melted away, a national Russian Socialism was propagated by him. Stalin was not an intellectual but a professional revolutionary and since 1917 a political organiser of a new state. Born Georgian and for years student in a seminar for priests he stopped the new economic policy of Lenin, started industrialization and electrification, expropriated the farmers, forcing them into kolkhoz, a kind of collective farm with brutally enforced membership.

Socialism in one country was the expression of a reality but in contradiction to the original idea of world revolution. This was the source of ideological and personal dispute and conflict of Stalin with the Soviet leaders, the cleansing of the Bolsheviki for more than a decade. Russia had its “Führer” before the “Führer” in Germany.

Between 1924 and 1941 Stalin liquidated the internationalists among the Bolsheviki. Trotzky was killed in his exile in Mexico in 1940 because he meanwhile had founded a new, the future “International”, which denied that socialism can be built up in one country only. Famine in the Ukraine, Kazakhstan and the northern Caucasus resulted between 1932 and 1934 in about 10 million people’s death caused by violent repression of the “kulaks” as they called the private farmers. Together with Kamenev and Zinoviev he governed the party after Lenin’s death, opposing the closest collaborator of Lenin, Trotzky. Afterwards he instrumentalized Bukharin and Rykov against them emphasising their vote against the insurrection in 1917. They tried to form in July 1926 the United Opposition with Lenin’s widow Krupskaja. The 15th party congress expelled Trotzky and Zinoviev from the party. Kamenev lost his seat in

the Central Committee. Stalin soon turned now against the “right opposition” represented by his supporters against the so called left wing, Bukharin and Rykov.

Finally Stalin represented himself as a “man of the people” coming from the poor classes. His “Socialism in one country” was an optimistic antidote to war and civil war. He banned factionalism and by that any kind of opposition, installing complete control of party and state as well. The negative peak was the great purge between 1936 and 1938.

The five year plans and some economic growth was based on very low paid workers and prisoners from the Gulag concentration camps, among them many victims of the great purge. The last representatives of the generation of revolutionaries were sentenced during the so called Moscow trials; among them Red Army generals including marshal Tukhachevsky. Left back were Stalin, Kalinin and Molotov. Finally the leaders of NKDW were also killed, because they knew too much.

Hitler’s raid in 1941 found a weak Soviet Union dismantled by its own. Stalin had started deportations which profoundly affected the ethnic map of the Soviet Union. 1.5 million people were deported to Siberia, among them Chechens, Tatars, Wolga-Germans, Balts, Jews, etc.

Stalin more or less seemed to be aware of his country’s weak situation. His big miscalculation after the failure of talks with the UK and France about a mutual defence pact was to believe in pact keeping of the national socialist Germany by concluding the Molotov-Ribbentrop pact. To get the Baltic states and the eastern part of Poland was obviously such a seduction for Stalin that he sold German communists to Hitler and forgot, that “the Reich” officially propagated that it had to go to the east in order to have enough “Lebensraum”, which means “living space”. To expect that the Germans would stop in Warsaw was naïve. As the Red Army was not able to defeat Finland in 1940, Germany was misled to underestimate the defence capacity of the Soviet Union on its own territory.

Starting the war against the Soviet Union, Germany had occupied or controlled the European continent; Britain expected German invasion. Therefore the United States of America and after the German invasion the Soviet Union decided upon victory or defeat. The times of decisions of the big three powers, USA, USSR and UK came up.

On August 14th, 1941 US-President Franklin D. Roosevelt and Winston Churchill, Prime Minister of the UK, concluded at their mid-ocean meeting on the Atlantic that they:

- do not seek aggrandisement
- do not desire territorial changes against the will of the people concerned
- respect the right of all peoples to choose their form of government
- restore forcibly deprived sovereign rights and self-government
- endeavour access for all under equal terms to trade and raw materials
- desire fullest collaboration between all nations to secure improved labour standards, economic advance and social security
- after final destruction of NAZI tyranny establish peace, which will afford to all nations the means of dwelling in safety in their own boundaries ensuring to live their lives in freedom from fear and want
- enable all men to traverse the high seas and oceans

- all nations must come to abandonment of use of force. Nations which threaten aggression outside of their frontiers must be disarmed in order to be encouraged to lighten the crushing burden of armaments for peace loving peoples.

The Moscow Conference in October 1943 of Roosevelt, Churchill and Stalin was not so much an appeal to the peoples but already much more concrete.

1. Surrender and disarmament of Germany and its allies
2. Establishment of a general international organisation based on the principle of equality of all peace-loving states
3. Re-establishment of law and order and inauguration of joint activities for security on behalf of the United Nations
4. After termination of hostilities military forces will not be employed within the territories of other states except after joint consultations
5. Bring about a practicable general agreement for regulation of armament in the post-war period

Declarations were passed concerning:

Italy and Austria; for both a precondition for re-establishment of full sovereignty after the end of the war.

A statement of activities was fixing the responsibility of the officers and party members of the NAZI party who had been responsible or had taken a consenting part in atrocities, massacres and executions and therefore would be sent back to the country of their abominable deeds to be judged and punished. Lists of such people should be prepared by the Soviet Union, Poland, Czechoslovakia, Yugoslavia, Greece, Crete and other Greek islands, Norway, Denmark, Netherlands, Belgium, Luxembourg, France and Italy.

In February 1945 the three leaders of the victorious powers of World War II met in Yalta. They decided upon the guidelines of the United Nations summoned in April 1945 in San Francisco considering a Charter for a general international organization for the maintenance of international peace and security. As a basis for such a Charter the result of the Dumbarton Oaks Conference of October 1944 was recommended, among them structure and voting right in the Security Council.

A declaration of liberated Europe was passed.

The three big powers felt obliged to help peoples of Axis satellite states and those liberated from NAZI Germany to solve their pressing problems by democratic means. They should create democratic institutions of their own choice - a reference to the Atlantic Charter. Free elections should be held at the earliest possible time.

A committee was set up to consider a complete dismemberment of Germany as they deem requisite for future peace and security, consisting of Eden, Winant and Gusev.

A French occupation zone in Germany and a Control Council for Germany was set up.

Reparations, mainly to those who have suffered most from German occupation and warfare should be fulfilled by removals within two years after surrender, chiefly for the purpose of destroying German war potential. Details were delegated to an allied reparation commission.

The Soviets took from East German railway systems half of the rails. In their occupation zone in 2/5 of Austrian territory including the capital Vienna, the Soviets took all so called "German property", even those which had been unfriendly overtaken from Austrian owners by German companies after 1938. All together it represented a lump sum of 20 billion US\$; the dollar had a very high value at that time.

A joint approach of the big allies was foreseen for the treatment of "major war criminals", basis for the later "Nürnberg processes". A Soviet introduced Polish provisional government had to be extended to Polish democratic leaders in the west, like Mikolajeczik and the Polish troops fighting in the framework of the British army under General Anders. This procedure was already a hint of what was to start, sooner or later, in all countries under Soviet occupation and finished in 1948 in Prague by overthrowing Czechoslovak democracy by armed militia of the KPC. Poland was shifted to the west, approximately to the Curzonline, established after World War I. The Soviet Union could keep eastern Polish territory and Poland was compensated with eastern parts of Germany, especially Silesia. So again they became victims of Russian-German rivalry. In Yugoslavia the Anti-Fascist Assembly of National Liberation (AVNOJ) should have included representatives of the last Yugoslav Skupstina as far as they were no collaborators, to form a temporary parliament which would have to legalize the AVNOJ decisions.

The Yugoslav-Italian border problems were left open for a later decision as well as the question of a Yugoslav-Bulgarian pact of alliance.

For later decision the British delegation presented notes concerning the Bulgarian control commission, Greek claims upon Bulgaria, particularly with reference to reparations. The situation in Iran was to be pursued through diplomatic channels.

Regular meetings of the Foreign Ministers of the USA, UK and Soviet Union were proposed. Soviet wishes concerning the Montreux Convention and the Straits were passed to the foreign ministers. In an agreement regarding Japan, the Soviet Union promised to enter the war against Japan at least three months after the surrender of Germany. In return Stalin received the southern part of Sakhalin the Kurile islands and rights in the harbours of Dairen as well as lease of Port Arthur as a naval base and rights on the railroad through outer Mongolia.

The Potsdam Conference from July 17th to August 2nd 1945 formally established a Council of Foreign Ministers. It had to prepare proposals for peace treaties with Italy, Rumania, Bulgaria, Hungary and Finland and a settlement for Germany as soon as a German government was established. Every state concerned by considerations of the council should be invited. China and France were invited to join the Council of Foreign Ministers permanently.

The European Advisory Commission prepared recommendations for the terms of surrender for Germany, the zones of occupation in Germany and Austria, the Control Council in Berlin and the Allied Commission at Vienna and was dissolved afterwards. The foreseen uniformity of treatment throughout Germany soon became an idle wish. Disarmament, demilitarization were achieved as well as the dissolution of the NSDAP, its political and military organizations, institutions and staff. By the Potsdam accord on reconstruction of German

political life on a democratic basis did never materialize in the Soviet zone, the later German Democratic Republic (DDR).

The plan to eliminate the excessive concentration of economic power in Germany by cartels, syndicates, trusts and other monopolistic arrangements could not be kept very long in a capitalistic economy. East German industry was weakened by reparations much more than the western zones. New productions had to have their markets in the east. The economic regulations for Germany set up in Potsdam were detailed, east biased and unrealistic.

The city of Königsberg and the adjacent area was practically handed over to the Soviet Union, the south of "Ostpreussen" to Poland.

The Soviet Union proposed the extension of the provisional Austrian government led by State Chancellor Dr. Renner, a social democrat to all of Austria. USA and UK made it dependent on their entry to a joint occupation in the capital Vienna. No reparations were expected from Austria.

The western Oder - Neisse frontier of Poland, the inclusion of Danzig to Poland was fixed.

What was decided but not kept was the "orderly transfer of German-speaking populations in east and south east Europe", but it often was not only ethnic cleansing, but inhuman, sometimes criminal treatment and killings.

I have restricted myself to items which were soon in contrast to the political reality, as a result of the upcoming Cold War.

Chapter II:

Between 1945 and 1948 the USSR built up its security belt everywhere they had their troops and even in the CSSR, which was not occupied. Austria with its four occupation zones and since 1948 Yugoslavia, freed by its own, went their different but own ways.

In March 1947 US-President Truman answered with his objective: "I believe it has to be the policy of the United States to support free peoples, who resist subjugation by an armed minority or pressure from outside." Many in the West expected a continuing struggle against world capitalism and liberal society. Many expected an economic crisis like the one after World War I. Bad harvest in 1946 and an extremely cold winter in 1946/47 made western politicians more than nervous. But Stalin's USSR needed short term economic aid and could get it only from the United States. They reduced their Red Army from 12 to three million soldiers between 1945 and 1948, no sign of preparing military aggression towards Western Europe. Even the American diplomat, George Kennan, who developed the conception of "containment", did not expect aggression by the Soviet Union. Russians at that time had no atomic bomb. Irrational anti-Communism in the USA was represented by Senator Joseph McCarthy and developed to an instrument of uniting different nations under the stars and stripes. It was the time when I entered the social democratic party's youth organization and was elected to a districts party committee in Vienna. Even the left wing in the party did not support any kind of cooperation with the very weak Austrian communist party, gaining only five from 167 seats in the national parliament in November 1945, elected under occupation on two fifth of the country by the Red Army. The offer of "Marshall Plan" to Europe in 1947 divided the continent for more than four decades. Communists in Prague stopped

Czechoslovak membership; Austria participated. The other side of the coin was the conclusion of the Washington pact, better known as North Atlantic Pact Treaty (NATO); it implied the rearmament of Germany and the attempts to form a European Defence Community (EDC) prevented by General de Gaulle as well as the foundation of the Soviet answer, the “Warsaw Pact organization (WPT)” and “Comecon (CME)”. The French Resistance led the US-influenced Western Europeans to change the starting point of their step by step unification from military to economic cooperation. At that time, coal and steel industry were still qualified as a source for rearmament. French distrust towards Germany could be removed by a community for coal and steel (EGKS) in 1951, followed by the European Economic Community in 1957. Both were a kind of alternative to the plan of European political integration similar to the United States of America.

After having overcome the Korean War, the first confrontation with the People’s Republic of China and the death of Stalin, a period of “detente” began. Before he died, Stalin had proposed to neutralize a reunited Germany based on the so called Rapaczki-Plan, proposed by the Polish Foreign Minister. It should stop Germany entering NATO. Against strong resistance of Molotov, Khrushchev’s USSR offered and concluded the State treaty for Austria and developed the idea of “coexistence of different social orders”, better housing for the Soviet population, more consume articles, Gulyasch communism. Hit in the store “Gum” vis a vis of Red Square in Moscow were modern shoes from Yugoslavia.

The proposal for a neutral zone in Scandinavia, both German states, neutral Austria and Switzerland had some attraction, especially for parts of the Social Democracy. The British labour leader Aneurin Bevan published in 1951 a pamphlet “One way only”, revitalizing the old social democratic concept of a third way between capitalism and communism. We in Austria translated it into German and sold it at party conferences in Vienna; but the ordinary people had other problems like low wages and insufficient social security. The experience of war seemed to have taught them that one could only count on military power. A third force based on political conviction instead of arms was not attractive enough. In October 1950 the Austrian Communist Party tried to use the rejection of a wage/price pact by a majority of labour force by strikes to block traffic communications in order to keep off those willing to work from their plant or bureau. Without any weapons we went to a tram coach house which was blocked by communist plant protection force carrying weapons. After more than two hours of discussion they left the place and the trams could go out. That was in general no propaganda for a policy independent from the two blocks. For me it was the experience that people recruited for plant protection by the Russian confiscated Mineral Oil Company were mainly people from the farming area around Vienna, coming from conservative families, who had no other chance of a job but did not convert individually into communists. When the Central Committee of the communist party of the Soviet Union met in July 1955, after the conclusion of the State Treaty of Austria, Molotov was criticised for having hindered this process. Khrushchev personally mocked Molotov because he permitted to be praised as one of the fathers of that treaty although – said Khrushchev – “we knew it better that comrade Molotov had done everything possible to prevent this treaty.” In 1956, at the XX Party Congress, Khrushchev condemned Stalin for his crimes. In the same year the upraise of Polish workers in Poznan was oppressed and the Hungarian revolution was dejected brutally by the Red Army. The Hungarian General Pal Maleter was invited to negotiations but killed; the communist Prime Minister Ferencz Nagy escaped to Bucharest but was delivered up by Ceausescu and killed. Fleeing east-Germans had to be stopped by armed border installations and the Berlin wall. Placing Soviet rockets in Cuba was prevented by Kennedy’s ultimatum. And there was still not enough Gulyasch in Russian pots.

A former member of the Supreme Soviet for eastern Siberia, then in his capacity as Komsomol Secretary in the late 1950's was responsible for a part of Khrushchev's plan to bring new areas in Siberia under cultivation. Millions of young people were forced to serve this purpose without achieving a durable result. The Atomic Test Ban Treaty and ideological controversies with China finished the Khrushchev era in 1964 and Brezhnev came in.

The result of ten years Khrushchev was: peaceful competition between the blocks but recklessness inside the security belt of the Soviet Union, silently supported by the West and the USA; neutrality for Austria, not for Hungary; acceptance of Germany's membership to NATO; normalized relations to block free Yugoslavia, because of the leading role of Tito in the organisation of non-aligned countries. But the acceptance of different ideological and practical ways to - what they both called falsely- socialism.

A backstroke was the intervention of the Warsaw Pact troops in Czechoslovakia. The "Prague springtime" passed the limits of what should be permitted by the leaders of the communist camp. Especially endangered felt the DDR, ideologically but much more by the spiritual influence to their people. When I came to the famous Karlsbridge in Prague in 1968, East-German tourists passed slogans of sidewalk painters asking the Germans for support – unbelievably in German language, which was practically ignored in Czechia at that time.

Fourteen days after the occupation of CSSR by Warsaw Pact troops I visited the industrial trade fare in the south-Moravian capital Brno with a diplomatic passport. This was the only cover for visiting our sports friends there. When we came back to our car, we found a message in German in our windscreen: Thank you for coming. Many of the communist parties in Western Europe fell apart. An Austrian communist named the military intervention in CSSR "tank communism". Cold War seemed to come back. NATO, based on deployment of SS 20 rockets by the Soviets revitalized and modernised its defence capacity mainly with Pershing-rockets. One day the Bavarian Minister of the Interior asked me for a private meeting. I invited him to my little bungalow southwest of Vienna. He presented plans of NATO to be realised before an invasion of Warsaw Pact troops from CSSR to north-eastern Bavaria to evacuate the population from those valleys running into the Danube, all together 240.000 people. After evacuation it would be easy to use NATO rockets located in the south of Bavaria against incoming Warsaw Pact troops. I told him, that we as a neutral country could not participate in any preparation of warfare, but that we do receive refugees any time from anywhere.

Chapter III

To move from deterrence to détente the arsenal of weapons built up in the years of the Cold War had to be reduced, at least further increase to be stopped.

In 1963 a partial Test-Ban Treaty was established. In 1968 the Non-Proliferation Treaty was concluded and in 1995 extended indefinitely. The Atomic Energy Agency, located in Vienna and actually presided by the Egyptian El Baradei has to control. Its work attracts more attention right now because of the Iran case. India, Pakistan and Israel did not join this treaty; Iran should. The Biological Weapons Convention of 1972 does not prohibit research and is weak about inspections. A comprehensive Test-Ban Treaty was argued in 1996, but the USA and China have refused to ratify, North Korea, India and Pakistan not even signed.

The Mine Ban Treaty of 1997 is on a good way, the Chemical Weapons Convention has come into force. What obviously does not hurt the public but me is that START II, limiting the nuclear weapons in USA and Russia to 3,000-3,500 by 2003 has not been ratified by US-Congress. The US-withdrawal of June 13th 2002 was followed by Russian withdrawal the day after.

I remember the meeting of Carter and Brezhnev 1979 in Vienna. In my then capacity as Minister of the Interior I had to cooperate with USA and USSR to ensure security for both heads of superpowers. It was not easy because of the contrast in opinions of CIA and presidential security of the United States. The Soviets were surprised. We made a break for our American partners for one hour so they could solve their controversy in a separate room. Meanwhile our Soviet partners accepted to have some Austrian wine instead of Vodka. The Americans needed only half an hour to come back to the final commitment. SALT II with its limitation of intercontinental ballistic missiles to 2,250 each was rejected by the US-Congress.

It is peculiar that all these failures of different ways of nuclear disarmament do not excite anybody nowadays. But we shall not forget that nuclear weapons exist, that the USA as well as Russia are spending increasingly money to modernize their arms, financed by fantastic budget deficit in the USA respectively oil windfall profits in Russia.

The European Union acts like an ostrich. It puts its head into the sand instead of taking initiatives for more, especially nuclear weapons reduction and control. There is no guarantee of a perpetuated back to back situation between USA and Russia and it would make it much easier to convince the new powers in Asia and Latin America to restrain from the race for nuclear weapons.

The most important contribution to peace in Europe and its continental neighbours was the Conference on Security and Cooperation from July 3rd-July7th, 1973 in Helsinki. It proved that the invasion of Czechoslovakia was not a total turn in Soviet policy. Especially its basket III concerning the observance of individual human rights in all CSCE-countries was the title under which all members of the Austrian government and the Federal President intervened in Eastern European countries and in the Soviet Union in order to guarantee all human rights to their citizens. We intervened, together with Norway, to free the Russian dissident Sacharow; I intervened in 1983 in Prague for a permit for the son of one of the leaders of Prague Spring, Goldstücker, to leave the country for studies in Norway, because he was excluded from studying at home. I met the Cardinal of the Roman Catholic Church in Prague to bring him a message from the Viennese Cardinal König, who was the deputy of the Pope for Eastern European Affairs. In 1984 at his state visit in the DDR, President Kirchschräger had a list of more than 600 ladies wanting to marry an Austrian worker, constructing the steel plant in Eisenhüttenstadt. I think it was not so much the attraction of our boys but the possibility of the German ladies coming legally to the west.

Although CSCE meetings 1978 in Belgrade and 1983 in Madrid brought no progress it became a platform for the discussion of problems without losing any prestige. The downing of a Korean plane by the USSR would not have worked out the way it had without having sat together at the breakfast table in Madrid, listening to the explanations of the Secretary of State Schultz, who brought up the Korean plane case, and the Soviet reaction to it. I met Andreotti, Foreign Minister of Italy at that time, and we settled a lot of open problems concerning Austria's access to the Trieste harbour, finishing the blockade of our relations by discussing only the problem of South Tyrol. CSCE conferences brought together NATO-, WTO-, neutral and block free countries. It finished the isolation of many politicians from communist

countries. I learned from the Foreign Minister of the DDR what was really going on in the WTO. Every one on his side stimulated the disarmament talks on conventional weapons in Europe. In a critical situation in autumn 1983 I hosted the Soviet Foreign Minister Gromyko and his German colleague Genscher in Vienna. Further conventional disarmament talks could be ensured by them, although on the western side the USA decided only in the last moment, to join the CSCE conventional disarmament meeting in January 1984 in Stockholm.

At the founding conference of CSCE in Helsinki the Austrian Chancellor Bruno Kreisky had made the attempt to enlarge the European security zone by including the Middle East, especially the open problems of the Palestinians and Israel. The majority rejected to put this problem into the European security basket. History shows that the majority is not necessarily wiser than minorities. The problem which should be excluded to prevent to overload CSCE still is – and even increasingly – a burden and the enlarged European Union is now more involved than ever.

My friend and former Member of Parliament to the Israeli Knesset, Uri Avnery, published in 2003 an article about his impressions from the negotiations between Israel and Egypt after Sadats visit in Jerusalem. Kreisky's fact finding missions and the excellent relations with Sadat contributed to de-escalation of the Palestinian question at that time, but always on the basis of the inalienable rights of the Palestinian people. But they were excluded from the negotiations of 1978 and except the never kept promise of a kind of autonomy they got nothing. Avnery named it the "Betrayal at Camp David". It lasted 25 years until the United States discovered that there are Palestinians wanting their own state. Baraks insistence on territorial expansion and keeping of the vital Jewish settlements in the West Bank made it impossible for Arafat to accept. What has developed now is even worse. Israel divided even territory of West Bank Palestinians with a wall and gave up small of Israelis settlements in Gaza, which could only be secured by very high costs – a wiping out of eyes of the international community. The majority of Hamas at the last elections is the logical consequence. If the EU only takes care of that its contributions are coming to those individuals in need and not cancels the EU-association treaty with Israel, the problems will get even worse and stimulate Arab-Islamic terrorism in many countries. But this does not happen as long as the EU is not willing to decide upon its own future in security policy, independently from the United States.

At this point the question arises, which path is leading to a common defence and security policy of the EU, and what shall it consist of? The EU Treaty establishing a Constitution for Europe, rejected by France and the Netherlands but ratified by 15 Member States of the EU is presently the only source for trying to answer this question.

In Article 1-3.1., the Unions objective is to promote peace. Point 4 says here: "It shall contribute to peace, security ... as well as to the strict observance and the development of international law including respect for the principals of the United Nations Charta". Even if one could interpret the war of NATO against what was left of Yugoslavia as an intervention because of their violations of human rights, there is no explanation available in the case of the war against Iraq. All justifications were proved to be lies. But the United Kingdom, Italy, Spain and others, mainly the new EU-countries followed the invitation to take part in this war. Instead of a NATO-decision "like-minded" countries were invited to take part in a war on terrorism by the USA. Some EU-countries but not the EU was involved. Where are the appropriate means, mentioned in point 5 of this constitutional Article 1-3, which shall pursue the fundamental constitutional objectives? Formulated as a wish, the Union "shall have competence to define and implement a Common Foreign Security Policy, including the

progressive framing of a Common Defence Policy” (Art. 1-12.5). No exclusive EU-competence (Art. 1-13) for foreign and defence policy is mentioned. Therefore acts are still depending on the consensus of the Member States.

The Common Market is still lacking joint tax-, business cycle- and social policy. The mandate of the European Bank to look for stability only stands in contradiction to all what such big economic players need these days. The “Fed” in USA has to look for stability as well as economic growth.

Today, one can come to the conclusion that the détente was the precondition for the decline of the Soviet Union, but not the only one. A new generation of politicians like Gorbatschow or Shevardnadze, as members of KGB having the best information about internal as well as global development, realised that the economic performance of the USSR was completely dependent on exporting raw materials at a time where they were comparatively cheap on the world market. Their home production was partly based on the number of pieces and weight. Shadow, black market economy developed already under communism. A grandson of a politbureau member, teacher by profession, discovered that there were not enough nails on the home market. A state enterprise director, producing wire ordered more iron than he really needed for the plan. With the difference of material they produced, in a state owned plant, nails for the black market. The young man mentioned before in 1991 already had USD15 million on his private account in London.

Jelzin was the representative of a new class in the sense of Djilas. Between the breakdown of Soviet order (or disorder) and new market regulation laws a still Soviet educated law administration and jurisdiction, the “oligarchy” could develop. It took years until the majority of the regions of new, smaller Russia were brought to cooperation with the central state and this process still persists. The Caucasus region is still in suspense. This processes in Russia enabled the 2 and 4 accord, the unification and peace treaty for whole Germany, free choice for all former satellites of the USSR, independence of new republics in central Asia and the Caucasus, re-establishment of the three Baltic States and an independent Ukraine. It was the precondition for the enlargement of the EU to the east and southeast of the continent – and all practically without bloodshed. For the first time in history the man of the 20th century is not a winner in the conventional sense of the term, but the loser, Michael Gorbatschow. Therefore he had no chance in democratic elections in Russia. Stalinism sometimes seems to be still the standard.

Chapter IV

What was the San Francisco Conference for the global political order after World War II, was the Bretton Woods Conference of July 1944, gathering mostly northern countries to set forth notions, for the organization of the world economy. The International Monetary Fund (IMF), the World Bank and the General Agreement on Tariffs and Trade (GATT) were established.

The first task was to provide capital for the European economic reconstruction. As the conditions sometimes seemed to be too harsh the Marshall Plan provided US-finance through grants rather than through loans. Different to southern countries, which were under pressure to open their markets if they wanted to get loans, the conditions of the Marshall Plan were directed to stimulating private investment, but gave good time to develop a solid home market before liberalisation took place. The economic philosophy of Bretton Woods was created by the economist John Maynard Keynes. World trade currency was the US Dollar. A chain of

industrialized nations positioned their currency to the US Dollar. A deviation of only two percent up or down was permitted, then the system had to intervene. The dollar was valued on gold basis, by promising to change the dollar to gold reserves of the USA in Fort Knox. This system collapsed by the financing of the Vietnam War. By the devaluation of the US-dollar US-liabilities were devaluated too. The difference had to be carried by the creditors. This brought up new currencies, Yen and Deutschmark. The windfall surpluses of oil producing OPEC countries, between 1972 and 1977 USD 310 billion, created recycling problems. Non oil producing third world countries reached, from 1973 to 1982, an additional USD 612 billion deficit and high interest rates in the 1980's exacerbated the problem. Some could not even pay their interests, among them Yugoslavia. The economy of Reagan and Thatcher was: export was all, home supply, basic health and welfare second ranked. The deflationary policy ordered to IMF and World Bank produced wonderful profits for private banks, some USD 178 billion only from 1984 to 1990, but third world debt increased to USD 1.3 billion in 1992.

The General Agreement on Tariffs and Trade (GATT) functioned as a precursor to the World Trade Organization (WTO). Ideologically it was also a precursor of the structure of an economically based European Community (EC).

GATT was created by the Bretton Woods meetings in 1944 in New Hampshire as a plan for economic recovery after World War II by the means of reduction in tariffs and other international trade barriers. Up to 1948, 23 contracting parties signed the agreement among them the European countries Belgium, Norway, the Czechoslovak Republic – at that time still a democratic country - France, Luxemburg, Netherlands and the United Kingdom.

The Conference on Trade and Deployment in Havana, Cuba provided the basis of the first GATT-version. It was updated in 1994. The most significant change was the creation of WTO. WTO founding countries were the 75 existing GATT members and the European communities. Since the founding of WTO 21 new – not former GATT – members have joined and 28 are currently negotiating their membership. From the former GATT member only FFR Yugoslavia has not rejoined as Serbia and Montenegro have not been recognized as a direct successor state of former Yugoslavia.

It is widely unknown that trade policy of the United States of America has for a long time been a tug of war between Congress and the executive branch, not always agreeing on the mix of trade promotion and protectionism. Therefore the USA started late in 1934 with a reciprocal trade agreement act hoping to expand employment. It was the time of terrible economic depression in the United States. Therefore Congress for the first time permitted the executive to negotiate bilateral trade agreements. Bilateral negotiations under this act were fairly limited in the 1930's. Near the end of the Second World War US policy makers started to experiment on a broader level, since the 1940's working with the British government. The USA developed two innovations to expand and govern trade among nations: one was GATT and the other the ITO (International Trade Organisation). GATT was simply a temporary multilateral agreement, designed to provide a framework of rules and a forum to negotiate trade barrier reductions among nations. It was based legally on the Reciprocal Trade Agreements Act and allowed the executive negotiation power with temporary authority from the Congress. But soon GATT became a political and economic weapon of the USA and its supporters.

Starting from rules agreed upon by nations developed by GATT, the WTO formed an institutional body and expanded its scope from only traded goods to trade within the service sector and Intellectual Property Rights. The open window of GATT was the acceptance of

plurilateral agreements, which caused fragmentation among members, while WTO arrangements are generally a multilateral agreement settlement mechanism.

The so called “rounds” of GATT trade negotiations led in 1956 to tariff reductions and to improvements of the position of developing countries.

Further reductions were decided in 1962 and in 1967, 62 countries decided for the first time upon an across-the-board reduction rather than a product-by-product specification. The foreseen anti-dumping agreement was rejected by the Congress of the United States. This was the so called “Kennedy round”. In Tokyo, in 1997, 101 countries reduced non-tariff trade barriers as well as tariffs of manufactured goods.

125 countries meeting in Uruguay in 1986 created the WTO to replace the GATT Treaty. Reduced tariffs and export subsidies, import limits and quotas are foreseen over the next 20 years. An agreement to enforce patents, trade marks and copy rights (TRIPS) extended international trade law to the service sector (GATS) and opens up foreign investment. It also brought about major changes in the dispute settlement mechanism of GATT. It is the mother of the present discussion in the European Union about a new guideline enabling private small business to settle and work in the capacity of an entrepreneur in any other EU country.

The discussion about the best way of preparing world trade and services for a globalized world market has been remarkably intensified by the discussions about the so called “Washington Consensus”. The first time it was presented in 1990 by John Williamson, an economist of the Institute for International Economics, a think tank based in Washington D.C. Its attempts to summarize commonly shared themes among policy advice by Washington based institutions as the IMF, the World Bank and the US Treasury Department. The actual incentive was the urgently needed recovery of Latin America from the financial crises of the 1980’s.

In contrary Latin Americans argue that the Washington Consensus was a conspiracy theory developed to shift blame from their own governments failures to market failures.

The Washington Consensus included reforms that should have been undertaken from 1990 on; they were summarized in the World Bank’s Poverty Report 2000.

These reforms consist of:

- Fiscal policy discipline
- Re-direction of public spending toward education-, health- and infrastructure investment
- Lowering tax rates on proportionally tax rackets
- Raising tax rates on the proportionally low tax rackets (below medium income)
- Lowering the marginal tax rate
- Interest rates that are market determined and positive (but moderate) in real terms
- Competitive exchange rates
- Trade liberalization – replacement of quantitative restrictions with low and uniform tariffs
- Openness to foreign direct investment
- Privatization of state enterprises even such as post offices
- De-regulation or abolition of regulations that impede entry or restrict competition except if they are justified on safety, environmental- or consumer protection grounds

- Legal security for property rights

Latin Americans in the 1980's were forced to accept, because they had no other choice.

In the 1990's George H. W. Bush started with a US – Mexican – Canadian free trade proposal. It was later signed by his successor Bill Clinton and carried out as a policy perfectly in line with the ideas of the Consensus. George W. Bush continues to support NAFTA and has negotiated a similar agreement with the Dominican Republic – Central America Free Trade Agreement (DR-CAFTA). Proponents of NAFTA and DR-CAFTA claim that these treaties promote economic growth in developing countries and are a boom to US-consumers. Critics accuse the agreements of crippling the working class of the United States by promoting the re-location of production to cheaper labour markets in Mexico and allege that such shifts have resulted in the exploitation of Mexican labourers. Noam Chomsky and Naomi Klein see the Washington Consensus as a way to open labour markets of underdeveloped economies to exploitation by companies from more developed economies. Goods can overcome the trade barriers but not labour. Goods are manufactured using cheap labour, then exported to rich First World economies for sale at a huge mark up, going at large to the multinationals. Workers in the Third World remain poor, workers in the First World become unemployed, while wealthy owners of the multinationals grow even wealthier.

Privatization of state industries, tax reform and de-regulations are mechanisms for ensuring the development of a small indigenous monet elite in the Third World. They rise to political power and have a vested interest of maintaining the local status quo of labour exploitation.

Presently there is an intensive discussion with some left wing leaders in Latin America like Hugo Chávez, Evo Morales and Luis Ignacio Lula da Silva whose economy in Brazil is closely aligned to the principal of Washington Consensus and therefore is restricted in its social reforms. In Argentina the implementation of the Consensus has largely evaporated.

But what shall we do with this debate in Europe and in the European Union? In my opinion: more than many realize. Let me give you some examples for this opinion.

One of the so called column of the European Union is the free exchange of labour force between the member countries. At the same time everybody is free to invest in a member country. Since 2004 we have ten more member countries in the EU. Only four of the former 15 EU-members accept workforce from the new member countries. The others, including Austria, are using the seven years transition arrangement for workers. Hungarians cannot work in Austria before 2011 without a special permit. At the same time Austrian insurance companies, banks, energy and oil companies as well as supermarket chains and others can go east and buy banks and insurance companies in eastern European countries – only in some cases they place real new investments. Practically all of these enterprises are making more profit in their new eastern European markets than at home – on account of the much lower wages in the new member countries. This example shows that at least during a transition period not new but even more old EU members are making the greatest profits. The only excuse is that people in the new member countries at least have secured and even a little better paid jobs than they would have without investments from the old members. After the transition period it will be an advantage for all. But this mechanism could not work in the case of Latin America because they cannot enter such a kind common market and it is difficult for them to create any substitution for a common market on their sub-continent for political and geographical reasons but mainly because they have no big investors treating them on an equal basis. Although the United States would have the capacity, nothing indicates that they would

take action in this direction and in the present poisoned atmosphere between the USA and Latin America such an idea has no future. Sometimes the policy of the International Monetary Fund is even behind the prerogatives of the Washington Consensus which state a need for investment in education, but the IMF is asking for the establishment of standard fees for primary education.

Sometimes Chile is presented as a successful story of implementing the elements of Washington Consensus and achieving remarkable growth of its gross national product but Joseph Stiglitz, former Vice-President of the World Bank having received the Nobel Prize for Economy argues that Chile's success story owes a lot to state ownership of key industries and currency interventions stabilizing capital flows.

The success story of the EU in the last decade was the introduction of a common currency, the Euro. Although only 12 of the present 25 members have directly introduced the new currency, another eight in the rate of exchange mechanism participate indirectly in the new currency and Slovenia should join the Euro directly in 2007. The successful introduction on the global market had an economic and a political component. The European Central Bank was ordered to oblige members of a strict stability policy, especially a limitation of budget deficits. Politically at the end of the first, optimistic decade, after the central and eastern European countries became really independent, the Euro was already launched in 1999 as account money with fixed exchange rates to the old national currencies. The flow of capital could be economized after issuing the banknotes in 2002. This currency, in my opinion, is the economically best based on the international market. What is criticised in and outside the EU, that its mechanism of decision is too slow, is an advantage for the Euro. Customers know exactly what they can count on. It is the currency of the largest economic unit in the world, it is based on regulated stability and accepted all over the globe. Nobody has to be afraid that the Euro may be used to finance wars of the EU like the Unites States did in the case of the Vietnam War with the devaluation of the US Dollar. Nevertheless, the EU must be patient as far as the countercyclical component of its stability policy is concerned. A new, cautious extension of the European Bank's aims seems indispensable to me.

It would be short sighted trying to achieve the target of increased economic growth of the EU by using only the tools of the past. Not only the dimension of globalization but the fact, that one third of the world's population in China and India is in the phase of unbelievably rapid economic growth, has to be taken into account for a common economic policy of the EU. Common tax policy is not only necessary to stop the stupid race for better conditions for industrial settlement between member states, but to keep the financial basis for the biggest attraction of the EU, its social network. What seems a negative cost factor is admired by a large majority of people not only in the EU but also by immigrants. It safeguards a decent life, the most important factor for functioning democracy and peaceful living together, which is also an economically positive factor. To limit our expenditure for access which we need to defend ourselves means that more money for the people is available. We shall be able to help in situations in which human beings – for what ever reason – are in danger. We are not obliged to fight under which title ever, for oil and gas. In case of maltreatment of suppliers in energy we have economically enough influence – I especially refer to Russia – to keep them realistic. EU has, what Russia needs, Russia has what Europe needs. We want good prices for our goods, they for theirs. The high price of oil was caused not by Russia but by the war in Iraq.

Asian markets are a challenge for Europe. An analysis has to sort out our economic targets as well as the expected activities of them to sell in Europe. I still remember the fear when Japan started to sell cars in Austria in the 1970's.

The Spring European Council stated, that "More investment, more jobs and less regulation are key priorities for action" in the direction of the achievement of the original Lisbon Strategy. They confess that they have met the challenges of globalized economy "not enough perhaps, partly in patchy maybe, and not fast enough for some". I have nothing to add but it is a hopeful sign that Commissioner Mandelson visited the ASEAN Trade Ministers in Manila last month. If they accept his positive qualification that the Doha Development Agenda offers enough for developing countries will be known soon. To prepare for seven years for the opening of the agrarian markets of the EU and the USA to them does not even partly solve their problems now.

An EU-ASEAN Vision Group, set up last year, now reported. According to this report, Europe is too much focused on China only. A free trade association with ASEAN is under consideration, but protection of intellectual property rights to help attract investment and aligning some of the EU and ASEAN regulatory standards to make trade easier must be improved.

Committed to the free access of goods, capital, services and people all over the Union the Commission produced a Draft for an EU Guideline for Services and presented it to the European Parliament. Before that a very controversial debate took place. The Commission proposed that any enterprise offering services should have the opportunity to offer its performance in any EU-country but under the jurisdiction of its home state. In case of disagreement of the performing foreign company and its customer the laws and jurisdiction of the country where the company is seated would be used – a clear disadvantage for the customer. Companies processing cargo in harbours would have been dismissed and substituted by workers from countries with lower wages. The transport workers unions in some EU countries protested against that and organized demonstrations. Municipalities rejected to give up control of public services like hospitals, social services, charitable and nursing homes for elderly citizens, security companies and harbour services. They were not only afraid of losing influence but of restrictions in offering such services to the people if there is no direct profitability.

The European Parliament had intense discussions in six of its parliamentary commissions based on the guideline draft of the EU-Commission and 1600 notions from the EPM's.

Public discussions were held practically in all older EU member countries organized by the associations of concerned professions and by trade unions.

It was the first union wide discussion, because it concerned enterprises as well as employees. People are increasingly distrusting everything coming from Brussels, especially since the abuse of the instrument of referendum over the proposed constitution treaty of the EU for home policy purposes in France and the Netherlands. The by the European Parliament deactivated service guideline was accepted quickly by the Council of Ministers of Economy, although the new members would have preferred the more liberal version in favour of their handicraftsmen. Master builders, flag shore layers, plumbers, electricians, painters, engineers, mechanics, hairdressers, cosmeticians, tourist guides, ski teachers, catering companies, computer experts, business consultants, cleaning services, laundry men, educational developers, maintenance technicians and decorators can in the future act on their own in all 25

countries but are put under the local laws and regulations which have to be examined by the Commission in Brussels – a wonderful, never ending job for the bureaucracy and a future source of public criticism of “those in Brussels”.

This guideline will have to be implemented by national parliamentary decisions until 2009, the building and construction sector in 2011.

This actual decisions show better than any long, abstract discussion what the EU is and what it is not.

It shows a good economic performance. It tries in a sometimes very complicated procedures to fulfil the economic common market philosophy, sometimes in a very overdone way, ignoring existing and functioning networks. If Master builders can legally settle down in another EU country it is not of big relevance. They can and really do joint ventures now because a newcomer without knowledge risks too much. Such ventures exist and work. Small enterprises without knowledge of the market shall not even be stimulated to enter high risks. Big companies are already on the whole EU building market as far as they see a profit. The free access to public tenders since many years is a good precondition.

The EU sometimes conveys the impression of missing the real problems: labour market, financing of social services and pensions, starting joint initiatives on foreign markets, clarifying the question of who shall enter the European Union and when, realizing a common foreign security policy, keeping peace on the continent, rejecting participation in any war but fully supporting peace keeping according to the legalizing decisions of the United Nations Security Council. Finally answering the questions of immigration from Asia and Africa; how many and who shall come; what the EU can do apart from the very ambitious programmes of the AKP Treaty with developing countries. Why do we not invest in their infrastructure of any kind in order to attract local and foreign investors and create jobs for those who today do not see any chance at home but in Europe?