

THEORY OF ENCLAVES

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Chapter 6. Enclave stories and case studies

This chapter contains several case studies on the existing enclaves as well as on the historical cases. Among them there are Baarle and Cooch Behar enclave complexes, former enclaves on the Chinese coast, the very interesting case of Schirgiswalde, West Berlin, and East Prussia. Many more further cases are treated throughout the book, notably Ceuta and Melilla while discussing the relations in the MES triangle (ch.4), Gibraltar in the study of conflicts (ch. 8), and Fergana Valley enclaves as an illustration of how enclaves rise from the subnational to the international level and what consequences it might have (ch. 8). Furthermore, Büsingen's model is crucial for the discussion of the administration of an enclave (also ch.8), and West Berlin's transit regulations are treated in the chapter on access and mainland-exclave corridors (ch. 7). Besides, most of these cases are also treated in the economic part.

Baarle, or playing with the borders

There are 22 Belgian enclaves in the Netherlands, which in turn contain seven Dutch counter-enclaves. Besides, there is also one Dutch enclave in Belgium. That makes 30 enclaves in total that are described as the Baarle enclave complex. To be precise, the Belgian community is called Baarle-Hertog, while the Dutch community surrounding it (and including the counter-enclaves) is called Baarle-Nassau. If you once go to the village of Baarle, you would not have been able not to distinguish the Belgian parts from the Dutch one, had it not been for the stylized demarcation of the border running across the town and appearing in some most unexpected places.

Baarle is an enclave success story. The enclivity of these small pieces of Belgian land within the Netherlands and even smaller Dutch counter-enclaves within the Belgian ones did not impede the enclave dwellers and the whole of Baarle to build a prosperous community. The Dutch and the Belgians live side by side peacefully. Not that it had not been cases in the past when the people of Baarle suffered their fair share from the fact that they live in the enclaves. However, in the course of the centuries, they managed to overcome most of the enclave-specific deficiencies. The great role belongs to the integration within the European Union to which both Belgium and the Netherlands belonged from the very beginning. The Dutch and the Belgian residents of Baarle learned to cooperate in providing public services and to reach compromises. More than that, the Baarlennaars have learnt to exploit the opportunities stemming from the very fact of enclivity. Today the village depends on the existence of the enclaves, not only as a incentive for tourism but also for the advantages stemming from the ability to locate an enterprise in either territory exploiting differences in national legislations and tax regimes.

Figure 6.1 . Enclaves and counter-enclaves of Baarle.



Source: adopted from Whyte (2004: 50).

In 1998, the community celebrated the 800th anniversary of the Baarle. It was suggested on the occasion to make Baarle-Hertog-Nassau a European municipality, that is, to combine two municipalities belonging to Belgium and Netherlands into single one. It was argued that Baarle had already been a “test garden” in the field of international cooperation for centuries and that the European community could learn a lot there on the problems that arise due to the national differences (Gemeenten Baarle-Hertog, Baarle-Nassau 1999: 13).

The population numbers for the Belgian enclaves in the Netherlands come to 2,340 inhabitants in all of the 22 enclaves. The population of the Dutch counter-enclaves is much smaller. The estimation is that it should be close to 150 inhabitants (exact data is not available since they do not form a separate municipality). However, around 40 per cent of Baarle-Hertog residents are Dutch nationals! The density of population in Baarle-Hertog was always higher than that of neighbouring communes, Belgian or Dutch. The reason is that this is a village, whereas Baarle-Nassau contains a high proportion of rural land. Baarle-Nassau’s density is 81 persons/km², while Baarle-Hertog’s density is 283 persons/km² (for the total of the commune). It is much higher specifically for the enclaves, with 1729 persons living on 2.34 km², making the density of 739 persons/km².

The borders of the enclave complex are unbelievably complex and can only be compared with the ones of Cooch-Bihar enclaves. In the final 1995 demarcation of the border in Baarle, 959 turning points were surveyed over a total perimeter of 35.207 km. That made an average of 32 turning points per enclave and 27.4 turning-points per kilometre of boundary, or one turning-point every 36.5 meters (Whyte 2004: 46). In 2000, the EU financed the stylized „demarcation” of the border in Baarle for touristic purposes.



Figure 6.2. Baarle enclave complex.

Source: Whyte (2004: 182). Reprinted with the permission of the author.

The enclave history of Baarle dates back to 1198. The enclaves have a feudal origin, typical for Western Europe. They were created by two charters between Godfrey, Lord of Breda, and Henry, Count of Louvain and Duke of Brabant. Henry granted extra lands to Godfrey but explicitly retained certain vassals under his control. Enclaves changed hands several times in the course of the history. For instance, they belonged to Austria in the eighteenth century but it did not change their enclave status. I will not give an account of Baarle's 800 years of history here limiting myself only to some points relevant to our questions. There are several well-detailed studies to Baarle, in particular Whyte (2004) in English, Brekelmans (1965), Gemeenten Baarle-Hertog, Baarle-Nassau (1999) in Dutch, and Malvoz (1986) in French.

There were numerous attempts and/or advantageous situations to eliminate the enclaves throughout all 800 years of their history. Let us see some of them:

- In 1327-1339, the Land of Breda belonged directly to the ducal domains. The fiefs held from the Lord of Breda were now held from the Duke in Brussels. In 1334 a number of villages, including Baarle-Breda, were pawned to Van Liedekerke. During the short period 1327 - 1334, it would have been easy to erase the enclaves in all those villages, but it did not happen.

- In 1388, the Duchess of Brabant was in need of money to wage war. She sold or pawned a number of ducal domains to raise the funds. Her jurisdiction over the enclaves in the Land of Breda was pawned to the Lord of Breda in 1388. The pawn was never redeemed. However, the jurisdiction over Baarle belonged since 1356 to her sister Maria of Brabant (Land of Turnhout) and was therefore not a part of this transaction. While the enclaves of Zundert, Princenhage, Nispen and Sprundel, likewise created in 1198, have lost their enclave status due to these transactions, Baarle remained an enclave.

- With the Peace of Munster was pronounced in 1648, it was decided that the portion of Baarle under the Count of Nassau should be added to the "*Generaliteitslanden*" (The United Provinces), because this part belonged to Breda. In contrast, the portion of Baarle belonging to the Land of Turnhout was added to the Spanish Southern Netherlands (the present Belgium). In this way, the enclaves survived the Peace of Munster.

- In the Treaty of Fontainebleau of 1763, between the Dutch Republic and Emperor Joseph II of Austria, a committee was ordered to make proposals for the exchange of territories so that the enclaves would disappear. The proposals were tabled but the time was unfortunate since the French revolution began, and the states suddenly had other things to do.

- Twice in its history, Baarle lost its enclave status for the total of 35 years, just to reacquire it back again. First, since 1795 and until 1815 (de facto 1813) both Belgium and the Lowlands were the part of the French Empire under Napoleon. Then, until 1830, both countries were parts of the Kingdom of Netherlands. Between 1810 and 1832, the whole of the Netherlands (North and South) was measured and mapped for the land taxes imposed by the French Empire and later the Kingdom of the United Netherlands. Each "village" became a cadastral municipality. It was then thought wise to make one cadastral municipality "Baarle" and the maps and registers were made on that basis. However, Baarle-Hertog was part of the province of Antwerp and Baarle-Nassau was part of Noord-Brabant. So a formal provincial border correction was needed. Everything was prepared and agreed upon informally. The provincial government of Noord-Brabant agreed to the proposals on the 5th of July 1830 and the Antwerp provincial government planned to do so in the following September. In the summer of 1830, however, the Belgian Revolution began. The unified cadastral municipality had to be split up once again. This was done by colouring the Belgian parcels on the cadastral maps. Some parcels were forgotten in this process, and some could not be dealt with so easily since they were partly Belgian and partly Dutch: these had been thrown together into single parcels because the mapmakers had assumed that the partition of the village would shortly disappear. Finally, the independence of Belgium in 1830 brought out the Baarle enclaves on the international level again.

- The Treaty of Maastricht of 1843 delimited the boundary between the Netherlands and Belgium, but even then, it was found impossible to compromise on the territory of Baarle. It was decided instead to leave things as they stood.

- A new committee, set up by Belgium, began its exploration of the possibilities for an exchange of territories in 1875. An agreement on disenclavement was finally ready in 1892. An almost full equity of exchange was reached, 1,355.3065 ha of Belgian land in exchange for 1,355.0592 ha of Dutch land. The inhabitants of Baarle-Hertog fiercely opposed the agreement. They expressed their discontent and supplied several other arguments, including the will of the people and their historical, national and religious roots with Belgium. Yet another argument concerned the fact that, though the land equity was reached, there was no equity in terms of population. The all-Belgium campaigning of Baarle *burgemeester* brought fruits. The bill was almost unanimously rejected by the Belgian parliament.

- Debate arose in 1909-11 over a proposal to give Baarle-Hertog a linking corridor to Belgium. It was no doubt stimulated by the new border and customs regulations making the life harder for the enclave dwellers. From 1906, Belgian goods heading for Baarle-Hertog were subjected to Dutch customs duties for the first time. It was possible to redeem the duties, but this required proof of the final destination and the inspection of Belgian warehouses by Dutch officials. The Dutch controlled the passage of travellers as well. However, the corridor proposal ran against the difficulties of finding adequate compensation for the Netherlands (Malvoz 1986: 24).

Why have the Baarle enclaves escaped all attempts to exchange them, unlike many other enclaves of the same origin in the area? Historical coincidences (the French and the Belgian revolutions, for instances) form a part of the explanation. The difficulties met by the states in

finding an adequate compensation for the land exchange have also impeded disenclavement on several occasions. Another explanation is the will of people emphatically opposing the re-making of the border. The communality sentiments tying up the enclaves to the mainland were based on the national (Belgians) and religious (Catholics) affiliation. The will of the people proved to be an important factor at play already at the attempt to exchange the enclaves in 1875. Not only they expressed their opposition to the exchange of lands but they also managed to organize a successful all-Belgium campaign for their cause. An important prerequisite for the feeling of unity between the enclave and the mainland is the coinciding national composition. A large part of the Dutch residents in Baarle-Hertog, reaching 40 per cent, is a recent phenomenon that has to do with the European integration. For the most of the history, despite the strong societal and familial ties that existed in the area with no language barriers, the population of Baarle-Hertog was Belgian by citizenship and nationality. The feeling of unity is mutual, that is, not only the enclave is attached to the mainland but also the mainland is emotionally attached to the enclave. Having survived as an enclave complex through the Middle Ages, the Baarle-Hertog's enclave status consolidated and became hard to dissolve.

For the understanding of the good relationships between the people of both Baarles, it is important to know that they formed one Catholic parish until 1860. Only then did the Bishop of Breda find it unacceptable that some of "his" souls would go to a church in a foreign country, and so he created a separate parish for Baarle-Nassau. Another important relation between both communities was the common use of the heathlands, as is documented since 1479. In the medieval agricultural system on the sandy soils of this region, the extensive use of the heather played an important role. The common parish and heather made Baarle a single community for the local people. Only the external governance of the lords, dukes, and kings disjoined the communities by the differences in legal and tax systems with taxes combined later on with the increasingly separate developments of the two modern societies of the Netherlands and Belgium. The splitting up of the parish and the efforts to create bigger municipalities are examples thereof.

White (2004: 79-81) believes that the current acceptance of status quo is based on the following factors: first, the relaxed attitude to national sovereignty and integration between Belgium and the Netherlands; second, the economic similarity; third, the cultural unity; fourth, the long history of the enclaves; and, fifth, the 'minute *morcellement*' at Baarle. While normally enclaves represent a nucleus, a separate town or a village embedded in a foreign state, Baarle is parcelled in 22 Belgian enclaves with six Dutch counter-enclaves within them. It is thus difficult for an 'us and them' dichotomy to develop in the area.

While not denying presence of all these factors at play, I would stress the importance of political integration. Despite centuries of peaceful co-existence, only the European Union proved being able to remove some of the issues that can and do spoil even the best neighbourly relations. One of such issues is smuggling that persisted through the centuries all the way until the 1990s.

Living in an enclave: problems and opportunities

Living in an extremely fragmented village such as Baarle brings its own problems but also unique opportunities. Here are some examples. A typical example of a minor problem, of which there are and there were hundreds, are traffic laws. There used to be the 60km/h speed limit in the Netherlands and the 50 km/h speed limit in Belgium. Just cast a look at the map of Baarle and you will understand that the drivers there have to cross the border several times a minute. It created some problems and tensions with the traffic police as a driver. Only the speed limit in the Netherlands was lowered down to 50 km/h, the problem disappeared. A minor problem in itself, the difference in speed limits illustrates how full of unpleasant surprises the life in the enclave complex might be. The borders can however lead to some nasty

consequences. Once, a motorcycle accident happened in front of Baarle's Cultural Centre. It happened on the territory of Baarle-Hertog but so close to the border running across the street that the man was dragged along to Baarle-Nassau. The ambulance from Baarle-Hertog arrived but did not help to the bled man.

Enclivity created not only problems to be solved but also opportunities to be taken advantage of (although I would argue that there are more problems than opportunities). As each house is deemed to pay taxes in the country where its front door is located, it is an old tradition in Baarle to move the front door some meters if that is profitable for the tax purposes. Not only shops but also households are known to do it many times. The final demarcation of the border in 1995 gave rise to some problems of this kind. In at least one case, a house would have had to move from Belgium to the Netherlands. The inhabitants did not want that to happen, but the solution was simple: they moved the front door of their house. The village Baarle attracts a lot of touristic traffic. For many years, the shops in Belgium were open on Sundays, while those in the Netherlands were not – with the exception of those in Baarle. Taxes in Belgium and The Netherlands differed sometimes a lot, so one could indulge in cross-border shopping profiting from the differences in tax regimes on a single street. The EU integration removed much of these differences but some of them, for instance, the VAT, remained.

One of the many houses located on the border, that is, in both states, is “Grensgeval”, or “Border Question”. Its front door is located in Taxandriastraat (Baarle-Hertog), while its back door is on Meierijstraat (in Baarle-Nassau).

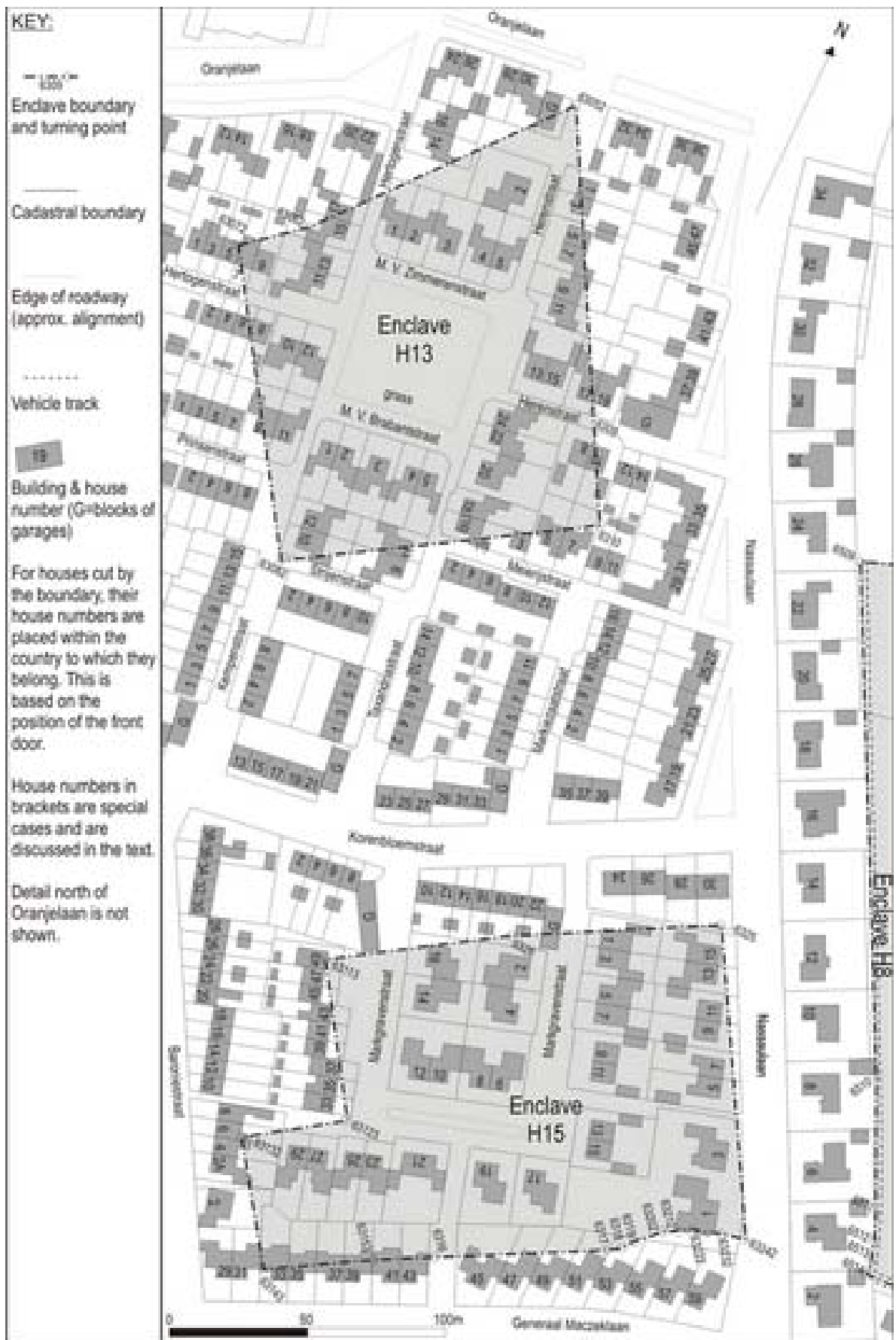


Figure 6.3. Source: Whyte 2004: 221, reproduced with the permission of the author. The “Border Question” house is located on the south border of the enclave H13.

The residents are fond of selectively applying the national laws for their advantage even in minor things. That is what Frans Van Rooij, the Director of the Cultural Centre in Baarle, describes as ‘playing with the border’ (2004). Smoking was prohibited in Belgium around 2000 but still allowed in the Netherlands. The residents of the Cultural Centre chose to “apply” the Dutch law in the whole building, since the building was situated in both states. At last, one did not have to leave the building to move to the Dutch territory where smoking was allowed. Also in the past, it was illegal to serve strong drinks in Belgium. The same “selective application” of the more liberal Dutch laws was the norm.



Figure 6.4. A divided house in Baarle. The Netherlands is on the right, Belgium on the left.



Figure 6.5. The “Smuggler” monument in Baarle-Hertog.

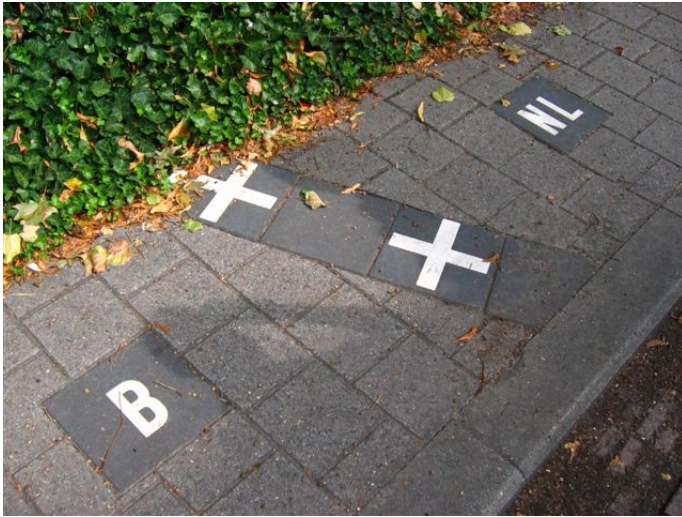


Figure 6.6. Stylized demarcation of the border.



Figure 6.7. Binational "Enclave" bicycle route.



Figure 6.8. Street sign at the border of Baarle-Nassau and Baarle-Hertog.

There is a considerable number families with one Belgian and one Dutch parent in Baarle. Children normally possess both passports until the age of 18 when they are obliged to make a choice, as Belgium and the Netherlands have no agreement on dual citizenship. However, many people simply abstain and possess two passports until the rest of their life. In addition,

the Baarlennaars prefer their boys to serve in the Dutch army because the military service is shorter there. To do this, the boys with the double nationality who live in the split houses on the border usually reside on the Dutch side,

Economy: using opportunities of the border

From 1906, Belgian goods heading for Baarle-Hertog were subjected to Dutch customs duties for the first time. It was possible to redeem the duties, but this required proof of the final destination and the inspection of Belgian warehouses by Dutch officials. The Dutch also controlled the passage of travellers. Until that time, Baarle-Hertog remained in fact a free customs area, due to the practical impossibility to enforce customs supervision, since the customs controls would not pay off in economic terms, just as it was the case with Büsingen and other small enclaves.

Smuggling as an important economic phenomenon and the source of income accompanied Baarle's history all along. It was fuelled by the differing national regulations on the customs duties and taxes but also by the fluctuating currency rates. The enclaved village with the undemarcated border passing through individual houses was the perfect venue for smuggling. The flow of goods was mainly directed from Belgium into the Netherlands. Customs and borders officers were on the streets but they could not stop the smuggling activities. When they caught one, a hundred could go through. The locals used also the superior knowledge of where the borders were – they could argue with the police and customs officers. The role of smuggling in Baarle's history is well reflected in the existence of the world's only monument of the "Smuggler" representing a man with a sack. Smuggling persisted well into the 1990s, despite the thorough integration of the mainland and the surrounding state in the beginning in the Benelux customs union and later in the European Communities. The Benelux treaty was signed as early as 5 September 1944 and came into force from 1 January 1948. The remaining differences in national legislation justified smuggling until the creation of the European Single Market in 1995. In the present time, the inhabitants of the village and the neighbouring Dutch regions can still profit from various differences of national legislation, including differences in value-added tax, although in a legal manner.

The enterprises and shops located in the community have sometimes stepped over the red line of the law in order to exploit the border opportunities. A chicken slaughterhouse was once located in Baarle-Nassau but illegally registered across the road in Baarle Hertog so that it could pay lower taxes. It managed to go on for twenty years and was busted only after its own workers, unsatisfied with the wages, have sold it to the authorities.

The laws on the utilization of land are stricter in the Netherlands. That is why Baarle-Hertog is advantageous for residential and industrial location. The strictness of the Dutch legislation led to some amusing consequences. One of the Dutch counter-enclaves, about 0.8 ha in size, represents a meadow fully surrounded by the Belgian residential area. The Dutch laws prescribe an exclusive agricultural use for this plot of land since it is located outside the town. Therefore, the Belgian cows graze Dutch grass peacefully on the meadow lending the quarter an idyllic country look.

Box 6.1. The Femisbank case: gerrymandering in the enclave

In 1971, Dutchman Hendrik Jacobus Owel founded Femisbank. It was registered in Anguilla but its main premises were located in Baarle, in a building both in Baarle-Hertog's enclave H1 and Baarle-Nassau. The border ran through the main door. Owel, allegedly involved in financing the South Moluccan attempts to secede from Indonesia, used this unique location to prevent the bank from being searched by the authorities of either states. The Belgian tax department was unable to access the strongroom because the only access

was from behind the counters in the Dutch area. The Dutch authorities could go behind the counters but it did not help them much because the strongroom was the Belgian territory. Finally, the officials from both states managed to search the bank in a joint effort. The investigators were involved in the respective parts of the bank's premises. In May 1992 Femisbank was declared bankrupt after investigations into the laundering of drug money (Malvoz 1986: 41; Whyte 2004: 44-45).

Later the building was occupied by a theatre agency, which in the pre-Internet era could nicely profit from possessing the domestic addresses in both Belgium and the Netherlands.

The shops in the area use have their own ways to exploit the border advantages. Some of the shops are located directly on the border, which is often the case in the community with the extremely complex border settings. One Baarle's bike and motorbikes shop front door and the main showroom are in the Netherlands, whereas the backyard is located in Belgium. The customers enter the shop in the Netherlands and then proceed to the backyard where the sale is completed with the lower VAT. The only inconveniency for the shop is that it has to employ two accountants, one for Belgium and another one of the Netherlands. The residents have learnt how to use the VAT differences, too. The residents to buy a cheaper gasoline actively exploit a similar VAT difference.

One of the main attractions of Baarle is based on the difference in national legislations. Sunday shopping is not allowed in the Netherlands, while it is legal in Belgium. It initially caused a good deal of tension in the village, as the Baarle-Nassau's shops could not compete with the Baarle-Hertog's shops on such conditions. As consequences could have been grave for the Dutch community (concentration of all shops in Baarle-Hertog at the detriment of Baarle-Nassau), it was provided with a year-round exemption from the common rules by the Dutch government. Only two other Dutch frontier villages managed to get the same exemption however restricted to the summer touristic season. The Baarle-Nassau's exemption is valid all year round.

Tourism, combined with the cross-border shopping, developed into the major economic asset of the enclave. There is large flow of tourists to Baarle attracted by its peculiarities. This is well reflected in the number of shops and restaurants, which is significantly higher than otherwise necessary for Baarle's 5000 inhabitants. The enclave shopkeepers and restaurateurs did anything possible to attract and keep the customers from both counties. For instance, it either was possible to pay in Belgian francs or in Dutch guilders before the Euro was introduced in 2002. However being not perfectly legal, this approach was tolerated by the authorities that preferred to close their eyes on some peculiarities of the enclave's life. Even Baarle-Hertog's municipal council accepted both currencies, despite dubious legality of that.

Cross-border shopping is not the only incentive for the enclave tourism. An ever-increasing number of people are attracted into Baarle by the mere fact of the complexity of the borders, which make the village a single border monument. The enclave communities recognized this fact and undertook several measures to visualize the border. To make the enclaves visible for the visitor, the little plates with the house numbers are made with different designs: ovals with the Belgian colours and rectangles with the Dutch colours. In 2000, the EU financed the stylized „demarcation” of the border in Baarle for touristic purposes, something quite peculiar for the European Union that, in fact, usually blurs the borders and not stresses them. Metal disks were fixed to form a dotted line on the roads. On the pavements, grey stones with inset white crosses mark the boundaries. It made the border completely visible to the tourists.

Baarle-Hertog and Baarle-Nassau: learning to cooperate

It would be wrong to say that the life in such an intermingled village as Baarle is impossible without close cooperation between the enclave, the mainland, and the surrounding state. It is

possible but it is a bad life. There is no cooperation in Cooch Behar. People still live there but there is no electricity in the enclaves even though the power lines run in the immediate vicinity or even cross the enclaves. In a milder case, when the relations between the mainland and the surrounding state are strained and/or cooperation is not sufficiently developed, it is common that electricity, water, or gas is provided into the enclaves from the mainland, despite higher costs of operation. Everyday cooperation on the matters of public utilities and other services is simply economically justified. Cooperation lowers costs down to a normal level and creates basis for normal life. It took Baarlenaars many decades, but, in the present time, they set an example to enclaves and other border regions around the world

One of the typical enclave issues is the supply of utilities. Baarle learned to handle this problem, too. The boundary goes like a jigsaw in Baarle. An intensive cooperation is necessary in the neighbouring communities of Baarle-Nassau and Baarle-Hertog to provide high-quality communal services to the residents of both communes. They are 'unable to function without the assistance of the other' (Whyte 2004: 49). Many, although not all, of the communal services represent joint undertakings. Others are conducted in a cooperative way. There are two separate electricity grids. Contrary to that, gas is supplied by a Dutch company. However, the gas is purchased wholesale by a Belgian company, which then retails it to Belgian customers in the enclaves. Water is provided by a Dutch company. There are two separate phone networks. However, there is an arrangement that allows dialling another Baarle commune as a local call.

Police has operated from separate offices until 1997. Since this year, both officers share an office in the new Baarle-Hertog town hall. They have desks side by side and alternate office hours, for better convenience. The national legislation of each state prohibits police forces of another state entering its sovereign territory being armed without advance permission on each occasion. This rule is evidently unworkable in Baarle where the Dutch police officer sits on the Belgian territory. A blind eye is turned to the presence of his firearm for the sake of the productive arrangement of working together. The incentives of cooperating and working together brought the necessity to "play" not only with the borders but also to a certain degree with laws.

Each commune maintains its own fire brigade. However, they manage to cooperate closely in the firefighting since 80 years. One of the problems of the past was the use of the different hose couplings in each country. A universal coupler was eventually adopted to allow joint firefighting efforts.

Road maintenance costs are shared on a pro rate basis between two communities, with street lightning paid based on the road length.

Each commune had its own school since 1857. Currently, there are two primary schools, one Belgian and one Dutch, as well as a Dutch secondary school. It is legal for residents of both Baarles to send their children to either school since the national legislations of both states ensure free education for all until the age of 16. The Belgian school is considered more strict and formal, while the Dutch one has more freedom. The parents can therefore choose either one according to their notion of proper education methods.

There are two Catholic churches and two parishes in Baarle living peacefully side by side. The priests organize their services on Saturday evenings and Sunday mornings to avoid competition. People are able to choose whichever churches for weddings, funerals and other sacraments without parochial disapproval (Whyte 2004: 73-74).

The building of the Cultural Centre Baarle is symbolically located on the border. The front door is in Baarle Hertog. The border crosses one of the meeting rooms in the building. Several times a year the police take advantage of the room for an interrogation. A police officer and a person to be interrogated sit in the different parts of the room so that the police cannot arrest the person sitting on the other side. The same room was sometimes used for other purposes. The film "Turkish fruit" caused some controversy in 1974 due to its mild erotic contents. Only its censored version was allowed to be screened in Belgium, while the Netherlands had no

problem of such sort. The enclave dwellers have creatively used the ‘divided room’ to watch the movie. Normally the screen is located on the Dutch side of the room and the film projector stands on the Belgian side. By twisting both, the film could be shown entirely on Dutch territory. This happened under the supervision of a Belgian field guard, who was positioned on Belgian territory in order to make sure that during the projection of the film nobody was trespassing the borderline.

The budget of the Cultural Centre is composed of payments by both communities. The same financial scheme is applied to finance the communal library. This library – quite a good one for a small town – is financed jointly, with ¼ paid by Baarle-Hertog and ¾ by Baarle-Nassau, which corresponds to the population size. The library subscribes both to Dutch and Belgian periodicals. Both communes finance jointly the tourist information office in a likewise manner. Baarle-Hertog contributes 1/3 of promotional costs.

Thus, although some of the communal services and supplies are still run separately, the communal services in the Baarle communes show a trend to cooperation. The Baarlinaars have got far on the way of learning the art of cooperation and finding compromises. Of course, it is based on economic and political cooperation on the mainland and the surrounding states. The absence of integration renders even the best attempts to cooperate difficult and often virtually impossible. In addition, other factors simplify the positive art of co-existence in the village of Baarle. These are 800 years of common history, common language, and close familial and social links.

Box 6.2. the BaHeNa pirate radio station, or 22 years of hide-and-peek with the police of the two states.

It is easy to decipher the name of the radio station BaHeNa – it is nothing but an acronym of Baarle-Hertog-Nassau. The pirate radio station managed to exist to 22 years, from 1981 until November 2003. The antenna had been fixed in Baarle Nassau, just several meters from the border with one of the Belgian enclaves. It broadcasted music and some local news aiming at the residents of the village. The “Borderhunter”, the owner and the manager (himself being a Belgian from Baarle-Hertog), claims that it was the longest-lasting pirate radio station at least in the Netherlands, and it is not hard to believe him. There were several policy raids by either state, all of them unsuccessful. The news spread quickly in the small village, so Borderhunter was able to move the transmitter quickly from the one side of the border into another, depending on which country’s officials were coming. Finally, the radio station was busted in the raid organized by both states together.

After the station was busted, the Belgian authorities had confiscated the transmitter. Borderhunter was fined €100 by the Dutch. He refused to pay and eventually applied to the Belgian authorities inquiring them to fine him because they confiscated the transmitter. The authorities gladly agreed and imposed a lighter fine of €500. Having paid the fine, Borderhunter argued successfully in the Dutch court that he had already paid the fine once and could not be fined again for the same violation.

Baarle is one village. Its residents can describe themselves as the Dutch or Belgians but above all as ‘Baarlinaars’ (Gemeenten Baarle-Hertog, Baarle-Nassau 1999: 21). The field research conducted by Whyte (2004) in 2000-2001 confirms this assertion. The local identity seems to be more important than the national - or European – one. The strength of the local identity roots in the history but also in the peculiar circumstances of enclaves that moulded the sense of ‘otherness’.

My own field trip to Baarle in 2004 confirmed the strength of the local identity. It also points at the great significance of enclavity and borders for both the identity and the way of life of the Baarle’s residents. “Playing with the border” became the inherent part of it. The Baarlinaars live on the border and try to avoid its deficiencies and to exploit the opportunities.

As one of the residents put it, the enclave dwellers prefers to drink beer the Belgian way since the Dutch glasses are smaller, but to work and to get paid the Dutch way.

Even now, in the beginning in the twenty first century, some think the situation in Baarle is something to be regretted. The inhabitants of Baarle think otherwise. They do not want to lose their special ambiance and they want to keep Baarle as it is now: Baarle-Nassau and -Hertog, a historically, geographically and politically peculiar village. They are quite content with their enclavity after it took them centuries to develop the peaceful, cooperative, and prosperous way of life. Three key factors make Baarle an exemplary enclave complex. First, both the mainland and the surrounding state are the EU member states. Second, the Baarlennaars on both the Belgian and the Dutch side learned to cooperate for the sake of the normality of life. Third, they learned to avoid most of the enclave-specific deficiencies and to use the most important enclave-specific opportunities.

Cooch Behar

I began this chapter by looking at the ‘model’ enclave complex, Baarle. Another enclave complex, Cooch Behar³⁹, is located on the border of India and Bangladesh. It is by far the largest enclave complex in the world. Not only geographically, but also from the point of view of the political and economic arrangements, the Cooch Behar enclaves are on the other side of the world compared to Baarle. The literature on the Cooch Behar enclaves is scarce, which reflects the fact that they are not well known to the world. Luckily, there is a brilliant and comprehensive study made by Whyte (2002a). Whyte’s book remains my primary reference for Cooch Behar.

The Cooch Behar state of India possesses 106 exclaves in Bangladesh, including three counter-enclaves and one counter-counter-enclave. On the other side, Bangladesh possesses 92 exclaves in India, including 21 counter-enclaves. On the total, the Bangladeshi exclaves comprise 49.7 km², whereas the Indian exclaves cover 69.6 km². The largest Indian exclave is the Balapara Khagrabari with 25.95 km², although this figure includes six small exclaves of unknown size. The largest Bangladeshi exclave is Dahagram-Angarpota with 18.7 km², or 38% of the total for Bangladeshi exclaves. The smallest Indian exclave Panisala measures 1093 m², while the smallest Bangladeshi exclave, the counter-enclave Upan Chowki Bhaini, measures only 53 m². This is the smallest international enclave in the world⁴⁰.

³⁹ Cooch Behar is in fact a state of India and an ancient kingdom/princely state. Here, I refer to the enclave complex as Cooch Behar for the sake of brevity, although the proper full description would be “Cooch Behar enclaves” or “Cooch Behar enclave complex”.

⁴⁰ The smallest enclave in the Baarle enclave complex that could make a competition to the Cooch-Behar’s one is 0.2469 ha, or 2469m². It contains the Belgian half of a house where front door is bisected by the boundary, and another residence whose rear outbuildings are also bisected (Whyte 2004: 52).

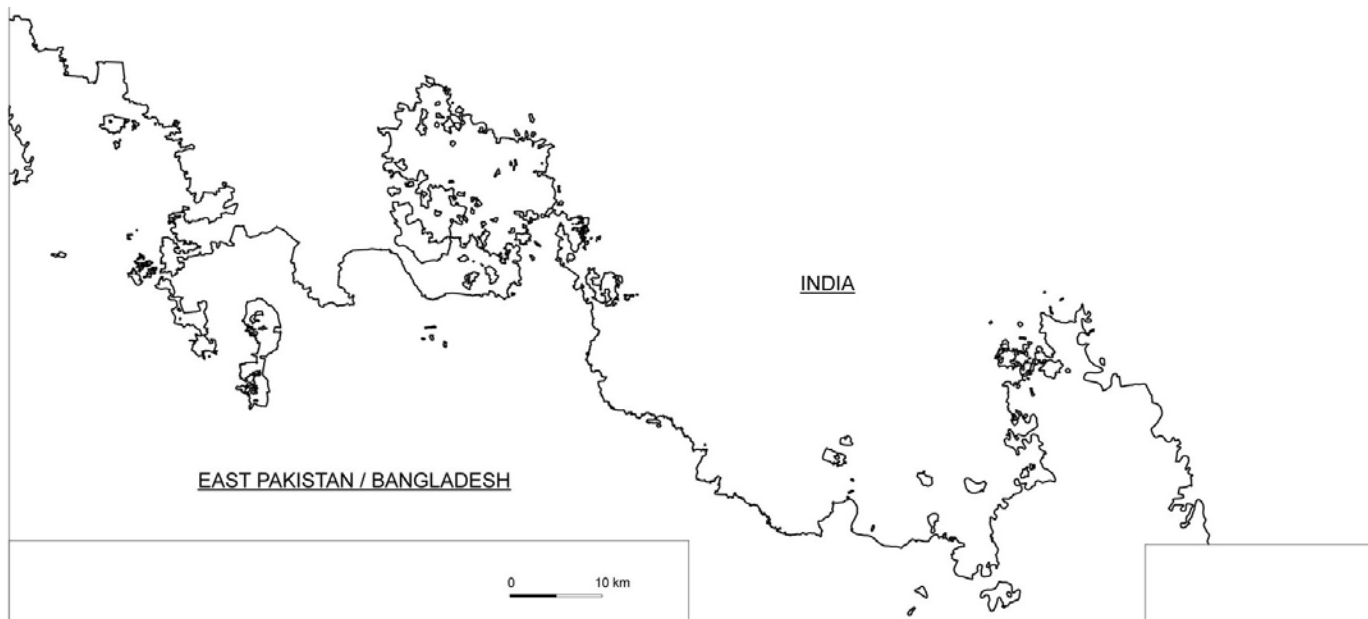


Figure 6.9. Cooch-Bihar enclave complex as from 1949. Courtesy of Brendan Whyte.

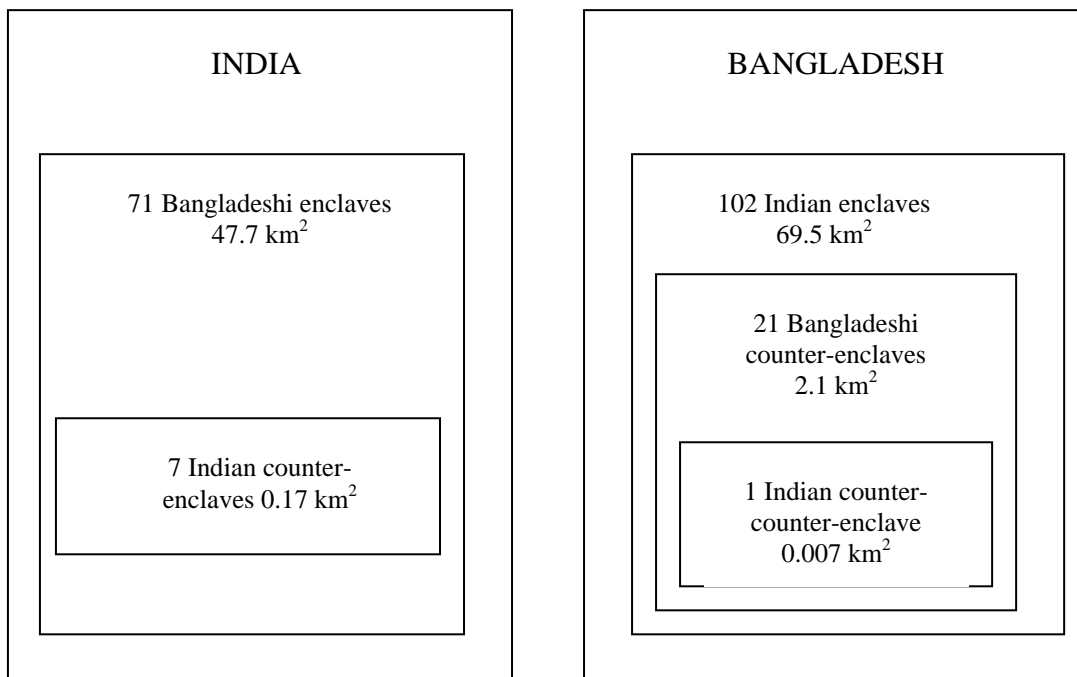


Figure 6.10. Enclaves, counter-enclaves, and a counter-counter-enclave in Cooch Behar. Source: adopted from Whyte (2002: 194).

While measuring the areas proved already to be a complicated task, giving exact figures for the population of the enclaves is for the time being impossible. Only rough estimates are available. The reason for that is in fact enclave-specific. The general lack of state power in the enclaves and, more specifically, the difficulties in access of the census officials caused by the enclaves' detachness from the mainland prevented all censuses in both India and Bangladesh to be conducted in the enclaves. The last census conducted there was done as early as 1951. These are the last more or less precise data that we have. For more than 50 years, no data had been collected. The range of estimations is truly enormous, stretching from 24,000 inhabitants in total to 1,500,000 for Indian exclaves only. While the latter figure is rather fantastic, the

former one reflects the results of the 1951 census. Whyte (2002: 434-436) used two methods to estimate the current population. First, he applied the ratio of the population increase in the near-lying districts to the enclaves being a factor of 2 to 3 over 40 years after 1991 census. I agree with Whyte that the application of the lower factor of two is justified since the enclaves were marked all these years by the lack of order, net negative migration, and higher mortality due to the lack of the proper medical care. That gives the figures of roughly 30,000 for the Indian exclaves and 25,000 for the Bangladeshi ones for 1991. The second method was to assume that the population density of the enclaves was comparable to that of the neighbouring districts, and multiply the density by the total area. Again, it is justified to take the lower limit of the characteristic density of 400-800 persons per km² due to the disadvantages of residency in the enclaves. This method in fact confirms the figures given above as a rough estimate for 1991. Multiplying these figures by the average growth rate of 1.45-1.6 per cent (characteristic for both India and Bangladesh) and taking the lower estimate, we obtain a rough estimate of 65,000-70,000 enclave dwellers for the beginning of the 2000s.

The national composition of the enclaves is gradually changing, especially on the Bangladeshi side. Most Hindu residents of Indian exclaves have migrated to India proper after being harassed and assaulted. Bangladeshi Muslims settled there instead. Some chnitmahalis want their enclaves to be exchanged, some not. The Muslim population was originally low in Indian enclaves in East Pakistan/Bangladesh. It grew in Cooch Behar enclaves as Hindu residents were leaving the area, replaced by Bangladeshi Muslims.

The history of the enclaves goes back into the seventeenth century. By coincidence, the treaty responsible for the establishment of many enclaves is dated by 1713, exactly the same year as the Treaty of Utrecht perpetuating Gibraltar. Despite reducing the Cooch Behar Kingdom by one third of its former territory, the Mughals, Muslim rulers of India, could not dislodge some of the Cooch Behar chieftains from their lands in the districts of Boda, Patgram and Purvabhag. When these districts were granted to the Mughals under the treaty of 1713, the lands still held by the Cooch Behar chieftains remained part of Cooch Behar. Conversely, disbanded Mughal soldiers occupied lands inside Cooch Behar and later retained their loyalty to the Mughal Empire. This solution caused no major difficulties in the conditions of the feudal state and almost full economic self-sufficiency of small territorial units, just like in Europe in the Middle Ages. The enclaves were regarded as neither unusual nor problematic (Whyte 2002: 32). Furthermore, the treaty only raised them from the landlord/landholder level to a quasi-international level, with Cooch Behar being nominally tributary to the Mughal Empire. Later in the eighteenth century, the Mughal Empire was replaced by the East India Company in 1765.

Rather early, some deficiencies of the enclaves were recognized. In 1814 the East India Company found out that these 'parts' of Cooch Behar existed 'by some unaccountable accident', within the limits of the lands governed by the Company. There were cases mentioned when 'public offenders may have evaded the pursuit of the Police, by openly taking refuge in such assylums' (Cooch Behar Select Records 1882, quoted in Whyte 2002: 40).

In the course of 300 years of the history, the Cooch Behar enclaves survived through five successive periods with sovereignty changed on this of that side. First, it was Mughal Empire and Cooch Behar Kingdom as the enclaves were lifted to the international level from the administrative one. Then, Mughal Empire was replaced by Britain represented by the East India Company in 1765. Third, in 1947, India and Pakistan gained independence, although Cooch Behar procrastinated for two years with the accession to India, until it signed the "Cooch Behar Merger Agreement" as one of the very last Princely States in August 1949. Fourth, it was finally India and Pakistan that held exclaves at the both sides of the border. At last, East Pakistan gained independence from the western part of the state and began its existence as Bangladesh. Since 1971 until now, the enclaves are between India and Bangladesh. The states replaced each other, but the enclaves remained.

Table 6.1. National belongingness of the Cooch Behar enclaves.

Time period	State	State
1713-1765	Mughal Empire	Cooch Behar
1765-1947	Great Britain (East India Company)	Cooch Behar
1947-1949 (transition period)	Pakistan	Cooch Behar
1949-1971	Pakistan	India
1971-until now	Bangladesh	India

One could argue that the Cooch Behar enclaves were in a quasi-international state all the way through to 1949, as Cooch Behar was a tributary state to first the Mughals and then to Great Britain. They gained a definite international character since 1949, as Cooch Behar merged with India. There were even more enclaves as there exist now. Not only Cooch Behar possessed exclaves in what became East Pakistan, but also there were also about 50 detached fragments in Assam and West Bengal. These ones became an internal Indian affair on the sub-national level. To do justice to the case, India in the feudal time was much like Europe. There existed more than 600 Princely States, governed by Maharajas, many of them so incredibly fragmented that a comparison with the German states before unification in 1871 readily comes to mind. Despite enlargement of administrative units from 600 to 25, many administrative enclaves remained. This problem had been dealt with in the very first years of independent India. The newly created Indian states had demonstrated the tenacity in keeping the enclaves, but the central government pushed through the massive cession and/or exchange of enclaves. V.P. Menon, who participated in these procedures, noted that the exchange of territories often entailed 'much heart-burning and political bitterness' (1885: 313). In contrast, it was not hurried upon with the Cooch Behar enclaves, possibly due to the political reasons having to do with its late accession to India. The issue was regulated by inclusion of the Cooch Behar exclaves into Jalpaiguri in 1952 (14 enclaves) and 1955 (remaining 39 enclaves).

Attempts to exchange the enclaves

The first known proposal to exchange of enclaves prior to independence came from the British in 1910s. While deliberating on the proposals, the views of the residents were taken into consideration. As the residents on both sides expressed their desire to retain the *status quo*, the matter was dropped (Whyte 2002: 49, 75).

The exchange of enclaves without claim to compensation for extra areas going to Pakistan was agreed to under the Nehru-Noon Agreement of 1958. The ratification of the agreement was impeded on the Indian side by the legal issues pertaining to the legality of transfer of Indian territory. The matter was referred to the Supreme Court, which held that the territories could not be transferred without amending the Constitution. As all legal impediments were finally overcome on the Indian side, Bangladesh gained independence in 1971, and the issue had to be dealt with anew.

Another attempt to exchange was undertaken by the Indira-Mujib agreement in 1974. The enclaves should have been exchanged without claim of compensation, as in the previous agreement of 1958. The southern half of South Berubari Union was to be retained by India, while the Dahagram and Angarpota enclave was to remain Bangladeshi. The agreement foresaw the lease in perpetuity of a 178x85 meters corridor to Bangladesh to connect the enclave to the mainland. The counter-enclaves on the both sides will not be exchanged under the Indira-Mujib agreement. By the same logic, the only counter-counter-enclave will be exchanged. The largest Bangladeshi exclave, Dahagram-Angarpota, connected to Bangladesh proper with the Tin Bigha corridor and comprising 38% of the total territory of the Bangladeshi

exclaves in India, will not be exchanged. Thus, out of 198 enclaves in total, 173 are to be exchanged once the Indira-Mujib agreement is ratified by India. In terms of area, Bangladesh is to cede to India 70 enclaves of a total area of 29 km², while India is obliged to cede 69.5 km², thus incurring the total loss for India as high as 40.5 km² in the exchange. In term of population, 11,000 people in the Indian territories to be ceded were to be weighted against 9,000 people in the Bangladeshi exclaves. Bangladesh has speedily adopted an amendment to the national Constitution and ratified the agreement.

Whyte (2002: 434) draws attention to the fact that the combined area of the largest two Indian exclaves, the Shalbari and Balapara Khagrabati, comes to 40 km², which almost equals the number of the Indian losses incorporated in the agreement. Thus, almost an equitable exchange could be attained if India retained the two exclaves. The Indian MP Amar Roy Pradhan has proposed connecting Shalbari by a short corridor similar to the one of Tin Bigha, as the distance of the Shalbari to India proper does not exceed several hundred meters. Connecting the second largest exclave, Balapara Khagrabati, may prove to be more complicated, as the distance is about 4 km. Whyte (2002: 190) argues that

‘The sad irony is that while on paper India does lose territory, what she appears to lose, she has never had administrative control over. Therefore India, like Bangladesh, would be giving up land she never really had, in return for sovereignty and control over the enclaves she hosts, whose foreign sovereignty she recognizes, and which create administrative inconvenience on a daily basis. The chnitmahalis themselves may lose a theoretical citizenship, but they would gain access to education, medical facilities, development aid and police protection. Looked at in this manner, each side loses nothing and gains much. But given the strength of opposition to the Tin Bigha lease, barely 1.5 ha of uninhabited land in a remote corner of India, which resulted in at least three deaths, the prospects of India’s opposition parties allowing the government of the day to peacefully cede a net 40 km² of enclaves, even as part of a full enclave exchange, are regrettably not good’.

Facilitation of border trade and movement of people

Both India, on the one side, and Pakistan and later Bangladesh, on the other, have always recognized respective juridical claims over the enclaves. They did not try to seize the enclaves or extend their administration upon them. The territorial issues are however extremely sensitive on both sides, in particular in India. Even seemingly minor cases run against heavy resistance. The burden of the 50-years procrastination on the regulation of the enclave problem lies primarily on the Indian side as both the 1954 and the 1974 accords were duly ratified by Bangladesh but not by India. The full implementation of the 1974 Indira-Mujib agreement still awaits Indian ratification. The Constitution had to be amended for that purpose, and this in turn demands for the full demarcation of the boundary with Bangladesh.

The fact that the border questions remained unregulated led to the wide discretion of the local police and border guards over the residents of the enclaves. Naturally enough, a fertile ground for corruption was created. On the other hand, it is exactly corruption that allowed the enclaves’ residents to survive. In other words, it mitigated the severities of life implied by the formally existing border regime. In the conditions when it is legally impossible to go to school, to a nearest hospital, or to a market, enclave dwellers do not have a choice but to break the law.

The first agreement concerning the access to the enclaves was reached in 1950. It concerned only official and totally ignored the interests of the residents. District official of either state could visit the enclaves on a 15-days notice. Police had to be uniformed but unarmed. A list of goods that could be imported to the enclaves once a month was agreed on, including mustard oil, kerosene, oil, sugar, matches, cloth, medicines, and medical appliances. Tax revenues could be repatriated every six months. No provisions for exports from the enclaves were made (van Schendel 2002: 123).

Initially the residents of the enclaves of both countries were on application granted Category “A” visas valid for an unlimited number of journeys within the thana or thanas contiguous to the enclave, and also for an unlimited number of journeys in transit between the enclave and the respective mainland. (Indo-Pakistan passport conference agreement 1953, reprinted in Whyte 2005: 323). According to the trade agreement of 1957, border trade was allowed on the specified schedule of goods. Crossing the border for small trade was allowed only once a day, two days a week, through the authorized routes. This and subsequent accords were replaced with an Indo-Bangladeshi trade agreement of 1972. It specified a 16-km ‘border belt’, the residents of which were allowed to carry on border trade, also once a day and two days a week, on the specified schedule. This schedule was in fact comparable to the one of the Indo-Pakistan agreement. The following goods and quantities were allowed to be transferred across the border free of duties⁴¹.

Table 6.2. Commodities and quantities allowed for border trade according to Indo-Bangladeshi trade agreement 1972.

Export from India to Bangladesh		Export from Bangladesh to India	
Commodity	Quantity	Commodity	Quantity
Fresh fruits	Head load	Fish	Head load
Vegetable	Head load	Poultry and eggs	Head load
Spices	2 kg	Tobacco	1 kg
Fire wood	Head load	Coconuts	Head load
Milk and milk products	Head load	Betel leaves	Head load
Tobacco	1 kg	Spices	2 kg
Washing soap	¼ kg	Salt	1 kg
Bamboo	Boat, raft or cart load	Fodder for cattle	Head load
Mustard oil	1 kg	Bamboo	Boat, raft or cart load
Mustard seed/rape seed	Head load	Thatching grass	Head load
Coconut oils	1 kg	Hogla leaves	Head load
		Firewood	Head load
		Gur	Head load
		Channa and sweetmeats	Head load

Source: Indo-Bangladeshi trade agreement 28 March 1972, Schedule “B”, reprinted in Whyte 2002: 375-377.

Despite these regulations for the border movement and trade, there are heavy problems. In order to cross the border, one has to receive a foreign passport and a visa. Both are difficult and often virtually impossible to obtain for the residents of the enclaves. Let us take obtaining of a visa as an example. In order to get it, an enclave resident should go to the consulate. There are obviously no consulates in the enclaves, so the residents must travel to the respective mainland where the consulates are located. Let alone the facts that the enclave population is mostly too poor to allow such extensive travelling, many of the enclaves’ residents are illiterate which complicates the necessary paperwork. Even not taking into accounts these circumstances, it is

41 There were two separate schedules: first, for trade between Rangpur (Bangladesh) and Assam, Cooch Behar and Jalpaigury; second, for trade from rest of West Bengal to rest of Bangladesh. There are minor differences between them. I quote the first schedule as more relevant for the enclaves.

virtually impossible to go to the mainland because one has to cross the territory of another state on the way there, and to do this, one needs a visa. It is a classic case of a vicious circle. It compels enclaves' residents to break the law on the borders. What had been legal before 1949 became criminalized thereafter. With the widespread corruption mitigating the problem, there were still innumerable accidents during more than 50 years of enclaves' existence, many of them with people being shot down by border guards. The enclaves remain a haven for criminals who use the enclaves as base or hideout immune from either state's law.

Initially, the agreement is most likely to have been enforced along road crossings and in markets in the home country, to allow farmers to maintain their need to buy/sell/trade small quantities of goods, but prevent pure commercial exploitation of the boundary by merchants, or by merchants employing farmers to carry their goods for them. Fencing the border in the 1980s-1990s has rendered the agreement much more highly enforceable to the point that it no longer functions at all. With the fence, locals could no longer cross the border anywhere. They are restricted to three crossing points. Thus, anyone crossing the border is suddenly subject to customs searches. Given the distances enclave residents have to travel to get to these crossing points, they are no longer making short journeys to the nearest market to buy/sell minor items. Instead it is a major expedition, so the point of the earlier agreement (to standardise what was allowed to cross the border as a minor, local, subsistence purchase/sale) has been lost. No one is going to make a journey of 40-50 km and do all the hassle of the border crossing for such a minor sale for a daily need. To make it worthwhile it would be a much less frequent journey, involving more goods at once, and thus outside the scope of the agreement.

Access restrictions had and have multifaceted consequences for the life sustaining, for the economic activities in the enclaves, and for the governance. On the economic side, the formerly existing economic connections were broken, as peasants living in the enclaves were cut off the nearest market places, now located in another state. Sheer distances and difficulties of access prevented them from switching to the market places of the mainland. In such conditions, the peasants were compelled to turn to the services of the middlemen, thus leading to much lower prices for the agricultural products. Governance was severely disrupted. As early as 1951-52, governments of both sides effectively gave up on trying administering the enclaves (van Schendel 2002: 125). Access restriction concerned not only the residents of the enclaves but also the officials from the motherland. Policing, tax-collection, and developmental assistance were discontinued. With no police protection, the enclaves became easy targets for banditism and assaults on religious grounds (we talk about the region with the mixed Hindu and Muslim population). Indian enclave dwellers in particular were forced out of their settlements into India proper, leaving behind their houses, fields and cattle. Another vicious circle on a smaller scale was created as well. The enclave dwellers had lost their voting rights in 1952, as the movement of people was finally regulated. The 1950 access system for the officials became unworkable: neither the official could enter the enclaves to organize voting, nor the candidates could reach their electorate. With no voting rights *de facto*, enclave's residents were deprived of political representation. With no political representation, they could not influence the decision-making and lobby their case. One enclave alone, Dahagram-Angarpota, being the largest one in the region, managed to contain some degree of law and order. Not only that it was the largest one (several thousand residents in the 1950s-60s) but it was also located on 200-meter distance from the mainland. Pakistan managed to maintain a police presence there. A larger enclave was therefore more viable from the point of view of governance. Until 1965, the enclave was almost freely accessible. Then, however, the border controls were tightened, as India wanted to stop illegal immigration and smuggling. The state policies of price fixing and government procurements had to be asserted: for that purpose, the local farmers had to be prevented from selling their products for higher prices across the border.

GDP per capita and purchasing power parity is \$1900 for Bangladesh and \$2900 for India (2003), that is, India has a higher level of life in general. Despite that, the residents of the Indian enclaves in Bangladesh due to many reasons live worse than the respective mainlands. The residents of the Indian exclaves cannot take advantage of the higher level of life on the Indian mainland, since they are economically attached to Bangladesh. Moreover, they often have to sell their agricultural production at lower prices due to the disadvantages of their enclave status.

Economic difficulties, combined with enclave-specific problems of the lack of absence, can provoke severe social repercussions. As the enclaves are economically deprived in comparison with both their respective mainlands and the surrounding states, a part of enclaves' population leaves to live and work elsewhere. Especially men – who are more mobile in general and in the Muslim society of Bangladesh in particular – migrate elsewhere in search for a better life. That leads to the worsening sex ratio. For instance, there are more than 1500 women in a population of 2500 in Chnit Karala. Enclave women cannot leave an enclave to look for either work or husbands. Outside men expect large dowries to marry women of such an undesirable location. Effectively the enclave women either rest unmarried or become second wives to already married enclave men (Whyte 2002, 2nd print, addendum: 4-5).

The creation of the Tin Bigha corridor made life somewhat easier for the residents of the largest Bangladeshi enclave, Dahagram-Angarpota. The farmers were able to obtain crop loans, technical advice as well as support of such organization as the International Centre for Wheat and Maize Improvement. Yet the corridor is still problematic. As late as 2004, India has refused to allow extending powerlines, either overhead or underground, through the corridor to the enclave. Thus, the enclave of 10,000 people remains without electricity despite the corridor. Neither of the enclaves possesses electricity. It is not unusual that the powerlines pass the enclaves following the shortest route from one place in the surrounding country to another but it does not change anything for the enclaves. It has grave consequences for the life subsistence, for communication, and for the economy. There are no telephones. The lack of electricity supplies results in constraining the enclaves to the basic agricultural activities and effectively prohibits any industrial development. Social development is lagging behind, too. A 10-bed hospital was created in Dahagram in 1995; however, as early as 1997 it was facing a funding crisis and remained closed ever since.

There were also indirect negative consequences of erecting the corridor for the enclave dwellers. The Indian police began heavy patrolling of the enclave's border, which made impossible reaching the nearest marketplace in India traditionally. Before 1992, the residents of Dahagram held a permit allowing them to visit the nearest Indian town of Mechlihanj where they could buy up to 5 kg in total of supplies. After June 1992, this access was removed.

Other enclaves remained in plight. In fact, the Tin Bigha affair raised further hostilities. Two months after its opening, 67 residents of an unnamed enclave were murdered and their houses torched by a group of Bangladeshis. The survivors fled to India proper, penniless and landless (Whyte 2002: 148).

In the conditions of the lack of governance and proper border arrangements, the enclave residents and the residents of the surrounding regions have to work things out on their own and adapt themselves. The smallness of an enclave's territory and population makes it often possible for the enclave to remain "invisible". Being *de jure* the part of another state, it manages to integrate into the market and social structures of the neighbouring region. For example, the Bangladeshi Dhabalsati Mirgipur enclave with the area of 0.7 km (population number are unknown) is 'completely captured' by Indian Mekhliganj town on the eastern flank of which it sits (Whyte 2002: 171). Its residents are able to access freely the Indian marketplace, hospitals, post offices, and schools. In many other cases, the residents of the enclaves are able to send their children in schools in the surrounding country (since there are no schools in the enclaves on either side except Dahagram-Angarpota). Generally, this is not

encouraged but tolerated. The conditions under which these children attend schools are however always precarious.

The sensitivity of the issue for both India and Bangladesh impedes making any significant progress on the issues of access and border cooperation. The only exception, erection of the Tin Bigha corridor, took twenty years to happen, met heavy opposition and cost people's lives. Isolation triggers the lack of proper governance and policing thus making enclave dwellers vulnerable to bandits. The enclaves are lacking all kinds of infrastructure, including electricity and means of communication. This effectively impedes any kind of economic activity apart from agriculture. However, even farming is problematic, since enclave dwellers are in an inferior position on the markets. As they often cannot reach the marketplaces due to the difficulties of access, they have to rely on middlemen and, therefore, be content with lower prices for their crops. The roots of the enclaves' disastrous situation are twofold. First, their problems are enclave-specific: they stem from isolation and detachness. Second, little is done by the national government. It can be explained by several factors:

- The sensitivity of the border issues for both India and Bangladesh.
- The smallness of the enclaves combined with the fact that they are not represented politically cause their 'invisibility' on the level of national politics.
- The unsteady bilateral relations between India and Bangladesh.

Although some improvements in the relations between India and Bangladesh occurred throughout the 1990s, the enclaves are still 'not so much a location of choice as of fate' (Whyte 2005: 436). The Cooch Behar enclaves remain in plight.

Enclaves on the Chinese coast

Enclaves on the Chinese coast

There are two interrelated questions for this exploration of the former enclaves on the Chinese coast. First, why had all of them ceased to exist? Second, why did Hong Kong and Macau cease to exist only in the 1990s (1997 and 1999, respectively), while the other ones were returned to China in the 1940s or earlier?

There was a variety of the legal forms of representations of the leading nations of the world in China: treaty ports, international concessions, and colonies. Whether a territory was under Chinese sovereignty or sovereignty of another state is decisive to be recognized as an enclave. There were six of them, Hong Kong, Kwang-Chou-Wan, Kwantung, Macau, Qingdao, and Weihaiwei, belonging to various states. They have to be differentiated from treaty ports. These in the most basic form were simply locations where foreigners were allowed to trade and conduct business. There were 49 such cities and towns in 1920 where the Chinese Maritime Customs maintained an office in 1920 (Abbey 2005). These were other cities where foreigners were allowed to own or lease property and conduct business.

Table 6.3 . Enclaves on the Chinese coast.

Enclave	Years of existence	Area, km²	Population, thousand	Main function	Mainland state
Hong Kong	1841(1860, 1898) - 1997	1102	From 7 (1841) to 6,500 (1997)	Port, trade, military base.	Great Britain
Kowloon Walled City	1842-1997(1993)	0.026	0.7 (1898), 50 (1980s)	Residential, services, industry	China
Kwang-Chou-Wan	1898-1949	780	>100.000	Military, trade	France

Kwantung	1895-1945		100 Japanese nationals, substantially more Chinese	Military, trade	(Russia 1895-1905) Japan 1905-1945
Macau	1557-1999	25.4	429 (1998)	Trade, port, and gambling	Portugal
Qingdao	1897-1945		>100.000	Military-strategic	Germany 1897-1914, Japan 1914-1922; 1930-1945
Weihaiwei	1898-1930			Trade, port; initially intended to serve as a military base.	Great Britain

Kwang-Chou-Wan (1898-1949, French) was a small territory on the south coast of China in Guangdong, annexed by France in 1898. France was seeking to counter the growing power of Hong Kong and Macau. Kwang-Chou-Wan consisted of a 300 square mile area (780 km²) surrounding the estuary of the Ma-Tse River, including the town of Lei Chow, which acted as the territory's capital, as well as a number of offshore islands. Following the annexation, a 99-year lease was signed by France and China. In January 1900 Kwang-Chou-Wan was placed under the authority of the governor general of Indochina. Kwang-Chou-Wan was returned to China in 1949 following the Communist victory in the civil war.

Qingdao (1897-1914 German; 1914-1922 Japanese; 1922-1938 Chinese; 1938-1945 Japanese) became a German concession in 1897 under a forced invasion. It served as a German naval base in the Far East. Qingdao extended German influence over the whole of Shandong Province. Japan occupied it in 1914, after declaring war on Germany during World War I. The city reverted to Chinese Guomingdan rule in 1922. Renamed Qingdao in 1930 the city became a special administrative zone of the Republic of China's Government. Japan occupied Qingdao in 1938 with its plans of territorial expansion onto China's coast. After World War II Guomingdan allowed Qingdao to serve as the headquarters of the Western Pacific Fleet of the US Navy. On 2 June 1949, the Communist-led Red Army entered Qingdao.

Kwantung Leased Territory (1895-1905 Russia; 1905-1945 Japan). Russia leased a southern piece of the Liaodong Peninsula in 1895 (contemporary Dalian and Lüshun; Russian Dal'ny and Port Arthur, respectively). Two ports of Dal'ny and Port Arthur were built there as military and trade bases. Due to the Portsmouth Treaty of 1905, Japan replaced Russia as Kwantung leaseholder because of Russo-Japanese war of 1904-05. Approximately 100,000 Japanese nationals lived in the city in 1930. After the foundation of Manchuguo in 1932, Japan arranged for the sovereignty of the leased territory to be transferred from China to Manchuguo. A new lease agreement was contracted between Japan and the puppet government of Manchuguo, and Japan retained the territory apart from the nominally independent Manchuguo until the defeat of the World War II in 1945.

Weihaiwei was a territory (285 square miles/740 km²) leased by Great Britain from 1898 until 1930. In 1898, Great Britain secured a lease of the Weihaiwei coastal region in the Chinese province of Shantung (now Shandong) for a period of 25 years (later extended to 32 years). The leased territory covered the town of Weihaiwei (now Weihai), the island of Liukung and some minor islets. It was divided into two zones: the town of Weihaiwei under a common British-Chinese administration and the rest of the leased territory under exclusive British administration. At first the British intended Weihaiwei to become a major naval base. That is why it was placed under military administration. Later on, as the location proved to be

inadequate, this idea was dropped, and in 1901 the territory was handed over to civilian administrators.

Hong Kong

Table 6.4. Population of Hong Kong, 1841-1997, in thousand

1841	1851	1930	1945	1950
7	31	879	600	2,237
	(1.5 non-Chinese)	(19.5 non-Chinese)		
1960	1970	1980	1990	1997
3,075	3,959	5,063	5,687	6,500

Source: www.geohive.com, Hong Kong's Government website, various sources.

The population's growth in Hong Kong over 156 years of its history under the British rule was remarkable. It reflected the economic and political attractiveness of Hong Kong. The largest influx of migrants was experienced immediately after the World War II, as the population quadrupled within six years. Several thousand of Shanghai merchant and industrial elite who fled from the Communist rule came with the wave. They were pivotal in transforming the colony from a colonial backwater into a light industrial manufacturing base.



Figure 6.11. Hong Kong in the twentieth century.

GDP growth averaged a strong 5% in 1989-1997. The gross domestic product per capita of Hong Kong rose from about 50% of British GDP per capita in 1980 to more than 85% in 1990. It exceeded that of Great Britain in 1992 and remained higher ever since. Hong Kong had also bettered Britain in the expectation of life at birth. After the 1997, Hong Kong experienced two recessions. The general opinion of the economists does not however tie up the recessions to the newly established ties with the People's Republic of China claiming rather that these were the consequences of the Asian financial crisis in 1998 and the global downturn of 2001-2002. Here are some facts from the years preceding the sovereignty transfer illustrating the Hong Kong's success story. Per capita income exceeded \$25,000 in 1995 placing Hong Kong in the top ten countries of the world, on the level of the leading West European countries. It became the

world's sixth highest in terms of household spending power. Life expectancy reached 81 years for women and 75 years for men; infant mortality was as low as five per 1,000 live births. In 1995, Hong Kong, with its six million inhabitants, was:

- the world's busiest container port handling more containers than the whole of Britain;
- the world's eight-largest trading entity in terms of value. Total imports and exports exceed \$250 billion, twice as large as its GDP;
- the world's eleventh-largest exporter of services;
- the world's sixth-largest stock market;
- the world's most expensive business location, topping \$150 per square foot per year – the fact that reflects its business attractiveness;
- Asia's most popular travel destination.

'Hong Kong's saving grace had been rule by an efficient, benign colonial government over a passive people grateful for freedom and the opportunity to make money. China, too, had been on live-and-let-live terms with Hong Kong because its leaders derived enormous economic benefits from the conversion of the barren rock into a veritable gold mine under British administration' (de Mesquita, Newman, Rabushka 1996: 28). Since 1978, more than 75% of the foreign direct investment has come to China from or through Hong Kong. Hong Kong had come to play a vital role in linking PR China to the outside world, in particular in the early period. In the 1960s, the remittances sent by Overseas Chinese to their relatives in the People's Republic were estimated at \$500-600 million yearly, compared with the total value of trade of \$4000 million. Adding up the bill for supplying Hong Kong with water and food, China gained nearly half its hard currency income from the enclave (Yehuda 1996: 23). It was China's principal gateway to the capitalist world: for example, the grain deals with Canada, Australia, and Argentina for the alleviation of the several food shortages during the Great Leap Forward were reached in Hong Kong.

There are two periods in the history of Hong Kong's post-war economic relations with China. The first period when Hong Kong was People's Republic of China's (PRC) primary trade gateway to the world lasted until the 1970s. Over that time, China has been a reliable supplier of foodstuffs and raw materials to Hong Kong, even in the toughest periods of its post-war history. The PRC's leaders stated on many occasion that the supplies for Hong Kong are guaranteed and they held their word. At that time, China would like to maintain a status quo since it benefited of Hong Kong in establishing formal and informal contacts with foreign countries and Taiwan (Lao 1986: 236). Since China adopted an open-door policy in 1978, Hong Kong-China economic relations underwent a drastic change. Although bilateral trade increased rapidly in absolute terms (the trade value grew at average 23% in 1979-1984), it declined in relative terms, as China began to trade actively with countries. In contrast, while remaining an extremely important trade partner, Hong Kong had simultaneously become the main Chinese gateway for investment.

What explains this extraordinary success story? There are two components:

1. The primary component does not have directly to do with the region's enclivity. It is a *laissez-faire* economy that made Hong Kong prosperous. Hong Kong's free trade and low taxes combined with the economic stability, rule of law, sensible finances, geographical location and excellent deep-water harbour served as the basis of the economic success. Hong Kong embodied the American dream - the opportunity for anyone to get rich (de Mesquita, Newman, Rabushka 1996: 26). The state held to the policy of 'positive non-intervention' in the best spirit of the nineteenth century economic theory, and it worked beautifully. Welsh characterizes the free-trade *laissez-faire* economy of the 1960s as 'the Hong Kong school of economics' (1997: 461).

The Hong Kong's miracle of 1950s-1970s is also a classic challenge-response story. The Korean trade embargo with in China in 1950 caused Hong Kong's exports to China to dwindle to historically low levels. This, combined with a massive influx of legal and illegal immigrants

(Cheng 1986: 174) was a compelling reason to search a new specialization. Being totally devoid of natural resources, with the Chinese market being closed, Hong Kong had no option but to develop its own light manufactured goods for export to the West. The combination of its transit function in world trade and light manufacturing, on the one hand, with the 19-century style free-trade laissez-faire economy made the miracle.

2. The second component is of an essentially enclave nature. In the 1950s-70s Hong Kong had become the gates to China, otherwise rather close to trade with the outside world. When the embargo was raised, Hong Kong, due to its location and status as well as the Chinese population, had rapidly become the principal Chinese gateway to the outside world. Up until that time, Hong Kong was no more than an entrepôt for southern China. Even as such, it was overshadowed by Shanghai. Later, in 1980s-1990s, Hong Kong took on the role of the major investment gateway and financial centre.

Why Hong Kong and Macao have been overtaken by China and why had they not been overtaken earlier? It is essential to view the problem in the MES triangle framework. Overall, 'Hong Kong depended on its existence on a series of tacit understandings between Britain and China, Britain and the people of Hong Kong, and between the people of Hong Kong and China. The first of these between Britain and China were the most important as the other two hinged upon it' (Yehuda 1996: 44). In this quote, we see a clear-cut description of the Hong Kong's MES triangle. Yehuda states that the M-S vector was the crucial one, that is, that the relations between the Great Britain and China determined the fate and fortune of Hong Kong throughout all of its existence.

As for the M-E relations, Yehuda characterizes it as a kind of a social contract. Britain, or rather the British administration was to keep the communists out and provide for a stable and free economy. In return, the Hong Kong Chinese were expected not to challenge the authority of the government (Yehuda 1996: 49).

In the beginnings of the Anglo-Chinese negotiations on Hong Kong, the great majority of the enclave population had preferred to stay under the British administration (85% in 1982 compared to 4% who wanted a return to China, although this was a highly vocal minority, particularly among students). It changed drastically in a few years when the draft agreement was ready. There was neither a referendum in Hong Kong, to which China was strictly opposed, nor a democratically elected representative body that could ratify the agreement, so the public opinion was consulted indirectly through a series of polls and opinion surveys after the massive distribution of the Whyte Paper on the agreement. The polls showed wide support for the sovereignty transfer: 79% agreed that sovereignty should be returned to China, and 77% believed that the agreement was the best obtainable under the circumstances (Welsh 1997: 509, 516).

The issue of Hong Kong's future was raised in the beginning of the 1980s. In the post-war period, both the British and Portuguese government understood with full certainty that, had the People's Republic of China wished to obtain the enclaves by military force, it should have succeeded. Let alone the military and considerations, Hong Kong was dependent on China food and water supplies, as well as for effective policing of the border to prevent floods of refugees.

The concept of 'one country two systems' was created for Hong Kong, but with the view of Macao and Taiwan. This factor played its role in assuring the Great Britain that China would respect the Special Administrative Region's (SAR) regime for Hong Kong in order to keep the road open for a potentially likewise resolution of its Taiwan problem.

At no point of the Sino-British negotiations has China allowed an independent participation of Hong Kong as a third party. Any attempts by the British to bring along the Hong Kongers to represent their point of view were immediately dismissed by the Chinese an unacceptable 'three legged stool' (Yahuda, 1966: 14).

The ultimate reason of the transferral is the national unity of both enclaves with the surrounding state, that is, with the People's Republic of China. In both enclaves, the share of Chinese population equalled 95%. Originally, in the first post-war decades, the Chinese population of Hong Kong felt little allegiance to Hong Kong as such, since they still regarded the mainland China's regions as their ancestral home. The situation began to change in the 1970s and 1980s as the migrants' children grew up. They had no other home than Hong Kong. This generation formed the Hong Kong's middle class of professionals. This, combined with a high level of education heavily influenced by the British curriculum and with the rising income, gave rise to the initial processes of the formation of a new – if not nation then at least – identity, which is described as 'Hong Kongers'. From this point of view, the timing of the transferral was perfect for both China and the Great Britain. Had they let another two or three decades pass, a new authentic nation would likely to have emerged. Acknowledging their roots, the people would have not identified themselves with the PRC's Chinese. That would make them a genuine third party in the MES triangle. In fact, simply dismissing the participation of the people of Hong Kong as a 'three-legged stool' became problematic as early as in the late eighties and early nineties as Hong Kong acquired a semi-democratic Legislative Council. The agreement was suspended and at the end another agreement had to be renegotiated between the Great Britain and the PR China in 1995. Both sides, even China, recognised Hong Kong as a party in the process. This was an early sign of Hong Kong's emergence as a true third apex of the Great Britain – Hong Kong – PR China MES triangle. The Sino-British negotiations over the top of Hong Kong's residents sped up the crystallisation of a new identity. In a poll taken in 1982, more than 60 per cent of Hong Kong's residents identified themselves as 'Chinese', and only a third called themselves 'Hong Kongers'. In 1988, less than a third identified themselves as 'Chinese' and nearly two thirds professed a strong sense of belonging to Hong Kong (Lau, Kuan 1988: 178-87).

Another important element that made a peaceful and relatively smooth transition of sovereignty possible was that the Great Britain did not actually want to keep Hong Kong too much⁴². Early in the history of the colony, the British would have been happy to exchange it for hard cash or any other territory on the coast more suitable as a commercial base. Later on, after the First World War, many senior officials in the Foreign Office saw Hong Kong as an impediment to good relations with China, and pressed for the colony to be restored to Chinese rule (Welsh 1993: 6). The history repeated itself at the end of the World War II.

Thus, the fact that the enclave's population was Chinese (and, therefore, coincided with China and not with Britain) was the primary reason why Hong Kong, as well as Macao and other enclaves, was finally transferred back to China. Several factors alleviated the process of peaceful and smooth transition. Among them, first, the relative balance of power and impossibility to hold Hong Kong and Macao contrary to the will of PR China; second, Chinese willingness to negotiate a 50-years transitory period; and, third, general unwillingness of both Portugal and the Great Britain to sustain the rests of its colonial empires.

The variety of political factors explains why the enclaves other than Hong Kong and Macau were returned to China either in the 1930s or right after the World War II. Kwantung and Qingdao returned to China since Japan was the defeated side. Kwang-Chou-Wan was disenclaved as France was getting rid of its colonial empire and was too weak to sustain it anyway.

⁴² ...despite a certain feeling of affection and responsibility. Jeremy Hanley, the junior Minister in John Major' Cabinet, said during the debate on Hong Kong in the House of Commons on 14 November 1996, 'I love Hong Kong. The House loves Hong Kong. We shall always love Hong Kong and look after its interests' (quoted in Welsh 1997: 560). The pathos of the statement is somewhat alleviated by the fact that the debate took place seven and a half months before the sovereignty transfer.

Kowloon Walled City

The Kowloon Walled City was China's tiny enclave in the middle of British Hong Kong for over two centuries. A remarkable entity, Kowloon Walled City had a colourful existence until it was finally torn down in 1993. After the ceding of Hong Kong Island to Britain in 1842, Chinese authorities felt it necessary for them to establish a military-administrative post to sustain some control over the areas, so they built a fort there. The 1898 Peking Convention (which handed additional parts of Hong Kong to Britain for 99 years) excluded the Walled City, with a population of roughly 700, and stated that China could continue to keep troops there, so long as they did not interfere with Britain's temporary rule. Britain quickly went back on this unofficial part of the agreement, attacking Kowloon Walled City in 1899, only to find it deserted. They did nothing with or to the outpost, and the question of Kowloon Walled City's ownership remained unresolved. Technically, it remained a Chinese territory inside Hong Kong, and thus a counter-enclave.

The Walled City remained a curiosity - and a tourist attraction where British colonials and tourists could have a "taste of the old China" - until 1940, when during its World War II occupation of Hong Kong, Japan evicted people from the city, and then demolished much of the city - including the wall - to provide building materials for the nearby aerodrome. After the war, new settlers began to occupy the Walled City, resisting several attempts by Britain to drive them out. The Walled City became a haven for crooks and drug addicts, as the Hong Kong Police had no right to enter the City (and mainland China refused to take care of it). The 1949 foundation of the People's Republic of China added thousands of refugees to the population and by this time Britain had had enough, and simply adopted a 'hands-off' policy. The Triads ruled the Walled City until the mid-1970s, when a 1973-1974 series of over 3,000 police raids occurred in Kowloon. With the Triads' power diminished, a strange sort of synergy blossomed, and the Walled City began to grow almost organically, the square buildings folding up into one another, as thousands of modifications were made, virtually none by architects, until hundreds of square metres were simply a kind of patchwork monolith. Labyrinthine corridors ran through the monolith, some of those being former streets (at the ground level, and often clogged up with trash), and some of those running through upper floors, practically between buildings. The only rules of construction were twofold: electricity had to be provided to avoid fire, and the buildings could be no more than about fourteen stories high (because of the nearby airport). A mere eight municipal pipes somehow provided water to the entire structure (although more could have come from wells). By the early 1980s, Kowloon had an estimated population of 35,000, and by 1993 a population of 50,000 (although these are all estimates, no official census was ever been made)⁴³.

After the Joint Declaration in 1984, China allowed British authorities to demolish the City and resettle its inhabitants. The mutual decision to tear down the walled city was made in 1987. At that time, it had 50,000 inhabitants on 0.026 km². Allegedly, it was the most densely populated spot in the world. It is a park today, called Walled City Park (九龍寨城公園).

Macau

Table 6.5. Macau's post-war population, thousand.

	1950	1960	1970	1980	1990	1998
Macau	205.4	186.1	261.4	255.8	351.8	429.2

⁴³ http://en.wikipedia.org/wiki/Kowloon_Walled_City

Since China was very much weakened in the second half of the nineteenth century, Portugal could secure its ownership of Macau⁴⁴ and make it its *de jure* part in 1887. China declared this agreement void in forty years, in 1928. Since then, the position of China was the same: Macau is the part of China and must return under the Chinese rule. The factual policy was however not so forthright. Although China supported the revolutionaries in Macau in the course of the Cultural Revolution in 1966/67, they did not want to take Macau back when Portugal offered so, feeling itself to be constrained. Even when Portugal offered the sovereignty transfer once again in 1974, this time on the free will, PRC had not consented since the economic benefits of Portuguese Macau were important. Besides, China was cautious on the matter on Hong Kong's and Taiwan's reactions. The bilateral negotiations on the transfer of Macau began in 1979. Initially, Macau was declared the 'Chinese territory under Portuguese administration' and, finally, transferred to PRC in 1999, two years later than Hong Kong.

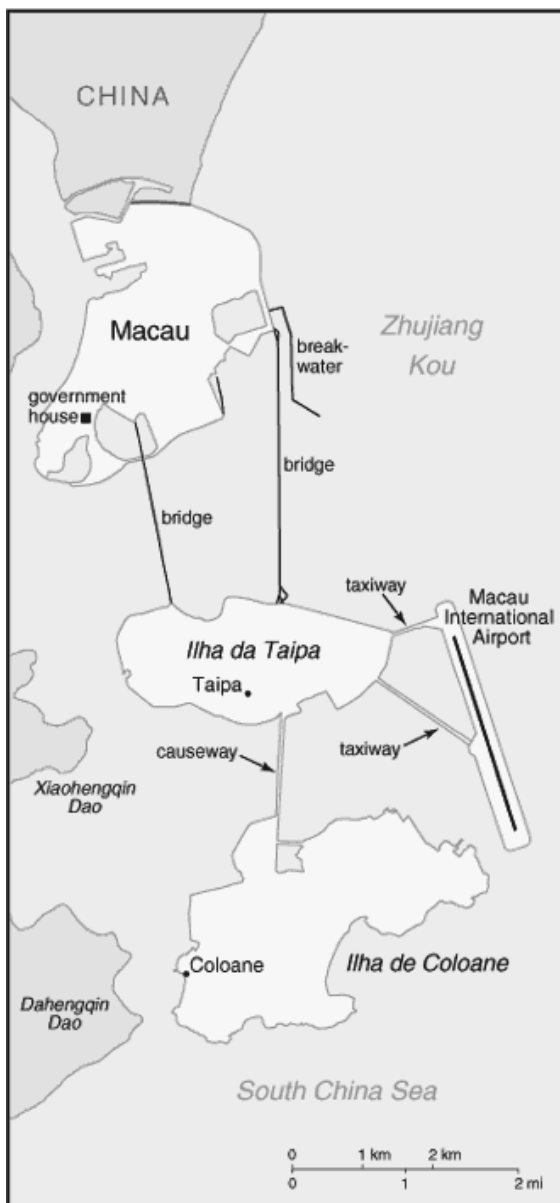


Figure 6.12 . Macau.

⁴⁴ A small notion of terms is necessary at this point. The Chinese name of the enclave is Aomen. I use the name Macau consistently through the text, since this is the name under which the enclave is generally known. Broadly, Macanese refers to all permanent inhabitants of Macau. Narrowly, it refers to an ethnic group in Macau originating from Portuguese descent, usually mixed with Chinese blood.

China had always viewed Macau as the part of the Chinese territory under Portuguese governance. Over the centuries, Macau rendered lease payments to China for its territory. There were numerous attempts – or at least consideration – to absorb Macau. Various reasons stood on the way of such undertaking. Among these reasons there were:

- Macau's economic importance was a decisive reason early in the history. It ceased to be such by nineteenth century.
- In the course of the nineteenth century, China was too weak in comparison with the European colonial powers. Other European exclaves on the Chinese coast emerge.
- Hong Kong was much more important for China than Macau. As China was interested in the economic standing of Hong Kong, especially after 1945, it did not want to create an uncertainty that would necessarily arise from taking over Macau. It peaked during the crisis on 1966/67 when VR China supported the revolutionaries in Macau. The Portuguese threatened with the departure.
- Image consideration of China.

Macau's economy in the last decades of the twentieth century was based largely on tourism (including gambling) and textile manufacturing. Efforts to diversify have spawned other small industries - toys, artificial flowers, and electronics. The tourist sector has accounted for roughly 25% of GDP, and the clothing industry has provided about 60 per cent of export earnings; the gambling industry probably represents over 40% of GDP. The textile industry had begun to dominate Macau's industry by 1960s. Besides, in the course of the centuries, transit trade played an important role.

Macau is the one of the most export-oriented economies of the world. 30 to 40 per cent of all exports of goods and services fall on the services provided for tourists coming to Macau. Tourism accounts for 25 per cent of GDP. Together with 40 per cent of GDP coming from the gambling industry (which exists due to tourists), they make some 60 per cent of the enclave's GDP. The rest is made up of the export-oriented trade, which is also partly based on the policies supporting the great openness of the economy.

Macau has the long traditions of gambling. They strengthened from the 1960s onward benefiting from the flow of tourists from Hong Kong. It allows calling Macau "Monaco of the East". The history of gambling and casinos shows dependency of the development in the mainland China. The Macau's gambling industry was subject to a severe crisis in 1966 caused by the Chinese Cultural Revolution. On the other hand, it received positive impulses in the beginning of the 1980s from the gradual opening of the People's Republic as both the number of tourists visiting Macau in connection with a further China's trip and the number of business travellers had increased dramatically.

Small border trade was also important. For example, 8.965 thousand persons moving to Macau were registered on the border in 1987 (Ptak, Haberzettl 1990: 105). Compared with 434 thousand residents for this year, it makes the ratio of more than 20:1 only on the arrival side. The most of these persons are the small traders shuttling across the border and making their living. The small trade tended to play an important role in supporting the livelihood of the border population (Chinese) and represented a source of income for Macau.

Macau heavily depended on China for its survival and economic prosperity. The surrounding state possessed powerful instruments with which it can easily apply pressure on the enclave. The Chinese recognized this situation early in the seventeenth century, as an official governing the adjoining province said: 'the Macau's inhabitants depend on us for their daily rations. Should they have a single malicious thought, we can put a knife on their throats in no time' (Ptak, Haberzettl 1990: 13). Macau's dependence on China was multifaceted:

1. Electricity. Macao was dependent on PR China on electricity supplies that started in 1982. Energy imports from China accounted for 25-30 per cent of the consumption in the 1990s.

2. Water. Imports of tapping water began in 1960 covering approximately 50 per cent of consumption in 1980s-1990s.

3. Food supplies. Although China was Macao's fourth trade partner overall (after the EU, Hong Kong, and the U.S.), it was the principal supplier of foodstuffs.

4. Gambling. The history of gambling and casinos shows dependency of the development in the mainland China. Macao's gambling industry was subject to a severe crisis in 1966 caused by the Chinese culture revolution. On the other hand, it received positive impulses in the beginning of the 1980s from the gradual opening of the People's Republic as both the number of tourists visiting Macao in connection with a further China's trip and the number of business travellers had increased dramatically (Ptak, Habertzettl 1990: 94).

We observe a heavy dependency of Macao on PR China throughout the centuries in general and at the end of the twentieth century in particular. On the contrary, the dependence on the mainland had almost disappeared in the 1960s and 1970s. While Portugal served as the principal export market in the years before, the breaking point falls on the beginning of the 1970s when the share of Portugal has dwindled to the point of negligence in favour of the EU, USA, and Hong Kong.

Table 6.6. Macau's exports, in per cent, 1960-1985

	1960	1965	1970	1975	1980	1985	1990	1995
Portugal	50.7	29.8	29.3	6.3	3.1	0.5	x	x
PR China	0.2	0.1	0.1	0.1	0.2	6.7	x	9.9
EU, total	0.5	18.1	34.5	49.4	54.2	31.3	x	31.7
USA	7.9	11.1	8.7	11.1	19.6	32.4	33	42.1
Hong Kong	37.2	27.4	17.9	10.1	12.5	18.2	15	10.0

Sources: Ptak, Habertzettl 1990: 129; CIA World Factbook, various years.

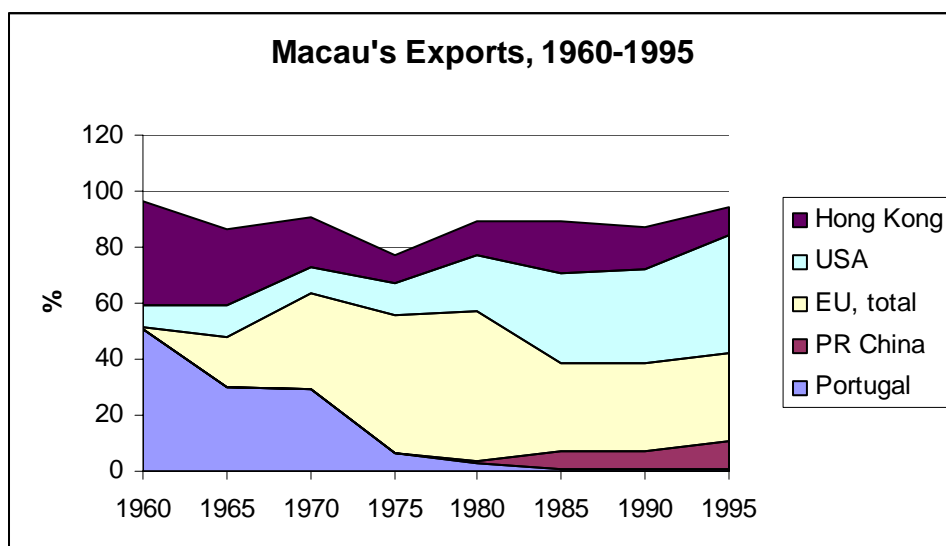


Figure 6.13. Macau's export partners, 1960-1995.

As Portugal had lost its meaning by 1970, the EU, USA, and Hong Kong became the most important export markets for Macao. China, while being the major source of imports, began to play a noticeable role as an export market only in the 1980s.

One of the reasons of Macao's fast economic growth and relative economic prosperity was its liberal economic regime. The enclave possesses a special legislation of taxes and customs

duties as well as special legislation for the bank industry. Macau's currency, Pataca, was separated from the Portuguese Escudo, and tied up to the Hong Kong dollar. Besides, Macau was included in the GSP's schemes of both the EU and U.S. This artificially created preference helped the exports grow. However, the uncertainty stemming from vague relations with China had burdened the economic development until the end of 1980s. The enclave's economy began to boom only after the normalization of relations with the surrounding state. The development of Zhuhai economic zone bordering Macau had a positive impact on the economic contacts, investment and trade. The normalization of relations had made it possible to start several grand infrastructure projects: land embankments, an airport, and the improvement of port facilities⁴⁵.

Macau adds up to the picture of the conditions for industrial location in the enclaves. The industries in Macau prospered only based on preferences in comparison with China and Hong Kong. These preferences (GSPs of the EU and USA) were used by enterprises from both Hong Kong and PR China to enter the markets that were otherwise closed for them. No wonder the textile production developed in the enclave. We observe the same situation in those enclaves where this or that industry developed over time. To begin with, such enclaves are not many – due to the objective reasons of the insufficiency of local markets, customs barriers, and long transport routes. Nevertheless, if there is an industry, it always exists on preferences.

'The Republic of Schirgiswalde'

Schirgiswalde was a Bohemian enclave of Austria in Saxony. It was just one of the innumerable medieval enclaves from 1635 until 1845. It would not deserve attention had it not been for a remarkable page of its history that began in 1809 and ended in 1845. My primary source for Schirgiswalde is a dissertation by Rolf Vieweg (1999). This is an exciting and careful study of an exciting case, written by an 80 years old man. Rolf Vieweg could not continue his studies in his twenties because of the war and hard work in the decades after the war. Thus, this dissertation could well have been written half of a century before.

Schirgiswalde and further five smaller enclaves around it emerged in 1635 through the Peace Treaty of Prague, according to which Ober- and Niederlausitz were ceded by Ferdinand II of Austria to Saxony. Several enclaves remained, though, because of the religious affiliation with Austria. Their inhabitants were Catholics, unlike the predominantly Protestant Saxonians. Such territorial decision was all but normal at that time, especially in Germany. The Peace Treaty of Vienna of 14 October 1809 was called upon to resolve the emerging problems, as the states in their modern national form began to consolidate. It determined the cession of the enclaves from Austria to Saxony. The following enclaves were concerned: Güntersdorf, Gerlachsheim, Winkel, Taubentränke (named Taubentraube in the agreement), Neuleutersdorf (named Lenkersdorf in the agreement), and Schirgiswalde, which was the largest one of them. In fact, it was nothing but a modest enclave clean-up. Immediately following the conclusion of the treaty, Austria symbolically transferred Schirgiswalde to Saxony. The actual transfer did not happen, though, because it depended on the final solution for all concerned territories. The interregnum stretched for 36 years. One of the reasons for the procrastination was mistakes made in the treaty as regards the names of the enclaved villages.

The interregnum was so long because, among other reasons, of the wrong names of the villages used in the Treaty. More important was, however, an apparent disinterestedness of Austria in the final settlement of the issue, as the advantage laid on the side of Saxony. Austria insisted on the insufficiency of the mere land exchange and demanded a fair compensation for the valuable land. After all, it was now all in Saxony's interest to complete the land exchange and to get rid of the enclaves. Austria had already forgotten about them for all practical reasons of governing. Nor had Saxony taken any care of the enclaves, so the latter were on their own.

45 More on the land embankments and related infrastructure projects, see Ptak and Haberzettl (1990: 33-48).

36 years of lacking governance could not pass without economic and political consequences for Schirgiswalde and smaller villages. Vieweg notes that Schirgiswalde was a *de facto* independent republic at that time (1999: 157-160). The residents of the community elected a council of 20 men, who in their turn elected a chairman. The competence of the council stretched to virtually all domains of the town's life. It also concluded agreements with Saxony. Furthermore, the council designated the court that pronounced judgements according to the order of the parish St. Petri in Budissin (today Bautzen, Saxony), to which Schirgiswalde belonged. Thus, the Saxonian legislation guided the decisions pronounced by the court. Nevertheless, as the law enforcement was lacking, Schirgiswalde itself chose the scope of its application. This flexible approach allowed, for instance, smuggling in grand style or the domicile of robbers in the enclave. Despite that, Schirgiswalde itself was quite safe as the robbers preferred not to spoil their own nest.

On the economic side, these were 36 years of swinging up and down on the Russian mountains. The town swang from prosperity to the state of an economic crisis due to the external reasons, which did not depend to the slightest degree on the enclave and its residents as such. To begin with, the Schirgiswalders learnt to exploit the advantages of their enclave status. This first period lasted from 1809 until 1934. The Schirgiswalders were quite inventive in getting economic benefits out of the nebulous situation. Firstly, the enclave dwellers paid only local taxes and no state taxes, as it was not clear to whom to pay and, in any case, there was no enforcement. Secondly, Schirgiswalde was free of the obligation to supply any state with recruits. Moreover, its residents earned additional money by hosting young men from the nearby Saxonian villages and towns helping them to avoid being drawn. Thirdly, Schirgiswalde acted as an important place of collection for the Bohemian lotto, very popular albeit prohibited among Saxonians and Prussians. Fourthly, and most importantly, enclave dwellers conducted smuggling on a grand scale. The goods could be brought to Schirgiswalde free of customs duties. Then, they were transported into another state through the forests that surrounded the town. No Saxonian customs control existed around the enclave since it had been "officially" transferred. The smuggling went in both directions, but largely from Saxony to Austria, only three kilometres away from Schirgiswalde. The incoming goods, nicely named "*Transitgut*" (transit goods), had to be stored in the town on arrival before being transported further through the forest to their final destinations. The houses, the yards, and the town's market had thus looked as though Schirgiswalde was a constant trade fair. This lively and prosperous look let people baptize the town as 'Klein-Leipzig', or Little Leipzig, since the latter was the largest trade fair city in the region.

This period of great, although somewhat unlawful, prosperity ended abruptly in 1836. As Saxony became member of the German Customs Union, the connections to Austria (to which Saxony earlier belonged) were interrupted. Customs border enforcement had become rigid. As the enclave dwellers attempted to continue smuggling for some time, several men were shot down by the border guards. To avoid the situation of a complete economic isolation, both from Saxony and Austria, the Council of Schirgiswalde had officially asked Saxony to join the Customs Union. An agreement was concluded between the enclave and Saxony, according to which the former became part of the Customs Union as of 1 January 1835. The enclave economy had to reorient itself at once to Saxony and Prussia. The prosperity ended and was replaced by decay, as the economic challenge was all too large. The situation in the five smaller enclave villages, which could not join the Customs Union, was much worse than in Schirgiswalde. The want was critical since they were now fully surrounded by the border with customs controls and duties to be paid. They found themselves in the complete economic isolation. Apart of farming, the largest occupation in the villages was weaving for Saxonian manufacturers and merchants. With duties to be paid, weaving had become at once economically unjustified. The enclave villages petitioned the Saxonian government repeatedly

on the matter but the problem was resolved only in nine years when all enclaves were integrated properly into Saxony.

East Prussia as a German exclave, 1920-1939

Kaliningrad, a Russian exclave from 1991 onward, had East Prussia, a German exclave from 1920 until 1939, as its predecessor at the same land. Despite belonging to different states and being separated by more than 50 years, both exclaves show a remarkably good deal of similarities in the issues related to economic development and relations with the mainland. The East Prussian example demonstrates the inherited disadvantages of an exclave status regardless of belongingness and time

One of President Woodrow Wilson “14 points” had to do with the Polish state. The article favoured the creation of an independent Polish state made up of all regions with the majority of Polish inhabitants. The to-be-created state was to be provided with access to the Baltic Sea. The Treaty of Versailles was signed on the 4 October 1919 and came into force on the 10 January 1920.



Figure 6.14. East Prussia and the Polish corridor, 1920-1939.

According to the Treaty, East Prussia was reduced to 40.000 km² and 2.3 mln. inhabitants. The territory that formed the Polish Corridor had 16.000 km² and one million inhabitants. The Corridor was 30 to 90 km wide. While providing with access to the Baltic Sea, it was problematic for East Prussia. The movement of goods and people between the mainland and the exclave was relatively constrained. Exactly as in the case of West Berlin, the trains could be used only for transit. To ensure their exclusive transit usage, the train cars were sealed up by

the customs authorities. Poland was obligated under the Versailles Treaty to provide the possibility for railway travelling from Germany to East Prussia (as well as telegraph and radio connection). The Paris Treaty of 21 April 1921 contained rules that were more concrete. The movement of people and goods was realized on the Polish railways without passport and customs control. However, there were no comparable rules for the car traffic. People who chose to travel by car were obliged to be in possession of a Polish visa. The goods being transported by car were fully subjected to customs duties (Gornig 1995: 66). Car transit was possible only on certain transit routes.

The issue of the Polish Corridor was brought up by Nazi Germany in 1938. One of the demands was the erection of an extraterritorial highway from Germany to East Prussia via the Corridor. The conflict over the corridor was then used as an excuse to attack Poland in 1939. Westerplatte where the German troops landed on 1 September was in fact on the corridor's territory⁴⁶.

East Prussia's enthusiastic NSDAP vote in 1933 can be explained by the deep concern about the future of the land. Separated from the mainland by the Polish corridor on the west, the East Prussians had the communistic Soviet Union as their untrusted neighbour on the east. Indeed, they had things to worry, and they voted for the Hitler's party hoping for better security. It is the irony of fate that what they got at the end had exceeded their worst night dreams. The East Prussians lost their land. Many people died, and the rest became vagabonds searching for a new place to live.

According to Boockmann (1992: 403), it is difficult to estimate qualitatively and quantitatively the limits of restrictions and difficulties stemming from the enclave position of East Prussia. On the one hand, the historical archives provide us with a stream of statistics and pamphlets presenting a rather grey picture. On the other hand, it became one of the tools employed by East Prussia to motivate the mainland for larger subventions for its exclave. Besides subventions, Germany took several other actions to compensate the drawbacks of exclavity. For example, the cargo tariffs as well as post tariffs for East Prussia were reduced. Let us have a look on a trustworthy comparative data showing East Prussia's economic stand in comparison with other German regions.

Table 6.7. Incomes per capita in German regions, in per cent to the German average

Region	1913	1928	1936	1913/1936
East in total:	101	102	102	+1
Berlin-Brandenburg	138	132	136	-2
Pommern	75	78	82	+7
Ostpreußen	64	69	73	+9
Posen/Westpreußen	62	71	66	+4
Schlesien	79	84	76	-3
Other regions:				
Königreich Sachsen	117	120	108	-9
Westfalen	96	91	89	-7
Schleswig-Holstein	100	98	101	+1

Source: Petzina D. (ed.) (1978) Sozialgeschichtliches Arbeitbuch 3: 79. Quoted from Boockmann (1992: 404).

East Prussia had always been one of the least developed German provinces. So it remained throughout the exclave years. The personal incomes of the East Prussian residents were much lower than the German average, being in the range of 64 and 73 per cent. Only one region,

⁴⁶ Interestingly enough, the transit regulations for East Prussia, established by the Versailles Treaty, despite being harsh, were nevertheless more liberal than the current transit rules for Kaliningrad.

West Prussia, was at a comparably low level. This considerable gap indicates that East Prussia was a remote province not only geographically but also economically. At the same time, it follows from the table that, despite East Prussia's income being well below the German average, the situation did not worsen during the two exclave decades. On the contrary, the region showed the highest rate of relative improvement among all regions of Germany rising from 64 per cent in 1913 to 69 per cent in 1928 and 73 per cent in 1928.

There were six important external circumstances defining the economic development of Ostpreussen in 1919-1939.

1. Changes in the European economic situation after the World War I. Disruption of trade and the loss of Russia as the historically most important trade partner for East Prussia.

2. Germany's territorial losses, above all, loss of Westpreussen and Posen, ignited further losses of the important markets for East Prussia.

3. Separation from the mainland by the Polish Corridor.

4. Assistance program for East Prussia conducted by the mainland (*Ostpreussenprogramm*).

5. World economic crisis, 1929-1933.

6. The NSDAP rule since 1933.

Only two out of these six factors, the separation from the mainland and the assistance program, are exclave-related ones. First, the separation from the German mainland by the Polish Corridor complicated an economic interaction with the rest of Germany and raised the transport and communication costs. Second, the assistance program launched as soon as 1922 was caused partly by the exclave location of Ostpreussen and partly by the fact that the region generally lagged behind the German average.

The East Prussian Program started in 1922. Within the following decade, the program targeted at establishing industries and promoting trade. The main problem was however agriculture. Up until the First World War, East Prussia was a predominantly agrarian province, although the industry had risen quickly in the decades preceding 1914, much due to the fast development of the transport infrastructure and East-West trade. East Prussia was considered the German granary. The state and efficiency of the agriculture was exemplary⁴⁷. However, the province's detachness from the mainland as well as the loss of the principal markets (notable West Prussia) made the regional agriculture uncompetitive.

The economic meaning of East Prussia within the German Reich remained modest. In 1936, the net production value made up 350.2 mln. German marks, or about 1.2 per cent of the German total production. The East Prussian economy was not export-oriented. Exports in the same years were just 16.9 mln. marks, or 0.4 per cent of the German total exports. In addition, these insignificant exports were clearly dominated by one single industry that produced paper, paperboard, cellulose and wood. This industry exported goods with 12.1 mln. marks of value, making up 71.9 per cent of Ostpreussen's exports. What were the reasons for the predominant orientation at the German internal markets despite longer transport routes? There were external and internal reasons. On the one hand, the rising protectionism in the world economy in 1920s-1930s did not encourage exports. In addition, the formerly most important trade partner of Ostpreussen, Russia, was undergoing the period of economic and trade autarky. Besides, another formerly important market of Westpreussen and Posen had become the part of Polish territory, which naturally caused the deterioration of the trade regime. On the other hand, the state economic policy with a comprehensive assistance program and subventions promoted the economic connections with the mainland. Such measures as reduced cargo and post tariffs weakened the negative impact of the exclave's detachment.

To make a conclusion, it seems that the exclavity of East Prussia in 1919-1939 was an important factor of economic development standing behind the changing economic

⁴⁷ Even after the damages incurred by the war, the Soviet settlers coming over to Königsberg/Kaliningrad from 1945 onward, were hugely impressed by the sophisticated and highly efficient drainage systems.

specialization. East Prussian exclave, together with the German and international political and economic background, shaped the provincial economy during the two inter-war decades.

West Berlin: all free men of the world as citizens of the enclave

West Berlin was the name given to the western part of Berlin between 1949 and 1990. However, it is justified to trace the existence of the exclave back to 1945 when the city was divided into four occupation zones. West Berlin consisted of the American, British and French allied sectors and had approximately 2.2 millions inhabitants. The Soviet sector became the part of East Germany.

West Berlin was surrounded by the Soviet sector and later by GDR and so was a true enclave, although of an unconventional international status. The total length of the border around West Berlin was 160.5 km. 45.9 of it fell on the border with East Berlin and 114.6 km on the border with Brandenburg.

On 13 August 1961, the East German government built the Berlin Wall, thus physically closing off West Berlin from East Germany. It was still possible to travel from West Berlin to West Germany only. On 26 June 1963, J.F. Kennedy visited West Berlin and gave a public speech known for its famous phrase "Ich bin ein Berliner". According to Kennedy, the proudest boast possible was to assert oneself as a Berliner. "All free men, wherever they may live, are citizens of Berlin, and, therefore, as a free man, I take pride in the words "Ich bin ein Berliner!" Thus, according to Kennedy, all free men of the world were at that time the citizens of the enclave. On 3 October 1990, West Germany and East Germany were united, thus formally ending the existence of West Berlin.

West Berlin had a multitude of names and nicknames in 1945-1990: Front City, Free City, Island Berlin, separated city, four sectors city, political entity West Berlin, the *cities* Berlin, a place of incidents, and a seismograph⁴⁸. The nicknames show the public perception of the complexity of politics in and around the enclave. The latter one – a 'seismograph' – had a clear connotation to the vulnerability of West Berlin and to its feature of reacting to even the minor tensions of Cold War.

West Berlin possessed a special political and economic status. Although it was de facto part of West Germany, it was considered neither a *Bundesland* nor a part of one. The Constitution of the FRG had no immediate application there. Instead, it was administered by the West Berlin Senate, given its authority by the occupying forces. The FRG laws adopted by the Bundestag did not have a direct effect in the exclave. Instead, the Berlin parliament (*Abgeordnetenhaus*) had to give power to the federal laws in order to put them into effect. The West Berlin parliamentarians did not have a seat in the Bundestag because, although West Berliners were citizens of the Federal Republic, they were not eligible to vote in federal elections. Instead, they were indirectly represented in the Bundestag by 20 non-voting delegates chosen by the West Berlin House of Representatives. Similarly, the West Berlin Senate sent non-voting delegates to the Bundesrat.

Other specifics included the exemption of West Berlin men from military service, a ban on Lufthansa flights to the city, and a West Berlin postal administration, separate from West Germany's, which issued its own postage stamps until 1990.

West Berlin's economy

48 *Frontstadt, freie Stadt, Insel Berlin, geteilte Stadt, Viersektorenstadt, politische Einheit Westberlin, Schaufenster der freien Welt, Agentennest, die Städte Berlin, ein Ort für Zufälle, ein Horchposten für seismographische Veränderungen.* Hörning (1992: viii).

Berlin was the world's biggest industrial agglomeration for electrotechnics and machine building before the WWII. The leading position was lost after the war. The following factors were instrumental:

1. Losses of the war meant less qualified work force available in Berlin. As the city was divided into two parts, the conditions for work migration deteriorated throughout the whole period before 1961 and stopped altogether after the Wall was built. Furthermore, the qualified workers had relocated to West Germany striving for more security and higher wages.

2. Reparations, especially the Soviet disassembling of Berlin factories in May-July 1945, before the city was divided into four zones.

3. The division of Berlin into two parts had effectively split up the industrial agglomeration.

4. An enclave-specific factor of increased uncertainty. Despite preferences and subventions for production in the enclave, the uncertainty prevented western companies from including West Berlin into their production chains.

5. Another enclave-specific factor was higher transport and energy costs. The problem of transit was destined to stay high on the daily economic agenda. The transit represented a difficult economic problem because of the two principal reasons. First, the distances added to the end costs of production through the costs of supplies with raw materials and semi-finished goods and through the costs of delivering the end production to the market. Secondly, the transit was not secured in the long run as the risks of future impediments remained. Finally yet importantly, energy had to be supplied from West Germany. It was therefore more expensive than energy consumed by enterprises in the mainland.

The blockade of 1948/49 builds a separate page in the economic history of the enclave. The systematical impediments to cargo transit began in April 1948 and were followed by the full blockade on land and waterways on the 24 June. The blockade remained until 12 May 1949, ten and a half months in total. A realization of the blockade by the Soviet Union was possible because of the enclavity of West Berlin; it could not have been possible otherwise. The supplies with electricity and gas from the Soviet sector were stopped, too. The Allies had reached a remarkable achievement having set up the '*Luftbrücke*', the air bridge to the West. Nevertheless, the demand of West Berlin could be satisfied only partially. The main objectives were naturally covering the needs of the Allies themselves (the American, British, and French military garrisons) and the needs of the population. Even coal had to be brought by air. It is obvious that the demands of the industry did not have priority in the supplies through the air bridge. Despite the preliminary efforts to build up stocks of raw materials and semi-finished goods, the enterprises of the enclaves were in deep crisis. According to the statistics of the City of Berlin, the industrial production fell by one third within the first months of the blockade. The production fell by 45.4 per cent within the whole period from May 1948 to May 1949. The employment fell however by 15 per cent. Thus, the blockade led to the severe drop of labour productivity (Bähr 2001: 105). The politics of the city and of the enterprises was to keep qualified workers at all costs. The working time pro worker was shortened down to 40 hours a week, and the city looked for any ways to even create new jobs. The reason behind it was to preserve the human capital, which was seen as the principal capital for the Berlin-based industries. A year later, the blockade was lifted. The Soviet attempt to suffocate the enclave had fallen through.

The lobbying force of Berlin-based industries had risen strongly. The '*Industrieausschuß*' developed itself as the leading organisation uniting West Berlin industries. One of the consequences of the blockade was the structural change. It was clear that the large companies could overcome the blockade better than the medium and small ones. A report of the US

military management confirmed in 1949: 'The blockade has proved that the large plants and industries are favoured more and thus affected less in time of crisis'⁴⁹.

The blockade was the most important background factor behind the new politics on behalf of West Berlin, which was formulated and implemented by the Allies and the newly established Federal Republic of Germany. Above all, it became clear to all sides that the West is going to keep West Berlin at all costs. The economic policy toward West Berlin over the 40 years following the blockade crisis was firmly based upon this paradigm.

During the blockade, West Berlin represented a unique currency area (from June 1948 until March 1949). Both West and East currency were accepted as official currencies in the enclave.

The blockade, the currency reform, and the establishment of both FRG and GDR outlined the framework for the enclave economy. A difficult adjustment crisis followed in 1949/50. As trade and economic connections with East Germany proved to have no firm prospects, there was no alternative to integration with the economy of West Germany. However, the enclave was separated from the mainland by 165-340 km of East German territory. The problem of transit was destined to stay high on the daily economic agenda. The transit represented a difficult economic problem because of three principal reasons. To begin with, the distances added to the end costs of production through the costs of supplies with raw materials and semi-finished goods and through the costs of delivering the end production to the market. Secondly, the transit was not secured in the long run as the risks of future impediments remained. Finally, energy had to be supplied from West Germany. It was more expensive than energy consumed by enterprises in the mainland. The consequence of this was the permanent feeling of the uncertainty of the framework conditions. It represented a serious impediment to any large investments in the enclave.

The turn-around was reached with the assistance of the Long-Term Plan that represented a specifically designed part of Marshall Plan. The problem was in the lack of sources for the large-scale investments. The investments demands were estimated to be as high as 0.9-1.0 billion DM (Bähr 2001: 160). At the same time, neither the Berlin's enterprises themselves nor the city were able to bring up large sums. Even the operating capital needed for everyday business activities was lacking. Theoretically, the money could have come from West German private institutions. In praxis, however, it was prevented by the pure risk calculation.

The European Recovery Program (ERP) took therefore the leading role in the financing of the West Berlin's economic recovery. The structural setting of the program for West Berlin did not coincide with the one for the rest of FRG. The enclave was seen as the structurally and substantially weakened economic region that was due to objective reasons (enclavity, political uncertainty, severe losses and reparations after the war, the blockade) not competitive even on the internal German market, let alone the world markets. The political component of the program was strong. The employment was set as the primary goal. Consequently, the loans and subventions were provided according to the expected effect of raising employment numbers. It made a difference with the strategy employed in FRG where the ERPs financing was primarily used for the reconstruction of the infrastructure (roads, energy) and of some problematic sectors such as coal mining. The following means were employed:

- investment loans;
- operating capital provided;
- acquisitions of capital shares;
- procurement orders placed at West Berlin enterprises;
- the reconstruction program supported the construction works in the city.

The total sum of the ERP investment loans ran up to 0.94 billion DM and, therefore, corresponded quite exactly to the planned demands of the Berlin economy. 71 per cent of the

49 Office of Military Government for Germany (US) (1949) Special Report, p.II/4, LAB, Report 10, ACC. 4253/801.

total investments (compared with 33.9 per cent of the West German total) flowed into the industry. Most of the financing was absorbed by large enterprises.

The primary goal of the ERP program was reached. The unemployment went down rapidly. The local industries managed to integrate with the West German economy. 75 per cent of the production of electronics was sold at the West German markets already by 1953. Exports accounted for more than 15 per cent in the electronics and 32.3 per cent in the machine building which corresponded to the pre-war level (Bähr 2001: 170-173).

The ERP financed loans had also an economically and politically important psychological effect. They demonstrated that the West was not going to give up West Berlin.

As most of the financing of the ERP program was absorbed by the large enterprises, the structure of the Berlin economy was stabilized for the next decades. It possessed two important characteristics: first, the dominance of large companies and, second, concentration of the production of investment goods. Such structure, together with the direct enclave-specific factors, can be viewed as the reasons for the stagnation of the 1960s-1970s as the world economy had changed, investment goods had lost their primary character, and the lack of small and medium enterprises had a negative impact of the innovation capacities of Berlin industries. Gradually Berlin lost its character as an industrial centre of electrotechnics and mechanics. In the 1960s and 1970s, the whole industries left the enclave. West Berlin had become the city of public service, education, and services.

Since the split city of Berlin consisted of two parts, it provides the economic science with the lab-like conditions of an economic experiment. It is interesting to compare the developments of industries in East and West Berlin. Such a comparison was made by Johannes Bähr (2001) for electrotechnics and machine-building industries – two former locomotives of Berlin economy. The general conclusion was that, while East Berlin shared common crisis tendencies of the East German economy, the development in West Berlin differentiated profoundly from the rest of West Germany. It was rather caused by the enclave specific developments and specific drawbacks of industry location.

Being surrounded by East Germany, the state with another economic system and in the state of cold war with West Berlin's mainland, the enclave had integrated its economy with West Germany. The old economic connections with Brandenburg, Sachsen, Thüringen etc. were cut. The logic of the vicious circle led to the increased vulnerability of West Berlin. As the demand for investment goods and in other important industries such as confectionary went down, the drawbacks of West Berlin location were made much more visible⁵⁰.

West Berlin had cost the mainland billions. The "*BERLIN-Hilfe*" summed up to more than 100 billion DM over 40 years. The money was spent for the economic assistance, transit, and military and security measures.

1. Economy:

- Special tax regime.
- Loans for enterprises and other types of economic promotion.
- Direct subventions and other preferences.

It was common for the enterprises (from West Germany) to exploit the preferential regime. To do this, a small part of the production process was stationed in the enclave in order to take advantage of the subventions. After the construction of the Wall in 1961, the FRG introduced further measures aimed supporting West-Berlin economy. First, tax-free 10 per cent subvention was provided for acquisitions of new movable investments goods. Second, Berlin-loan supported private capital formation through preferences for income tax given to loan providers. Third, low-percentage loans through specialized banks for economic investments. Fourth, income tax and wage tax preferences as an incentive of labour migration and family establishments in West Berlin. Fifth, accounting rules allowed writing off up to 75 per cent of construction costs for new buildings within three years (Jeschonnek, Riedel, Durie 2002: 113-

50 Arnold (2001: 46).

114). Sixth, the wage bonuses were introduced for West-Berlin workers that were conversationally named the “trembling bonuses”⁵¹. These measures helped overcome the crisis of 1961 by 1963. However, the objective drawbacks of industry location led to a new recession in 1966.

2. Transit West Berlin to the mainland FRG cost the mainland the total of approximately 10 billion DM. This huge sum was composed of the three components. First, the FRG effectuated an annual transit payment (lump sum) to GDR. Second, the mainland invested about 2.4 billion DM into transit improvement, in particular into highways, railways, and waterways on the territory on GDR. One of the most well known investments were 1.2 billion DM spent for the construction of the highway Berlin-Hamburg. Third, the air tickets were subsidized with 110 mln. DM per year.

3. Expenses for the military and security measures, composed of the expenses for defence purposes, for maintaining the stock reserves in the enclave (food stuffs, coal, etc.), and the costs incurred by the Blockage of 1948-49.

Despite all efforts to support Berlin and its economy, the wages and life standards of West Berliners lied below the West German average. The following comparison of the wages in two primary industries, electrical engineering and machine building, can illustrate the point.

Table 6.7. Average gross weekly wages in West Berlin and FRG throughout the 1960s, in DM.

Industry	Year	FRG average	West Berlin
Electrical engineering	1960	109	101
	1965	165	152
	1969	210	197
Machine-building	1960	129	125
	1965	198	179
	1969	256	233

Source: Statistisches Jahrbuch für die Bundesrepublik, Jg. 1961-1970, cited in Bähr (2001: 216).

The city communal services reflect the strive for autonomy:

- Gas. Autonomous production was supplemented by the pipelines from West Germany and Czechoslovakia since the 1960s. A gasholder with 645 mln. cubic meter capacity was constructed.

- Autonomous supplies of water. One district was supplied with water from GDR.

- Water utilization. Cooperation of West Berlin and GDR notwithstanding the political climate. Waters were sent to East Berlin and Brandenburg.

- Garbage utilization was autonomous until 1980s, only then a part of garbage was disposed to GDR.

- Stock supplies. The stock supplies were paid very serious attention in West Berlin, especially after the blockade. The stocks were held at an extremely high level of one-year supplies. The level was lowered only in 1980s down to six months, whereas coal reserves remained at the level of one year. The stock supervision and management cost 100 million DM per year, paid by the federal budget (Jeschonnek, Riedel, Durie 2002: 111).

West Berlin’s neurotic and cocky society

The Berlin islanders had a neurotic and cocky society (Delius, Lapp 1999: 36). Uwe Timm, on of the leading German writers of the 68-generation, describes the West Berlin society by the

51 ‘Zitterprämie’. Arnold (2001: 45).

voice of one of his heroes as a ‘settling for all outsiders and other freaks. A social biotope behind the stone wall, under guarding’ (Timm 1998).

The main reason was the constant feeling of insecurity and people’s experiences with the hostile DDR surrounding. The state of being locked in – like in a prison – was the factor, too. As West Berlin was a city enclave, with almost no nature within the borders, the West Berliners had lacked a communication with nature. Especially the older people missed the times when they could simply take a ride out of the city on a weekend. Generally, the people sensed the loss of the freedom of movement, and it was a painful feeling for them, a loss indeed. The Berlin camping-lovers had to cross GDR through one of the corridors first in order to “reach the nature”.

The residents of Berlin experienced on the trips to the mainland that they were not perceived as the inhabitants of the capital any more but rather as a social, economic and political problem. It was demonstrated also in such public actions as post stamps action “Donation for Berlin” (Hörning 1992: 93).

Enclaves around and in West Berlin

The enclaves were administratively the part of Berlin since 1920. They were located north-west and south-west from the city. As Berlin was divided between the allied states in 1945, these small parcels were automatically assigned to the three Western sectors. Thus, this is a standard case of the transformation of subnational enclaves to international one.

There were the following eleven enclaves surrounded by East Germany:

1. Steinstücken (12.67 ha, 190 inhabitants by the 1970s, declining from 500 in 1951) had the largest population among the twelve.
2. Finkenkrug (3.45 ha) in the community Falkensee.
- 3-4. Fichtenwiese (3.51 ha) and Erlengrund (0.51 ha) were located just several meters away from the West-Berlin border. They were used by Berliners as garden areas. There were some 35 garden houses and two football fields used by Berlin "*Sport- und Wochenendgemeinschaft 1921 e.V.*"
5. Wüste Mark (21.83 ha).
6. Falkenhagener Laßzinswiesen (45.44 ha).
7. Spandauer Laßzinswiesen (13.49 ha). Both Laßzinswiesens were used agriculturally, which directly follows from their names (Laßzins Meadow).
8. Große Kuhlake (8.03 ha), a swampy area.
9. Drewitzer Nuthewiesen (3.64 ha).
- 11-12. Böttcherberg enclaves (0.3 ha in total)⁵².

Besides, Eiskeller represented an interesting case. Since it was connected with Berlin with the path 800 meters long and three to four meters wide, it was not a true enclave. However, due to border tensions, Eiskeller was very similar in problems and specifics to the other lot. There was also a GDR enclave within Eiskeller that was administratively subordinated to Brandenburg.

There were two land exchanges eliminating most of the microenclaves around West Berlin, first time in 1972 and second time in 1988. The first exchange involved FRG paying 111 mln. DM to DDR as a compensation for an unequal land swapping.

Table 6.8. FRG-GDR land exchanges

Year	To FRG (West Berlin)	area	To GDR	area
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⁵² <http://www.arminweist.de/36020exe.htm>, retrieved 11.2004.

1972	Corridor	to	2.3 ha	Six parcels of land in the	
	Steinstücken			city,	
	Northern part	of	4.1 ha		
	Frohnauer cemetery		10.7 ha		
	Teufelsbruch/Eiskeller		10.0 ha		
	Potsdam metro station		27.1 ha	Total:	15.6 ha
	Total:		54.2 ha	Plus payment:	DM 111 mln.
1988	14 parcels of land			4 parcels of land, including	
	total:			last enclaves except Steinstücken	
			96.7 ha	total:	87.3 ha

Source: Kunze (1999: 490-491).

Steinstücken was probably the most well known enclave out of the twelve. It could be reached only through the road that belonged to GDR. It was occupied by the Soviet Army in 1946 when it was finally transferred to West Berlin. As the Soviet Army left Steinstücken, the GDR police had entered the enclave within several days. The communiqué maintained that ‘Steinstücken was included into the structure of the City Potsdam in order to end the unnatural state of this settlement’. The US commandant had protested immediately, and the policy had left the enclave in five days, on 23 October 1951. As a retaliation measure, the borders were sealed off so that only permanent residents of Steinstücken and a handful of registered persons (postal workers, ambulance men, doctors) were allowed to move to and from West Berlin. After the construction of the Wall in 1961, the US Army had symbolically stationed in Steinstücken three men who were replaced one or two times a week per helicopter. Any action of GDR policy army toward the territory of Steinstücken could be then viewed as a direct hostile action against the USA. This post was removed in 1972 after the GDR-FRG transit agreement was implemented⁵³. As the Wall was built in 1961, Steinstücken was also walled in with an impassable border fence.

The situation was psychologically difficult for the residents. They felt being lost in the hostile surrounding. Moreover, electricity and water was delivered from GDR so that the dependence was felt in a more direct way than even in West Berlin. On the other hand, the enclave dwellers cited a positive side of their insularity: with the installed border controls and the lack of communication, the criminality remained on the zero level (Meyer 2004).

The agreement of 1972 solved the insularity problem for Steinstücken. The enclave received a connection route to West Berlin. The connection corridor was 1200 meter long and 100 meter wide. It was secured in a standard manner by GDR. The full insularity of Steinstücken that lasted for more than 20 years had ended. The creation of the connection route allowed the provision of electricity and water from West Berlin as well.

As it was said, Eiskeller was not a true enclave since it was connected to West Berlin with an 800-meter long and three-meter wide corridor. However, there were signs that the GDR border guards hindered the passage from Eiskeller to Berlin. The inhabitants had felt insecure. When a 12-year-old boy had informed that he was hindered of passing to his school, the British military had responded immediately and accompanied pupils on the way to school in West Berlin for at least several months⁵⁴.

Photo 6.15. Eiskeller “Freedom Child”, 1961.

⁵³ Gabriele Leech-Anspach’s book (1990) is wholly devoted to this enclave.

⁵⁴ The 12-year-old had become to the symbol of freedom. However, in 33 years he gave interview in which he confessed of making up the story. Berliner Zeitung 09.05.1994. "Freiheits-Kind" enttarnt. Schulschwänzer gesteht nach 33 Jahren seinen Streich. This article can be found under <http://www.arminweist.de/36028bz4.htm>



Source: Jeschonnek, Riedel, Durie (2002: 504).

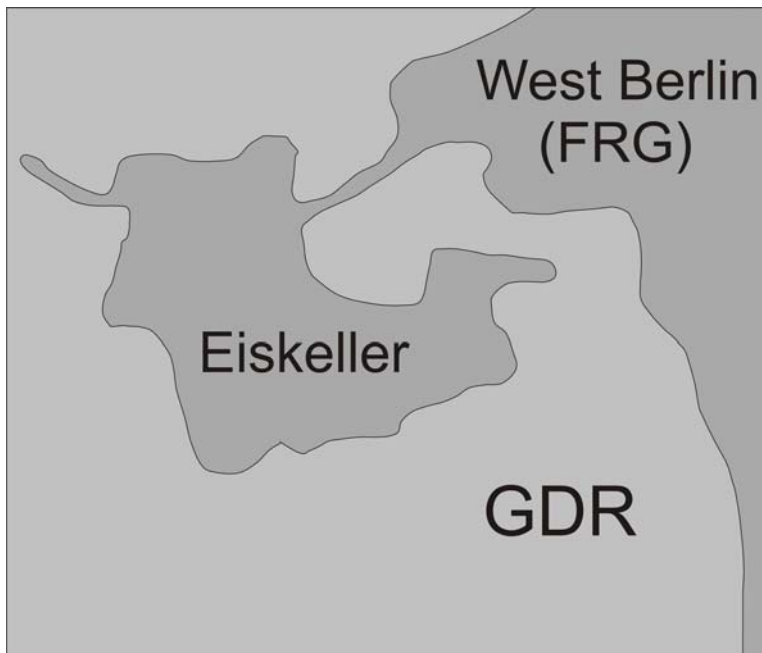


Fig 6.16. Eiskeller and its connection to West Berlin.

Vienna, West Berlin's sister, 1945-1955

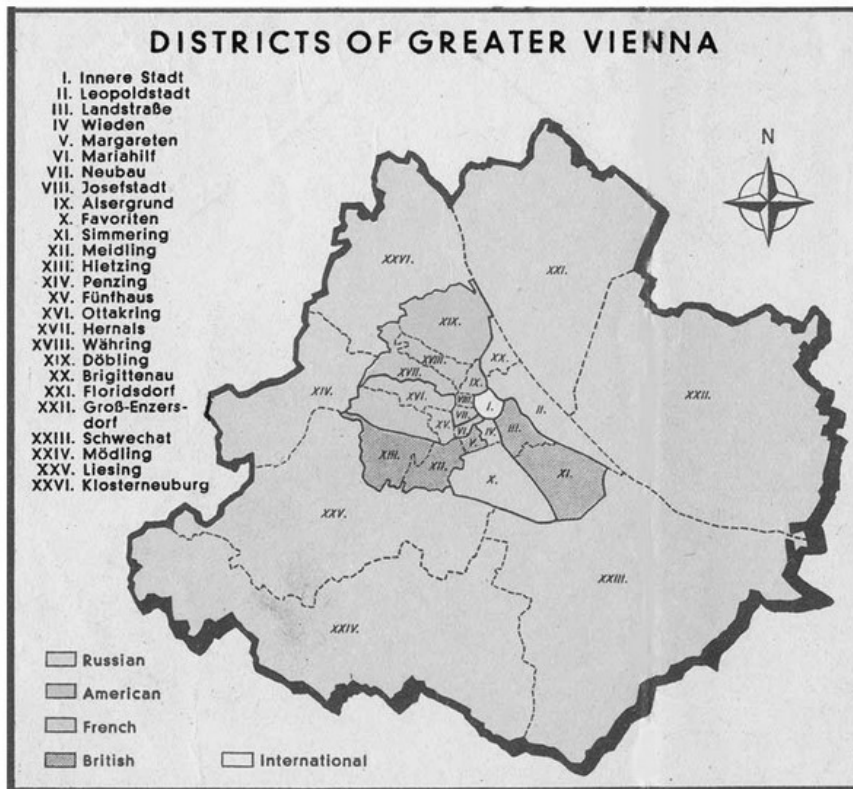


Figure 6.17. Vienna, 1945-1955.

Source: http://www.usfava.com/USFA_Map2.htm

In 1945, the Allies divided Austria, just like Germany, into the four zones of occupation: a Soviet one in the East; an American zone west of it; a French zone in the Tyrol and Vorarlberg; and a British one in the southern provinces of Styria and Carinthia. Vienna, similar to Berlin, was divided into four allied sectors, but the centre of the city was jointly administered by the four powers. Unlike in Berlin, where the western Allies had two airports in their sectors, their airfields near Vienna were in Soviet-controlled territory: Tulln-Langenlebern for the Americans and Schwechat - now Vienna International Airport - for the British and French.

In 1948, with the beginning of the blockage of West Berlin, it was feared that the same could happen to Vienna. A series of measures was speedily undertaken to counteract the threat. A construction of a new provisional airfield in the British sector had begun. The stockpiles for the garrison and the population of Vienna were built-up to supply for 84 days. These stocks, known as "Operation Squirrel Cage," amounted to 65,013 metric tons of food, and 980 tons of oil. Tensions between East and West eased after the Korean War, and a Soviet blockade of Vienna became less and less likely. The stocks were reduced to a 45-day level by January 1954 and to a 15-day supply by June 1954. In early 1955, only 1,800 tons of canned horsemeat were left. After the resolution of Austria's future, the stocks were finally sold as dogfood (Schmidl 1998).