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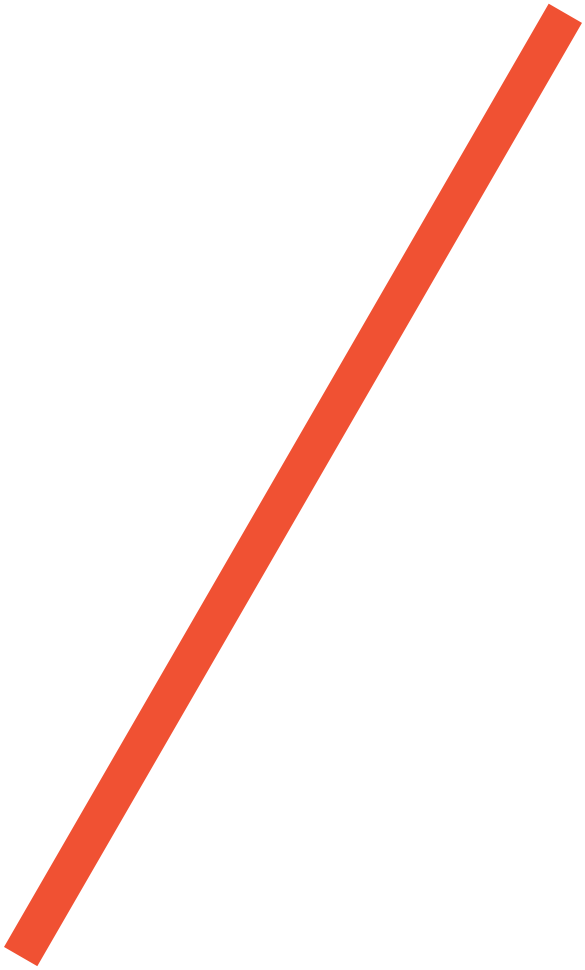

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Visegrad Fund

100 *challengers*

PIOTR BEKAS

WOJCIECH PRZYBYLSKI
Editor-in-chief

WITH THE 6TH ISSUE OF VISEGRAD INSIGHT, WE PRESENT OUR READERS WITH ONE HUNDRED STORIES OF OUTSTANDING INDIVIDUALS AND TEAMS OF INDIVIDUALS FROM NEW EU MEMBER STATES AND SOME OF THEIR NEIGHBORS. THEY SHARE THE COURAGE FOR INNOVATION, THE LOVE OF BIG IDEAS, AND A POTENTIAL FOR GLOBAL OUTREACH. INDEED, SOME OF THEM ARE ALREADY SUCCESSFUL AND THEIR WORK IS ALREADY KNOWN AROUND THE WORLD.

They have fresh minds and spirits, and are often in their 30s or younger. Through careers in culture, startups, new media, science, and social and political enterprises, they incease their creative potential through using the new technologies of the Digital Age. They are all challengers in their own right. To read more about these challengers, please visit ne100.org

We came up with this idea at Res Publica and teamed up with the International Visegrad Fund, the *Financial Times*, Google, and many other institutions from around New Europe to develop a list of 100 challengers. As the next step, we want to build a community that will inspire Europe to think forward and make the best practical use of creativity and innovation.

To create is to be – this should be the European motto. However, today let's remember, more then ever, that this region has only just emerged from a geopolitical shift that enabled these new inventions to thrive.

This world is nothing like it was twenty-five years ago: a frozen conflict between two nuclear superpowers held creativity and innovation in the region captive. The best chance to make best use of one's potential used to be to leave for the West. But emigration very rarely helped people to develop and achieve great things.

It is remarkable that a man that could have changed the face of the personal computer industry by producing the first ever microcomputer in 1970-1973, Jacek Karpiński, was rejected at home and never persisted with his product after he emigrated to Switzerland. Had he lived in a free country would we today recognize his name next to Bill Gates and Steve Jobs? Or at least credit him with this accomplishment instead of the Xerox team that produced the Alto computer in 1973? Think of what freedom means for creativity and innovation. It embeds both of these most distinct qualities of human civilization.

When the freedom from Russian occupation finally came, we didn't have the tools of today – computers, the Internet, not to mention mobile phones and social media. At that time, the Solidarity movement together with the Velvet Revolution and the Hungarian call for Russian troops to leave, in effect tore down the Berlin Wall. Overall, we were all sort of startup nations – looking for innovative solutions and funding, often failing but overall succeeding.

Or more appropriately, we were and still are cultures of challengers – starting from scratch, chasing the democratic and economic level of the rest of Europe. We were disadvantaged in many areas, but in the early 1990s we already had an advantage in one economic area – new technology. About that time, three antivirus companies were launched in the Czech Republic and Slovakia: AVAST, AVG, and ESET. Today, they are globally successful.

Other successes in that field came from Hungary with LogMeIn, Prezi, and Ustream – today, top of the shelf digital companies. In Poland, the Ivona startup voice synthesizer has just been acquired by Amazon, while other startups are fundraising to expand their business. Notably, most of their founders are today involved in charity and the culture of giving back, unlike many regional yuppies that entered into market competition in the 1990s.

The NE100 list is not only about successful companies and their leaders, but most importantly about remarkable individuals. Ionut Budisteanu, a teenager from Romania and one of the New Europe 100 challengers, has invented a working model of a driverless car several times cheaper than anyone else in the world. We should keep an eye on the economic significance of this new type of creation of the wealth of nations.

So together with the NE100 list and in-depth stories of some of the challengers, we have prepared an issue of social, political, and, most importantly, economic reports on the question of the new economy of New Europe. Will this be the new drive for our countries? Find out yourself.

NEWEUROPE100

Read more about the challengers **ne100.org**

NEW UROPE 100

CHALLENGERS

Read more about the challengers
ne100.org

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EUROPE

NEW ECONOMY IN NEW EUROPE

INTERVIEW

THE ART OF REINVENTION

INTELLIGENT MIND

PHILOSOPHER'S STONE

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THE NEXT BIG STEP

Wherein lies the future of the Central European economy?

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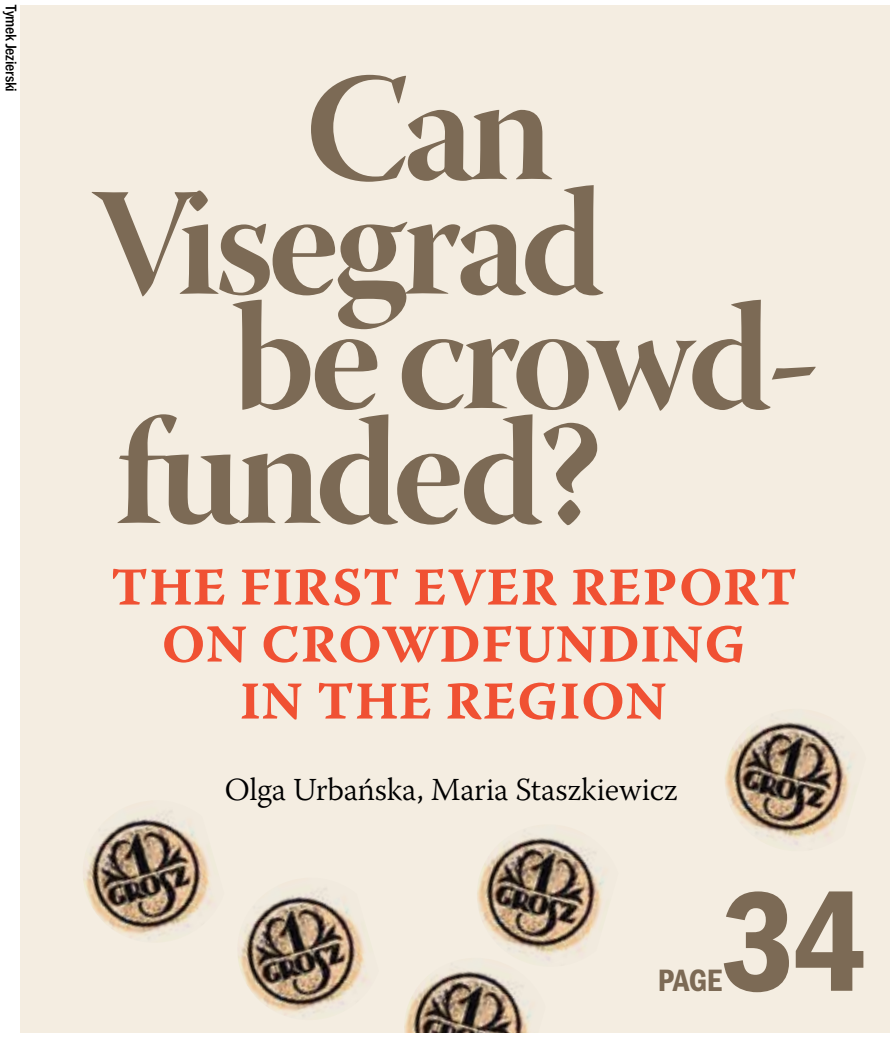

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Creative
Europe

DITA CHARANZOVÀ
IS A MEMBER OF THE EUROPEAN PARLIAMENT AND ALDE GROUP SPOKESPERSON FOR THE COMMITTEE ON THE INTERNAL MARKET AND CONSUMER PROTECTION. SHE IS A FORMER CZECH DIPLOMAT AND AN EXPERT IN INTERNATIONAL TRADE.

1 The greatest challenge to innovation in Central Europe is the structure of our higher education and research institutions, and linking them to our entrepreneurs.

In Central Europe, our real strength rests in the fact that the generation raised after 1989 is not afraid of starting businesses and trying new things, even if there is a chance of failure.

But when we look at Research, Development, and Innovation (RDI), we see that development and innovation are lacking, although these are the driving force of competitiveness. All the Visegrad member states are very good at academic research. Our universities, including Charles University, are leaders in giving degrees to trained scientists, computer programmers, and researchers. They are also leaders of fundamental research, in which Czech, Polish, Slovak, and Hungarian professors are some of the most published authors in Europe.

When we look at development and innovation, however, our innovators either move to other countries in search of the structures they need to allow them to transform their academic work into practical innovations, or they stay and become junior members of consortia led by large companies outside Central Europe. The key problem is that the academic system does not correspond to the demands of our entrepreneurs. Unfortunately, Czech companies are not used to working with universities, as is the case, for example, in Germany. Both sides should be encouraged to work more closely together.

This means that while we are forerunners in small and medium enterprises (SME), not enough of them are in innovation or development. According to both OECD and EU statistics, the Visegrad countries are lagging behind in transforming business investment into innovation.

2 If Central Europe wants to be at the top and keep its innovators, we should transform our systems to match European rules on programs such as Horizon 2020 and those of the European Commission on SMEs.

We must also reform the regulations that govern how public institutions can open and support the creation of companies whose goals are commercial. It must be made easier for researchers to join entrepreneurs in founding new firms, without encountering problems of academic status or ownership of ideas created in academic, scientific, and computer laboratories.

If we can do this, our research strengths will only grow and we will be able to extend the current spillover effect into our businesses' D&I programs. There is a world of startup and

development grants and loans available from Brussels and elsewhere, which our institutions and entrepreneurs should start using more and more. We have to strengthen the communication between the public administration in charge of these projects and entrepreneurs. SMEs in the Visegrad countries should have better access to these funds.

I would be in favor of furthering the work of the Visegrad Group on RDI cooperation in Central Europe. It is the only way to match powerhouses like Germany. I am hopeful that we can reverse the trends that started during the economic crisis and return to growth in the area of innovation by working together.

3 I remember, when I was a child, that my whole family wore athletic shoes called Botas. After the revolution we all bought Adidas or Nike shoes, and Botas practically disappeared from Czech stores. It was only in 2007 that two young Czech designers proposed a new design concept for Botas, which won not only several design awards but also regained a strong position on the Czech market.

After the launch of the new collection, the company increased its annual sales by 400%. This is just one story to illustrate that there is potential and that it is worth investing in research.

Another recent success story of Czech innovation has been in medicine. The Czech company Ella-CS introduced a unique, degradable esophageal stent with a degradable covering. Thanks to this product, the patient can avoid surgery. Ella-CS was the first in the world to introduce such a product and it is now exporting it to more than fifty countries worldwide.

These are just two examples which show that the realization of an idea can be successful. /

MIROSLAV LAJČÁK
DEPUTY PRIME MINISTER AND MINISTER OF FOREIGN AND EUROPEAN AFFAIRS OF THE SLOVAK REPUBLIC

1 Let me mention some of the challenges. Despite the great potential of research and development (R&D) in Central Europe, the outcomes of R&D do not correspond with the requirements of the commercial sector. Cooperation between academia, R&D institutions, and business lags far behind its potential, and business partnering and cooperation (e.g., through clusters) remain quite limited. An important factor stimulating economic growth in the medium- and long-term is the development of a knowledge-based economy, and science and innovation directly tailored to the requirements of industry and businesses. Long-term partnerships between companies and research centers should be supported to a greater extent in Central Europe, as well as among the V4 countries.

The Slovak government approved the Research and Innovation Strategy for Smart Specialisation of the Slovak Republic in November 2013, and other EU countries in Central Europe have adopted similar strategies. More dynamic development of science and innovation and more intense cooperation will bring about greater competitiveness and better chances for employment in the region.

It is crucial to support the whole innovation cycle, although this has not been the case in the last decade. The aim is to ensure that knowledge transfers itself to innovative goods and services. We need to create more support for technological centers, including prototype centers, test centers, and pilot lines for industrial needs, etc.

One of the major problems more or less shared by all Central European countries is chronic underinvestment in R&D. Unlike in other European countries, R&D is mostly funded by public institutions, but more serious involvement by private companies is desirable. In the Slovak Republic, for instance, R&D funding currently stands at 0.82% of GDP. Total expenses for R&D in the Slovak Republic should be increased at least to 1.2% of GDP by 2020, according to the Research and Innovation Strategy for Smart Specialization. In order to achieve this goal, the strategy introduces several measures, for example tax incentives to stimulate participation of companies in R&D, to increase the share of private resources for R&D in comparison to public resources.

Another challenge is to halt the brain drain of experts in science, research, and innovation. It is important to create more favorable working conditions and to increase the attractiveness of research careers in the Central European countries.

2 It is crucial that we develop a favorable ecosystem that promotes entrepreneurship and innovation, and encourages cooperation across the region by utilizing local specializations and promoting regional advantages on the global market. Another factor of success would be a consolidated and transparent legal framework and effective support instruments. The innovation performance of companies in the region predominantly reflects the low share of investment in innovation activities. For example, the current share of innovative enterprises (in-house) is only 15%. In the Slovak Republic, our aim is to stimulate businesses to increase their own innovation performance across the whole socio-economic spectrum to 20%. It is necessary to increase the dynamics of startup and spin-off businesses and to enable the better utilization of financial engineering tools and supporting incubators.

3 I am sure that there are many good examples across the region, but let me illustrate the point by pointing out the success of the following two companies in Slovakia. ESET is a leading force in IT security solutions supplying companies of all sizes, domestic customers, and mobile phone users. The firm – founded in 1992 – is headquartered in Bratislava, Slovakia. International offices have been opened around the world, including Prague, San Diego, Buenos Aires, and Singapore. ESET has established an extensive network of partners and resellers covering over 180 countries. ESET began operating in Russia in January 2005. By 2007, the Russian and CIS (excluding Ukraine) sales of the ESET NOD32 antivirus system were worth over 20 million dollars (equivalent).

There has been continued growth to the present day, and sales have further increased by over 400%.

SOITRON is a leader in introducing new technologies and innovative solutions, operating on the European market as a systems integrator for IT infrastructure, unified communications, customer interaction, content management, and security.

I would also like to point out that the Program of the Slovak Presidency of the Visegrad Group (July 2014 to June 2015), approved by all V4 countries, concentrates on solving the problems mentioned above. Its main priority areas include information and cyber security, science, research and innovation, and digital agenda. The latter has recently grown in significance and importance, in particular due to the digital economy as a phenomenon of comparative advantage to the V4 region, and the new agenda of cyber security. The Slovak Presidency focuses on streamlining management of information and cyber security and security risk management.

Science, research, and innovation in the area of international scientific cooperation is focused on continuing projects and programs initiated within the Visegrad Group and the V4+ format. In addition to intensifying cooperation within the European Research Area (the V4 Ministerial Declaration on Cooperation in the European Research Area, adopted in Budapest in December 2013), the objective is to develop cooperation with non-EU countries. A joint program of cooperation between the Japan Science and Technology Agency, the International Visegrad Fund, and competent authorities in the V4 countries is currently underway.

A V4 + United States round table involving V4 ministers/representatives responsible for science and research and competent representatives of the U.S. will facilitate an exchange of information, positions, proposals of specific forms of implementing cooperation, and verification of opportunities to conduct joint projects in specific areas of bilateral interest. The round table will be held on 24 November 2014 in Bratislava.

A similar project, envisioned for the first half of 2015, the V4 + China Seminar on Science and Technology, will provide opportunities for government officials, experts, and managers in the field of science, innovation, technology and international technology transfer to develop mutually beneficial relationships and to exchange knowledge and ideas. /

HENRYKA MOŚCICKA-DENDYS
UNDERSECRETARY OF STATE IN THE MINISTRY OF FOREIGN AFFAIRS OF POLAND IN CHARGE OF EUROPEAN POLICY, HUMAN RIGHTS, AND PARLIAMENTARY AFFAIRS

1 The answer is clear – we need to transform our economies and make them more R&D – and innovation-oriented. Innovation is the only way to sustain and boost the competitive position of our enterprises. Moreover, we have to focus on a few priority areas for the development of research and innovation. This needs to be done in line with European Union smart specialization strategies, which force us to make the best but indeed hard choices for our countries. The public sector has to make use of its potential to promote innovation, for example, via public procurement procedures and a bold approach to the evaluation of innovative projects. We need to create adequate incentives for entrepreneurs to invest in R&D. Last but not least, we have to strengthen our higher education system and create a culture of profit-oriented cooperation between universities and business.

Since the comparative levels of economic development of our countries and our innovative potential are similar, we believe it could be worthwhile initiating V4 debate on the scale, scope, and framework of reforms aimed at enhancing our innovativeness.

2 Creativity is a way of life; it goes hand in hand with the education system. We should promote innovative thinking and creativity literally already in kindergarten. This would be the best investment in our future.

A challenge and opportunity for the V4 region is the digital economy. Already today, ICT is responsible for 7.9% of Poland's GDP, a number that is expected to grow to 15% in the next ten years. There are many examples of success stories in the digital sector – companies that have conquered the market with innovative ideas, both in Poland and abroad (e.g., Opero, in the area of cloud computing, or Cotis, which offers ICT solutions for healthcare).

Furthermore, we expect the EU's structural funds in the next financial phase (2014-2020) to boost the shift from "quantitative growth" to a knowledge-based economy (*inter alia* via the Smart Growth Operational Programme; the allocation of ERDF funds for SG OP amounts to 8.614 billion euros; the allocation of ESF funds for KEG OP amounts to almost 5 billion euros). More emphasis should be put on cooperation between business and academia. Priority should be given to research projects with high commercialization potential. We also have to enhance current education models in order to better equip future generations with the necessary knowledge and practical tools.

3 The list of innovative brands becomes longer each year. Our businesses are more and more creative. We have also managed to create conditions for the development of enterprises that are indeed born globally.

Let me give you a few examples: Tech-Match Poland supports innovative companies in the commercialization of their ideas by matching them with corporate partners in Silicon Valley. The projects have to correspond with InSight2030, which sets out ten strategic, future areas for the Polish economy. Software development projects seem to profit mostly from this form of cooperation.

We hope graphene will soon become yet another Polish specialty. In December 2013, the Polish NanoCarbon company announced its intention to produce and sell graphene on an industrial scale.

Another of Poland's startups – Game Technologies – has developed a high-tech version of traditional dice called DICE+. It cooperates with mobile devices such as tablets and smartphones and is the only Polish product sold in Apple stores around the world.

Last but not least, one of the best encoding cell phones, Xaos Gamma, was designed in Poland and is produced there. It is a device designed for the standard GSM network, with roaming capability. It offers typical mobile phone functions in addition to enabling the encoding of voice connections and data transfers. /

TIBOR NAVRACSICS
MINISTER OF FOREIGN AFFAIRS AND TRADE OF HUNGARY

1 Central European countries can only reach a significant breakthrough on a global scale if they make themselves more transparent and more visible by taking concerted action and implementing measures in the field of research and development and innovation (RDI), which means long-term investment in the future.

In their 9 December 2013 meeting, the V4 ministers responsible for research and innovation agreed on an adequate answer to this need. They concluded that, regarding the regional dimension of research and innovation, the role of cohesion policy, and smart specialization, the financing role of national budgets and participation in projects aimed at grand societal challenges under Horizon 2020 should be considered for joint action. Smart specialization enables regions and states to make use of the opportunities provided by similarities and the combined strengths of innovation systems.

Spreading excellence and widening participation in the European Research Area (ERA) promotes closing the innovation divide. Research infrastructure provides the basis for excellence, promoting synergy between H2020 and cohesion policy measures. It is important that the countries' institutions collaborate during the operational phase of infrastructure hosted by any of the V4 countries.

The ratio of gross domestic expenditure on R&D (GERD) to GDP has increased in the Central European (CE) region. In Hungary, expenditure on R&D increased to 1.2% of GDP in 2011 and, according to preliminary data, continued to climb to 1.44% in 2013, its highest value in the last two decades. In addition to the growing availability of resources for RDI development, government regulations are also important. The main challenges – based on the three knowledge processes referred to in innovation policy literature and an analysis of the domestic RDI situation – are as follows:

– weaknesses of knowledge bases and knowledge production;
– shortcomings in knowledge flow, knowledge, and technology transfer;
– obstacles to the innovative functioning of the business and community sectors involved in knowledge utilization.

2 Central European countries have a long tradition of creativity and innovative ideas. Currently, competitive startups and innovation ecosystems – places that turn dreams into reality – are based primarily on four components and the interactions between them: education and training, access to funds, taxation and regulation, and a conducive environment.

Education and training – starting already at secondary school – play a crucial role in developing an entrepreneurial spirit. Educational institutions need to foster a willingness to take risks and enhance understanding and tolerance of failure. Society and its youth need role models.

The entrepreneurial spirit drives innovation processes and secures growth and the long-term survival of established organizations. It is also the starting point for startups whose innovative power refreshes economic systems, provides employment, and enables regions and nations to acquire sustainable welfare. Effective innovation management is the key to nurturing an entrepreneurial culture, stimulating collaborative attitudes, and delivering the products, services, and processes that support sustained performance.

The countries of the CE region are facing several shared challenges in the field of research and innovation – but then again, we also have several common strengths and opportunities. We strongly believe, therefore, that with the Joint Statement (signed by the V4 country ministers in Budapest in 2013) on Enhanced Collaboration, the Visegrad Countries could play a pioneering role in the broader process.

3 In mentioning role models for young scientists or entrepreneurs, I would name the founders of IND, Prezi, Ustream, and LogMeIn, who have proven that ordinary people can create their own businesses and be successful. /

PIOTR BŁAWICKI / EAST NEWS

AGATA WACŁAWIK-WEJMAN
PUBLIC AFFAIRS DIRECTOR, GOOGLE POLAND

1 I am very excited about the region's momentum and potential in developing a strong innovative environment that can be competitive on an international scale.

After twenty-five years of democratic and economic transition, the countries of Central Europe are embarking on a new chapter, which consists of finding its place among modern global competitive economies.

The challenge before the countries of Central and Eastern Europe, like those facing the rest of the European Union, is setting up their economies with growth, competitiveness, and skills in a society that enables full employment by 2020. The region can use European funds for structural reforms in the

next six years, which should build the foundation for a sustainably growing innovative economy in the years to come.

The key driving force of economic competitiveness is innovation, while to a great extent the digital sector drives economic growth. The essential challenge of building an innovation-based economy is the capable use of new technologies across various sectors of the economy. A workforce with skills to use those technologies and build on them, generating further innovation, is therefore essential. Notably, a number of Central European countries are currently struggling with youth unemployment. This is an area in which smart skill-building and education of younger generations for new kinds of jobs and new forms of employment is vital.

Central Europe has been home to a vast number of creators and innovators: great artists, musicians, scientists, and inventors. Currently, the big challenge for the region is to move toward the modern models of creativity that translate into practical solutions. It is also about moving beyond a local focus toward developing voice and solving problems of global relevance

2 Boosting innovation and creativity depends, of course, on each and every one of us – on our individual behavior and attitudes; but the important work must be done on a mass scale by individuals and communities. Twenty-five years after the fall of communism, the region has largely achieved a satisfactory level of freedom and economic development, which provide great momentum for strengthening creativity and innovation. The government can certainly stimulate such attitudes by creating and strengthening an environment conducive to those goals.

Much can also be achieved through leadership, by sharing new models of education and professional activity. It is about increasing the awareness and skills needed to be professionally active in the digital economy, but also about boosting the spirit of entrepreneurship; celebrating entrepreneurship and the bold people who innovate and do business is essential.

We must also strengthen societies' openness and social inclusion – making sure that each and every individual in society can be heard without prejudice, and that each individual – regardless of age or sex – may have the opportunity to be active in the economy. It follows that we need to cultivate a culture of team-work; in the era of creative networks, individual genius is sometimes not enough to achieve breakthrough success.

The role of urban centers in society is also expanding. Cities are centers of creativity and entrepreneurship in all their forms, from social and cultural communities to innovation and business hubs. With such great numbers of people moving to live in cities, the creative environment for innovative entrepreneurship may thrive. It's about creating good living conditions, from culture to healthcare, to attract top talent to cities, and it's also about creating an environment in which people can network and work together. Central and Eastern Europe is a large region that accounts for about one-third of the EU population. It nonetheless remains a highly fragmented region at the state level. It is quite interesting to look at the region from an urban perspective and to speculate about the centers and networks of innovative entrepreneurship that could develop and thrive in this part of Europe.

It's also about being open to risk-taking, and creating an environment that accepts healthy risk-taking to solve big problems and address significant challenges. A risk-taking culture flourishes in an environment that offers funding for high-risk activities (e.g., traditionally, banks have avoided financing such activities), with the calculation that not every venture you invest in will pay off. It's also about allowing businesses to start up quickly, without excessive administrative burdens or costs; and it's also about letting them wind up quickly if they fail. Lengthy – sometimes decades-long – insolvency procedures are often mentioned as a key barrier to European entrepreneurship.

Healthy risk-taking also requires new business models. Such new methods and approaches to innovation and entrepreneurship are also increasingly being adopted in Central Europe. The famous "lean" model constitutes a key change from traditional models of full-fledged business planning. The idea of creating a prototype, determining a basic business model upfront, and then testing it on the market before making huge investments, is increasingly applied across disciplines, from science to business, and is making its way to Central and Eastern Europe. The beauty of technology is that learning modern entrepreneurship skills from worldwide experts is now just a click away. Massive, open online courseware offered by programs such as Udacity and Google for Entrepreneurs provide cutting-edge practical knowledge to audiences around the world.

3 The time when the success of Skype in Estonia was mentioned as the single success story from Central and Eastern Europe is long gone. There are actually a number of amazing and highly innovative things happening in Central and Eastern Europe. It's so hard to mention only four! Hungary has its global champions such as Ustream and Prezi.com, modern information society service providers delivering cutting-edge communication tools – social live streaming of video content, like that used to transmit developments from Maidan in Kyiv live, as well as a globally recognized innovative presentation tool that has transformed the way we give presentations. There are also amazing projects in Poland, including Estimote – the Y-Combinator graduate developer of beacons for retail commerce; Ivona – the speech synthesizer; and Audioteka – the audiobook service that has a new take on the long-forgotten form of "audio-theater" and provides an amazing set of audio-productions with performances by top actors. And there are market champions, such as the Czech Socialbakers and Avast, the Slovak Eset, and of course the Lithuanian GetJar. And that's just to name a few! /

THE NEXT BIG STEP

Wherein lies the future of the Central European economy?

MARTIN EHL

The usual political fight concerning the economy in post-communist countries concentrates on the number of jobs created by domestic state or private foreign investment. Poland and Slovakia struggle with long-term structural unemployment, while the Czech Republic and Hungary are recovering only slowly from the job aftershock of the recent recession. Due to these policies, all of post-communist Central Europe has become a kind of workshop of the German economic machine, with its low-paid but highly skilled labor. Most dependent on Germany is the Czech Republic, from which 25.1% of exports and to which 21% of imports were headed in 2012. Hungary is second, followed by Slovakia and, lastly, Poland.

To a certain extent and during the post-communist transformation, this was the only policy for initiating the catch-up process with Western economies. It is dangerous, however, not only because of geographical dependency, but also because of industry dependency on the automotive sector. The four countries have created the "Detroit of Europe," in which the Czech and Slovak Republics top European statistics with cars produced per capita. Krakow recently became a top European destination for business services (formerly known as outsourcing), with Prague and other Central European cities competing closely. Tens of thousands of people work in Central Europe as relatively cheap and skilled accountants, call center operators, researchers, and IT specialists for dozens of Western companies.

This wave of direct foreign investment tied to cheap labor could easily wind down when – for example – the situation in Ukraine calms down and its populous industrial country heads the way of Europe. It is necessary to look farther into the future of the economies in the region and ask: "How long will this skilled workshop effect last and what may come afterward?"

Firstly, could we put this question to politicians, who are supposed to lead and present their competing visions in election campaigns? And secondly, if not, then whom should we ask, what will be the areas of future progress and development, what kind of education do our children need to succeed – or survive – in the future?

A general answer is provided by Marcin Piatkowski, the World Bank economist who became famous for his essay describing recent developments in Poland as "the Golden Age" of a country and nation, which, for the last 500 years, had never experienced such democratic, institutional design, economic growth, and freedom. "We should embark on the journey of transforming ourselves from an importer of ideas to an exporter of them," said Piatkowski when we spoke about Poland on the eve of the twenty-fifth anniversary of the first semi-free elections in June; I had asked him where he sees the future of prosperity of Poland and the whole region.

A more structured answer can be found, for example, in the study by the McKinsey Global Institute entitled, "New dawn: Reigniting Growth in Central and Eastern Europe." The experts of this global consultancy group recommend that countries in the region should concentrate in the near future on development in these distinct areas: expand knowledge-intensive manufacturing, taking outsourcing and offshoring to the next level, and invest in agriculture and food processing.

What is misleading about this report is that McKinsey's recommendations call for further development of already existing successful and functional areas, workshops of German and other automotive companies, and business

services for Western companies, in which Poland plays a particularly important role because of its population. The food business is also addressed in the study, as labels like "Made in Poland" and "Made in Romania" tend to raise more suspicions about quality than highly recognized and demanded brands.

All three of these areas only deepen dependency on Western markets and technology using the advantage of low wage/high skills. With all respect to McKinsey, this is a less ambitious target than Marcin Piatkowski's simple idea. It is clear that the ambition to become an exporter of ideas in the highly competitive global economy is not an easy task, but it is the only goal that could, in the long term, allow the region to catch up with the West and lead to the more sustainable prosperity of the inhabitants of Central Europe.

There is one keyword tied to this process: innovation. Poland, Slovakia, Hungary, and the Czech Republic are not – unfortunately – innovation leaders in Europe, not to speak of the world. In the latest version of the regular European Commission report that measures the innovation performance of European Union member states, the Visegrad Four were positioned in the second lowest group – of "moderate innovators" – with the worst performance by Poland (25th place in the EU28) and the best by the Czech Republic (16th place).

The general political problem is the lack of long-term, continuous policies. To produce results, research needs stability and sustainability over time. It should have a stable and predictable financial investment background, clear conditions for the use of inventions, and the process of changing them into sustainable and profitable businesses. In reality, however, politicians do not look beyond the four years of their mandates; in the turbulent post-communist period, even such outlook may have seemed almost eternal.

Current institutional design and political development are not creating very good conditions. It is not necessarily about the overall amount of money invested in research and development, but about the wise use of this money. In this respect, EU policy should help. Of the Visegrad Four, for example, only Slovakia has so far been able to produce an official document called "Research and Innovation Strategy for Smart Innovation" (RIS3, in EU jargon). This

THE HISTORY OF INNOVATION IN VISEGRAD GROUP COUNTRIES

It is not easy to write a history of technological and scientific innovation in Central Europe. Individual nationalities prior to the establishment of nation states after the First World War are often hard to determine to begin with, as many Polish, Czech, Slovak, and Hungarian scientists and engineers had to travel in order to reach the world's leading universities or industrial centers. The rise of the Nazi and Soviet threats in the 20th century also prompted many young, brilliant minds to leave their homelands. Even those who became citizens of their new countries are testament to the innovative potential of the societies of the Visegrad Group, potential that, in the current European order, is perhaps more ready than ever to be fulfilled.

1802 Zachaus Winzler invents the early gas stove, more than forty years before the mainstream success of the idea.

1827 Josef Ressel constructs one of the first working ship's propellers, an invention crucial to modern marine transport.

1836 Chemist János Irinyi invents a reliable, noiseless, and non-explosive match.

1840 Mathematician and physicist Josef Petzval invents a new camera lens, reducing exposure time and making portrait photography practical.

1847 Physician Ignaz Semmelweis notes the link between doctors performing post mortem examinations and higher chances of puerperal fever in patients, and recommends hand disinfection. His views and practices remain controversial until the establishment of germ theory.

1853 Ignacy Łukasiewicz constructs kerosene lamps, making use of recently distilled kerosene. Modern oil wells and industry are soon to follow.

1883 Zygmunt Wróblewski and Karol Olszewski, professors at the Jagiellonian University, use a new method to liquefy oxygen and nitrogen.

1885 Stanisław Olszewski and Nikolay Benardos introduce carbon arc welding, which was the first practical arc welding method.

1885 The underground "Flying University" starts to operate in Warsaw, offering independent higher-education level courses in the humanities, social, and natural sciences to both male and female students. This experience of sharing knowledge outside an official framework inspired similar movements in the twentieth century and helped the Polish intellectual spirit survive Nazi and communist prosecution.

paper should give strategic priority to R&D activities and money in the respective countries to use their potential for the best possible outcome with respect to their geographical and economical structures, educations, funds available, and traditions.

The other political issue is education. Polish politicians were recently surprised – pleasantly – that Polish pupils scored high results in the PISA test administered regularly by the OECD. Education policies change after each election and the Education Ministry is usually not among the most popular places to divide among coalition governments. In the Czech Republic, there was a recent wave of strong interest in tertiary education, which quickly shifted to a discussion of vocational training preferences, and then to talks about whether English should be taught as the first foreign language from the first or third grade of elementary school. Political leadership does not look promising for the economic future.

So where to look for talent, opportunities, and even strategies? Where does the future of Central European economies lay if money for R&D is cut and the rest distributed chaotically, and if pupils at the start of their last year of high school do not know what their final exams will look like?

Part of the post-communist mentality was and – sadly – to a large extent still is to rely on others' suggestions, order, and leadership. The future of the economy and examples of successful innovation-turned-business, plus one country's example, show us that the only thing we can rely on is individual activity and energy, and the power of successful examples and the stories of real people.

In general, we need more individual activity and a rise in self-confidence, in combination with good and viable ideas and a stable business environment. A large part of the general success image of Estonia is the story of four average boys who invented something revolutionary and were able – with "Western" help – to turn it into a globally successful business. Moreover, some of the money they earned goes back into the economy. I am indeed writing about Skype, which has served as a role model for thousands of Estonians who then turned to the IT industry; and Estonia is introducing programming from the first grade of elementary school. This example even forced politicians and other average users to accept the fact that Estonia has become an IT powerhouse, with dozens of new startup companies springing up after Skype money and ideas rained in – as well as some state money, of course. One need only be innovative, think globally from the beginning, and be able to turn new ideas into real money.

This is probably the most important point in speaking about the economic future of Europe. According to people such as Ferdinando "Nani" Beccalli-Falco, the European head of worldwide industrial conglomerate General Electric, Europe is capable of producing a great deal of innovation. The problem is the business angle. "We, Europeans, are the most innovative. The biggest centers of innovation always were and still are in Europe. But our problem is we do not know how to bring our innovation to the market," said Nani when I spoke to him about the future of industry in Europe.

In the post-communist era, it was even worse. We were cut off from global business for a long time and still have not acquired the necessary skills to be good businessmen. "Only the generation raised entirely in the free market environment will be good at that," is the perhaps radical but well supported opinion of László Tar, Hungarian founder of a few IT companies and now also the blogger trying to connect the growing and flourishing startup scene in Central Europe.

I heard almost exactly the same from Ela Madej, a successful young entrepreneur from Krakow who has already built and sold some web products and companies. Currently, she is an angel investor partially living in the U.S., where she helps Polish startups come to the market. "This is our weakest point, for sure. Some people feel when they have a good product it will come by itself automatically, as I did at the start of my career. But it is very hard work," she said.

So, in thinking about the future of my children, I would perhaps push them somewhat into the direction of business management and development – but will they have to manage or sell things that are locally invented and produced?

For guidance, we should look to strong local or regional stories of individual determination to achieve success. These are part of broad conditions and sometimes even helped by state R&D finances, but they would not be possible without determined people unafraid of taking huge risks.

The most popular is the IT industry. There are examples of cyber security companies such as Avast and AVG in the Czech Republic and ESET in Slovakia, which are successful firms already making money and developing globally. This field will grow in importance in business and in the private and state sectors; the Snowden affair, for example, has demonstrated this need clearly, together with the development of cloud services and the growing speed and infiltration of Internet connections. Is this revolutionary? Probably not, but the Hungarian companies Prezi and NNG, to a great extent, are. Prezi has developed into a well-known presentation tool and is maturing from startup into "regular" company, while NNG, a navigation software company, may already be considered one. Both combine a strong vision or idea with the tremendous implementation skills of their founders. With regard to the prospects of the software industry, there is still potential in human resources, as Peter Balogh, founder of NNG points out: "People from Central and Eastern Europe are the best for us. While those in the West have already forgotten that systems may collapse, people here know how to work with that." "In addition," said Balogh, when we recently discussed why he still keeps his company in Hungary, "Westerners are losing steam and the motivation to work hard (and overtime), to give the best of themselves."

Precise and knowledge intensive manufacturing is a much broader industry in the region, but strong personal motivation and determination are the same important factors as in the software industry, in which people could be considered more individualistic. The story of Slovak handgun designer and producer Jaroslav Kuracina is a strong example: a former soldier with ideas of his own pistol design, with some patents and improvements, he tried to start production in a big, former socialist factory that had collapsed. Slowly, step by step, he started his own production, which very quickly turned into an export company that refused to play dirty games with local politicians on deliveries to the Slovak police and military, focusing on his business. He now manages his company, Grand Power, which has its own research and development and production lines, and competes in tenders worldwide with powerful companies such as Walter and Beretta.

Of course, there are areas that are money-intensive in research, but the strong determination of individuals is needed not just to achieve results, but also to turn them into viable businesses. The Czech Republic has the successful example of the late Professor Antonín Holý, who turned his achievements in antiretroviral drugs into helping find a cure for HIV/AIDS. He worked at the Institute of Organic Chemistry and Biochemistry of the Czech Academy of Sciences, which successfully teamed up with an American production company. The result was not just the scientific achievement now being continued by Holý's successors after his death in 2012, but also a pile of money available to the institute for additional research (and, of course, decent salaries and the new, ultramodern research facility institute opened just this summer).

The Polish invention of cheap production of a revolutionary material called graphene is on a similar path. When I spoke to Wlodzimierz Strupinski, an inventor from the Polish Institute of Electronic Materials Technology (ITME), he stressed that the wide use of graphene in the industry would be the real achievement, rather than the invention of cheap production itself. There remains a long and very competitive road ahead for the Polish graphene industry, which is financed from state coffers. But with some industrial and business breakthroughs, there are good chances of a revolutionary step ahead, one that would bring money and prestige, and attract people to study chemistry and engineering.

The stories of Prezi, founded by three Hungarian guys, or of Jaroslav Kuracina, are not typical of post-communist areas, as these people do not rely on state help or money. They "only" need a stable business and research environment. The stories of Strupinski and Holý are much more complicated because of the huge sums of money invested by the state. But there is private capital here, as in the example of the Czech biotechnology company Sotio. It is part of the PPF family of the Czech Republic's richest person Petr Kellner, and is now preparing to conquer the Chinese and U.S. markets with its new generation of immunotherapy technology.

Biotechnology could be yet another new area of interest in Central Europe, using the combination of cheap labor/high skills, but at a very advanced level. There is only a need for focus and clever

1887 Ludwik Zamenhof publishes the first textbook on his brainchild Esperanto, the world's most successful constructed language, designed to improve international and intercultural relations and prevent the onset of war.

1890 Physician Adolf Beck studies electrical processes in the brain and pioneers Electroencephalography (EEG).

1893 Donát Bánki and János Csonka construct the carburetor, an important part of a stable car engine.

1897 Edmund Biernacki describes the relationship between the sedimentation rate of red blood cells in a human blood sample and the general condition of the organism – this test remains common in hematology.

1899 The company of Václav Klement and Václav Laurin begins production of the most successful motorcycles of the time. It later became the largest car manufacturer in Austria-Hungary, known as Škoda Auto since 1925.

1903 Maria Skłodowska-Curie becomes the first woman to win the Nobel Prize. Her research on radioactivity pioneered the development of modern physics in the twentieth century and found many practical applications.

1907 Social philosopher Edward Abramowski publishes Social Ideas of Cooperatives. His unique thoughts on a non-authoritarian socialist society influenced the highly successful Polish cooperative movement "Społem," anarcho-syndicalists, the democratic opposition to Soviet-backed state socialism, and cultural activists.

1909 Kazimierz Prószyński introduces Aeroscope, the first, successful, hand-held operated film camera powered by compressed air (without the need of turning a crank).

1912 Kazimierz Funk formulates the concept of vitamins and extracts Vitamin B3.

1918 Independent Poland is among the first European countries to grant women universal suffrage (before the United Kingdom or France).

1921 Karel Čapek introduces the word robot in his play R.U.R., quickly translated into over thirty languages.

1931 László Bíró presents the first modern ballpoint pen.

1933 Physicist Leó Szilárd proposes the concept of a nuclear chain reaction, a milestone in the development of nuclear weapons and energy. In 1939, he was a leading force behind the Einstein–Szilárd letter to United States President Franklin D. Roosevelt, which led to the inauguration of the American nuclear program.

1937 György Jendrassik constructs a turboprop engine, used mainly on small subsonic aircraft.

1937 Albert Szent-Györgyi wins the Nobel Prize for his research on the chemical formula and reactions of Vitamin C.

1938 Cryptologist Marian Rejewski builds a "cryptologic bomb," a machine designed to break German Enigma-machine ciphers. Later versions of the device played an important part in the defeat of Nazi Germany in the Second World War.

1943 György Hevesy receives the Nobel Prize in Chemistry for discovery of the element hafnium and development of a method of studying the metabolic processes of plants and animals with radioactive isotopes.

1946 Dénes Gábor publishes early papers on holography, for which he later received the 1971 Nobel Prize in Physics.

1947 Biochemists Carl Ferdinand and Gerty Cori are among the recipients of the Nobel Prize in Physiology and Medicine for their research on carbohydrate metabolism.

1952 Edward Teller and Stanisław Ulam are chief contributors to the design of the first thermonuclear weapon (hundreds of times more powerful than the bomb dropped on Japan during the Second World War).

1959 Jaroslav Heyrovský is a recipient of the Nobel Prize for his contributions to electroanalytical methods in analytical chemistry.

1963 Leon Sternbach discovers diazepam (Valium), a common drug used to treat anxiety, panic attacks, and insomnia.

1980 The emergence of Solidarity, the first independent trade union in the Eastern Bloc, marks a new form of democratic cooperation between different social groups, aimed at social and political change. The experience of Solidarity was a milestone in the development of civil society in the historically troubled region of Central Europe.

1992 Alesander Wolszczan is co-discoverer of the first extrasolar planets and pulsar planets.

1993 The emergence of the independent states of the Czech and Slovak republics is one the few peaceful and non-violent changes in national borders in the history of Europe; moreover, it did not jeopardize future successful cooperation, including the framework of the Visegrad Group.

1994 George Andrew Olah is awarded the Nobel Prize in Chemistry for research in the generation and reactivity of carbocation via superacids.

1994 Economist, mathematician, sociologist, and philosopher János Harsanyi is among the recipients of the Nobel Memorial Prize in Economic Science for his contribution to game theory.

division of available investment and research money. This is a question of priorities and, unfortunately, brings us again to the political point – setting up those priorities.

"Hungarians have a competitive advantage in education, IT, and health care. This should be the areas in which people concentrate and invest," said Peter Arvai, one of the founders of Prezi, when I asked him about how he sees the future.

We could continue in kind with the managers of all companies in the region, they would have different priorities and paths, such as industrial manufacturing giant GE, which is present throughout the region and has recently started focusing heavily on what it calls "industrial Internet." This refers, for example, to the use of huge amounts of data collected by hundreds of sensors on plane engines to improve their efficiency. This is a combination of manufacturing with IT and R&D, with the use of the cheap labor/high skills factor in the region, but implemented at a higher level than mere car assembly.

For this one needs enough people who are well-educated and science- and engineering-oriented. In the last twenty-five years, we have been catching up more in the human sciences than in engineering. This is the clear legacy of communism, which needed to be overcome to create the basic framework of democracy, freedom, and the market economy. It remains unfinished business, but the aforementioned examples are evidence that, with strong individual determination, there are substantive chances for success.

Perhaps this could be the time for another shift – for skilled business developers, scientists, researchers, engineers, and young people interested in the chemical and biotech industries, for those who already inhabit the free and globalized world of ideas, 3D printers, and cloud storage, where the sky (and yes, sometimes also rigid state regulation) is the only limit to their imagination and ability to create more prosperous lives, businesses, and societies.

This may be the future of Central Europe, which, as a region, has just passed through its most economically positive quarter century in at least the last century. /

The author is the chief international editor of the Czech daily *Hospodářské noviny*.

NEW EUROPE 100

CHALLENGERS

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Challengers' portraits by Tymek Jezierski

Ilja Laurs

From small Lithuanian game publisher to major player on the global mobile applications market, Ilja Laurs shares his experience and insight on the Eastern European digital economy, recent trends in mobile apps' business models, and challenging global giants with successful startups.

For a Lithuanian high-school exchange student in the mid-1990s, a year-long visit to the United States felt almost like a trip into the future. After returning to his homeland to complete his higher education (economics at Vilnius University), technology enthusiast Ilja Laurs had already understood that the upcoming digital revolution would transform business and society as he knew it. Supporting himself at the beginning by teaching English and later by creating much-demanded websites, Ilja was among the first generation of Internet specialists in his country. He recalls the important moment when he noticed that one of his websites, made for a hotel, attracted visitors from around the world – Western Europe and even Australia. It became clear that the Internet was more than just a curiosity for geeks or an advertising column; it was quickly becoming a platform for all different kinds of social and entrepreneurial ventures.

Around the time of graduating in 2002, Ilja Laurs realized that he was a bit late to the party; many established corporations had already developed their web-based products and challenging them would not be easy for a small entrepreneur without big starting capital, and from a region previously outside the attention of venture capital. He switched to software for the mobile devices market, which was still in its infancy, with little more to offer than just a collection of beautiful prospects. For a couple of years, Ilja's company developed games and applications for mobile phones. The true breakthrough started as side utility project.

At that time, testing mobile software was expensive and time-consuming: a developer would need to buy dozens of available devices or pay a specialized company. Ilja came up with the idea that he could upload free beta versions of his products to the web, and interested users and fans could test the software themselves. This community-based testing tool gained momentum when it was opened to other developers with an easy, automated interface. The number of involved users started to expand rapidly, with traffic doubling every two weeks. Ilja recalls that he did not realize the potential of the platform for quite some time and carried on with other projects, but was lucky enough to take note in time and make use of this window of opportunity. Developers soon started asking about advertisement possibilities, remarking that this emerging platform is a much better way to connect with clients than traditional and tiresome cooperation with telephone carriers. Ilja suddenly realized that his beta-testing tool had become the biggest app-store in the world. GetJar went on to achieve global success as independent multi-platform and later Android commerce platform based in Silicon Valley. Ilja himself remains executive chairman of his brainchild, and now also implements his experience as chairman of the Lithuanian venture capital fund Nextury Ventures.

Product in the digital economy

There are a number of lessons to be learned from Ilja Laur's story. The first is the merit of finding unexplored niches and options. This does not mean that the young generation of Central European entrepreneurs should not set themselves

ambitious goals, but it is extremely difficult to outcompete established, well-financed corporate ventures. GetJar and many other successful companies from Eastern Europe (including Finland and Russia) found a niche in mobile software development; Ilja points out that this sector grew in this part of the world earlier than anywhere else, and the achievement of games like Angry Birds, Clash of Clans, and Cut the Rope, with revenues of hundreds of millions of dollars, are testament to those years of experience and specialization.

Like many others digital companies, GetJar grew large and valuable before necessarily generating significant profit. In the startup world, an innovative idea and expanding user base are key to drawing the attention of venture capital and investors. Skype was bought chiefly because of its efficient voice and video transmission technology. On the other hand, sooner or later, every company must find a way to generate profit. The problem of turning traffic into profit is itself of crucial importance in the mobile apps and games market. In the early years of the industry (with advertisements printed in teen magazines), everything had to be paid up front: consumers were lured by attractive splash-screens and titles based on huge pop cultural franchises, and after their purchase would often find the game to be of very low quality. Even today, on more traditional gaming platforms like PCs and consoles, it is not uncommon for consumers to quickly drop newly bought games, thereby effectively losing their money. This, of course, makes them wary of buying new games.

Current trends on the mobile games market are diverse business models based on free to download and play applications, which then offer things like in-game items, bonuses, and additional content. While some critics voice their concern about multiple problems, like using a free app to "addict" new players (among them children), lowering the quality of the experience by constantly offering paid bonuses, and making the games more expensive for dedicated users, the numbers speak for themselves. Free-to-play games generate both greater user base and higher revenue. Ilja points out that this is a matter of knowledge and corporate philosophy; when the mobile games market is no longer about the ordinary sale of a final product, it is up to specialists and entrepreneurs to find out when and how they want to ask their consumers for money. Some will try to squeeze them as quickly as they can, while others believe in long-term, clientele community building and try to make their products transparent, non-abusive, and fair. It is clear that the business model itself is as important a sphere of possible innovation as "bare" software development.

Baltic Silicon Valley?

While this advice – find a niche, be quick and bold, explore new business models – may be relevant for all starting entrepreneurs, Ilja Laurs has also extensive experience with both working and investing in Central Europe and Silicon Valley. So, what are our advantages? Among these he lists regional specializations, such as the aforementioned mobile software development or Internet banking services, good digital infrastructure (the Baltic states now have a faster Internet connection than the U.S. and Western Europe, and are bested only by Japan and South Korea) and a smaller market, which enables quicker testing and implementation of innovative solutions (it is easier to negotiate and cooperate with a Lithuanian restaurant chain or bank than with a global, inflexible giant). On the other hand, the less-developed market presents several obstacles and challenges. Central Europe lacks specialists in many areas; while a smart, all-around IT engineer in a European company could accomplish all the vital tasks, a company in Silicon Valley could seek the help of much more specialized personnel, able to achieve truly groundbreaking results. Another issue is work culture and law. In Ilja's opinion, American employees are willing to work longer hours and accept more flexible contracts than their European counterparts (although for higher wages).

So how do we help our digital economy grow and expand? Ilja Laurs is not particularly fond of direct governmental startup funding – he notes that in the best-case scenario, failures (so common in the industry) are financed by taxpayers, while profits from successful ventures land in private wallets. Officials behind such programs are often incompetent and uninvolved, while public funding encourages people to start businesses just to get governmental money, without caring much for long-term sustainability and usability. In his opinion, the best approach is based on infrastructure and education. Education in particular has become an important area of activity for him in the last few years – he has published a popular book called *Verslas naujai* (*New Business*), given numerous lectures at conferences and universities both in Lithuania and the U.S., and is working with his country's government to launch a new IT academy. While luck remains a significant factor of success in digital business, its prerequisites include courage, hard work, and a good education, which provide both wide theoretical perspective and practical knowledge about current trends and developments. /

Michał Smoleń

Olga Malinkiewicz

Olga Malinkiewicz is currently a rising star in European science. Following her studies and work at universities in Valencia and Barcelona, this young physicist attained international success after returning to Poland and combining her scientific achievements with business.

She was recently awarded the Photonics21 prize for her research on perovskites; the prize – as she herself admits – is certainly an honor, but it has also opened doors to new opportunities, including contact with investors, which in turn enabled her to set up a company. Saule Technologies has just started its activity in Poland. For the time being, the team is focusing on establishing the commercial possibilities of perovskite use, including modification of current methods of extraction and getting the necessary patents.

It is worth taking the risk, as perkovskite is a very special mineral. As Malinkiewicz explains, it is "a hybrid material currently used in solar cells, and has inorganic and organic elements in its structure. Thanks to this unusual combination, it is full of attractive characteristics: it provides high efficiency of inorganic cells, for example silicon, and low production costs, which is the advantage of the less popular organic cells." As a result, the perkovskite solar cells allow for cheap and efficient energy acquirement. Although, as the physicist admits: "it is still a race to who will be the first to commercialize this breakthrough technology. It is new but already a success. Using cells on the basis of perkovskite is just a matter of time."

Saule Technologies holds an increasingly secure position. Malinkiewicz sees huge potential in the company: "We hope to cooperate with companies that would like to use perkovskite in their products. We want entrepreneurs to come to us, aware of the fact that, thanks to our cells, their final products will be nationally and internationally innovative. Even today we are holding talks with a number of subjects; we are working out cooperation models. We are flexible; however, we are mostly thinking of license agreements or special purpose vehicles. It all depends on who comes forward, with what kinds of idea about the use of perkovskite in their products, and the potential of possible cooperation."

Malinkiewicz can plan ahead thanks to her education in Poland and abroad. She recalls, however, that one of her breakthrough moments came when she left Poland: "Having defended my bachelor's thesis, I realized that only studying abroad would provide me with the best opportunities. Barcelona tempted me with its rich program. After the first year of my PhD studies, I already had my first paper," says Malinkiewicz. She adds that the cheerful and inspirational attitude of the Spanish played a part as well. In previous years she had struggled with the Polish educational system, which did not favor the development of her scientific interests but instead limited her scope. "I think that what is lacking in Polish schools is a learning-friendly atmosphere. Students respect neither each other nor their teachers. In this kind of relationship, teachers often lack the motivation to work, and classes can be boring and difficult," she says in retrospect.

It was not nostalgia that prompted Malinkiewicz to return to Poland and base Saule Technologies there. "The most critical reasons were given by my colleagues, who pointed out the promise of the 2014–2020 European Union funds that may be used by Polish entrepreneurs and companies for innovative technologies and their employment in production," she explains. Intensive activity in the technological field still awaits her. And her research on perkovskite will be interspersed with reaching the next levelof the computer game *Heroes of Might Magic III*, her outside-physics guilty pleasure. /

Magdalena Mips

Translated by Marta Miszczyszyn

Osamu Okamura

Osamu Okamura is a Czech-Japanese architect and program director of the reSITE conference in Prague, who helps to foster the discussion on how to make our cities more liveable.

When I ask Osamu Okamura about the reSITE festival, he insists that although he is its program director, he is just part of the team responsible for reSITE. Its founder, Matthew Barry, contacted Okamura as a specialist with experience in Central Europe and, more specifically, the Czech Republic. "I was the editor-in-chief of *ERA21* architecture magazine for many years," says Okamura. "After running the magazine for so long I got tired." He spoke with Barry about reSITE at a party; ultimately, Okamura decided to join, although it meant he had to find a replacement for his position at the magazine very quickly. "It was stressful," he admits. He remains involved in *ERA21* as its editorial supervisor, but the reSITE festival is time-consuming enough in its own right.

"I wake up at 8 a.m. and I usually go to sleep at 1 a.m.," says Okamura. "I send roughly ten emails a day, but in the last weeks before our conference that can go up to thirty emails." ReSITE's conference gathers urban planning specialists and officials from all over the world, although it focuses on finding solutions to Central European problems. "We do like to invite people from the so-called Third World, because when Western architects present their ideas, locals tend to complain that they are too expensive, they won't work due to mentality or economic conditions. But if we listen, for example, to Enrique Penalosa, the former mayor of Bogota who developed several successful projects in his city, people see that good planning can bring about outstanding results in countries poorer even than the Czech Republic or Poland."

The audience remains Central European: at the last conference in June there were 400 Czechs, 60 Poles, 7 Hungarians, and 30 German guests. According to Okamura, such international meetings are one of the best ways of improving the quality of urban planning in the region. In some cities, such as Prague, the situation is already good; the current mayor is very interested in innovative solutions and has even created a consulting board of urban planners and specialists. In other cities, however, governing officials are corrupt and specialists ignorant of new trends, as they do not know foreign languages. This leads to catastrophic enterprises such as the huge shopping mall in the city center of Ostrava, built by a local businessman with no objection from the municipality.

"The best way to improve the quality of urban architecture is probably through urban planning competitions," says Okamura. "If there are good specialists on the jury and the whole process is transparent, we can be sure that the best project will actually win. Without such competitions, the winning project will be chosen based on who knows whom, rather than quality." In working on transforming a city, municipalities should take into account the interests of all influenced by the transformation: citizens, the businesses, and the environment. "When someone has a good idea, it should be beneficial to all groups – we are looking not for a compromise, in which two sides in disagreement both lose, but for a win-win situation," claims Okamura. He points to Vienna and New York as examples of cities in which such collaboration has been successful, and argues that it could also work in Central Europe.

Okamura himself was born in 1973 in Tokyo; his father is Japanese but his mother is from the Czech Republic and he moved to her homeland as a child. He feels Czech, but that is not the only reason he decided to work in Prague following his studies in France and his travels around the world in the 1990s. "When I was growing up in the '80s, the Czech Republic was quite gray and boring, but soon after the fall of the Communist system everything changed. Prague is wonderfully located, in the heart of Europe, and its architecture is beautiful – many tourists started coming, many Americans and Western Europeans. But there are also many Vietnamese immigrants in the country; I think we have the most Vietnamese residents in the world, except for Vietnam of course, and many Chinese people come here as well. Prague and Central Europe in general are becoming increasingly multicultural and interesting – economically and culturally – for people from other countries." /

Agata Troost

Nataliya Gumenyuk

Nataliya Gumenyuk is a co-founder of the online broadcasting service Hromadske.TV (which translates as "Public.TV") that was launched on 22 November 2013 – almost as if in anticipation of the revolutionary events that followed. It was understood from the beginning that Euromaidan, a massive uprising of civil activism and expectation, would require independent, street-side reporting and documentation.

Gumenyuk is one of the faces of a medium whose viewership has grown rapidly to 130,000 viewers since February 2014. However, she is not merely a celebrity journalist; with eleven years of experience (and personal engagement) in journalism, she can rightfully call herself an expert in international and political affairs. Gumenyuk considers herself principally an international correspondent – what she wants most is to "report on conflicts to the Ukrainian public." Originally, she was probably referring to struggles taking place in faraway countries, but history demanded that she focus on her native Ukraine.

Citizen journalism

Hromadske.TV debuted as a kind of a grassroots media. With 70% of its budget coming from individual contributors, it relies to a great extent on the work of volunteers and the financial support of the public. At the same time, the project was launched by a team of professional political investigators who, like Gumenyuk herself, became disillusioned with the mainstream media as being too distant from the people and the reality of everyday life. Hromadske.TV was intended to offer a socially responsible alternative. In Gumenyuk's own words: "In traditional media there is a wall between the presenters and editors and the people. Hromadske.TV is breaking down this wall and comes very close to the audience."

The journalists of Hromadske.TV employ tools that are familiar to their viewership: on-the-street reporting, social media (as of 13 August 2014 it had 223,700 followers on Facebook and 206,000 on Twitter). Ultimately, what matters are the stories people want to tell. In Gumenyuk's opinion, journalism is both about the right to be informed and the right to be heard. The Ukrainian Euromaidan is a manifestation of that very idea, and clear proof that a new kind of journalism is necessary. In some sense, Hromadske.TV answers the demands expressed so loudly by the protesters.

The Ukrainian case

According to Gumenyuk, Ukraine underwent the same revolutionary process she observed as an independent journalist in the countries going through the Arab Spring. In conversation with her, one picks up subtle hints suggesting that the Arab Spring and the recent events in Ukraine have common undertones. Just as their counterparts in Cairo and Tunis, people that gathered at Euromaidan affirmed their right to be heard. However, the involvement of Russia has been a game changer and marks a difference from how similar events unraveled in North Africa. Today, Ukraine is fighting not only for transparency and freedom of speech, but also to repel the Russian colonization that threatens its very existence.

Gumenyuk asserts that the only possible way to win this fight is to focus on the roots of the revolution, which sprung from civil and anti-corruption movements. While Poland and the Czech Republic rebelled against communism, Ukrainians are protesting corruption and institutional violence. The transition that other CEE countries underwent is not the same change that Euromaidan protesters demanded. Gumenyuk points out that, compared to other countries of the region, inequality and abuse of power plague Ukraine to a much greater extent, making Maidan more like Tahrir Square than the Gdańsk Shipyard:

I rather look to the Middle East and the Arab Spring countries. I find these societies more similar to that of the Ukrainians. The extreme divide between the rich and the poor, the way civil society is built, makes us closer even to certain Latin American countries than to others in the region. Matters here are much worse and we do not share experience with CEE, maybe somewhat more with Bulgaria and Romania. What I mean is that criminality and the way the police behave (I am referring to torture) make Ukraine closer to Egypt or Argentina than to its Eastern European neighbors. It is quite depressing.

The way she talks about colonization and Russia's imperialism also puts Ukraine somewhere in the Global South, among the excluded, the divided, and the used. This sensibility is certainly merits the attention of the CEE societies, which have traditionally been too absorbed in their own affairs to see these global analogies.

Although the region is not necessarily a reference point for Gumenyuk, she does appreciate the (slightly underestimated in Ukraine) role of the V4 and the Baltic states in managing the conflict on the EU arena. If not for their voice, it would have been very hard for Ukraine to get international attention. When asked about the Polish experience of transition and its potential influence on the shaping of new political and society structures, she emphasizes an ability to listen and understand the other side's argumentation. She would gladly transplant this quality to Ukrainian society: "It is crucial to be capable of disagreement and tolerance at the same time."

"Chemotherapy"

Gumenyuk calls the process currently taking place in Ukraine "chemotherapy," or a "painful but necessary process of change." She is convinced that the Ukrainian state needs serious reform, in particular the police and the court system, and that no provisional measures will work. The good news is that, thanks to Euromaidan, the rules have already changed, or at least they are in the process of changing. Gumenyuk points out one already positive outcome – today, all politicians understand that the people's demands matter and must be listened to. Her fear is that after all is said and done, Ukrainian society will hang on to a principle that drives the actions of countries such as Russia and Israel, the idea that "strength means success." This would mean a complete loss of the spirit of cooperation initiated by the people at Maidan.

Coda

Gumenyuk's professional trajectory is quite impressive. She started her television career in 2001 and became head of the foreign news desk at INTER, the biggest Ukrainian TV channel, and eventually started her own. She has never quit journalism; she took sabbatical in 2005 to get a Master's degree in Global Journalism at Orebro University (Sweden). Currently, as a freelancer, she cooperates with different Ukrainian and international media; in 2014 she was invited to Davos as part of the Global Shapers group. However, when asked about the best moments of her career in the last couple of years, she highlights the importance of Hromadske.TV, because it brought a systemic change to the world of Ukrainian media. She considers her travels and research on post-revolutionary changes in the Middle East equally important, as they help her better understand the existential reasons for social uprising around the globe. /

Olga Urbańska

Veronika Pistyúr

How do we make success happen? I spoke to Veronika Pistyúr, CEO of the non-profit association Bridge Budapest, which inspires young Hungarian talent through its fellowship program and promotes stories of already successful ventures.

One thing is clear – pure technical skills are just not enough. Veronika Pistyúr points out that adjusting Hungarian and Central European societies to the digital age has to include many other factors, such as developing a spirit of pro-activeness, encouraging team work at all levels of education, and providing young people with the tools and experiences necessary for dreams and chasing those dreams. Although members and funders of the association are successful entrepreneurs (like Chairman Péter Árvai, founder of the cloud-based presentation software Prezi), Bridge Budapest is ultimately not just about digital startups. The courage to challenge existing pessimism is crucial for businessmen and employees, artists and social activists, and scientists and politicians. According to Pistyúr, the success that her organization is trying to promote and encourage can take the form of a company, innovation of any kind, or positive impact on the world.

Inspiring innovation

The flagship project of Bridge Budapest is its two-way fellowship program. One part is intended for Hungarian university students (six to eight per year) to gain practical experience at partner companies: LogMeIn, NNG, Prezi, and Ustream, in places like Boston, San Francisco, Israel, Japan, India, and China. The goal of these fully financed fellowships is not only to expand knowledge in a chosen field (computer science, marketing, design, and sales), but also to establish contact with high-ranking mentors, experience work culture in a global center of innovation, and gain valuable insight and inspiration. Although these young students' life-changing experiences take place in Silicon Valley or East Asia, it is crucial to note that behind all those successful companies are Hungarians who maintain offices or development centers in their home country. Fellowship is thus intended to result both from getting to know leading companies and realizing that such success can be started in Hungary and Central Europe. The same goals apply to the second type of fellowship available to journalists from around the world. Their visits to Hungarian enterprises help spread the word about the country's successes and potential. Bridge Budapest itself has published dozens of inspiring success stories.

Even in the most innovative and advanced economy, however, not everybody can be a digital entrepreneur. As Pistyúr says, instead of promoting only one career path, Bridge Budapest attempts to highlight multiple possible options that many young Hungarians and Central Europeans are not aware of. While small startup communities have existed in this part of the world for some time, only now is awareness of these possibilities starting to reach the general public. Even if many young innovators do not stay in business with their own companies, this period of entrepreneurship could give them invaluable experience and insight that may help them in more traditional jobs.

Results and knowledge

While self-confidence is extremely valuable in both business and social contexts, Pistyúr emphasizes that it must be based on results and knowledge. It is worth noting, however, that the array of skills and traits that may be useful in a modern digital economy is far greater than any narrow-minded enthusiast of technological advancement can imagine. Among such skills, perhaps the most important is the ability to cooperate. Even the greatest IT specialists still work in teams and have to communicate with others, clients, and finance departments alike. In our educational systems – and this may be a general problem in Central Europe – there is not enough attention given to such soft skills, which are deemed less important than individual achievements in traditional disciplines. Such activities should be a crucial part of curricula from primary school onward: nobody is born with team work and team building skills, and Pistyúr recalls that even for her it used to be a challenge, in her own businesses and jobs.

In addition to general soft skills, there are also various areas of expertise that need to be recognized and developed. Pistyúr notes that even among the big companies of Central European origin, it is quite common to carry on product development in their home countries, while basing management, sales, or marketing departments elsewhere, for example in the United States. This does not mean that we are somehow fundamentally lacking or that we do not have great talent in those fields – more than anything, it is a matter of experience. This is why fellowship programs and the encouragement to learn and work abroad, even for a few years, is so productive.

In her past and present occupations, Pistyúr herself has put to good use a number of different qualifications. With an educational background in television directing (Doctor of Liberal Arts), visual and cultural anthropology, and international relations, she has produced television programs, run a communications agency, and worked in marketing. She is also currently active as a member of the executive team of The Heroes Square Initiative (Hősök Tere), which aims to encourage and promote everyday "heroic" (altruistic, helpful, courageous) behavior, using the framework of social psychologist Philip Zimbardo. She acknowledges the usefulness of diverse experience, noting that many other people in the startup community started as philosophers, psychologists, engineers, or artists. An ability to use different skills and identities in different projects is, in her opinion, increasingly valuable, not only in entrepreneurial or professional activities, but also in tackling the social challenges of our age.

Brain circulation

Bridge Budapest is trying to inspire talented and skilled young Hungarians, to give them valuable experiences, and the courage to pursue their dreams. But isn't it tempting for them to simply leave home and look for job or start a company in Silicon Valley? These kinds of stories are sadly common in the developing world, especially in the area of science and technology. This "brain drain" process prevents positive change from spreading and contributes further to global inequalities. Fortunately, Pistyúr lists multiple factors that may transform brain drain into beneficial brain circulation – one positive example is that of Péter Árvai, born in Sweden to Hungarian parents, who decided to return to his home country to start his successful startup.

To begin with, Central Europe and its citizens have great technical potential that may be overlooked by large global players. In the digital age, it is easier than ever to learn valuable skills and solutions without permanently relocating to another country. Internet-based companies can also work globally by opening offices in important spots around the world. On the other hand, less-developed and smaller markets may still be an opportunity to start a business and expand it before the entry of global giants – something that should be kept in mind in the current discussions of a single European market of digital services.

Keeping in touch with one's home country is not just strictly a business decision. Many entrepreneurs feel the need to share their experience and knowledge, which is also the story behind Bridge Budapest. Last but not least: Central European cities are constantly becoming more attractive places to live. Historical heritage, cultural change, and expanding entertainment possibilities make Budapest, Prague, and Warsaw attractive to both local and foreign talent and encourage them to return, even after long periods of working abroad. This is yet another point at which cultural and social development intersects with the growth of modern, high-tech business. /

Michał Smoleń

Mikołaj Małaczyński

An interview with Mikołaj Małaczyński, the founder of Legimi, on the e-book market, changes in reading media, and how to fight piracy.

JĘDRZEJ BURSZTA

Today's young generation is being raised completely differently. We are forced to fight for readers' time. There has been a marked, recent decline in the United States in television viewership in favor of Internet viewing, be it movies, media, and portals, etc. The same will soon happen in Europe. Our task, therefore, is to introduce books in places where consumers seek activities to fill their spare time with the use of mobile phones or tablets.

Legimi sells e-books by means of a monthly subscription that provides access to your entire offer. Books are not sold as single products but rather as a package, a reference library.

Today, media are read, watched, and listened to simultaneously. The sharing of electronic media with subscription systems is also growing, with Spotify and Netflix, for example. What was lacking in Poland was a similar system of borrowing books. With the Legimi application, we offer four packages: three with page limits and one without. One who reads 150 pages a month is a sporadic reader; for such readers the price of a monthly subscription is only seven zlotys, which means that every month they can read a dozen or so chapters of a given book. The number of books a reader reads per month is irrelevant; the fee does not change. It is a limited package in which readers pay per page, so if one book proves uninteresting after fifty pages, the reader is free to move on to another.

How did you come up with the idea of Legimi? At the beginning, the company was engaged in the traditional sale of e-books.

Everyone has some contact with books but we – engineers by education – were interested in the technological possibility of revolutionizing the market. The technology that really drew our attention was e-paper, available previously but popularized only in 2009 thanks to Amazon. Readers finally had a choice between reading on paper or on a screen. We realized that e-paper would play a huge role, and tried first to design an application for reading press based on e-paper screens. It was then that we decided to found the first e-bookstore in Poland. Such investment has no technological obstacles – in fact, everyone may open an online bookstore with relatively little investment. It is for this reason that e-bookstores have sprung up like mushrooms. We are pleased to have contributed to this market. For instance, we worked out watermark technology.

What is that technology?

The idea of watermarks on CDs and e-books is similar. Thanks to watermarks, files that we purchase may be transferred from a computer to an electronic reader. Each file has an encoded identifier, which, in event of illegal sharing, lets us identify the perpetrator. Before watermarks were available, publishers were reluctant to have simple file copying, assuming that every purchaser of an e-book is a potential thief. Consumers were therefore restricted to using their purchased files on only one device. Instead of shackles, we offer strict control.

How did publishers respond to that?

It did unsettle some distributors. As with Spotify, there has been both approval and disapproval. Not everyone believes that this is the future of music, and publishers are similar – not everyone wants to take part in our project. Some claim that it may have a negative impact on the sale of paper books. I definitely disagree with that. I think that the biggest threat to Internet publishers is piracy, and our system is designed to transfer at least some avid readers to paid systems. We can therefore offer them cheap, individual access to a large number of books, because the files cannot be copied. Obviously, a purchased e-book can be copied and shared, that is not piracy but legal use. We have to be aware that each downloaded e-book is read by several people or perhaps even more.

Just like a traditional book.

Precisely. And in the case of a borrowed book, we pay the publisher for each borrowing. The publishers in the system are satisfied, which is the most significant argument. No one has withdrawn.

Who is the model user of your application?

Our model user reads one book a month. That is a lot, and in Poland, it is even radical. In general, 40% of the population read, and almost 10% read fewer than four to five books a year. These are the statistics. I think we also reach a younger target group, although we try to avoid it, users aged 25-30+. Regarding our users' tastes, they currently run to crime stories and novels of manners; in other words, light reading, which also reflects what mobile

reading is like – it is not the time and place for studying or reading at one's desk.

How does "mobile" reading differ from traditional reading?

I recently switched over from paying by card to mobile payment because I always have a phone with me. It is exactly the same with a book on a smartphone. Maybe it is not the most convenient option but it has its audience, its spatial and situational context. We also know that users like to read in the evening, which is comfortable and pleasant on a backlit tablet.

Do you also target those who did not buy paper books prior to these new technologies?

An e-book reader could be called a "gadget lover" today. The typical owner of an iPad, new tablet, or smartphone, who also knows how to use the relevant applications, is quite a modern person. We naturally stimulate the reading appetite of such readers. In a subscription system, when a month comes to an end and a user has not read anything, it is motivational – unlike a traditional book which will always be there, lying on the bookshelf.

The phrase "text on request," as well as the very idea of e-book distribution, quite naturally becomes part of the discussion about piracy.

A pirate is simply an ill-served client. He or she wants to read something but has not found it in the right form and at an affordable price. In the case of books, there appears to be another problem – will the book actually be interesting? This leads to another consumer issue: when going on holiday, I would like to be equipped with a number of books, just in case. Pirates work similarly – they simply download ten books and then they have a choice. In a user's mind, a file is not worth much. We want to change this perception; a book holds a definite social and cultural tradition. It bears value. If we have a wide range of choice for a steady amount of money, it is easier to calculate than to buy single copies. It also draws away from piracy services. Unfortunately, piracy is also related to the larger issue of digitalization – publishers do not have rights to older titles.

Is the new mode of book distribution likely to address low readership levels?

We are considering the introduction of educational elements so that younger readers may improve their reading skills; however, rebuilding readership is not our aim. In the short term, it is more important to prevent its significant decrease. The drop is influenced by demographic factors – groups of avid readers, who were raised on books, are dying out. Today's young generation is being raised completely differently. We are forced to fight for readers' time. There has been a marked, recent decline in the U.S. in television viewership in favor of Internet viewing, be it movies, media, and portals, etc. The same will soon happen in Europe. Our task, therefore, is to introduce books in places where consumers seek activities to fill their spare time with the use of mobile phones and tablets.

In which case you will have to compete with audio-visual services.

Precisely – so that we do not suffer a lack of genuinely affordable, modern, and convenient books, adjusted to the characteristics of new media. If someone uses a tablet to stream a movie, then a book has to be available in the same form. It cannot be obsolete! Music, film, and book libraries are transferred to cloud storage. Books then have at least a chance of competing with the most popular form of entertainment on smartphones – games.

How do you see the future of the paper and electronic book markets?

Surely, the existing division will remain. Paper books are still very efficient. The book market will develop on the basis of two trends: first, better and more convenient reading devices will appear on the market. Technologies allowing us to read in sunlight and watch movies on a mere paper sheet are currently being developed. Advances in these content carriers will, as a result, shape the demand for digital media. Second is the convergence of content; I predict that audio, video, and text formats will become intertwined. This is already noticeable in journalism: it is a bit of television and radio, it basically consists of a number of formats at the same time, and is becoming increasingly interactive. I assume that books will follow a similar trajectory: we will have access to books in different formats; they will be listened to in the car and read on the train or just before falling asleep. As for taking over the market of paper books, that will simply be the result of readers' new habits. If people move part of their cultural lives – reading press, messages and browsing the Internet – onto tablets, then books will naturally find their place as well. It remains to be seen how quick users' shift to the digital form will be.

What about other trends?

Cloud storage – thanks to which content is not limited to any single device – is gradually changing our habits. The Internet became widely popular in Poland only quite recently. Online shopping is still a small market, 20-30 billion zlotys a year. The book's path to a total web presence for good is still long, but I think that the author's path to the reader will become shorter. Self-publishing is a thriving business. The average Polish author may expect 10-20% of cover price income. This may be reversed: an author may sell ten times fewer books, but earn everything on his or her account. If an author is able to achieve this, it becomes lucrative. We have several self-publishers in our database who earn reasonable sums.

The question then becomes, where will publishers find themselves in this landscape?

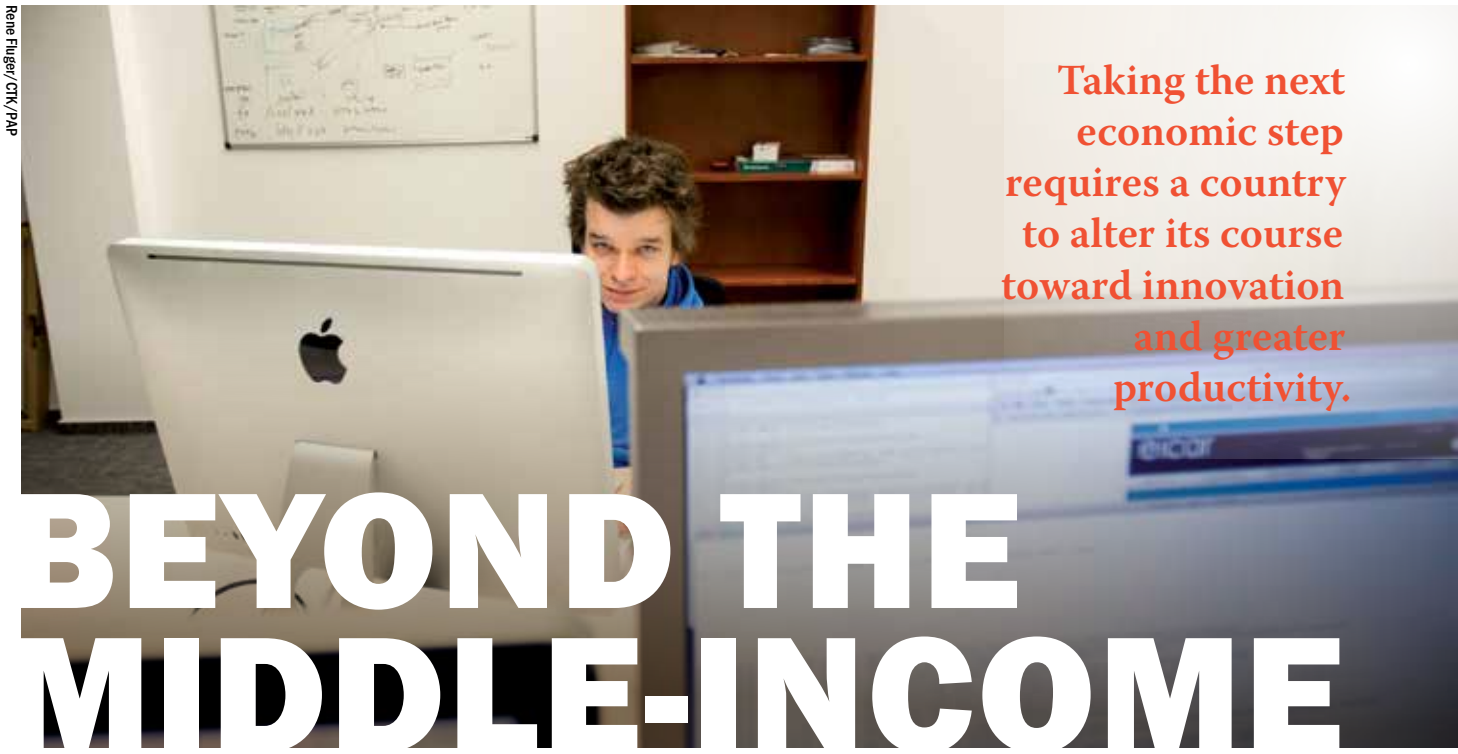
Acclaimed authors, especially those distributed by networks of international agencies, will not be threatened. However, all those who have been turned down at a publishing house may try to succeed on their own. If they do, publishers will certainly welcome them back. We have noticed that those self-publishers who do best on the Internet run blogs, have the same target groups, and can actually use their blogs to hawk their publications.

Do you plan to expand the company outside Poland?

We originally planned to do so and observed how other Polish projects work abroad. For the time being, we are developing and gathering experience on the Polish market. We will perhaps set out abroad in a franchise system, which would seem the most relevant to the priorities of foreign partners. Nevertheless, we have to bear in mind that the book market is, in fact, highly regional. You have to talk individually with each partner and representative and negotiate particular conditions for each market. /

Interview by Jędrzej Burszta

Translated by Marta Miszczyszyn



Rene Flugger/CTK/PAP

Taking the next economic step requires a country to alter its course toward innovation and greater productivity.

BEYOND THE MIDDLE-INCOME TRAP

BENJAMIN CUNNINGHAM

The good news is that the Visegrad Four countries all appear to have escaped the dreaded middle-income trap – that theoretical scenario in which specialization helps a country grow its economy to a certain level only to see complacency and over-dependence lead to stagnation. The bad news is that much of the region remains highly dependent on manufacturing that was drawn in by low labor costs during the 1990s, and that further growth – or better said, growth rates that might allow the region to match the earnings of its Western European counterparts – requires a shift in emphasis.

While most economists now consider all of Central Europe in the high-income bracket of global economic players statistically, that may come as news to many in the region. Per capita GDP in Poland, for example, is still less than 30% of neighboring Germany. If nothing else, this proves that there is indeed a clear distinction between merely avoiding a trap and reaching maximum potential.

If history is any indication, taking the next economic step requires a country to alter its course toward innovation and greater productivity, in the best-case scenario, morphing from an economy of makers to an economy of creators. Today, serious economic creativity almost always boils down to information technology of some sort. At 1.88%, the Czech Republic far and away leads the region in percentage of GDP dedicated to research and development, but still trails EU-leader Finland's 3.55% by a significant margin. There is room for improvement (especially in Slovakia, which spends just 0.82% of GDP on R&D), but also reasons for optimism. The Czech economy actually places greater emphasis on R&D than the UK.

There have been notable examples of inventive, new-economy businesses in the region, some of which are now serious global players in their respective fields. AVG and Avast, for example, are Czech anti-virus software companies of international scope; however, the fact that nearly every businessperson in the V4 would probably name the same handful of firms on a shortlist of regional homegrown success stories is also a sign that there are far too few.

There remain explanations for this, some well known and others less so, but this is a subject we shall return to later. First, it is worth noting some of the innovative firms from the region that may be helping pull V4 economies a rung or two further up the global economic ladder today. As Roland Manger, a partner at the Berlin-based venture capital firm Earlybird, notes, there remains promise in the region. Earlybird launched a 130-million-dollar "Digital East" investment fund earlier this year, and demand was such that they had to turn some investors away. Manger finds the region's strong heritage in technical education a draw, as well as what he firmly believes is a knack for ingenuity that still manages to fly below the global radar. "This means that we get to pick the prettiest flowers," he says of his firm.

Regional success stories

Perhaps Earlybird's most fruitful V4-based blossom is Socialbakers, a Prague-based company that uses analytics to monitor commercial marketing campaigns on social media. From a handful of founders starting out in Pilsen in 2008, they have grown to some 400 employees. In addition to Prague and Plzeň, they now have offices in Istanbul, London, Mexico City, Munich, Paris, San Francisco, Sao Paulo, and elsewhere. "We started out of college without any capital," says Lukáš Maixner, one of the founders. "We are growing in two dimensions – vertically with more data and insight, and horizontally, integrating more and more platforms."

Also based in Prague and targeting the commercial use of social networks is Brand Embassy, which created software that allows companies to manage customer service via Facebook, Twitter, and other social media. The company launched in 2011, and essentially channels customer comments, complaints, and requests on such platforms directly to the person at the company most likely to be able to solve the problem. "Social media was not built for customer service," says Vít Horký, the company's CEO. "We help." Brand Embassy has about twenty-five employees, twenty based in Prague. They count about fifty large companies as clients, including AVG, Diageo, GE Money, ING, Johnson & Johnson, KIA, Prezi, Telefonica O2, T-Mobile, and Vodafone.

The aforementioned Prezi is another of the V4's big success stories. They make cloud-based presentation software that allows presenters to create 3-D effects and zoom in and out between slides. The firm has about 250 employees and 45 million users worldwide. It got its start in 2009 out of Kitchen Budapest, an ideas lab based in the Hungarian capital that was launched in 2007. "The world has changed a lot since then," says Zsolt Winkler, Kitchen Budapest's managing director. "These days, three university students can create something, put it on Kickstarter and turn out a product. What we offer is a mixture of an innovation and an incubation lab."

Slovakia has also been home to a number of innovative tech-oriented startups. One of the most successful of these is Piano Media, which started in April 2001 as a media pay wall system that bundled much of Slovakia's news web sites into a single subscription. The company then launched similar operations in Slovenia and Poland, before starting to offer a variety of more individually tailored pay wall products for individual media outlets. Earlier this year Piano Media signed a deal to set up and run the pay wall of the re-launched version of the American magazine Newsweek.

A new Slovak up-and-comer is Diagnose Me, still with just ten employees. It is something of a social networking platform for doctors and patients. The website allows medical patients to get a second opinion on a diagnosis from anywhere in the world in a number of languages. Patients upload images from scans, x-rays, or MRIs and connect with any number of a team of doctors who review the files and either confirm or contradict the original diagnosis. The doctors set their own fees and Diagnose Me collects a 30% share. "The original idea was that we would have many people from India and China," said Martin Kolesar, the company's director of product development. "Actually, we found we have many the UK."

In Poland, among the more intriguing tech firms is Uxpin. Their product is used to design web and mobile applications. The goal is to fill a significant market gap between overly specialized design software that requires special training and tools that are too simple to make interesting applications. While it has a kind of middle-market appeal, professional designers are increasingly taking it up as well. Revenue rose 950% year-on-year in 2013 and the Gdynia-launched startup now has an office in Silicon Valley.

"We believe that designing a website or a mobile app should be as easy as building things from Lego, said Marcin Kowalski, one of the founders. "You can't achieve that by using such tools as Adobe Photoshop, which is definitely a powerful tool, but far too complex for web and mobile design."

Companies like these are hardly alone in the region. Poland has Reaktor Warsaw, Mybaze, and Nozbe. In Slovakia, LiveDispatcher, TheSpot, and Kickresume won awards at the Central European Startup Awards. The Hungarian firms Crypttalk, iCatapult, and Zinbox are generating buzz. Rising Czech firms include Liftago, TechSquare, and Kaicore. Such startups are proof that it can be done, but what is to be done so that investors like Earlybird's Roland Manger, and the region itself, will one day have an even more appealing garden to harvest? While the conditions among V4 countries vary, there are also overlaps and trends.

V4 Startup 2.0

There is some sense that V4 tech companies initially benefit from the same dynamics that led heavy manufacturing to migrate to the region in the 1990s: specifically, a skilled labor force working for lower wages than elsewhere. Such arrangements, however, do little to gain ground in Western European economies, with lower wages meaning lower domestic consumption and slower growth for other industries too.

Programmers and web developers indeed still do work for lower pay on average than their counterparts in Western Europe, the United States, and elsewhere. "There is talent and it is our advantage that we were able to build at relatively low cost compared to San Francisco or Western Europe. It is just the way it is," Maixner of Socialbakers says. But when it comes to tech and the twenty-first century, this dynamic only partially holds true. While startups may exploit lower wages at very early stages of development, that competitive advantage quickly evaporates as the company grows.

"At the end of the day, your competition is based in Silicon Valley," Kolesar of Diagnose Me notes. Innovative tech companies can operate from anywhere, so incomes for skilled specialists quickly enter the realm of global competition. Put another way, Manger says: "Once companies become internationally active they are on the global labor market."

A dynamic like this is a prime example of how tech startups can help spur wage and economic growth in the region more generally – assuming they stay based in the V4, that is. Piano Media recently moved its headquarters from Bratislava across the Danube to Vienna. The change came as the company sought additional capital and prioritized the German-language market. Brand Embassy's creation story provides an interesting example of possible gaps in the system that slow V4 innovation. Should these persist, we may see more compa-

nies created in the region move to financially greener pastures.

While the vast majority of Brand Embassy's operations are in Prague, the company was technically founded in the UK. "Setting up a company in the Czech Republic is still pretty difficult," Horký says, citing unpredictable changes in commercial law and poorly thought-out thresholds in asset valuation required to register as one type of firm or another. The company was also able gain some early funding from UK Trade and Invest, a public entity comparable to Czech Invest, which helps firms target export markets. Czech Invest, Horký notes, has historically worked with larger more established firms, rather than startups of the type his was at the time.

As any retail customer or mortgage holder in the Czech Republic might know, the practicalities of banking in the country are occasionally frustrating. This carries over into the commercial sphere. "The situation is not good," Horký says. "There are a lot of constraints on opening accounts, getting overdraft protection, getting support to set up a multi-currency account."

Such logistical issues are a significant weakness in a global marketplace, but the region quite obviously has advantages as well. Sometimes these strengths and weaknesses can even, somewhat contradictorily, be one and the same – as is it when it comes to V4 education systems. Top-notch technical education is always noted as one of the V4 strengths by businesses in tech or elsewhere. At the same time, nearly all creativity-driven industries also cite the education system as a weakness. "The region is extremely strong in technical education, but in business it is still mostly about your own education," Kolesar says. "To create added value, you need more than that. Slovakia needs to improve college education in the liberal arts. This may sound contrary, but what is missing is that schools don't teach students to think for themselves."

Kowalski recently helped mentor youngsters in entrepreneurship as part of a workshop program at Gdansk Business Week. "I realized that this is something that we should have in Poland on a regular basis," he said. "Not as a one-week initiative, but something that we teach at schools: entrepreneurship, leadership, creativity, teamwork, and a basic understanding of what it is like to run a company – pitching ideas and public speaking."

Beyond this, there are larger culturally engrained hurdles that still must be cleared for the V4 to tap its full tech potential. "In Poland we're far behind the U.S., where most Americans are natural-born salespeople and marketers," Kowalski says. "Secondly, there is a big difference in knowledge-sharing in general. There is a culture of knowledge-sharing in Silicon Valley."

In Budapest, Winkler is perhaps best positioned to see how the whole tech startup ecosystem works, sitting at the intersection of experimentation, ideas, and capital, and companies big and small. Kitchen Budapest provides a space for freelance experimentation, but also provide small startup funding (up to 35,000 dollars) and mentoring for some of the most promising ideas. KIBU, as they call themselves, are backed by Deutsche Telekom via their local Hungarian arm. "The big investments are coming from outside the country," he says. "It is the risk part of capitalism that is missing from capitalists here."

This is perhaps the biggest cloud hanging over the full bloom of tech entrepreneurship in the region. While Earlybird's Manger notes that there are small startup funds and incubators that can help V4 tech companies get started, taking the next step – and thus generating jobs, increased salaries, and economic growth – almost always requires money from outside the region. He counts his own firm and 3TS Capital Partners as perhaps the only serious, consistent players on the market and remarks that many V4-native investors impose "unwise conditions that are more politically driven than commercially." Such flaws no doubt slow innovation and perhaps, even worse, risk pushing domestic innovators outside the V4 once they do find success.

"We are committed to the region and find it particularly interesting because for some reason nobody else has found it interesting for investment," Manger says. "We are always looking for exceptional people and unless you are a chauvinist, you realize that gifted people are equally distributed throughout the world." /

The author writes about Central and Eastern Europe for The Economist, The Christian Science Monitor, Time magazine, Body, and others. He is a fellow at the Institut für die Wissenschaften vom Menschen (IWM) in Vienna.

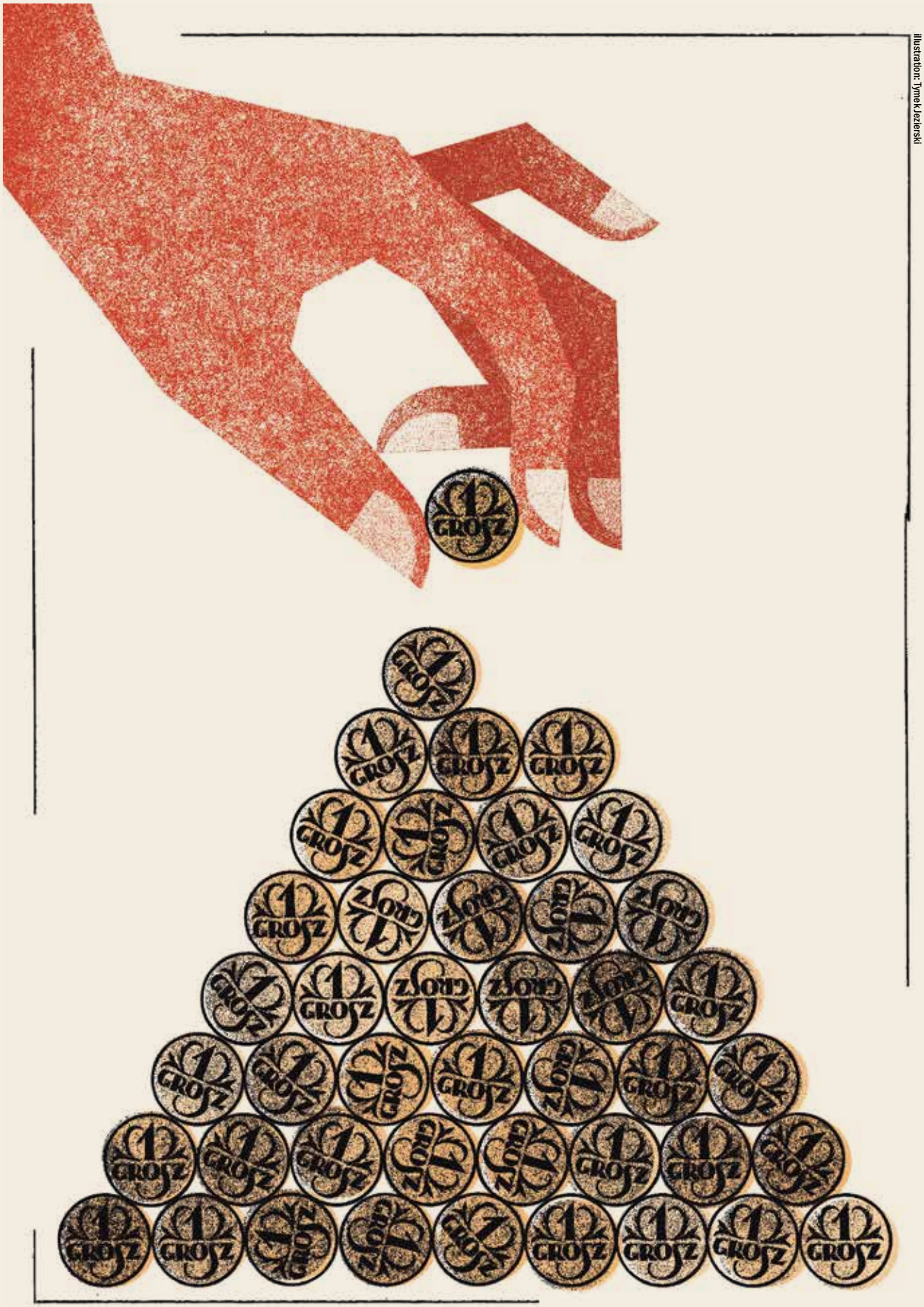


illustration: Tymek Jezierski

Can Visegrad be crowd-funded?

THE FIRST EVER REPORT ON CROWDFUNDING IN THE REGION

OLGA URBAŃSKA (RES PUBLICA)
MARIA STASZKIEWICZ (ASPEN INSTITUTE PRAGUE)

In its essence, crowdfunding is not a new phenomenon. Based on the principle of public collection for a specific purpose, crowdfunding, as we know it today, is made possible by modern technology. Now, anyone with rudimentary IT skills can launch an online campaign to raise funds from individuals for any project, and there are virtually no limits on funding appeals, from book publication or producing a telescope, to sponsoring a wild holiday adventure or paying for medication, or attracting shareholders to a prospective startup. Collecting money with the help of varied Internet tools is an alternative to traditional models of financing (loans, credits, and grants), especially for non-profit or risk ventures. The infinity of opportunity generated by crowdfunding has been proven by two successful political public collections by Barack Obama and his election team, who raised 600 dollars (445.56 euros) and 214 dollars (158.92 euros) from small donors for his presidential campaigns in 2008 and 2012 respectively.[1] Small wonder that this momentum was seized by Obama and his administration, who integrated the phenomenon into the American Jobs Act with the aim of revealing its potential to stimulate growth: "[…] right now, entrepreneurs like these bakers and these gadget-makers are already using crowdfunding platforms to raise hundreds of thousands of dollars in pure donations – imagine the possibilities if these small-dollar donors became investors with a stake in the venture."[2] Acknowledging this potential, the European Union organized public consultation to examine ways it could promote crowdfunding (CF) in 2013, and we may soon see European legislation on this financial tool.

Although the first online campaigns emerged in the mid-1990s and the worldwide upsurge of crowdfunding platforms (CFP) came in the early 2000s, the arrival of crowdfunding to Central Europe was somewhat delayed. The phenomenon is as yet not widespread and many potential crowdfunding users are not aware of its benefits. Local crowdfunding platforms cannot boast great successes like those on American platforms, but the trend is on the rise in the region. Is Central Europe ready for crowdfunding?

WHAT IS IT GOOD FOR?

Basically, the answer is: everything. Crowdfunding takes many forms and therefore eludes clear definition, making it difficult to embrace it with one set of legal acts or to generate reliable statistics. A basic division can be drawn on the side of contributors' (e.g., those who support a campaign) motivation: is it (1) non-profit, or (2) investment-oriented? To be sure, this is a rough classification, as most campaign contributors do get something in return for their financial support, yet the non-profit category implies no prospect of capital gain. These two elementary categories can be further divided according to the transaction type between the project owner and contributor. Hence, the non-profit domain includes (3) donations – gifts, (4) pre-selling, often based on the principle of an e-shop with delayed delivery because a project will only be implemented once the requested sum is collected, (5) rewards in the form of a product/service usually of lower value than the contribution, e.g., issue of a supported book, (6) crowdsourcing or in-kind crowdfunding, in which the donor offers support other than financial (workforce, equipment, knowledge, etc.). The other, profit-oriented, group also consists of several subcategories, such as (7) equity crowdfunding, in which contributors receive equity (share) in a company or business venture set up from the raised funds, giving them certain decision-making rights, or (8) property crowdfunding, in which a group of people acquire real estate. Another CF model on the borderline of the profit category is (9) peer-to-peer lending, which takes place outside the framework of regulated institutions – such as banks – and can be executed with or without interest rates. Viewed from the technical angle, CF can be performed on (1) project-related websites run by project owners themselves, or (2) platforms operated by intermediaries offering fund-seekers tools to collect money for their cause. This basic typology does not claim to be all encompassing; it is merely an attempt to outline the crowdfunding environment.

More than merely a fundraising tool, crowdfunding has many collateral effects. It can be an effective way to collect invaluable market feedback at a relatively low cost and allows for an idea to be tested for attractiveness by its potential recipients. Additionally, CF campaigns are better suited to generate communities of supporters for a given project or cause, as they do not resemble traditional marketing crusades. Information is collected simultaneously to funds at no additional cost, and – if skillfully used – may be worth more than the actual money. The versatility of crowdfunding makes it very useful, especially for creative individuals, small and medium enterprises, and the non-profit sector.

THE STATE OF PLAY IN THE V4

Crowdfunding became known in CEE as early as the mid-2000s, when individuals embraced the opportunities provided by foreign platforms. Julia Marcell for example, a Polish-German singer and pianist, raised funds for her music album on the Dutch platform Sellaband in 2007. Thanks to successful cases from abroad, the idea was soon transplanted to this region and the first platforms were established. In 2011, inspired by foreign models that proved successful in the United States, the Polish "Polak Potrafi" ("Poles, they can") and the Czech "Fondomat" were created. More soon followed and now there are a number of crowdfunding platforms or websites in each of the Visegrad countries. There is certainly a long way to go before the V4 countries develop a strong CF environment; however, there are some noteworthy examples of applications of this fund-raising method, which prove that the opportunities it provides could be much better exploited in our region.

In the U.S., it took around two decades to fully install crowdfunding as an established way of financing ideas and enterprises. The evolution process usually comes in four consecutive stages.[3] First, crowdfunding starts to be perceived as a solution to individual cases and is conducted through single-purpose web sites only. Later, as it grows in scale, intermediary platforms appear. Then comes the market creation stage, when experts, advisors, and media promote and develop the tool. Finally, the "asset class" stage follows, in which the necessary legal regulations and good practices are worked out to protect the interests of both CFP owners and their users. Crowdfunding in the V4 currently seems to be in the second phase of development; a market of intermediaries is forming across the region. The first CFP in Slovakia was established only this year and most projects still use their own dedicated web sites.

Although the four countries' CF environments are similar, they have a few differences. When viewed from the motivation angle, non-profit CF campaigns are by far predominant, with donations and rewards as the preferred transaction models. Most sites in the region run in accordance with regulations that apply to e-shops. Other CFPs organize their activity around the concept of a "donation" and operate on legal acts related to foundations. When it comes

SUCCESSFUL V4 TECH CAMPAIGNS ON GLOBAL PLATFORMS

PROJECT	FUNDS RAISED / €	PLATFORM
DELIVERANCE Czech realistic single-player RPG set in the medieval Europe	1,402,109.60	KICKSTARTER
SUPERHOT first-person shooter game designed by the a team from (PL)	186,164.49	KICKSTARTER
CULCHARGE smallest USB charge and data cable for iPhone and Android (SK)	70,005.98	INDIEGOGO
DARKWOOD game (PL)	42,550.21	INDIEGOGO
FEEL FLUX physics toy (HUN)	27,403.81	INDIEGOGO
MONTHLIES educative film (SK)	24,495.52	INDIEGOGO
FULL HD screen upgrade kit for the Oculus Rift DK1 (CZ)	18,641.09	INDIEGOGO
PIKKPACK flat-packed shoe (HUN)	14,925.94	KICKSTARTER

PROJECT TRAFFIC ON THE MOST REPRESENTATIVE CFPS IN THE V4

CFP	N° PROJECTS (ACTIVE + FINISHED)	SUCCESS RATE (%)
HITHIT Czech Republic	356	44.14
CREATIVE SELECTOR Hungary	77	6.49
ADJUKÖSSZE Hungary	29	48.28
POLAK POTRAFI Poland	995	38

Source: presentation of the data available on the platform sites (as of 1 July 2014).

to revenue-oriented projects, few equity crowdfunding platforms exist only in Poland, and even fewer are active. They are "Beesfund," "Crowdangels," "Crowdcube," (the Polish branch of the British "Crowdcube") and "Wspolnicy." Beesfund was the first; strangely enough, the sole project that successfully sought funding through this website was the platform itself! The current proliferation of equity investment platforms in Poland is quite striking, as there are almost no examples of successfully funded projects of this type.

In terms of content, cultural and social campaigns, as well as charity-based ones, prevail. The analysis of the project deal-flow on the national CFPs demonstrates that sites are used mostly for community-oriented projects, which usually do not require a great deal of cash support and reach out to local needs or sentiment rather than individual interests. For instance, the Polish CFP Siepomaga.pl ("One helps") created – with great success – a system of financial support for all sorts of patients whose lives are in danger or who badly need to improve their health. The site's popularity is greatly due to the charitable motivation of contributors. They seek to step in where state institutions (the health care system) fail, when these are unable to provide help. The most successful Czech platform, Hithit, has hosted 25 "community" projects, 66 "music" projects and 113 projects tagged "film," "art," or "literature" so far, while it has only had five "tech" projects. Music campaigns also generate the most funds: for the organization of the big United Islands music festival in Prague, the campaigners received 63,225 euros from 3,692 backers.[4] Similarly, the most popular projects presented on the Hungarian site Creative Selector pertain to the categories of "civic society" (there are sixteen on-going and two successfully financed projects) or "events and festivals" (fifteen on-going and one successfully financed). Finally, the Adjukössze ("Let's add it up") platform is entirely dedicated to social projects within the non-profit sector: there are four on-going and nine successfully financed projects. The situation is no different in Slovakia; it is nevertheless difficult to present any statistics as the first CFP, "Ideas Starter," was launched only at the beginning of 2014.

It seems obvious that cultural projects, strongly rooted in national (or regional) mentalities, are promoted on national platforms rather than referring to big ones abroad, such as Kickstarter or IndieGoGo. These sites, however, offer the opportunity to reach individuals all over the world and therefore to raise many more funds, which is why there are preferred by CEE startups and innovators. Their global outreach is not the only reason technology projects seek funds outside CEE countries. Technical literacy is relatively underdeveloped in all V4 countries and risk-taking related to startups is rather low, motivating CEE geeks to invest in global campaigns.

Compared to the above-mentioned global platforms, the traffic and success rate on platforms in CEE is still in its nascent phase. Within the region, Czech and Polish CFPs are doing relatively well, while in Slovakia an intermediary platform has just been established and activity on Hungarian ones is quite low.

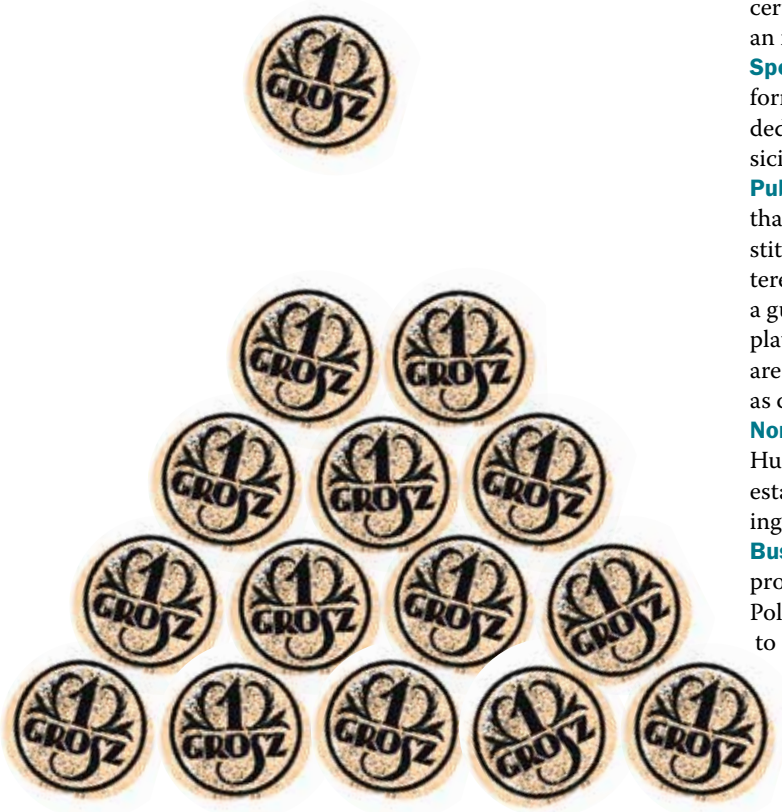
To date, the platforms have managed to steer clear of legal problems with intellectual rights or fraudulent behavior. This is why, in spite of the fact that current legislation on crowdfunding is tremendously fragmented; there is currently no motivation to conduct regulatory activity. In Poland, the legal status of crowdfunding was not clear until recently. A 1933 public collection bill demanded that all money e-transfers ought to seek official permission prior to collection, a situation that had continually been contested by providers of CF sites. In fact, various judicial acts were pronounced in favor of crowdfunding campaigns' legality, even if they had not been given official permits. The Polish CF community welcomes the new law introduced by the Ministry of Digitization, which finally introduces legal certainty in this respect. As already mentioned, Czech CFPs operate on the legal basis of e-shops (and as such they need to pay VAT from services provided) or fall under the category of donation-receivers, with no need for filing request to organize collection. The situation is similar in Slovakia, where most CF campaigns are donation-based. The Slovak Ministry of Interior is now preparing an act to establish a registrar of public collections, obliging fundraisers to post information on money collected. Hungarian platforms, just like those in other V4 countries, accommodate their functioning to existing laws and practices, as none have legislation specific to crowdfunding. The question remains, however, if one really needs to regulate a phenomenon as diverse as crowdfunding.

> The general characteristics of crowdfunding in the V4 amount to this: preference is expressed for small-scale projects that do not carry risk for contributors. Most platforms imitate the mechanisms and build upon the know-how of popular North American sites, but they need to adjust their activities to the existing, slightly chaotic, legal environment. Dominating forms of crowdfunding are simple; reward and donation models prevail. The biggest disadvantage by far is that the crowdfunding market in CEE remains limited to cultural and charitable projects and lacks the innovative projects that are being fund-raised elsewhere.

SIZE MATTERS

According to the 2013 CF Industry Report, 2012 was a turning point for crowdfunding: globally, the CFPs raised a total of 2.004 billion euros, compared with 1.1 billion euros in the previous year (numbers are totals for all types of transactions). The greatest growth (by 105%, to 1.2 billion euros) in crowdfunding volume was made in North America, while European crowdfunding volume saw 65% growth and reached 735 million euros,[5] a number ambitious enough to compete with the shrinking venture capital in the EU (3 billion euros), but far behind the European IPO markets (approx. 16.5 billion euros).[6] This rapid growth of the European CF markets[7] attracted the attention of EU institutions. Recognizing the potential of crowdfunding to strengthen investments, the European Commission conducted a public consultation in 2013. Its main objective was to investigate if it would be desirable to design EU activity to promote crowdfunding in Europe. In the disclaimer of the public consultation document, the commission states that crowdfunding could be beneficial from an economic point of view, notably that it could "contribute to bridging the finance gap for small firms and innovative projects," while "better access to finances for small businesses would promote entrepreneurship and ultimately contribute to growth and job creation."[8]

Disappointingly, the markets in the V4 are much more modest. The most recognizable platform in Poland, the aforementioned Polak Potrafi, raised a total of 894,364.40 euros (as of July 2014). On Kickstarter, the total amount of money collected was almost 0.9 billion euros! The most successful project on the Polish CFP, the "Cohabitat Gathering" Festival, amassed 23,658.84 euros, which is impressive for Poland but still very little when compared to the more than 7 million euros obtained on Kickstarter by the creators of "Pebble," a customizable watch. Finally, the most popular project on Polak Potrafi received 1,007 individual contributions, while the most successful projects on Kickstarter receive on average tens of thousands of backers (e.g., the Pebble Watch, with 68,929 backers). In the Czech Republic, the most active CFP, Hithit, mobilized around 270,000 euros, mainly for cultural projects. Hungarian sites have been less fortunate, as project traffic gathered only 70,000 euros. The numbers for Slovakia are difficult to determine because the first CFP was established only recently, but even two website campaigns outdid the sum raised on Hungarian platforms: Martin Šútovec (Shooty) collected over 80,000 euros and Marek Adamov, with his slogan "Buy Yourself Immortality," has so far raised 70,000 euros to rebuild the New Synagogue in Zilina as a cultural center.



THE POWER OF VERSATILITY

Despite its potential and great flexibility, crowdfunding will not replace other forms of financing. Still, it can become an important fundraising tool, especially for non-profit and startup companies. Thanks to its adaptability, crowdfunding can be used as a tool in conjunction with already existing funding schemes and in-kind support. Inspirational examples are not far to be found.

Incorporating crowdfunding into fundraising strategy seems to be the easiest model. For instance, the non-profit organization and the publisher of *Transitions Online* magazine, "Transitions" (or TOL), launched a crowdfunding campaign on the IndieVoices platform to raise money for independent journalists in Russia (the project is called "Weathering the Storm: The Dangers of Going Green in Putin's Russia."

Cooperation with foundation. A worthy example is the cooperation between the Czech Vodafone Foundation and several non-profit organizations. The foundation promised to give the NGO a gift provided that the project successfully raises a certain sum via crowdfunding. One such example is Rekola, an independent bike-sharing system in the Czech Republic.

Specialized CFPs can provide exchange and support platforms for causes or professions. The Czech Music Cluster is dedicated to music projects exclusively and assists young musicians not only financially but also through mentoring.

Public institution as intermediaries. The case of projects that receive a certain proportion of funding from public institutions and the rest from crowdfunding are especially interesting, as the participation of public institutions may act as a guarantee of implementation and/or plausibility. The Polish platform "Wspieram Kulture" organizes regular events that are co-financed by funds from the Ministry of Culture as well as crowdfunded.

Non-profit institutions as intermediaries. In the case of the Hungarian Adjukössze, an association of NGOs decided to establish and run a platform to help its members find financing for their projects.

Business models are harder to find, but one example, if proved successful, may change the game in our region. The Polish Stock Exchange has recently come up with an initiative to create its own crowdfunding platform in order to reach a new target audience: microfirms and individual investors with limited funds. Obviously, the initiative, patronized by a prestigious public institution, would give more credibility to crowdfunding. At the same time, however, it might monopolize the activity "of the crowd."

FROM CROWD TO COMMUNITY?

The nature of crowdfunding has many collateral effects. It generates more than financial value as it brings positive change to social relations, stimulates the creation of community, and strengthens social and local ties. It would therefore be desirable to promote its use and assist its development. Public authorities or non-profit associations could, for example, following the Australian initiative,[9] conduct an information campaign about crowdfunding, and commission a study to point out the best practices and share them with CFP users seeking fund-raising.

More strategically, crowdfunding could also be encouraged at the transnational level, via regional platforms. Although it seems that nationality is still a very strong source of identity for backers of crowdfunding campaigns, one could imagine similar identification on the basis of, for example, common regional origin. In this sense, crowdfunding could turn into a useful tool for fostering regional cooperation and building a more distinct and recognizable regional identity. Crowdfunding – as a valid instrument of financing initiative and ideas – could, potentially, generate a new dimension of economic and cultural cooperation in the V4 countries, strengthening people-to-people contact, and, if well organized, the platform would provide legal certainty and eliminate many accounting problems that campaigners have when fundraising abroad. So shall we crowdfund Visegrad? /

The article was published as part of Crowdfunding Visegrad, a project conducted by the Aspen Institute Prague, together with Res Publica, Creative Industry Forum, and The Budapest Observatory, and supported by the International Visegrad Fund. The project outcomes will be presented this autumn in Prague. For more information please go to http://www.aspeninstitute.cz/en/news/crowdfunding-visegrad/.

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A ROADMAP FOR A NEW ERA of growth in Central Europe

Is the economic comeback of CE economies finally under way?

WOJCIECH BOGDAN

The economies of the Central Europe region have struggled to restart growth since the financial crisis of 2008, but as the global economy has found a stronger footing – and the region's trading and investment partners in Western Europe have moved past the Euro crisis – 2014 has brought promising signs: in the first quarter of 2014 major CE economies grew by 2–3% or more. Yet growth across the eight CE countries we analyzed in our

recent research (Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia) remains far below pre-crisis levels. From 2000 to 2008, GDP growth averaged 4.6 annually, making CE economies among the fastest growing in the world and raising per capita GDP from 38% of the EU15 average in 1995 to 52% in 2011.

According to a recent report by the McKinsey Global Institute entitled "A new dawn: Reigniting growth in Central and Eastern Europe" it is still possible for CE economies to generate 4%-plus GDP growth, but only if they can modify their growth model to reflect the new realities of the global economy. The model that served the region so well prior to the crisis depended on Western Europe as a source of both demand for exports and the foreign direct investment (FDI) that allowed the region to raise productivity from 37% of the EU level in 1995 to 60% in 2011, and made it an important manufacturing hub, particularly for automobiles. In retrospect, it is also clear that growth was dependent on debt-fuelled consumption that could not be sustained.

A new growth model would include expanding exports in knowledge-intensive goods and services, raising productivity in lagging sectors such as transportation, and building sources of domestic financing to fund growth while attracting renewed FDI. Underpinning these strategies would be enablers such as improved infrastructure, urbanization, and better education and training.

If the CE economies can make these strategic shifts and investments, we estimate that regional growth can return to the 4.6% average through 2025; without these changes, the region could expect to see average growth of 2.8% (Exhibit 1). This model calls for shifts in strategic focus and long-term investments.

We find that the underlying strengths that made rapid growth possible in the pre-crisis period remain intact. The core strengths of the CE region, an area with 100 million people and 1.3 trillion dollars (0.9 trillion euros) in GDP in nominal terms, are:

Highly educated yet affordable workforce. About 22% of the entire labor force has tertiary education and 29% of workers aged 25 to 34 have college degrees, matching the Western European rate for all workers. Yet wages average 75% less than in the EU-15 and are as much as 90% lower in Bulgaria and Romania.

Stable macroeconomic environment. The CE economies have relatively strong balance sheets (public debt in most nations has not exceeded 60% of GDP since 2004), and exchange rates have been relatively stable at plus or minus 15% versus the euro.

Favorable business environment. While there is room for improvement, the region now ranks just behind the high-income economies of the Organisation for Economic Cooperation and Development (OECD) for ease of doing business.[1] Statutory corporate tax rates average 18%, compared with an average of 26% in the EU-15, 22% in Asia, 28% in Latin America, and 29% in Africa. On metrics of corruption, the CE economies lag behind the EU-15 nations but are far ahead of China, India, Brazil, and Russia.[2]

Strategic location. CE nations are, at most, 1,500 kilometers from Germany and the other Western European economies. Russia and other Commonwealth of Independent States (CIS) nations lie to the East, as well as Turkey and the Middle East. As global economic growth moves east and south, Central and Eastern Europe could be well positioned to participate.

The crisis, however, exposed significant weaknesses in the CE growth formula. High GDP growth across the CE region was heavily dependent on consumption, which averaged 80% of GDP between 2005 and 2008 – far above levels in other fast-growing economies. When the crisis hit, foreign direct investment flows – 80% of

which had originated in Western Europe – virtually collapsed. Demand in Western Europe, which takes nearly 60% of CE exports, also fell sharply and remains weak.

A NEW GROWTH MODEL

Restoring the 4.6% annual GDP growth that the CE economies averaged from 2000 to 2008 would require a new growth model. In our research we identify three thrusts and a series of enablers. The thrusts would expand exports in specific sectors to balance trade (as has been achieved recently), raise productivity in lagging sectors, and ensure domestic financing to fund growth while attracting renewed FDI. Underpinning these strategies would be enablers such as improved infrastructure, urbanization, regulatory and institutional reforms, and better education and training.

EXPANDING EXPORTS OF HIGHER VALUE-ADDED GOODS AND SERVICES

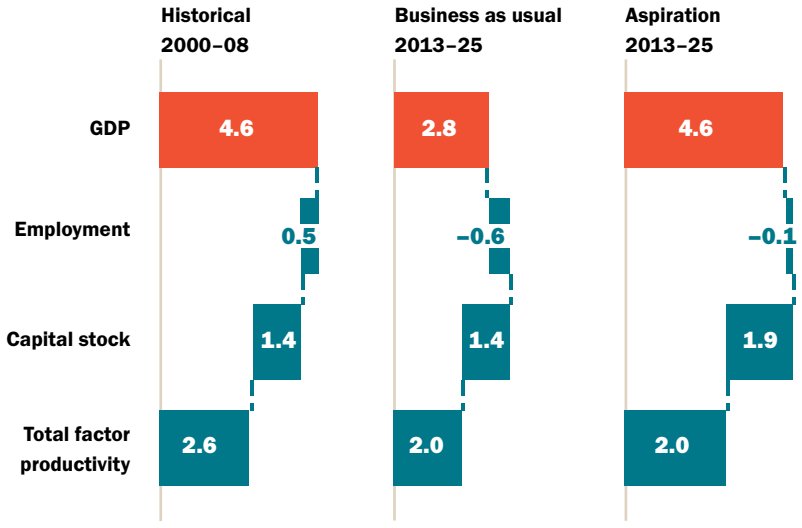
CE nations have an opportunity to raise both the volume and value of exports from the region. With its well-educated labor force, it has the talent to become a stronger global center for advanced manufacturing, which includes automotive, aerospace, electronics, semiconductors, and medical products. The region also is well-positioned to become a food-processing hub for greater Europe, moving up from cereals and meats (where it has a strong position but where value-added per worker is limited) to packaged foods such as pasta and beverages.

There is a particular opportunity in knowledge-intensive manufacturing and service exports, where CE nations already have a strong position in fields such as automobiles and aerospace. To seize the opportunity, CE companies and governments will need to invest more in R&D and continue to cultivate a high-skill labor force. They will be competing with fast-growing Asian economies that are attempting to move up the manufacturing value chain and are already making such investments. Governments can help fund R&D and innovation, through grants and tax incentives and by acting as the initial purchasers of new innovations. Governments also can support further growth of industry clusters (the region has strong automotive, aerospace, and electronics clusters) and invest in technical education. Finally, to continue attracting FDI in knowledge-intensive industries, CE policy makers should continue liberalizing their markets and reducing regulatory complexity. CE economies also have an opportunity to move up the value chain in outsourcing and offshoring to take on more sophisticated work such as design services, which will depend on continuing investments in education.

UNLEASH PRODUCTIVITY AND GROWTH IN LAGGING SECTORS

Despite the productivity gains of the pre-crisis era, CE economies still have large productivity gaps to Western Europe in many sectors. The most obvious targets are construction, transportation, and retail industries. Today, road freight productivity in the region is 35% below EU-15 levels, reflecting both the condition of CE roads and a highly fragmented industry, which has made limited investment in technologies to optimize routes and scheduling. In construction, productivity is severely limited both by fragmentation (there are few large players) and a high degree of informality; an estimated 39% of CE construction output in 2011 was carried out with informal labor, compared with 24% in the EU-15.

IN AN "ASPIRATIONAL" SCENARIO, CEE ECONOMIES CAN RETURN TO RAISING PRODUCTIVITY AND BUILDING SOURCES OF DOMESTIC FINANCING



CE economies can redouble efforts to improve the performance of network industries such as railways, postal services, and electric and telecom systems. CE nations are at different stages of reforming state-owned rail systems and can benefit from strategies such as unbundling infrastructure from operations and opening the systems to more competition. Electric utilities have been only partly privatized. CE postal services have still not diversified into other services such as overnight package delivery, and have not streamlined operations. The CE telecom sector has successfully introduced competition, but now has a fragmented market that could benefit from consolidation. The sector needs to prepare for the EU push for a single digital market, which would permit companies to compete across all EU markets.

DIVERSIFY SOURCES OF INVESTMENT CAPITAL

The CE region attracted large flows of FDI from the early 1990s onward as nations opened markets to competition and sold state assets. Investors from Western Europe accounted for most of the flow, concentrating on the automobile manufacturing sector and on finance (foreign interests own 85% of the capital in the region's top 10 banks). Between 2004 and 2008, total FDI flows were 1.5 trillion euros, but the flow fell sharply after the crisis and the region stills suffers from the global slowdown in cross-border investment. While CE nations can take steps to attract more FDI, such as investing in infrastructure and removing regulatory barriers, the more urgent priority now is to build up domestic sources of capital. The crisis exposed a critical weakness that now needs to be addressed: for nearly twenty years, overall savings have failed to cover investment. Household saving habits, as well as government fiscal problems, are the root causes of anemic saving rates in the CE economies. Low household saving rates stem from many factors, including modest income levels, a wariness of investing in financial assets, and the effect of government-financed education, health care, and pensions – three needs that usually drive savings. When families have the income to invest, they put their money into real estate rather than financial assets. Changing these habits will take time. Governments can help by providing incentives, such as requiring workers to contribute to pension plans and by continuing to create efficient and transparent securities markets to build investor confidence in these institutions. Finally, governments can create incentives for banks to address financial inclusion (an estimated 30% of the population is "unbanked") and increase lending to the small and medium-sized enterprises that could be an important source of job growth.

Putting the CE region back on the fast-growth track is not a simple affair. The three strategic thrusts would need to be backed up by additional reforms to make doing business easier and strengthen protections for investors. However, if the CE economies recognize their advantages and learn how to leverage them in new ways, we believe this region can once again be a bright spot in the global economy. /

The author is a partner in McKinsey's Warsaw office and a co-author of the report *A new dawn: Reigniting growth in Central and Eastern Europe.*

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DIGITAL AGENDA

When Slovakia took over the presidency of the Visegrad Group in July 2014, Bratislava continued to emphasize the importance of regional cooperation in energy security, connecting transport and energy infrastructure, and defense. The new and surprising element of the Slovak V4 Presidency was described as "increasing the competitiveness" of the region.

DÁNIEL BARTHA

Discussion of the introduction of new economic factors in the Visegrad countries has been underway for a long time. Many analysts accused Ministries of Foreign Affairs of focusing on the priorities important mainly to them, or approaching issues from diplomatic perspective. The last few years have silenced this criticism somewhat, through the introduction of projects focused on creating connecting infrastructure, but even top officials have admitted that the Visegrad Group has had only minimal effect on approaching and involving the business sector. In a recent conversation, a Visegrad cooperation emphasized to me that the future of Visegrad cooperation is highly dependent on how much we will be able to include larger numbers of people in daily cooperation.

Comparison of the strategic document of the Slovak Presidency with that which was prepared for the Hungarian one suffices to show that Slovakia would like its presidency to be remembered for breaking the deadlock in economic cooperation. The timing seems perfect: a few days after the launch of the Slovak Strategic Paper, Jean Claude Juncker, head of the European Commission, shared his Political Guidelines. Juncker's document, which can interpreted as his credo and will most probably set the direction for the next commission, shares many similarities with the financial program of the Slovak Presidency. There is one particular point that is especially interesting: both documents refer to the Digital Single Market as the most important source of future growth in the European Union.

Digital Agenda or digital agenda?

"Digital agenda" become one of the single most important buzzwords in the past year among politicians referring to post-crisis growth prospects in high-tech industry. Almost every EU government has created digital strategies, or even more importantly startup strategies, and for the majority of these startups represent the innovative capacity and growth prospects this sector promises (although they comprise only a small part of the digital economy). This particular interest is not different in the V4. As a representative of the presidency described, "We would like to promote innovation that comes from startup companies to a large extent. In this respect, we aim to create an environment that eases creation of competitive startups and helps them expand their activities abroad." Stakeholders still developing their startup strategies in Slovakia pose a something of a problem, and in that sense they are still much more flexible for a regional approach, while Hungary, for instance, has already started implementing some of its startup strategies, focusing largely on improving the ecosystem in Budapest.

The Internet accounts for one of the most important sources of GDP growth among the developed countries. Most of the economic value created by the Internet falls outside the technology sector, with 75% of benefits seized by companies in more traditional industries. The Internet is also a catalyst for

Photoshot/REPORTER

The Digital Agenda is one particular strategy aimed at creating 5% GDP growth and 3.8 million new jobs in the EU, but by definition it does not cover all aspects of digitalization strategy, or the broader digital agenda.

job creation, as it has created 2.6 jobs for each lost to technology-related efficiencies.[1] The job creation effect of the Internet is stronger in developing markets: emerging economies accounted for 71% of the gain in gross domestic product (GDP) and 94% of impact on global employment. Meanwhile, more than half of the growth in labor productivity between 1995 and 2007 in the EU was also led by investments in the ICT sector,[2] demonstrating the extent to which the digital agenda has characterized the past decades. On the other hand, the taxation effect of this growth is much less visible, as was highlighted by recent French reports on the tax optimization practices of the IT giants.[3] This is likely the reason that the European Commission has tasked an expert group with preparing a report on taxation of the digital economy.[4]

Growth has been largely organic so far, as the confusion behind concepts and definitions have unfortunately hindered many policy analysts and political planners, and that is also reflected in the case of Visegrad cooperation.

In the EU, the Digital Agenda is one of the seven flagship projects of "Europe 2020," the EU's strategy to deliver smart, sustainable, and inclusive growth. It contains 101 actions, grouped into seven priority areas. Progress in the goals of the Digital Agenda is measured by the annual Digital Agenda Scoreboard.[5]

The Digital Agenda is one particular strategy aimed at creating 5% GDP growth and 3.8 million new jobs in the EU, but by definition it does not cover all aspects of digitalization strategy, or the broader digital agenda.

The term "digital economy" (or "internet economy," by another name) is even less well defined and becomes increasingly diffuse as the borders between the traditional economy and the Internet Economy diminish. Usually companies running e-commerce and e-business activities are grouped within the category of Internet Economy, as are businesses whose support infrastructure is based mainly on IT solutions.

The problem of entering an undefined territory is also reflected by the Program of the Slovak Presidency, and is clearly visible upon reading the proposed activities; by the time of the launch of the presidency it focuses on formulating questions rather then proposing ways to enhance regional integration. The officials working hard to harmonize the proposals of the numerous ministries claim digital agenda among their priorities, such as the Ministry of Finance, Ministry of Education, and the Ministry of Transport, in addition to the Ministry of Foreign Affairs.

VISEGRAD NOW: DO WE HAVE THE BEST PROSPECTS?

Political leaders are to some extent right that the Internet minimizes initial investment and operating costs by providing immediate access to world markets, real-time information, help in education and communication, and speeding up administrative processes. It has also benefited businesses of all sizes and traditional companies across industries, allowing them to keep costs down, tap into a broader range of suppliers, and increase their productivity.

DIGITAL AGENDA SCOREBOARD

	CZ	HU	SK	PL	EU28
			2013		
Fixed broadband coverage (in % of total population)	99	94	85	88	97
Rural fixed broadband coverage (in % of rural population)	91	84	82	75	90
NGA broadband coverage (in % of households)	64	76	58	49	62
Households with broadband subscriptions (in % households)	69	71	70	69	76
Share of subscriptions with least 30Mbps (% of subscripts.)	17	34	26	39	21
Share of subscriptions with least 100Mbps (% of subscripts.)	7	4	8	2	5
4G Mobile broadband coverage (as a % of total population)	12	39	24	55	59
Internet users going on-line weekly (in % of individuals)	70	71	74	60	72
Internet users on a daily basis (in % of individuals)	54	62	61	47	62
Individuals who never used the Internet (in % of individuals)	17	24	15	32	20
Mobile broadband take-up (in Subscriptions per 100 people)	52	26	50	79	62
Ordering goods or services online (in % of individuals)	36	28	44	32	47
Cross-border e-Commerce (in % of individuals)	7	6	17	3	12
Enterprises selling online – Large enterprises (in %)	42	25	31	29	35
Enterprises selling online – SMEs (in % of enterprises)	25	10	17	8	14
Citizens' use of eGov services, last 12 months (in % of individuals)	29	37	33	23	41
Citizens sending filled forms to eGov services, last 12 months (in % of individuals)	7	17	16	11	21
User-centric eGov Indicator (0-100 range)	57	45	44	72	70
Transparent eGov Indicator (0-100 range)	29	23	17	37	49
Broadband connection > 50Mbps (in % of hospitals)	41	23	36	11	36
Exchange of clinical care info. with external health care providers (in % of hospitals)	61	40	22	25	55
Online access (partial or total) to electronic records by patients (in % of hospitals)	0	9	0	3	9
Use of computer during consultation with patients (in % of GPs)	97	99	87	19	97
Exchange of medical patient data with other health care providers or professionals (in % of GPs)	23	12	8	11	28
Electronic storage of individ. medical patient data (in % of GPs)	82	87	66	62	83
			2012		
Individuals with low or no digital skills (in % of individuals)	52	47	43	58	47
Disadvantaged people with low or no digital skills (in % of disadvantaged people)	68	66	65	76	64
Labor force with low or no digital skills (in % of labor force)	44	31	34	50	39
Households reporting lack of skills as reason for having no Internet access (in % of households without Internet access)	37	46	44	38	37
Persons Employed with ICT Specialist Skills (in % of employed)	2,9	2,7	2,2	2	2,8

Source: Eurostat,[9] EC Digital Agenda Scoreboard [10]

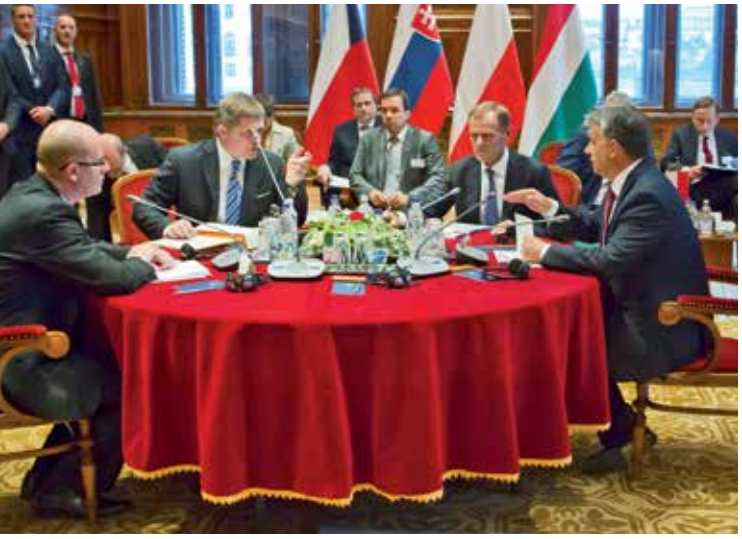
Indeed, there is no better tool for middle-income countries to catch up with the best performers. In all V4 countries, the year-on-year growth of the Internet Economy is at least four times that of overall economic growth levels (around 10–12%).[6] On the other hand, experts also warn that as the digital economy is growing so quickly, often outpacing the offline economy, countries with an inadequate environment for an Internet economy are in danger of missing out on a high-impact propellant of growth and job creation, and instead find themselves in a slightly different trap.

According to Boston Consulting Group's e-friction index, which analyses factors that can inhibit consumers, businesses, and others from fully participating in the national and global Internet economy, ranks the three V4 countries (the Czech Republic, Hungary, and Poland) analyzed in the report right in the middle. All three were listed among the worst in mobile Internet pricing, penetration of business-fixed broadband, and all capital and banking related elements (availability of venture capital, financing through local equity markets, availability and affordability of financial services).

Additional factors related to the competitiveness of the IT sector, such as labor factors or company-level technological absorption capacity, are also listed among key problems.

The recent report of the European Commission on the Implementation of the EU regulatory framework for electronic communications[7] also points out where Europe and the V4 countries in particular are lagging behind, such as in implementation of national action plans. The report also warns of the low profitability and decreasing revenues in the sector compared to the U.S. or Japan. Although this covers only a small segment of the digital economy, it provides the basic infrastructure; discrepancies in this early may constitute an early warning to the broader Internet economy.

The previously mentioned Digital Agenda Scoreboard also shadows the region's prospects. The Scoreboard compares results with the EU28, but if we compared the situation with the EU15, the region would not be considered competitive in any category.



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WHAT SHOULD THE V4 DO?

The problem is that we all face largely different problems in our digital agenda, and if our competitiveness originates in many different factors, the question remains: what can we do at all, and where should we start? An obvious answer already provided by the Slovak Presidency is that we should establish discussion. The initial goal of the Slovak administration therefore should be to involve as many major stakeholders in the process as they can. They have already launched policy discussions and included local platforms for these processes.

Another obvious answer is to focus on cyber security. Visegrad Cooperation already has a track record in this area, and all stakeholders agree that regional development could be profitable already in the short term with shared investment in that arena. The nature of the threat is similar in every country, and greater effectiveness could be provided through cooperation. They are also right in the sense that the digital agenda is primarily an issue of the younger generation. Visegrad's results are much better among younger users and the economically most active population. Shared investment in education could therefore also improve effectiveness.

In our recent paper at the Central European Policy Institute (CEPI) (entitled, "Digital Visegrad: Vision or Reality?"[8]), we proposed a number of further concrete steps, such as collecting and sharing best practices and solutions from V4 countries, establishing a mentoring platform that could assist in knowledge-sharing, networking, and provide support for innovative businesses, introduction of a V4-level working group to simplify regulation to the EU minimum, and closer cooperation among national business platforms dealing with the Internet economy.

The Slovak Presidency has provided a great deal of space for the industry, and it is time to fill that space with content. We have less then a year to prove it worthy. /

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INNOVATION PERFORMANCE OF THE V4

CLAUDIO CASTRO QUINTAS

Innovation is a concept not very easy to define, although today no one has any doubts of its vital importance to the economic prosperity of a company or a country.

Henry Ford, father of the modern production techniques used in all industries around the world, was already conscious of this notion a century ago, when he said: "If you always do what you have always done, you will always get what you have always got."

THE EUROPE 2020 STRATEGY

The Visegrad Group (V4) countries have progressed quickly in this area in the last ten years. They understand that innovation – improving or creating new products, processes, and organizations that add substantial value to society and markets – is the most relevant economic driving force for ensuring economic and sustainable growth in their countries. Nevertheless, despite these considerable advances, the V4 will have to create new policies or implement existing ones with more success to reduce persistent differences between member states, as they still are below the European Union average with regard to innovation performance.

On a positive note, the countries of the V4 have adequately adapted EU standards and legislation concerning innovation. In 2010, the EU launched the so-called "Europe 2020 strategy," a ten-year plan directed to reshape the "outdated" European economic model. The

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main reason for the creation of this plan of action was the conviction that the introduction of change was necessary, not only to overcome the 2008 financial crisis, which hit the EU very hard, but also to avoid being relegated to second rank in the new world order.

In keeping with the Europe 2020 strategy and its innovation goals, all V4 countries have since developed national policies to adapt the aims of the document to their own reality and objectives. Among the incisive and determined innovation policies and strategies of the Czech Republic, the "National Policy of Research, Development and Innovation" (NPRDI) for 2009–2015 should be highlighted: it is a national strategy that deals with the education, innovation, and R&D sectors together in a coordinated manner. Hungary's most important document is the "National Research-Development and Innovation Strategy 2020," adopted in 2013, which seeks to raise awareness about the importance of technological and knowledge innovation, as well as create an appropriate economic environment for promoting innovation in Hungary. The case of the Slovak Republic is special, as no national policy strategy has been elaborated since the end of the "Innovation Strategy for the Slovak Republic" for 2007–2013, despite the numerous programs in line with the EU, such as the "Research and Innovation Strategy for Smart Specialization" (RIS3), which attempts to coordinate the R&D agenda of the country. The innovation objectives of Poland are gathered in the "Operational Programme Smart Growth," which pursues the promotion of innovative entrepreneurship and development of new business models for Polish firms, among other things.

V4 INNOVATION EXPENDITURE

Innovation is strongly connected with public and private investment in research and development in science and technology. The top three innovative countries in the world, South Korea, the United States, and Japan, allocate 4.4%, 2.8%, and 3.3% of their GDPs to this area, respectively. Meanwhile, the EU expends an average of 1.97%, and was even overcome by China last year (with 1.98%). It is therefore unsurprising that the EU is not counted among the most innovative economies. To address this, the Europe 2020 strategy sets a goal of 3% investment in R&D by 2020. V4 countries do not perform better, as they are behind the EU. In 2012, the Czech Republic's total R&D investment was 1.88% of the GDP, with 72.07 billion crowns (2.87 billion). It also has a 3% goal of R&D spending by 2020, in line with the EU. In Hungary, public and private investment in R&D reached 1.3% of the GDP in 2012, with 363 billion forints (1.26 billion euros). In their National Reform Programme, Hungary has established an objective of 1.8% of GDP investment in R&D by 2020. In 2012, investment in R&D was 0.82% of the GDP (607.66 million euros) in the Slovak Republic, its highest percentage for fifteen years. Nevertheless, its 2020 R&D target is not very ambitious, as it is limited to 1.2% of the GDP. Meanwhile, Poland is trying to move from 0.9% of GDP investment in R&D in 2012, from 11.87 billion zlotys (2.84 billion euros) to 1.7% of the GDP in 2020.

As a result of the differences in infrastructure, investment, and human capital, the state of innovation among EU member states present an enormous contrast. They are divided into four groups, depending on their "innovation performance": innovation leaders, innovation followers, moderate innovators, and modest innovators. Their position is decided by a measuring framework that distinguishes twenty-five indicators derived from eight dimensions of innovation. Scandinavian member states and Germany are in the top positions, while Romania, Latvia, and Bulgaria show the poorest results. The countries of the V4 are all within the "moderate innovators group." In general terms, they are below the average of the EU regarding innovation performance; nonetheless, there are also enormous differences among these four countries.

For instance, the Czech Republic is in an advantageous position, with an innovation performance of 76% of the EU average. This country is among the leaders of this moderate innovator group, as a result of its aforementioned considerable investment in research and development. After the Czech Republic, Hungary is the second best innovative country of the V4, achieving a 63% of the EU average. The innovation performance of the Slovak Republic is not far behind the results of Hungary, as it accounts for 60% of the EU average. Poland is the worst innovator in the V4 by far. Despite being the only country that has stepped up in the last year by advancing from "modest" to "moderate" innovator, its innovation performance barely surpasses half the EU average.

CURRENT PERFORMANCE OF INNOVATION	EU27	CZ	HU	PL	SK
ENABLERS					
HUMAN RESOURCES					
New doctoral graduates	1.7	1.5	0.8	0.5	1.9
Population completed tertiary education	35.8	25.6	29.9	39.1	23.7
Youth with upper secondary level education	80.2	90.9	83.5	89.8	92.7
OPEN, EXCELLENT, AND ATTRACTIVE RESEARCH SYSTEMS					
International scientific co-publications	343	568	412	226	399
Scientific publications among top 10% most cited	11	5.6	5.2	3.8	4
Non-EU doctoral students	24.2	4.1	2.7	1.9	1.4
FINANCE AND SUPPORT					
R&D expenditure in the public sector	0.75	0.87	0.43	0.56	0.48
Venture capital investments	0.277	0.056	0.224	0.234	N/A
FIRM ACTIVITIES					
FIRM INVESTMENTS					
R&D expenditure in the business sector	1.31	1.01	0.85	0.33	0.34
Non-R&D innovation expenditure	0.56	0.69	0.4	1.02	0.65
LINKAGES & ENTREPRENEURSHIP					
SMEs innovating in-house	31.8	27.2	11.4	11.3	21.8
Innovative SMEs collaborating with others	11.7	10.3	6.7	4.2	8.3
Public-private co-publications	7.3	5.8	5.6	2.3	4
INTELLECTUAL ASSETS					
PCT patent applications	1.98	0.84	1.21	0.67	0.66
PCT patent applications in societal challenges	0.92	0.38	0.66	0.25	0.14
Community trademarks	5.91	3.89	2.2	3.21	2.65
Community designs	4.75	4.08	0.87	4.76	1.53
OUTPUTS					
INNOVATORS					
SMEs introducing product or process innovations	38.4	33	16.8	14.4	26
SMEs introducing marketing/organizational innovations	40.3	41.1	22.4	19.9	27.3
Fast-growing innovative firms	16.2	15.6	17.8	13.7	14.6
ECONOMIC EFFECTS					
Employment in knowledge-intensive activities	13.9	12.5	12.5	9.7	10.1
Contribution MHT product exports to trade balance	1.27	3.79	5.56	0.58	3.88
Knowledge-intensive services exports	45.3	29.2	26.3	28.3	22.1
Sales of new to market and new to firm innovations	14.4	15.3	13.7	8	19.2
License and patent revenues from abroad	0.77	0.32	0.94	0.21	0.08

	CZ	HU	PL	SK
Better than EU average (over 115%)	3	2	1	4
Within EU average (Between 85 and 115%)	11	5	6	3
Worse than EU average (Between 60 and 84%)	5	7	4	7
Much worse than EU average (below 60%)	6	11	14	10

ANALYSIS OF V4 INNOVATION PERFORMANCE PRESENTS HUGE DIFFERENCES

It is nonetheless necessary to carry out deeper analysis to establish the specific areas in which V4 countries differ, and in which they show important similarities. With regard to human resources, the reduced number of new doctoral graduates in Hungary and Poland is very worrisome, in contrast to the acceptable number in the Czech and Slovak Republics. The percentage of people with tertiary education in Poland is not only above its three neighbors, but also above the EU average. With regard to the percentage of people between twenty and twenty-four years of age with upper secondary level education, all V4 members offer very positive scores.

There is a paradoxical situation with regard to the attractiveness, openness, and excellence of research systems. With the exception of Poland, all V4 countries have more international scientific co-publications than the EU average. Nevertheless, it seems that this fact is not as appreciated as it should be by the international community, as the number of V4 scientific publications among the top 10% most cited is very limited, and non-EU doctoral students are not drawn to further develop their career in these countries.

V4 countries differ more in the area of finance and support. R&D expenditure in the public sector, leaving private contributions aside, is led by the Czech Republic, with 0.87% of GDP, which is over the 0.75% of the GDP average in the EU. Hungarian, Polish, and Slovak percentages are insufficient, as their governments allocate a mere 0.43%, 0.56%, and 0.48% of their GDPs, respectively. The situation is the opposite, however, in looking at the private equity being raised for investment in companies. Venture capital investments in the Czech Republic are extremely low, while they are at acceptable levels in Hungary and Poland.

In contrast, firm investment patterns in the V4 countries show great similarities. In all these countries, the R&D expenditure in the business sector is negative, especially in the cases of Poland and the Slovak Republic. Nonetheless, and with the exception of Hungary, non-R&D innovation expenditure investment levels in areas such as equipment, machinery, and the acquisition of patents and licenses is very positive. Poland shows very good results in this area.

V4 countries also exhibit similarities in entrepreneurship and intellectual assets. This is a bad sign, as the indicators in these areas of the V4 countries are very poor and below the EU average. The percentage of enterprises that had any cooperation agreements on innovation activities with other firms or institutions, or that have introduced new products or processes, is very low, especially in the cases of Hungary and Poland. The collaboration activities between business sector researchers and public sector researchers that end in academic publications in the Slovak Republic and again, in Poland, is scarce.

With regard to intellectual assets, analysis shows the incapacity of V4 firms to develop products that could represent a competitive advantage. The number of registered PCT patent applications do not account for half of the EU average, with the exception of Hungary, which barely surpasses this marker. Nevertheless, the situation differs in the number of community trademarks and designs applications; while V4 countries' community trademark application results are also very poor, community design applications in the Czech Republic and Poland are at good levels.

Findings about the percentage of firms introducing new products or process innovations, or new marketing or organizational innovations, led to the establishment of two distinct groups. The first, with positive results, includes the Czech and Slovak Republics, not far from the EU average. At the same time, Hungarian and Polish firms show negative results, and will have to put more effort into these areas.

Finally, with regard to the last dimension – that of economic effects derived from innovation – several differences can also be observed. While the number of employed persons in knowledge-intensive activities in business industries of the V4 countries and the contribution of medium and high-tech products exports of V4 countries to the trade balance is very similar in the four countries, despite being one step below the EU average, the situation in other indicators is completely different. The knowledge-intensive service export results of the V4 are far from desirable, with all the countries at around half the EU average. The sum of all new or significantly improved products shows very positive signs in the Slovak Republic, while the Polish total sum is insufficient. Hungary overtakes the EU average in the export part of international transactions in royalties and license fees, but the other three members states of the V4 show very poor values and are a long way from EU levels.

THE V4 INNOVATION LANDSCAPE HAS IMPROVED BUT IT IS STILL NOT ENOUGH

It is clear that V4 countries have plenty of work ahead of them before they catch up with the EU average in innovation. The Czech Republic has already made a lot of progress, and it will be no surprise if it soon jumps to the "innovation followers" group.. Hungary and the Slovak Republic will need more time and effort, especially in amending their poor performance in PCT patent applications and intellectual assets. Meanwhile, Poland has to improve in many fields, which also offers plenty of opportunities.

The upcoming years will be crucial for observing the importance that each of the V4 countries invests in innovation. Placing innovation in the foreground of national policies will be a clear signal that the Visegrad Group would like a push in the right direction, toward transforming into proper economies of the twenty-first century. /

The author is a scholar from Galicia, Spain, and currently an intern at Res Publica.

Poland's innovation performance is like a glass of water, either half empty or half full, depending on one's attitude. Optimists would say Poland is catching up to the more developed countries; pessimists would argue that Poland still lags far behind.

KATARZYNA ZACHARIASZ

A peculiar ritual takes place in Poland every spring. It starts when the European Commission announces the Innovation Union Scoreboard, a ranking of the innovation performance of European Union member states. Each year, Poland comes in close to the bottom of the list. This is the eighth biggest economy in the EU and the biggest in Central Europe; it is a green island in a sea of recession, and yet it is among the five least innovative countries in Europe.

Next, Polish media unleash a litany of complaints: "Poland is not innovative!" shout the headlines. "EU funds spent on innovation show no results!" "Our entrepreneurs do not want to invest in research and development, and our scientists focus too much on basic science," write the journalists. Entrepreneurs and scientists rebut the charges: "We invest a lot in R&D, but for tax reasons we do not inform the statistical office," say the former; "We do lot of research useful for business, but business is not willing to use it," say the latter. Then the administration resists, emphasizing that the Innovation Union Scoreboard is based on statistical data from two or three years ago, and is therefore inaccurate. In order to see the real picture, we still need to wait for some time. So, who's right?

Flaris


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THE SITUATION IN POLAND IS NOT AS GOOD AS THE OPTIMISTS WOULD

Not so bad

The situation in Poland is most certainly not as tragic as the pessimists would have us believe. It is true that a decade ago Poland was not focused on inventing new technologies. It entered the European Union with outdated research infrastructure, uncompetitive companies, and low productivity. First and foremost, the country needed to modernize its infrastructure and boost its economy. The quickest way to reach these aims was by "copy and paste," namely buying foreign technologies and copying others' ideas. Innovation? Taking risks? Nobody took that route. It must be kept in mind that Poland was not an exception; it followed a path natural for any country at a similar stage of development.

This "copy and paste" attitude is changing, however. The word "innovation" has been cropping up increasingly in public discourse. Today, not only economists and politicians speak of transforming the Polish economy from one based on low production cost into a knowledge-based economy. It is clear that entrepreneurs and scientists understand this necessity.

Actions are following discourse. In recent years, the Polish government has invested in enhancing the country's innovation performance and creating an essential ecosystem. Poland is a diligent pupil; it is doing its best to follow examples that seem to be effective in other countries. Clusters are said to be a good place to boost science and business cooperation, and thus Poland created approximately 200 clusters. Science and technology parks seem to link science and business, so there are around sixty such parks around the country. Technology transfer centers (TTC) help commercialize the results of scientific research, and therefore almost every institution of public higher education has such center. Private investors are more effective in selecting inventions for their market potential, and thus dozens of private investors received over 300 million euros to invest in new products and ideas.

These activities have already achieved some results. For example, the number of Polish patent applications in the European Patent Office increased from 105 in 2007 to 510 in 2013. At the same time, the number of domestic patent applications has grown from 2,392 to 4,237. Several hundred new startups have received capital from VC funds. Universities have modern infrastructure. R&D expenditures have increased gradually, from 0.57% of GDP in 2007 to 0.9% of GDP in 2012. Business is also more active in this field. In 2007, companies spent slightly more than 2 billion zlotys (approximately 500 million euros) on R&D. Five years later, in 2012, they spent 5.3 billion zlotys (approximately 1.3 billion euros). According to the latest Deloitte report on Central Europe Corporate R&D, if Poland maintains its current growth rate of R&D expenditures, the country is likely to achieve its 2020 aim of spending 1.7% of its GDP on R&D.

Not too good, either

The situation in Poland is not as good as the optimists would have it, either. Despite the fact that in recent years Poland has spent over 10.7 billion euros on making its economy more innovative, it has not succeeded to the extent that it planned.

The Polish economy has many weaknesses that prevent it from moving to a higher position in the innovation rankings. The greatest such obstacle is the low level of involvement by the private sector in innovation. It is the government that is responsible for almost all increases in R&D expenditure. Despite the growth of business involvement, it is growing too slowly. Currently less than one-third of all R&D expenditures are made by the private sector and more than two-thirds by the government. In more developed countries, these proportions are inverted. Witold Orłowski, a chief economist at PwC in Poland, claimed in last year's report on the commercialization of research results that governmental spending on R&D had reached the level that may be expected from a country as developed as Poland. But private spending remains much too low.

The problem is that many Polish firms are not interested in innovating. According to the Central Statistics Office of Poland, in 2010–2012, only 16.5% of industry companies and

HAVE IT, EITHER.

12.4% of service companies introduced any innovation. What is more, the majority of business R&D expenditures go toward buying technologies, rather than doing research in house. (In the industry sector, this amounts to 70% of R&D costs). When Deloitte asked Polish entrepreneurs, "What best describes your R&D activity?" this year, more than 19% answered that they purchase R&D services, IP, and know-how.

Poland has built all the elements of an innovative ecosystem to link business and science. While this ecosystem does exist, it functions imperfectly. The country has almost seventy technology transfer centers, but, as the 2012 Business Support Institutions (the report of the Polish Agency of Enterprise Development) showed, instead of commercializing new inventions, the TTCs organized training courses and applied for grants. An average TTC in 2011 commercialized 3.7 technologies, submitted 12.9 patent applications to the Polish Patent Office and 1.6 to the European Patent Office, developed 2.75 business plans, received support for 3.6 scientific projects conducted with the TTC, and prepared 8.4 grant applications. Ninety percent of these achievements were accomplished by 50% of the surveyed centers.

Last year, the Supreme Audit Office (NIK) looked at how sixteen universities and science and technology parks implement innovation. The study showed that among the nearly 5,000 research projects carried out in 2010–2012 by the higher education schools that were audited, 906 received patents and protection rights, but only 283 projects amounted to research whose results could be used in practice, and only 95 of those were used later in the economy. According to NIK, the universities "did not support researchers in their search for entrepreneurs interested in implementing their results in the economy. Instead of focusing on academic research and developmental work, the universities channeled their cooperation into the implementation of joint EU projects, organization of student trainings, or the development of expert opinions."1 Science and technology parks did not perform their task properly, either: "As a consequence, in the 2010–2012 period, only every fifth company (87 of 421) operating in the audited parks implemented new technology solutions for practical use," wrote NIK.

Lacking people and vision

It may be the case that Poland has spent hundreds of millions of euros on research projects and innovation and built all the elements of an innovation ecosystem. All these efforts, however, have not significantly improved the innovation performance of the Polish economy. Why is that?

Two things are missing. The first is people. The country has primarily concentrated on infrastructure and its quantity, not quality. Much less money has been invested in people and changing the mindset of people involved in innovation: entrepreneurs, scientists, the management of business support institutions, and officials. As a result, the first two parties do not understand each other, and the second two focus on the quick and proper spending of EU funds, namely, without fraud. From the administration's point of view, it is much quicker and safer to give grants for the purchase of a less innovative but already tested machine than for something more innovative but much more projects.

The second thing that is lacking is vision. The Polish government has no vision of Polish innovation. Innovation is at the top of the agenda of only two or three ministries; for the rest, it barely exists as an issue. As a result, the activities or legal proposals of the few ministries that are likely to improve the country's performance remain uncoordinated with other department's decisions, or are even undermined by them. Very often, new regulations are implemented only under pressure from the European Commission.

A good example of this problem is tax incentives for innovative companies. The only incentive that Poland has is tax relief on purchased technologies. This was useful a couple of years ago, when companies had outdated machines. Now, however, it is counter-productive, as it encourages companies to buy technologies and discourages them from working on their own. For many years, Polish and foreign experts have emphasized that the country must have tax relief for research project expenditure, but proposals get stuck in the finance department.

In looking at the statistics and innovation rankings, one may think Poland a desert in terms of innovation. Surprisingly, it is not; hundreds of small and big innovations are made by Polish firms. Examples include Innova, the world's best speech synthesizer (bought by Amazon); Flaris, a single-engine jet aircraft; and Vigo, a world leader in infrared detectors. Such companies encounter the same problems sooner or later – where to find capital for further development, how to find new partners, and how to enter new markets. For many, the domestic market is too small and they need to go abroad. State assistance is still helpful, as creating an innovative economy creates conditions not only for further innovation but also for support for more mature firms. This is another challenge that the Polish government must face: how to support entrepreneurs in general. /

The author is a Polish economic journalist reporting on innovation in Poland.

STARTUPS look to your NEIGHBORS!

Why startups don't network within the V4 and how to change it.

SARA KOŚLIŃSKA

The general tendency of the V4 countries and the rest of CEE is to look to Western Europe and the United States rather than to neighboring countries for models of change and development. This holds true for technology startups. Participants in this ecosystem do not yet see much value in collaborating with the other V4 countries and have not yet developed the necessary links between local communities at a level necessary for building a real network.

Is there anything in the CEE that could stop startups from only looking to the West and instead looking to their neighboring countries? I believe in the potential of the region and in the benefits of cooperating with neighbors for a number of reasons:

1 Building a network of professionals with different areas of expertise would enable the easier flow of knowledge and exchange of skills, resulting in the strengthening of startups' competitiveness.

2 Getting startup teams acquainted and involved with each other would help in building business ventures of regional or global potential, rather than duplicating business ideas and introducing them for local markets only.

3 As countries vary in their development of different sectors and specialization of their investment sectors and acceleration programs, closer cooperation would increase the chances of getting better investment conditions for startups – not necessarily in terms of numbers, but also regarding the expertise of investors.

4 Cultural, historic, and linguistic similarities make the mentality in countries of the region significantly more similar to each other than any are in Western countries. As a result, the kinds of issues we are facing are similar, and thus an exchange of experiences and ideas would make it easier for all of us to overcome different kinds of barriers and obstacles: political, economic, educational, legal, and financial.

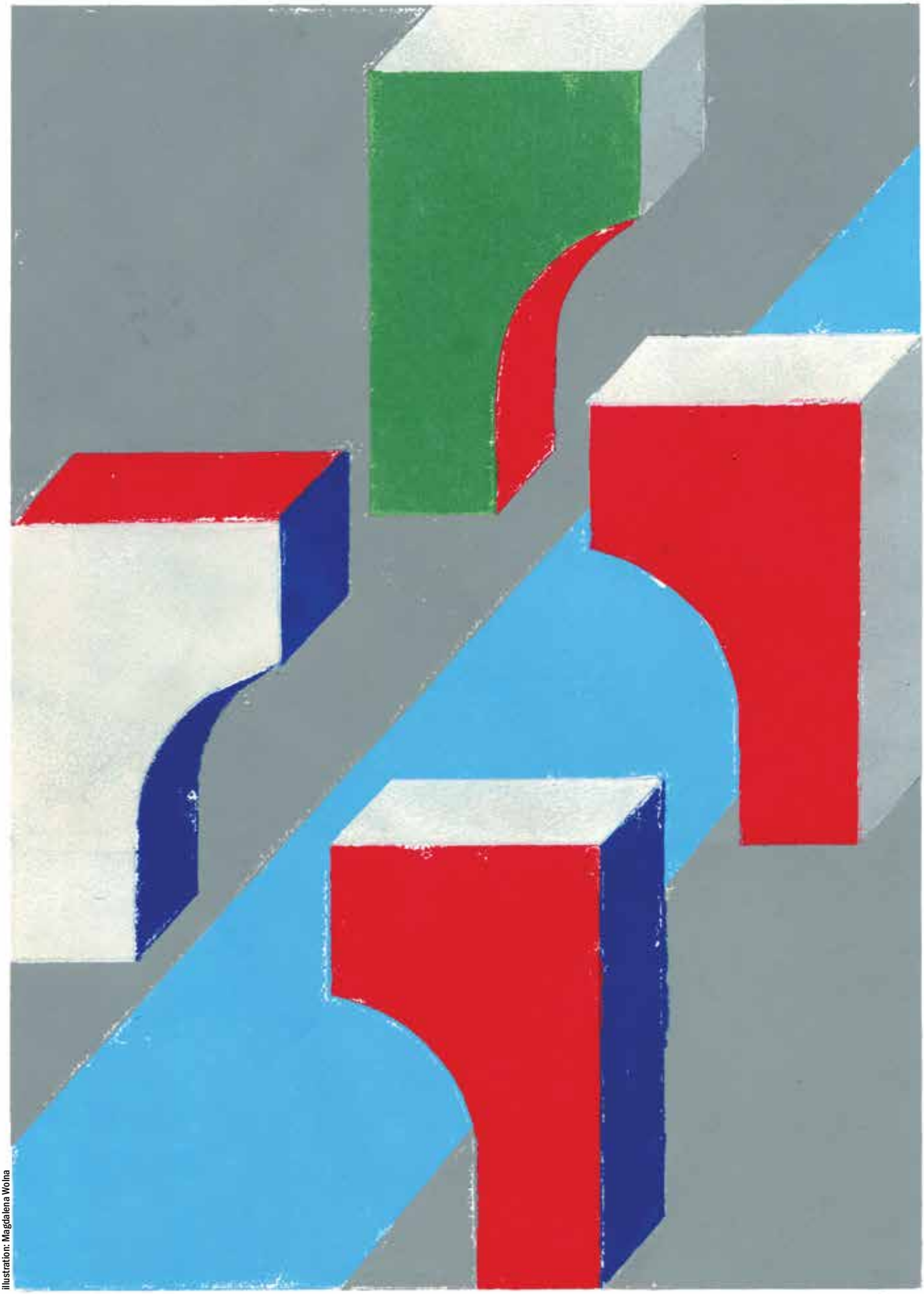
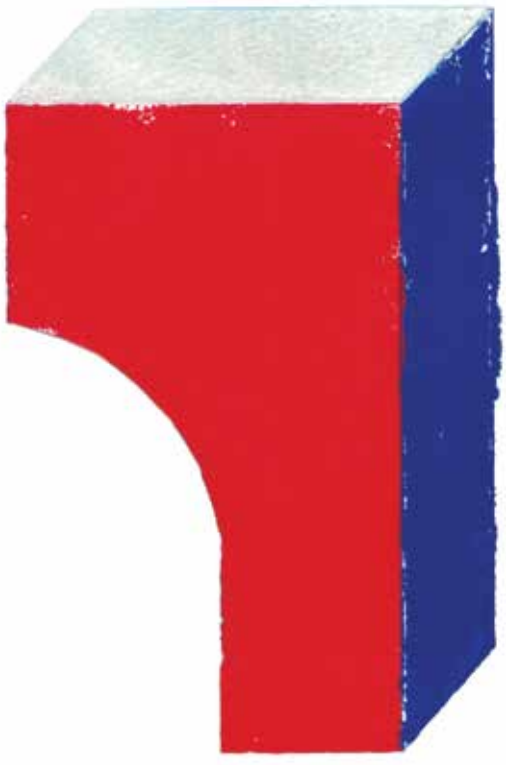


illustration: Magdalena Wolna

I recently decided to share the question of what is needed to strengthen networking and collaboration among startups of the region via a few Facebook groups related to startups in CEE. Unsurprisingly, one of the answers I got was: "Co-ordinated action between government, financial institutions, and business is a must […] But then again no big guys can have the same impact as a startup ecosystem's influencers – people who organize formal and informal events like Startup Weekend, Silicon Drinkabout, etc. […] And, finally, there's the national brand. All sides must invest quite a lot of time and money in attracting foreign capital and talent." This response came from Dimitar Nikolov from Bulgaria, a co-founder of Clusterize, but is definitely applicable to other CEE countries and the region as a whole.

Another answer I got was from Anca Albu, founder of the social enterprise CEE Changers, originally from Romania: "[…] it has more to do with how they [CEE countries] view themselves and their neighbors, as a whole post-communist region […] they have no role models to follow. […] CEE looks towards London and SV, London looks towards SV … it is a geographical directional pattern that affects us all, and I think it would be a lot more helpful if we tried to figure out our own identity, rather than look up to one that was born thirty years ago."



It was apparent to me from this and other answers that the most pressing needs of the community are creating the role model of founders by encouraging successful entrepreneurs to share their experiences, promoting countries of the region as great potential for investment, and, most importantly, creating an entity that could coordinate startup-related activities by different players across the region. For now, there is no close cooperation between national and local ecosystems, rather, just a loose assembly of connections between certain countries and influencers.

Earlier this year, I wrote an article entitled, "The 10 Main Challenges of the CEE Startup Ecosystem." My most important conclusions were that there is a major need for a single, region-wide entity that would have decisive impact on the communities across the V4 and the whole CEE area by strengthening transnational collaboration between startups, linking ideas with capital and ideas with knowledge, and acting as a representative to the European and national parliaments.

Let's identify what a few of the main duties of such an entity would be:

– promoting local and national events in the other countries of the region and outside the region, while minimalizing the chances of duplicating event formats

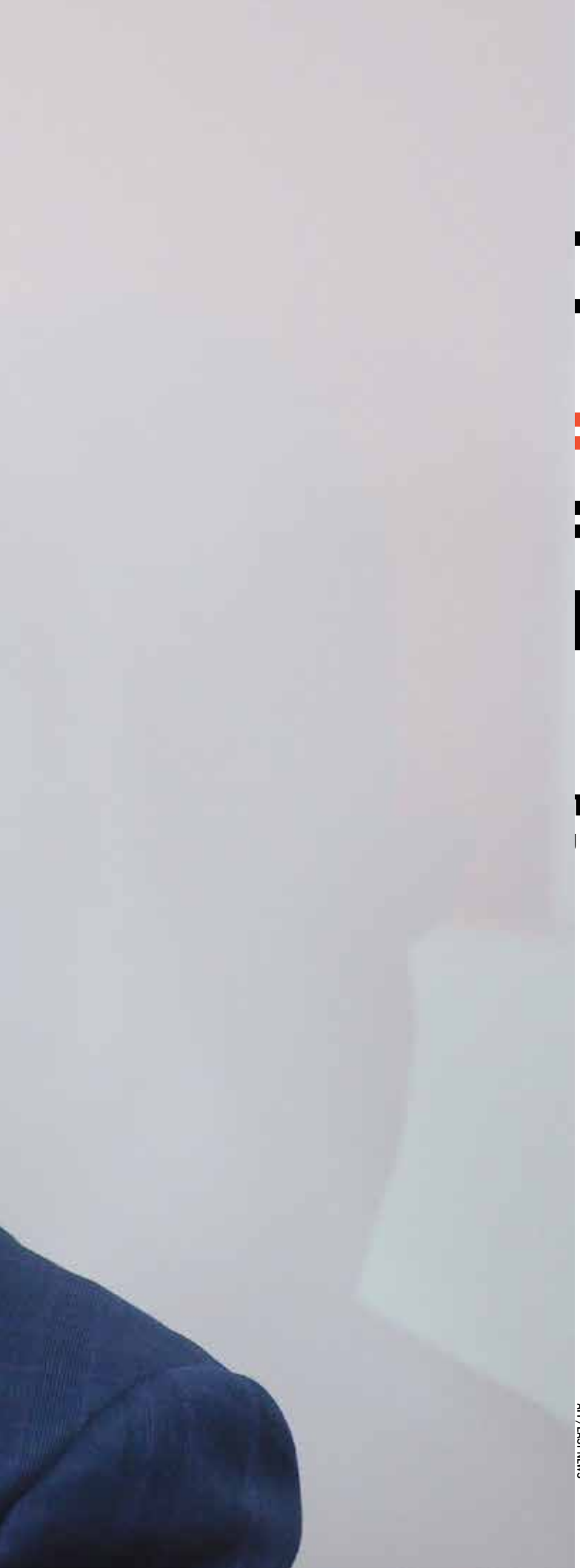
– connecting startups with capital across the region, given the differences in the development of startups from different areas and VCs with different investment profiles
– clearly and coherently promoting the region as investor-friendly, in accordance with a consolidated promotion strategy connecting startups with mentors from specific sectors across the region
– promoting successful founders and examples to give startups role models
– connecting individuals with similar business ideas with each other in order to build regional and global players
– communicating the specific needs of the tech community both as a whole and locally to the European and national parliaments
– connecting influencers with each other, so they can share their ideas, their experiences handling different issues, and tips on how to deal with government, as well as predictions about the ecosystem's evolution in the coming years.

The form this entity should take is yet another issue. Although there are cases of successful public initiatives, such as those introduced by the EU's Digital Agenda, I would opt for a private one, as it would allow much more flexibility, more prompt paths to change, and would ensure that the solutions introduced would indeed be necessary.

Next, it is important to discuss whether the private entity should be one company or a network of existing companies. In addition, should it be subsidized by public money – either national or European – or be fully independent, either supporting its initiatives with crowdfunding or generating profit otherwise?

To sum up, influencers have started realizing the potential for cooperation between startup ecosystems within the region. They also agree that an entity that would coordinate activities in the region is needed. While its legal form, responsibilities, methods, and financing must be discussed further, one may be sure that there is growing belief in a startup society, that taking actions in this matter is vital to the growth of startups in the region and as a result, to economic growth. The details relating to the creation of this entity and the requirements it must meet to be fully efficient remain elusive, but the first step has already been taken – discussion is taking place among influencers. /

The author is a Polish entrepreneur and an expert on startup ecosystem in Central and Eastern Europe for CEE Changers and the Prince's Trust.



AFP/EAST NEWS

HE ROLE OF TION IN THE FORMATION F POLITICAL IN ESTONIA

TOOMAS HENDRIK ILVES, M 2014

CONDUCTED BY WOJCIECH PRZYBYLSKI

How did it happen that Estonia went from being a post-communist country, with its Homo Sovieticus burden, which we all share, to being the leader of the region in terms of new modernization. How did you do that?

I wish I knew. We wanted to, perhaps more than some others. In 1939 Estonia and Finland had basically the same GDP per capita, the same level of urbanization, the same level of technological development, Estonians watched Finnish television, and we went from having basically the same level of development to one, which in 1991, was thirty times less GDP per capita. Not only did we want to be independent, we realized how much we had lost in fifty years of occupation. We were willing to undertake reforms that… worked. It was basically like the Balcerowicz reforms in Poland that we pushed here, while not everyone else did.

Was there general consensus on the direction of Estonian reforms?
I do not know if we had a consensus. I think there was a willingness to do things, and to do things very differently from the way they had been done before. There was no great debate but there was a broad sense of, "now we do things differently." We did well with technology – we saw the success of Finland and Nokia – so the important thing that really opened doors to people psychologically was the success of Skype. Four young Estonians did something that went global and it encouraged people to say, "wow, we can think about more than just our wood industry!"

The Internet gave you the opportunity to become big despite an unfavorable location?
Not only that. One of the things that I realized in 1993 was that in all other respects, we had lost fifty years. Highways, buildings, laws… But in 1993 we built our first web-browser that. And it was not worse here than in other places. Everyone was at the same level. So in this area alone we could compete with the United States, Germany, and other countries. Otherwise, there were no grounds for comparison with Germany in terms of wealth or infrastructure, but this was one area in which that did not matter. Everyone was at the same place.

At the same time, going digital was meant to change the soviet-style bureaucracy?
That came slowly. Jeremy Rifkin, a neo-Marxist, writes in his book *The End of Work* that the "terrible thing is all this computerization," but he gives one example that was really inspiring to me, which goes in the opposite direction. There was a Kentucky steel mill that employed 12,000 people and produced hundreds of tons of steel. In the book he describes how the new Japanese owner automatized and computerized production so that they would still produce hundreds of tons of steel but only with 120 people. For Rifkin, this was the ultimate negative. I read it and said to myself, "oh, yes." Our historical neurosis was all about, "we are so small, there are so few of us." Estonia is smaller than some companies in the world; we have too few people, but due to IT we can apply economies of scale and do not have to worry about having too few people.

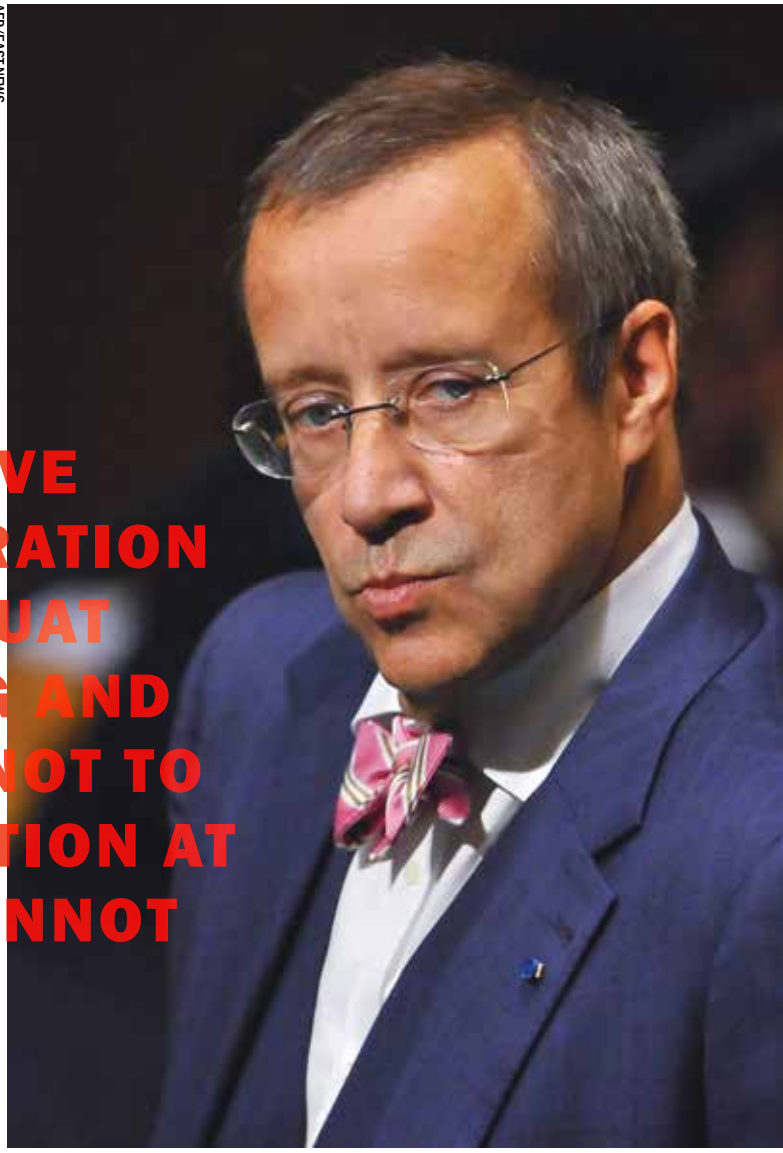
Estonia, just like other countries of the region, underwent great democratic change. Alexis de Toqueville said of such revolutions that to make them a permanent change, it takes three generations. How far are you from the old times, in terms of mentality and political culture?
A shift in values does take time. Some values change quickly, and some more slowly. If you look at tolerance toward homosexuality, Estonia shares the East European intolerance. However, if you look at attitudes toward innovation and free enterprise, it's the opposite. When it comes to citizens' participation in the political process, people are not happy about it but they are aware of it. I recently read a study on civic society in Eastern Europe, and basically only Estonia and Poland – of the whole post-communist world – have a level of participation equal to that of Western Europe. You may not be able to sense it, but the study looked at participation in all kinds of processes, as in volunteers and so forth. So that changed quickly and it changed more quickly than in other countries like ours.

But what about actual participation in the political process, in elections? The last elections to the EU Parliament were a disaster for Central Europe in terms of participation. Estonia's was not high, either.
I think the problem we all share in Central Europe is that we are still caught up in domestic issues and have not really figured out the importance of Europe. On the other hand, were Europe to take a stronger position on issues important to us, like Ukraine, we would have much more participation. But the main message from the EU and many old member states is that "they have a gas pipeline they don't want to give up," not to mention their Mistral ships.

Is this also true of defense and cyber security? You often speak of these issues, one of the few politicians in Europe who does so.

Cyber defense in Europe is small. I would rather address the e-governance and digital agenda.

But these issues are connected to defense, as we have seen in the recent conflict involving Russia.
That is a kind of strategic communication and psychological warfare. In terms of cyber warfare, I am not sure that they are that much better. Our weakness in the West on cyber issues comes from an unwillingness to cooperate enough among ourselves. In NATO you have mobility as a general principle, so you can take a "cheese eating surrender monkey" and put it under "American imperialist." One fits under the other. These are, of course, national stereotypes.


AFP/EAST NEWS

BELIEVE ME, WE HAVE EXCELLENT COOPERATION ALREADY. IT IS ABOUAT DEFENSE SPENDING AND SECURITY POLICY, NOT TO MENTION COOPERATION AT LEVELS THAT WE CANNOT EVEN TALK ABOUT.

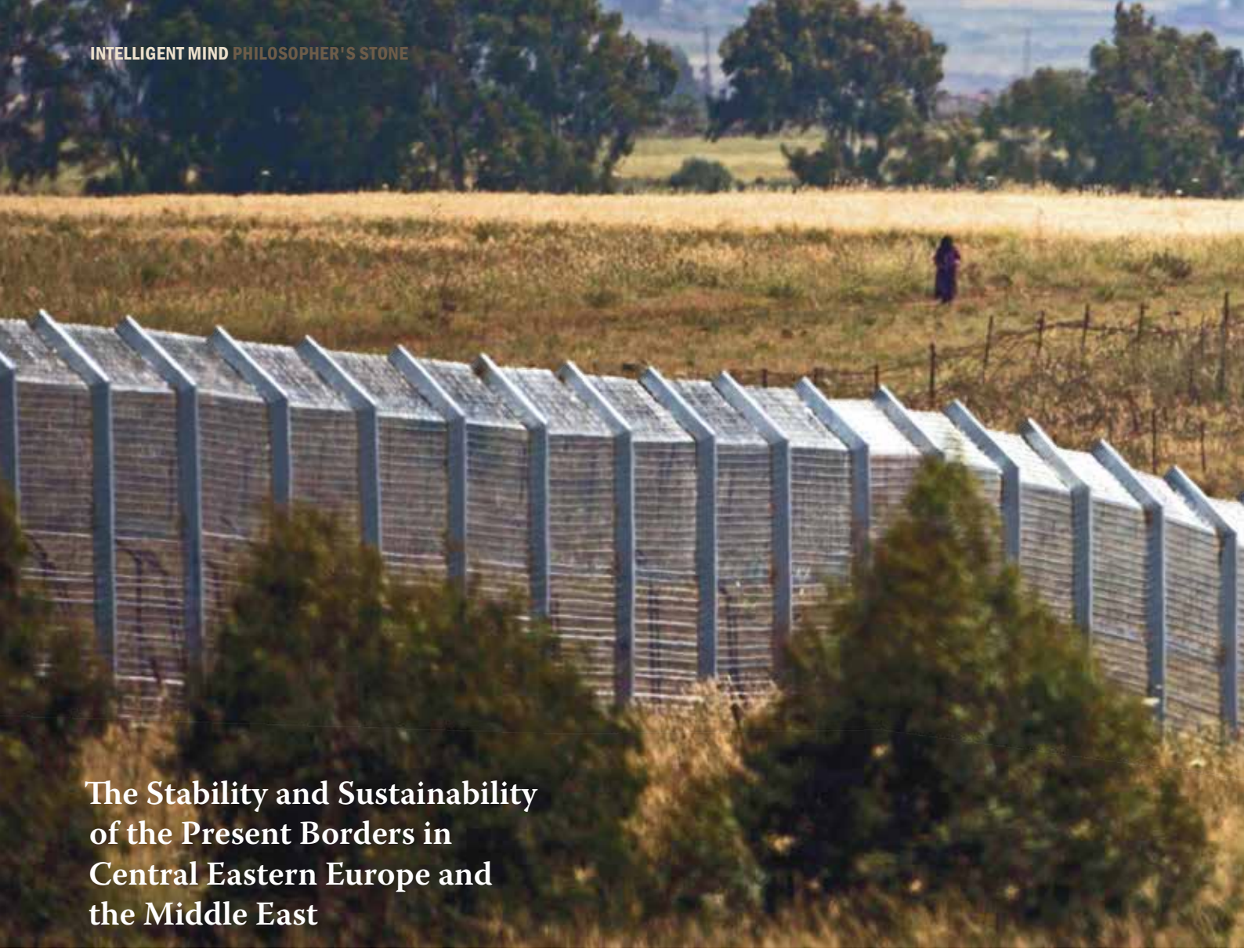
The mobility principle, that paradigm does not exist within cyber-defense. Instead, we have a kind of intelligence community as a paradigm, so we do not share anything with anybody – we do our thing, they do theirs. This means that the best we get with such an approach is that when we find a virus, only then do we think that maybe you also have the same. But genuine cooperation comes only at the beginning. In this regard, all countries in Europe are smaller than Russia. We are 900 million people in NATO, but our lack of unity means we are smaller than the Russians.

Do you see prospects for improved cooperation between Estonia and Central Europe, or at least Poland, in the future?
Believe me, we have excellent cooperation already. It is about defense spending and security policy, not to mention cooperation at levels that we cannot even talk about.

This is highly political, but what about civil society and the economy?
Estonia is afraid of Poland.

Why?
Because it is so big. Finland is five million. I mean, that is the kind of number our businesses can deal with. Sweden is nine million. Denmark is four and a half million. We should nevertheless still go to the Polish market, and it is slowly happening. More and more Estonians are now taking vacations in Northern Poland, in Sopot. In fact, one of the best state visits I had was to Poland. I went to Gdansk and then I stopped in a spa hotel in Sopot for a night. While on a walk there, suddenly I heard people saying in Estonian: "It's the president, it's the president." It turned out that they were Estonians who just happened to be there. "We thought we would come down to Poland and it's really great and we really like it here," they told me. So you see that this change is taking place, it just takes time. /

Toomas Hendrik Ilves has been the President of Estonia since 2006.



The Stability and Sustainability of the Present Borders in Central Eastern Europe and the Middle East

SHLOMO AVINERI

With the dramatic unfolding of developments in Ukraine as well as in Syria and Iraq, the GLOBSEC closed roundtable on the sustainability of borders in both regions elicited some highly interesting insights into the wider contexts of these regional crises. Among the participants were policy analysts and current and past experts – statesmen, military officers, think-tank experts, academics, journalists, editors, social activists, and businesspeople. They included people from the United States and various European Union countries, but also from Russia and Ukraine, Lebanon, Jordan, Israel, and the Kurdish Regional Government (KRG) in Iraq, including the Head of the International Relations Department of the KRG. This broad expertise enabled the participants to go beyond the immediate issues in these respective crises and address the multi-dimensionality of the problems involved, and the deeply rooted dilemmas behind what appears in the daily news headlines.

The central theme raised in most participants' comments was the recognition that the current borders in both regions, which seemed stable until recently, are the outcome of a series of historical arrangements growing out of wars, imperial triumphalist decisions, and internal administrative ukases that did not, at the time, reflect the wishes of the populations in question. In the current crises, one sees the contending parties raise contradictory principles – both anchored in international law and conventional thinking – of the inviolability of borders versus the right to self-determination. The question was asked: how can these two claims be satisfied if they clash with each other? Is it helpful, in cases of international disputes, to push either principle to the absolute extreme, while totally disregarding the other principle?

In looking at the crises in the Middle East, it is clear that the turbulence introduced by what was initially called "The Arab Spring" did not only topple leaders and change – and challenge – existing regimes, but that it is clearly moving toward redrawing the borders between states and perhaps even challenging the very existence and legitimacy of some. It was pointed out

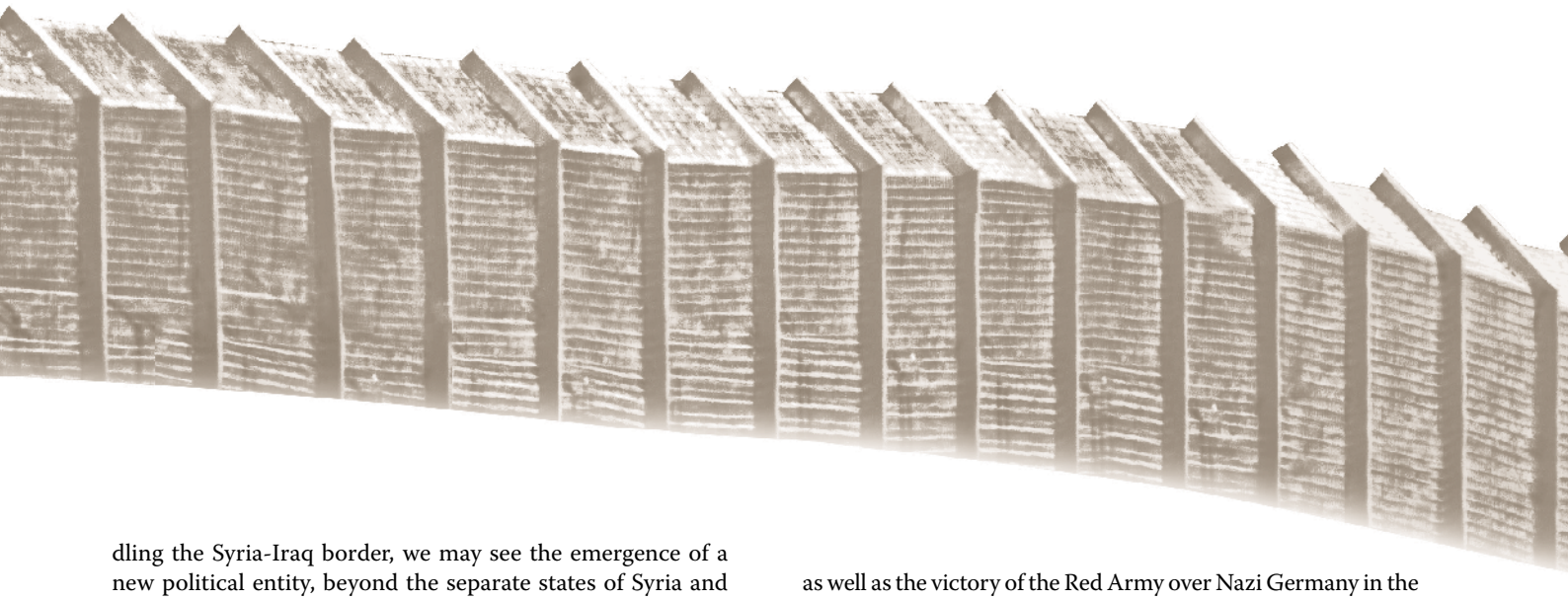
that the borders in the Middle East were determined after the collapse of the Ottoman Empire in the First World War by the victorious powers of Great Britain and France, who divided the spoils of war. The Sykes-Picot Agreement, and the maps drawn up at the Sam Remo conference, later sanctioned by the League of Nations, set up new states under British and French tutelage and redrew their borders.

This was done without taking history or religious and ethnic identities into account, and certainly without ever asking the local populations their wishes or preferences. This is how Syria, Iraq, and Lebanon came into being, and for almost a century their borders – and very existence – were recognized as part of the regional state system. For decades, it was in the interest of local rulers, most of them autocratic in one way or another, to maintain the status quo imposed on the region by the imperial powers after 1918.

With the political upsurge initiated by popular forces during the Arab Spring, some of these arrangements started unraveling. Not in Egypt, which is an historical entity, deeply anchored in the consciousness of its population (the Bedouin population in Sinai may be an exception), but the civil war in Syria shifted very quickly from democratic demonstrations against a tyrannical regime to civil war in which the Alawite ruling minority is being challenged by the Sunni majority, with the various Christian and Druze minority communities reluctantly supporting the regime for fear of being marginalized by a possibly fundamentalist Sunni majoritarian rule. While the outcome of this terrible civil war, which has already claimed 300,000 victims and turned millions into refugees fleeing to neighboring countries, is still undecided, the view has been expressed that it is highly unlikely that Syria will emerge from the mayhem as a coherent body politic with its current borders: disintegration, whether de facto or leading to new recognized entities, is far more feasible; it now appears that the unity of Syria could have been preserved only by the iron fist of a dictatorial regime.

As has become even more clear in the weeks following the GLOBSEC roundtable, the Syrian crisis is inextricably linked to developments in post-Saddam Iraq. As several participants pointed out, the Kurdish Regional Government, while nominally part of Iraq, is far more than an autonomous region; it is for all practical purposes a state-in-the-making, with its own international relations as well as control over its own security, armed forces, and economy. Kurds are not Arabs, and it was mentioned that eventually the KRG may become the nucleus for a future independent Kurdistan, although the geopolitical contexts of such a possibility are clearly recognized and are far from given.

Recent developments in the rest of Iraq point to the fragility of the country (which, again, was held together only under the oppressive Saddam regime). It seems that the Sunni minority is not accepting Shia majority rule, nor is the Shia majority willing to set up an inclusive political system; Sunnis and Shias may be going their separate ways, and with ISIS (Islamic State in Iraq and Sham [=Greater Syria]) straddling the Syria-Iraq border, we may see the emergence of a new political entity, beyond the separate states of Syria and Iraq which, after all, were Western imperial inventions. The Western-inspired idea of a system of Westphalian nation states may be replaced by a different, although at this stage still unclear set of political structures. The Kurdish region in northeast Syria is already developing its own institutions with close ties to the KRG.



The ferocity and massive violence that have become evident in the last few weeks seem to underline the argument, made at the roundtable, that it may be extremely difficult to find a political framework that could be inclusive enough to enable Sunnis and Shias to coexist in a common polity. The absence of such local will, pious attempts by the American administration, and military involvement may prove futile and even counter-productive.

A similar implosion of states set up by Western imperial powers in Sudan and Libya is also taking place: Sudan – set up by Britain – has already split in two, and it may not be the end of the story. The difficulties in post-Gaddafi Libya of setting up a coherent and effective government are obviously related to the fact that the two regions of Tripolitania and Cyrenaica, which were made into "Libya" by the Italians, may go their separate ways.

In discussing these developments, a comment was made that the real issue is not borders, nor is it strategy; conflicts about borders are conflicts about nationalism and national identity. Consequently, considerations that diverge from these issues and focus, for example, on instrumentalist arguments, like economic benefits, usually fail to achieve their desired goals. The tragic developments of the 1990s in the former Yugoslavia provided ample proof of this.

This became even clearer when the crisis in Ukraine was discussed, and the contending principles of preserving the territorial integrity of states and the right of populations and peoples to self-determination clashed head on. To those claiming the need to preserve the territorial integrity of sovereign Ukraine, it was pointed out that Ukraine – with its current borders – is not the outcome of historical development growing out of the political will of the Ukrainian people, but that it had grown out of a number of administrative authoritarian decisions made by the Soviet government, some of them during Stalin's rule, and reflecting, among others, the Ribbentrop-Molotov Agreement as well as the victory of the Red Army over Nazi Germany in the Second World War. Consequently, as Ukraine developed after the collapse of the Soviet Union, it included areas whose link to the core of Ukrainian nationalism was problematic (Crimea, the Russian-speaking east, not to mention North Bukovina and the Sub-Carpathian region). The fact that these borders were determined by the Soviet imperium has re-surfaced in recent developments, and even paradoxically provided Hungary's Prime Minister Viktor Orbán the opportunity to plead for the rights of the Hungarian minority in Ukraine at a GLOBSEC plenary. As pointed out by one of the participants, the test of newly established nations, regardless of their history, is whether they are able to create a coherent society whose members possess a strong feeling of solidarity; when that fails, a serious challenge faces the country.

Furthermore, some contributors also remarked that not only land borders can be a challenge to the international order, but also maritime ones: this is happening now strongly in Southeast Asia, and also arose – although to a minor extent – in the Slovene-Croatian dispute that was overcome during the negotiations over Croatia's entry to the EU. The Afghan-Pakistan border (the "Durand Line"), now a hotbed of strife with the Taliban, was also mentioned as another legacy of borders drawn up by imperial powers and now bequeathed to the successor states.

The roundtable focused on analysis and the participants, aware of the historical complexities involved, tried to avoid normative recommendations. Realpolitik, it was argued, in many cases trumps principle, and as the Kosovo and Crimea conflicts suggest, both sides (in this case the US and Russia) can quote contradictory principles when it serves their respective interest. The inability of the UN to impose its norms was also lamented. The idea of using a confederative structure was raised, also in the case of Israel and a future Palestinian state, but it was also

pointed out that attempts at a solution were proved – as in the post-Yugoslav case – not very helpful, as in many cases they presumed that issues of borders and identity would be solved prior to confederalization, which in the real world is not the case.

The richness and variety of the expertise, both theoretical and practical, that the various participants brought to the roundtable, strongly underlined the complexity of these issues and the difficulties of developing a universal formula without looking carefully at the concrete historical contexts involved. There is no one-size-fits-all answer, and one should look beyond normative principles, sometimes pronounced by contending parties as if they were engraved in stone, to the concrete realities on the ground and recognize their multi-dimensionality.

Despite the fact that some of the participants came from countries and societies that are in some cases now in the eye of raging conflicts, the nature of the roundtable as a closed session contributed to what all participants saw as its success. This permitted participants to speak openly and sometimes bluntly, but there was a shard attempt to avoid grandstanding and an even more significant attempt to listen to others' voices – something that is often lacking in open discussions, in which speakers tend to address the audience, rather than each other.

There may be another lesson here, which should perhaps not be exaggerated, but that should not be overlooked, either: so many of the current conflicts suffer from the hyper-publicity of the current media culture, which tends to exacerbate conflict and sometimes makes compromise even more difficult. Re-introducing and re-legitimizing more secret diplomacy, in which participants have to talk to each other rather than to their own constituencies via *CNN* or *Al-Jazeera*, could be seen once again as a helpful tool in diplomacy and peace-making. Obviously this is easier said than done, but this particular GLOBSEC roundtable has proven this insight most clearly, if proof were necessary. /

GLOBSEC, Bratislava, 16 May 2014

The author is professor of Political Science at the Hebrew University of Jerusalem and a former director-general of Israel's Ministry of Foreign Affairs. He also serves as Recurring Visiting Professor of the Nationalism Studies Program at the Central European University in Budapest.

INVENTING THE PHILOSOPH

AN INTERVIEW WITH JERZY BUZEK

CONDUCTED BY AURELIUSZ PĘDZIWOL

I am turning to you as a specialist in the field of energy and also as a Polish politician active in the European forum. How do you see the energy policy of the European Union in its attempt to eliminate coal from the energy mix?

The key is to reduce emissions, but not to eliminate this or any other source of energy supply. Coal was, is, and surely will be a very cheap energy source for many decades. China, India, and the United States do not intend to abandon this fuel source under any circumstances, and it would not be good if Europe gave it up, either. We have coal deposits almost all over the European continent and they constitute our energy security. The production of electricity in Poland is 100% safe, because we can generate all electricity from our own energy source – from our coal.

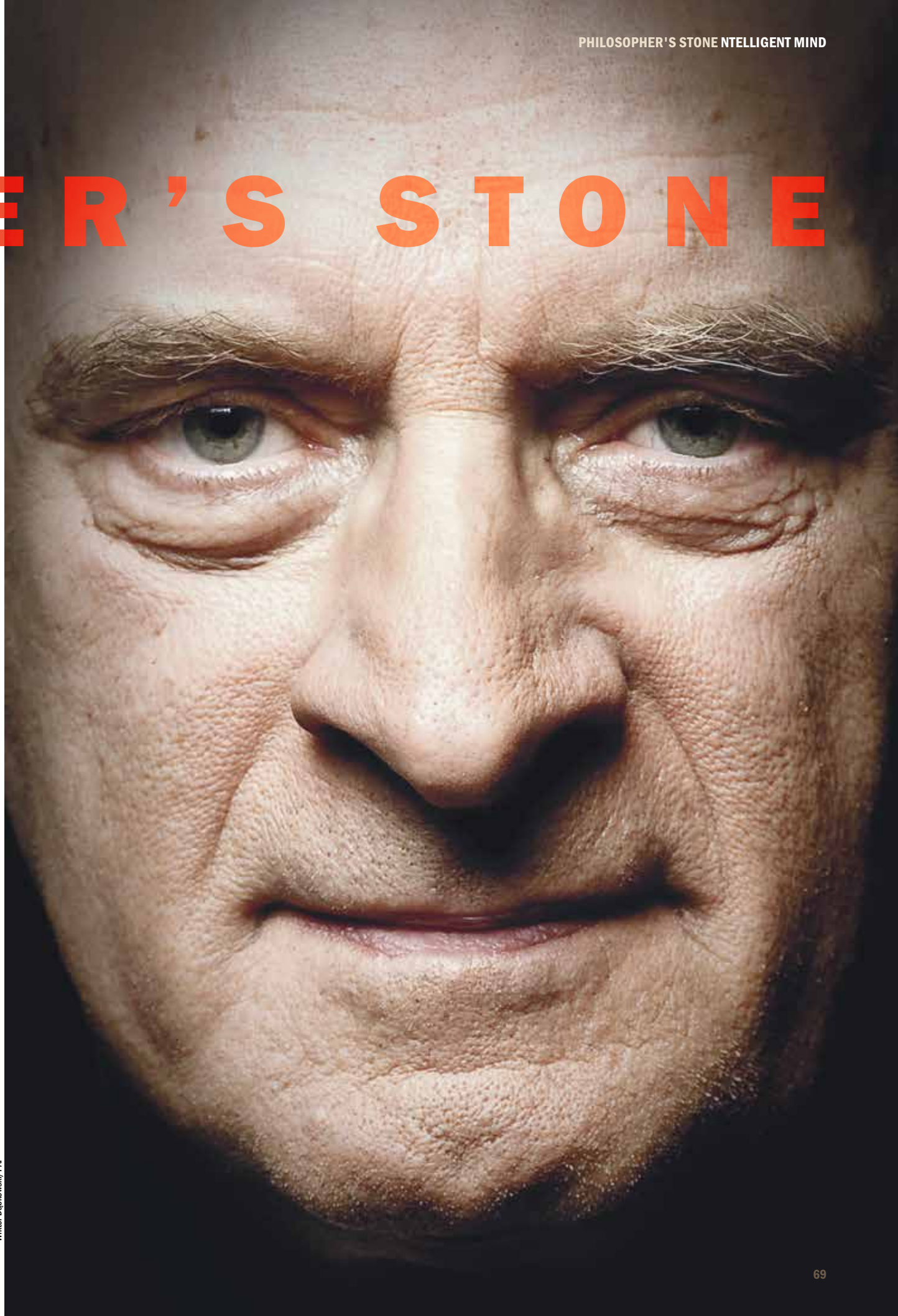
Of course, one has to limit emissions, because it makes sense. We want to protect our environment, health, and climate. I would therefore rather talk about reducing emissions than reducing the use of coal. We certainly do not want to reduce our energy security.

You say it makes sense to reduce emissions, but opponents of this policy say that it would boost the costs of energy production and therefore all costs, making Europe less competitive on a global scale. On the other hand, if Europe reduces emissions, the effect is small, as Europe releases only a few percent of the global CO_2 emissions into the atmosphere. Do you agree with this?

The reduction in emissions applies not only to CO_2, but also to dust and water pollution, which are directly related to public health. We want no further bans on the use of coal in Poland, as has happened in Krakow.[1] On the other hand, any excessively fast, revolutionary reduction in emissions and switch to renewable energy would increase production costs linked to the price of electricity. That would mean a reduction in the competitiveness of the European economy. So we should move gradually, evolutionarily, to renewable energy, and we ought to develop nuclear power.

Above all, we should introduce technologies of using of coal, oil, and natural gas so that we emit as little CO_2 as possible. For example, if Poland replaced 50% of its coal-fired power stations with new ones, we would jump from an efficiency of slightly more than 30% to an efficiency of almost 50%, and CO_2 emissions would drop by as much as 30%! We would fulfill the terms of the climate package simply by replacing our old boilers with new ones. In the way, we would also save a lot of coal. We ought to take this path.

ER'S STONE



Wiktor Dąbkowski/PAP

When would this be possible?
Within the next decade. Obsolete electrical devices also emit too many nitrogen oxides, sulphur oxides, and too much dust. Replacement is necessary for many reasons. In this timeframe we will also solve the problem of excessive CO_2 emissions.

You have not mentioned carbon capture and storage (CCS) – the capture of carbon dioxide and its geological storage. A few years ago much was said about it and you were a fervent supporter of the technology. Is this idea less relevant today?
Nothing has changed; the issue is still relevant. CCS testing in our country would also be a great political argument: Yes, we will use coal for a long time, but we want also to limit emissions and we are therefore working on this technology. Moreover, the EU gives money for it. Such installations have been built in Spain, the United Kingdon, and the U.S.

If we could control this technology and reduce the cost of the CCS, it would also be an opportunity in the future to sell the technology to the Chinese or the Indians, who burn coal in large quantities, much greater than the EU.

Exactly: the impact of Polish or European emissions limitations on global CO_2 emissions is small.
I fully agree. We in Europe are responsible for 11% of global emissions and in Poland for less than 2%. There is no point in increasing the reduction targets for CO_2 emissions without global agreement on this issue.

Why is global agreement necessary particularly in this case?

WE NEED A GREAT DEAL OF SPENDING BY THE EU ON JOINT RESEARCH.

Wiktor Dąbkowski/PAP

When we limited the emission of sulphur dioxide (acid rain) and water pollution, we fought with threats around us – with local issues, mostly regional. If today, for example, the Chinese emit CO_2, it is just as dangerous for us in Europe as for the Chinese themselves. No matter where CO_2 is emitted, no matter where it comes from, it poses a global threat. For the first time we are dealing with a global threat. That is why we have to fight it.

Perhaps it would be worthwhile, as some say, to be a world leader in this issue?

If Europe wants to go alone in reducing carbon emissions, it will be not only ineffective, because we really have little impact on global emissions, but it will also result in the reduced competitiveness of European industry. In effect, industry will move to countries where there are no restrictions on CO_2 emissions and therefore emissions will remain at the same level worldwide. We would save nothing but would lose our competitiveness, we would lose jobs, and we would ultimately find ourselves at the tail end of the global economy. So we have to come to an agreement next year at the 21st United Nations Climate Change Conference in Paris.

Can efforts in new energy technologies, such as renewable energy sources and CCS, catalyze or accelerate development, as in the conquest of space or armaments?

Energy is a great catalyst and accelerator of development. This applies to all clean coal and nuclear technologies, as well as the raising of energy efficiency. It is worth noting that renewable energy resources – photovoltaic, biomass, and wind power – are very modern solutions. They are several times more effective and cheaper today than fifteen or twenty years ago, but they remain more expensive than nuclear power or fossil fuels.

We need a great deal of spending by the EU on joint research. I am glad to have been the rapporteur of the EU strategic technology program for renewable energy, the clean use of coal, and nuclear power, as well as in the area of smart grids. It is about developing completely new technological solutions to ensure the security of our energy supply, environmental, and climate protection, and bringing down energy prices as low as possible. This is important, as the cost of almost all services and the production of almost every product and the competitiveness of our economy depend on energy prices.

Poland has been trying to improve its energy security for many years and is now encountering resistance at the international level. Shale gas has been such a problem recently, as well as nuclear power. How should one behave in this situation?

The Treaty of Lisbon (the introduction of which I have worked toward in the EU) says in Article 194 that each country chooses its own energy sources. I do not have any information about international resistance to nuclear power – with the exception of the Greens, who have always protested against it. We ourselves have not yet decided whether we want nuclear power. Other countries are building such plants; there is no prohibition, but safety rules are of course very, very stringent, and rightly so.

There was resistance in the case of shale gas, but we overcame it in the European Parliament. Earlier, at the European Economic Congress in Katowice, Commissioner Janez Potocnik said that special EU legislation is not needed in this case. We can now start looking properly for gas!

Dare we feel safe?

Just to be safe, I have proposed, together with the former president of the European Commission Jacques Delors, the program of the European Energy Community. Since May 2010, we have promoted the idea of building a common energy market. This would of course require connections between member states to come to each other's rescue if gas or electricity run out. It also includes joint research on new, clean technologies and joint purchases of gas and electricity from outside the EU, or at least the coordination of these purchases. We need this if we want the EU to be a force in negotiations with its external partners.

The former Polish prime minister Donald Tusk reiterated this demand this year, after the annexation of Crimea by Russia. What are the chances of its implementation? Has the West come to an understanding of Poland's concerns and is it willing to take such suggestions seriously?

These proposals were presented several years ago and they will continue to be implemented. The energy union submitted by the Polish government at the European Council (meeting of heads of government) is a good idea. Until now, the European Parliament and the European Commission has dealt with the project of the European Energy Community. The need for cooperation, thanks to the initiative of Donald Tusk, is now beginning to be understood by the governments of the member states.

Is the issue to carry out Poland's own plans, but in coordination with the others?

Yes, as others do. France has its own nuclear energy; Germany has wind power, gas, and coal, but also nuclear energy, not yet disabled. Sweden is based primarily on the combustion of biomass and nuclear energy. Denmark, in turn, has diffused into a prosumer power industry [prosumption – a combination of production and consumption; a prosumer is a producer as well as a consumer of energy – ed. AMP]. We in Poland rely on coal and we have the right to do so. We should, however, use clean technologies.

One thing is undeniable for every country and for the EU as a whole: we have to save energy. The cheapest energy is that which does not need to be produced.

Is there any place for Polish shale gas or Polish nuclear power as yet?

There is a place, but one has to extract the gas in a cost-efficient way, which is not so easy. We also have to decide whether we want nuclear energy.

Poland has proven not infallible in its efforts to increase energy security. The government of the Democratic Left Alliance (SLD) cancelled the construction of a gas pipeline from Denmark, negotiated by your government. The second leg of the Yamal pipeline does not exist. If it were to be built, perhaps there would be no Nord Stream. When was this error made and by whom? And further, regarding the negative Polish attitude toward Nord Stream, don't you think that it was not the happiest choice?

Our successors in government made a political decision not to build a pipeline from Denmark and Norway across the Baltic Sea to the Polish coast. This agreement had already been negotiated, even from the business side. I have no doubt that this pipeline would be of paramount importance to the security of Poland, Slovakia, Hungary, Ukraine, and Lithuania.

All these countries have been trying to bring Norwegian and Danish gas into their territories. In addition, the second branch of the Yama pipeline from Russia – which the Russians had agreed to build – through Belarus to Poland was abandoned at the same time.

Instead of these pipelines, today we have Nord Stream. It undoubtedly provides a great deal of gas not only to Germany but also the Netherlands, France, and other countries. From the point of view of energy security throughout the EU, it is therefore a favorable solution. The project was, however, burdened by a political original sin: it was negotiated and carried out over the heads of Central and Eastern Europe countries, which easily enables that they be cut off from the supply of gas, while supply to Western Europe is maintained. The idea of the European Energy Community or the energy union is to avoid precisely this kind of internal tension and friction between member states through joint purchases of gas for the whole EU.

We could reach an agreement on this East-West-pipeline. It would be easier, simpler, and better for all of us.

So why doesn't the other part of the Yamal pipeline exist?
It didn't happen because there was already serious competition between the construction of Nord Stream and the second branch of the Yamal pipeline at that time.

Was there any Polish resistance to the extension of the Yamal pipeline?
We were ready for it; the groundwork for it was also in place. The construction of a pipeline of the same capacity as Nord Stream through Poland would be twice as cheap as the Baltic pipeline.

After Fukushima, Japan disabled its reactors and Germany closed its nuclear program. Poland is, on the contrary, about to board that train and wants to build nuclear power plants. There is already talk of three plants, which would cost an enormous amount of money. Couldn't it be better spent? Aren't we exposing ourselves to the risk that one of the next governments, under the influence of this or that event in the world, would follow if not the Austrian,[2] then at least the German path? Shouldn't we rather invest in saving energy?
With the last sentence, you are absolutely right. As for the beginning of the question, I have already pointed out that the Polish government has not made any binding decision on this issue. It is planned for 2016.

I am talking about investing money that would otherwise go toward the construction of nuclear power plants.
Analyses show that if we dedicate assets that could go to nuclear energy to energy-saving measures instead, the balance of assets and outcomes will still not close. We hope, however, to manage shale gas extraction in a way that is less damaging to the environment and the climate than coal. This may change our energy mix in the future and eliminate the need for building nuclear power plants.

Poland will, in any case, meet the conditions of the climate package until 2020. In the next term we may expect a gradual, but not radical, reduction in emissions. We absolutely need to take into account what will be achieved on the global scale next year in Paris.

Perhaps the future of energy lies elsewhere? I am referring to the example of the cell phone that everyone has in his or her pocket. A quarter of a century ago, nobody even dreamt of such a thing. With the exception of nuclear fusion, is any similar invention possible in the energy sector?
One should not exclude any such possibility, but its realization would be very difficult. Progress in electronics and wave transmission has also seemed clear-cut in the past. Fast computers, digital technology, and microchips have led to the miniaturization of mobile phones, enabling them to serve many purposes, and increasing each of our capabilities.

In other areas of scientific research and technological development, progress has not been so radical. The railway looks just as it did 150 years ago, although it moves faster. It is therefore a quantitative change, rather than qualitative. Energy is a similar case.

Today, we have electricity.
Indeed. Some innovations and inventions have changed our lives, our civilization, in radical ways. It was certainly so with electrical current and the steam engine. But in the case of existing energy sources, we do not see any solution on the horizon that would change the situation fundamentally or radically. Solutions in the area of renewable energy have raised great hopes, because they use unlimited resources. If we will learn to use these resources efficiently and at low cost, it would make possible the claim that we have invented the philosopher's stone of a permanent and complete energy supply for mankind.

It would be a great revolution if we succeeded, for example, in the invention of superconductivity at room temperature, wouldn't it?
That would certainly be a revolution.

Like thermonuclear fusion?
We have known for many years that thermonuclear fusion could be a practically inexhaustible source of energy, but it is difficult to handle and control this energy source. The EU, the Japanese, Americans, and Chinese are spending a great deal on developments in fusion.

And are we closer?
We are going around in circles. We are doing more work, but it is not bringing us closer to our desired final result.

But it was always so. People have undertaken many courageous projects that have been underway for a long time. The best example are the great channels we dug from one sea to another to simplify marine navigation. Some existed as concepts in antiquity. Then it took many centuries before we mastered the technology that enables the creation of such connections between the seas and oceans, which today is simple and fast, although still expensive.

That took two thousand years. Let us hope fusion will not take as long.
I hope not. /

REFERENCES

1 The city of Krakow banned heating with coal last year.

2 Austria built a nuclear power plant in Zwentendorf, but after a referendum in which the citizens rejected it, it was never launched.

ON MONUMENTS

and other media

NOEMI BRUZAK/PAP/EPA

J.A. TILLMAN

Our knowledge of the world is largely mediated. That which is beyond our own sphere of experience is passed on to us.

Our knowledge of the world is largely mediated. That which is beyond our own sphere of experience is passed on to us. In addition to our natural intermediaries – sounds, speech, gestures – this mediation is achieved increasingly via media technology, whose participation and significance continue to grow, along with the divergence of the context of modern life.

This mediated perception is not only medial and conveyed by media technology, but also strongly culturally conditioned. A classic example is provided by Marshall McLuhan in *The Gutenberg Galaxy*, citing the findings of British anthropologists who conducted research in Central Africa in the 1950s. During the screening of a short film, it was found that viewers only became aware of details they were already familiar with, not unknown elements or the movie as a whole.

Difficulties in the perception of the whole are not restricted to media. For instance, the cultures of Central Europe also appear to have perceptual problems. It was recently revealed that the features and events of the region are shaped by factors that have been present for long, that is, rooted in the deeper layers of history. I would like to highlight two consequences of this long period, namely a limited perception of space and a peculiar sense of time.

The Timewheel located near Budapest's Műcsarnok (Palace of Art) is, according to Wikipedia, the largest hourglass in the world. The structure in fact consists of an 8-meter diameter wheel with a width of 2.5 meters. It is to be turned every year, although according to János Herner, who came up with the idea, it was initially designed to be a moving structure "The aim was to visualize time plastically in space, so the 60-ton hourglass would not just be installed, but also roll slowly – hence the shape. Thus, would it move from the Kunsthalle Budapest to Ajtósi Dürer Road in eighty-seven years," said Herner.

Other similar attempts were made around the millennium to somehow counter a shrinking of sense of time and an increasingly narrow present, and to translate them into appropriate form. One of these attempts was the sizeable clockwork called The Clock of the Long Now. Built tentatively first as a 2-meter prototype, it was developed by the Long Now Foundation. The idea was conceived by *inter alia* computer scientist Daniel Hillis, who developed the parallel supercomputer, Stewart Brand, founder of the Global Business Network, Kevin Kelly, editor of *Wired* magazine, and Brian Eno, composer and artist.

Unlike the Timewheel in Budapest, The Clock of the Long Now does not have to be turned annually but only once every century. This is not surprising, given that the founders of the Long Now Foundation take 10,000 years as a unit of time. The organization also has other long-term projects: a library for The Long Now and the Rosetta Project, an archive for endangered languages, as approximately 90% of languages spoken today will disappear in the next 100 years.

Although the Timewheel is designated to express the passing of time, in this case, it is its spatial attributes that are noteworthy. János Herner explained in an interview: "We previously conducted a survey with 200 respondents, 100 Hungarians and 100 from other nationalities (architects, professionals of the tourism industry, etc.). We asked if a diameter of eight meters is too much or too little. The result was perplexing: of 100% foreigners, 97% asked why the wheel was so small, while 92% of the Hungarian respondents asked why it was so big."

A monument seeking to demonstrate the significance of time in space must be monumental. One may feel that a diameter of eight meters is not enough in this case. The Timewheel occupies a significant location; for the otherwise outstanding background to fade, one has to go very close to the monument. To achieve the desired effect, the scale would have to be very different. Given the surroundings, a diameter of 20-30 meters (that is, the height of the houses on other side of the square) would have been necessary.

The world of the small-angle approach is also reflected in an everyday context, especially in the case of the most widely used media, as in news programs, in which international events are marginal and mentioned only briefly. As far as proportions are concerned, none of the various political orientations deviate from this norm.

Writer Győző Határ, who spent half his life in London after 1956, said a few years ago in a radio interview: "The Hungarian elites can hardly see the world because of their provincialism." Astounding as it may sound, it is in fact easier to prove than disprove. But I will not go into detail of the oft-incredible contemporary Hungarian reality, where this type of mindset manifests itself in all its depth and width. Simply put, "the country revolves around its own axis." This was even expressed by the prime minister himself, and not just once.[1] There is a country that has its own axis and, according to its Great Guide, it in fact rotates around it. Not even the Earth can compete with such an orbit.

The explanation for this is to be found in the significantly different evolution of the modern concept of space in Central and Eastern Europe, in contrast to other European regions. The process started around 1500 with the dissolution of Christian-Latin universalism and the emergence of literary cultures in national languages. The emergence of such national/cultural spaces took place simultaneously with European expansion and the subsequent revolution of space,[2] whereby not only individual travellers but almost all strata of the seafaring nations came into direct or indirect contact with distant continents. In his monumental book about the Mediterranean Sea, Fernand Braudel summarized the impact of the sea as follows: "The life of the sea spreads in powerful waves far beyond the coastal area."[3] Seafaring people thus developed a broader worldview, as opposed to those who did not have the exposure to such experiences. The situation has remained unchanged ever since: if a country has maritime borders, or even overseas territories, its inhabitants are inclined to look at the world more globally than provincially. For some decades, with the help of satellite images of weather forecasts, those who otherwise have no seas as national borders, or could not even experience a stroll along the coast, could gain insight into the true proportion of local and national dimensions and magnitude on a daily basis.

After the heavens retreated along with Christianity and its universality to the background, the Earth, primarily in the form of native soil, came to the foreground. This was even stronger in places where there was no sea at all. "A new cry resounds: the Earth, the territory and the Earth! With romanticism, the artist abandons the ambition of de jure universality and his or her status as creator: the artist territorializes, enters a territorial assemblage,"[4] claimed Gilles Deleuze and Felix Guattari in *A Thousand Plateaus: Capitalism and Schizophrenia*.

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scientist István Bibó has noted, the impoverished gentry – more than 10% of the total population – played an important role: "a large number of the nobility held the managing and intellectual functions of [various] authorities. [...This] secured the consciousness of nobility a dominance over that of an intellectual role."[6]

Apart from the citizens directly affected, who suddenly found themselves in new neighboring countries, it was the nobility that was hit hard by the most negative consequences of the territorial losses, as the reduction of the country also meant the disappearance of their range of influence and power. These events – which "mutilated the national body" (*nemzettest*), as it was designated then,– were perceived by nobility as damaging to the nobility's identity. The "gentry middle class," as they called themselves publicly, felt so particularly: it was restricted in the narrower space of the new national borders, and fell into a mix of revenge and resentment in the period between the two world wars. However, it was crucial that with the dominant position and spatial perception of those in power, this sense of space was medially widespread. This was manifest even in the way the country was labeled; it was publicly referred to as "Mutilated Hungary" (Csonka Magyarország).

In addition to its peculiar perception of space, the country also has a specific concept of time, especially concerning the historical past. This was even enshrined in Basic Law through the crafty exclusion of the 1944–1990 period.[7] The explanation was that in those years, Hungary was occupied by foreign powers. As it was not a sovereign state, it is not responsible for the events that occurred on its territory. A half-century must therefore be stricken, because, according to this convenient theory, it does not belong to Hungarian history.

In accordance with the aforementioned concept, Parliament Square was also recently restored to its 1940 state and renamed the "Main Square of the Nation." It is now adorned with replicas of earlier monuments of questionable

It is strange

– in its own right – for the occupation of a country to be commemorated by a monument

politicians. This historical kitsch has not only been reconstructed but further developed and expanded. Not far from the parliament, on Szabadság tér (so-called Liberty Square), a new structure called the Monument of Occupation is to be erected and inaugurated on the anniversary of the invasion by the troops of the Third Reich – otherwise an ally. In fact, after the invasion of the Wehrmacht, Miklós Horthy, head of state at that time, stayed in power and continued as the "Imperial Regent" of the country, and was regarded as "Hitler's last satellite."

The monument is problematic not only because, as formulated by Jochen Gerz, it is "a reflection of society," but because "it reminds the society of the past and its own response to the past – and in this case, the latter is the most disturbing."[8] As a work of art, it is just as embarrassing as it is inept as a monument. With a tympanum and classical columns in the background, it portrays an angelic figure being attacked by a large bird. The broken row of columns and the figure of Archangel Gabriel, are reminiscent of the monument at Heroes' Square. In this case, Gabriel symbolizes the surrendered, innocent, and vulnerable Nation of the Magyars, while the bird is the imperial eagle of evil. It is in fact a very "primitive allegory." As art historian András Rényi has noted, it is so primitive that it can be interpreted even by the "simplest child of the folk."[9]

It is strange – in its own right – for the occupation of a country to be commemorated by a monument. It does not suggest an underlying inclination toward collective masochism, but rather presents a false and historically revisionist narrative. According to the planned inscription, the monument is to be dedicated to "the memory of all victims." According to Rényi, however, "directly, it asserts nothing about the Jewish Holocaust, nor the responsibility of Hungary; instead, it speaks in a different register: not about the loss of Hungarian people, but worries concerning the loss of Hungarian sovereignty."[10]

The true meaning and particularly elevated feature of the Monument of Occupation rests in its location: it can be found directly at the entrance and exit of an underground car park, serving basically as its facade – which adequately expresses the subtlety of its creators. Incidentally, this considerate choice of location for the "underground car park monument" is again motivated by a mendacious view of history: it is intended to be the counterpart of the Soviet Liberation Monument at the other end of the elongate square. Both structures are positioned symmetrically with the main axis of the square.

The aesthetic sensitivity of the head of the government was manifested earlier already during his first term, when the construction of the new National Theater initiated by the previous government was stopped, and a new theater had to be built in the post–Soviet style of a Kazakh cultural center. Since then, his fine sense of style as well as his tendency to Orientalism have been on display, especially at the inauguration of the national totem pillar in the National Memorial Park of Ópusztaszer (a national mythological Disney Park), where he called the Magyars the people of the totemic bird Turul.

All these examples show not only the aesthetic and historical imagination of politicians, but are also representative of Hungarian popular opinion. Nominally, populist politics ensure *vox populi*: opinion polls among millions are created and funded by the state annually. The results are carefully evaluated and exploited with the help of progressive American PR techniques, and especially the help of American experts flown in from the United States. A solid foundation has thus been built – and will be further developed with strategy and tactical maneuvering – upon the narrowest common denominator. This is indispensable when one considers historical policy and monument aesthetics representative of the broad strata of the population, not only of few politicians.

Occupied or Obsessed?

The intention of the Monument of Occupation, namely to deflect responsibility for the horror of the Second World War and conceal the active participation of state authorities and a significant percentage of the population, is embedded in long tradition. This is not merely a matter of governmental mendacity, but the reflection of a deeply rooted finger-pointing mentality that says the culprit is always somebody else.

The facts tell a different story. In the case of the Austro-Hungarian Monarchy, the outcome was not only due to Adolf Hitler – on the part of Austria – but also to the first anti-Semitic party in Europe – on the part of Hungary. Modern institutionalized anti-Semitism was created after the collapse of the monarchy in one of its successive states: the first "Jewish laws" were already in force in sovereign Hungary in the 1920s. Among others, there was *numerus clausus* concerning the state and university administrations, followed by more laws confining the Jewish population in 1938, 1939, and 1941,when there was still no foreign occupation in sight. Hungarian troops also took part as allies of the Third Reich on

the Eastern Front, and the dead soldiers are designated as "the heroic dead" today.

That the recent past has not been processed is evident not only in today's virulent anti-Semitism, but also in the fact that a significant part of the population considers the Holocaust a "Jewish issue" perpetrated by a foreign power; in any case, "the Jews" are not real "Hungarians." Somewhat peculiarly, Imre Kertész described this in his novel *Fatelessness* with caustic irony:

The gendarme [...] had been impelled by good intensions, coming merely to impart the news, "Folks, you have reached the Hungarian frontier!" He wished to take the opportunity to address an appeal, a request one might say, to us. His behest was that insofar as there were any monies or other valuables still left on any of us, we should hand them over to him. "Where you're going," he reckoned, "you won't be needing valuables anymore." Anything that we might have the Germans would take off us anyway, he assured us. "Wouldn't it be better, then," he carried on, [...] "for them to pass into Hungarian hands?" After a brief pause that struck me as somehow solemn, he then suddenly added, in a voice that switched to a more fervent, highly confidential tone, which somehow offered to forgive and forget all bygones: "After all, you're Hungarians too when it comes down to it!"[11]

A fierce protest against the Monument of Occupation took place every day for months; the site is therefore constantly guarded by dozens of police officers. There were clashes and arrests, and the survivors of concentration camps were also involved. A "living monument" was formed by an existing circle of artists and art students that organized lectures and discussions at the site every afternoon. However, it should be noted that the protest had relatively few participants and the population has little knowledge of it. This, of course, relates to the peculiar situation of the Hungarian media.

Monuments, Media, Message

"Ours is the first age in which many thousands of the best–trained individual minds have made it a full-time business to get inside the collective public mind. To get inside in order to manipulate, exploit, control is the object now."[12] These are opening sentences of Marshall McLuhan's first book, *The Mechanical Bride*. The era described by McLuhan occurred in Central Europe almost half a century later than in North America. The delay in the Central European region, which was already considerable due to reluctant transformation to modernity, was exacerbated by the decades of the glacial period created by "socialism." It was only in the 1990s, with the privatization and growth of the media, that the aforementioned era started. It was in fact the first time that thousands of highly qualified individuals operated the media, not least to manipulate, exploit, and control it. The implications are obvious. The Italian example shows, in particular, what the consequences will be if control of the Fourth Estate is left to the so-called free market, and thus to contingency and manipulation. By purchasing a great portion of media market, one gains access to votes, the government, and the state.

In the land of Berlusconi's best friend, the situation was similar but still with significant differences: the state was used to provide the necessary financial resources to ensure that the media could be purchased. The so-called "Young Democrats" made their first millions through the sale of their assigned party headquarters. Subsequently, part of the capital was invested in the media industry. During their first term as the governing party, not only did they immediately acquire the second largest daily newspaper, but also established other media and proficiently equipped them with the help of public funds.

One can observe the sustainability of national traditions in the development of Hungarian media. In the late 1990s, Mark Palmer, former U.S. Ambassador to Hungary, made the best offer to purchase one of the two largest television channels, but the deal fell through due to an anti-Semitic coalition of the then ruling left and right-wing opposition. The consequences have been devastating. They affect not only the collective public mindset, but also the perception and interpretation of the individual. Consider the story of one of my art students, whom I recently asked in a seminar to analyze a photo entitled *Covered Warrior*, (by Gábor Gerhes, 2004). Despite the fact that the clothing and the colors clearly alluded to Middle Eastern cultures, he interpreted the image as a portrayal of a Hungarian setting. I ask myself: "Why?" /

Translated by Shenshen Hu

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CULTURE CHALLENGERS

IN CULTURE, TO CHALLENGE IS TO CRITICIZE AND RECONSIDER

ANNA WÓJCIK

In 2014, the image of Central and Eastern Europe has been influenced by two art-house period movies, which got rave reviews from critics and performed very well in box offices worldwide. The first was the comedy *The Grand Budapest Hotel* by American director Wes Anderson; the second, the drama *Ida* by Polish filmmaker Paweł Pawlikowski. Both had superb casts and stunning cinematography, and both were period pieces that drew on fantasies about fin-de-siècle *Mitteleuropa* and traumatized post-war Europe, respectively.

Tellingly, it is often renditions of the region's turbulent or splendid past, rather than the present, that attract considerable attention. This tendency, however, does not apply exclusively to any particular corner of the world. Global culture is nostalgia-driven and often expresses contemporary anxieties in disguise, whether in the form of historical costumes or science fiction. The notion of a futuristic action movie set in dystopian Budapest or Riga is appealing, but the background would not necessarily convey more food for thought – to influence our understanding of the present or to shape the future – than would a seemingly old-fashioned adaptation of a canonic novel. In similar fashion, revolutionary gadgetry often conceals conservative ideas.

For centuries, repetition and reworking of old tropes were core principles of European culture, and the quest for modernity and novelty was a fairly new concept. Ultimately, rather than continuing the debate about the superiority of past over present or vice versa, we have embraced both. Partly due to this, naming a "challenger" in the world of arts and ideas is a tricky challenge in its own right. While technical progress is discernible and often spectacular, culture does not always advance in a series of drastic ruptures. Conversely, it is rather inclined to revisit tradition to find solutions to contemporary dilemmas.

CRITICS AND CONTEXT PROVIDERS

Throughout our search for 100 New Europe Challengers, we were on the lookout for people who not only contribute to technological development, but also provide the necessary commentary, allowing changes to be put into context. We have chosen individuals and teams embedded in Central and Eastern Europe, who show courage and the potential for global outreach. They communicate with audiences using various, often intertwined, media, from printed manifestos through social media campaigns to performance art.

Some of the challengers, for example Polish curator Adam Szymczyk (b. 1970) (former director of Kunsthalle Basel and artistic director of the upcoming *documenta 14* in 2017 in Kassel, one the most influential art events in the world) have a proven record of institutional practice. Szymczyk is committed to challenging the viewer, and often does so by taking risks and presenting works by less-known artists hailing from former Eastern Bloc countries. He summed up his program in the *Gazeta Wyborcza* daily, saying that "to prepare an exhibition is to furnish the brain, not to make a window display." As a teenager, he was interested in punk music and Dadaism. The first of these forms a link with another favorite of the international art world, Bucharest-based artist Dan Perjovschi (b. 1961), who started spreading ideas in the cult Romanian magazine *Decât o Revistă* and quickly moved with his provocative graffiti to the walls of galleries and museums from São Paulo to Reykjavik. While art promoted by Szymczyk is often considered demanding and puzzling, Perjovschi's *modus operandi* is irony. His tongue-in-cheek drawings are political commentary created in response to current events. He has recently commented on the Ukrainian crisis, and often speaks out on global crises of inequality, debt, and surveillance.

The conviction that art is a powerful tool for social commentary underpins the practice of the N099 Theater from Tallinn, which dealt with growing populism in the Baltics with staged hyperpopulism in 2010. The theater created a fictional political movement United Estonia (Ühtne Eesti), which exposed the backstage of political manipulation in the age of spin-doctors and social media. United Estonia was presented as a new political alternative and quickly attracted voter attention, partly because it avoided any particular platform. The program was to be presented during a spectacular party convention. In forty-four days they built up enormous anticipation using persuasive YouTube clips and the mythology of the Leader, which recalled both Nazi and Communist practices. The convention itself was a spectacular show, one of the biggest theatrical events in the recent history of European theater. N099 reflected on the negative and populist traits of all the larger parties in their behavior, rhetoric, program, and campaigns.

Polaris Images / East News

▲ Dan Perjovschi's artwork

This method recalls *The Czech Dream* (2004), a spoof documentary by Vít Klusák (b. 1980) and Filip Remund (b. 1973). It documented the now legendary opening of a fake hypermarket in the Czech countryside. Thanks to a massive advertising campaign, two art school graduates lured 3,000 prospective consumers to an empty field. *The Czech Dream – The Hypermarket for a Better Life*, as it was promoted, turned out to be nothing more than a facade. It denounced excessive, blind consumption and our docility to advertising. However, Czechs are also very good at promoting civic engagement and interest in politics with short films. A work by Jiří Mádl (b. 1986) is a good example of this practice. Madl has grown into one of the important voices of young Czech artists. In 2010, he starred in the short clip *Přemluv bábu* (*Persuade Granny*) with Martha Issová, directed by Petr Zelenka. The viral video encouraged young voters to participate in legislative elections, but discouraged voting for the Left, due to the Social Democrats' willingness to cooperate with the largely unreformed Communist Party. It was by far the most serious attempt to lure young voters to the voting polls by a means of communication understood by younger demographics, those who do not use the Internet, but live on the Internet and alongside it, make friends and enemies online, plan parties and study sessions online, fall in love and break up online, as Polish poet Piotr Czerski (b. 1981) put it in *We, the web kids* manifesto in 2012. Czerski penned the article for a local newspaper in Gdańsk, which asked him to explain the difference between "analog" and "digital" generations. His answer was quickly translated and republished under the Creative Commons license in various media outlets around the world, making him the voice of a generation whose experiences and expectations have been shaped by Internet use. Today, however, he is more critical of the transformative power of the web, criticizing young people's superficial participation in political life, and encouraging them to take a more active role in reshaping Polish society.

People such us Perjovschi, Madl, and Czerski fuel our discussions of the present and future of our political systems and serve as watchdogs, keeping a critical eye on the transformation undergone by our societies. Their impact is difficult to measure in the language of metrics, as culture is about values that are not exclusively monetary. In a way that the intelligentsia once did, culture challengers today not only identify the key transformational ideas of our times, but also have the courage to reflect upon them, criticize, and ultimately provide us with a better understanding of the direction in which we are heading. We have managed to acknowledge only a handful of such visionaries from Central and Eastern Europe with this NE100 list, but the region is bustling with brilliant young minds in the world of arts and ideas. With their direction, we are less likely to get lost. /

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Read more about the challengers **ne100.org**

When the PARTY Rocks it's GOOD NEWS for democracy

While aiming to strengthen "democratic reward" by increasing budgets for democracy support, the EU nevertheless resisted the establishment of firmer democracy-related conditions for aid allocation. State-centered support in combination with the belief that moving from a totalitarian regime automatically means moving toward democracy – has led to a number of shortcomings in EU aid. Take, for example, the recent support for Viktor Yanukovych's government in Ukraine. Generous governmental support was led by a belief that signing the Association Agreement would provide the final pro-democratic setting for a key EU neighbor. Nearly no attention was paid at the level of EU official aid to the opposition political parties, yet the responsibility of running the practically ungovernable country currently rests mainly on their shoulders. The word "mainly" should point to the current attempts by the EU and the U.S. to support the Ukrainian leadership at this critical time. Interestingly, the EU used to be more cautious in providing aid to post-totalitarian governments, when it closed the door on then Slovak Prime Minister Vladimír Mečiar, for instance.

On the other hand, it must be admitted that the EU continues to seek better ways to respond to the growing challenges of its external activities. Recognizing civil society as an important player in building democracy and fostering human rights is changing the way the EU engages with countries outside its borders. The paradigm shift in EU aid will be complete, however, only when political parties are freed of stigma and become equal receivers. Despite relatively strong political support, assistance to political parties has thus far remained limited.

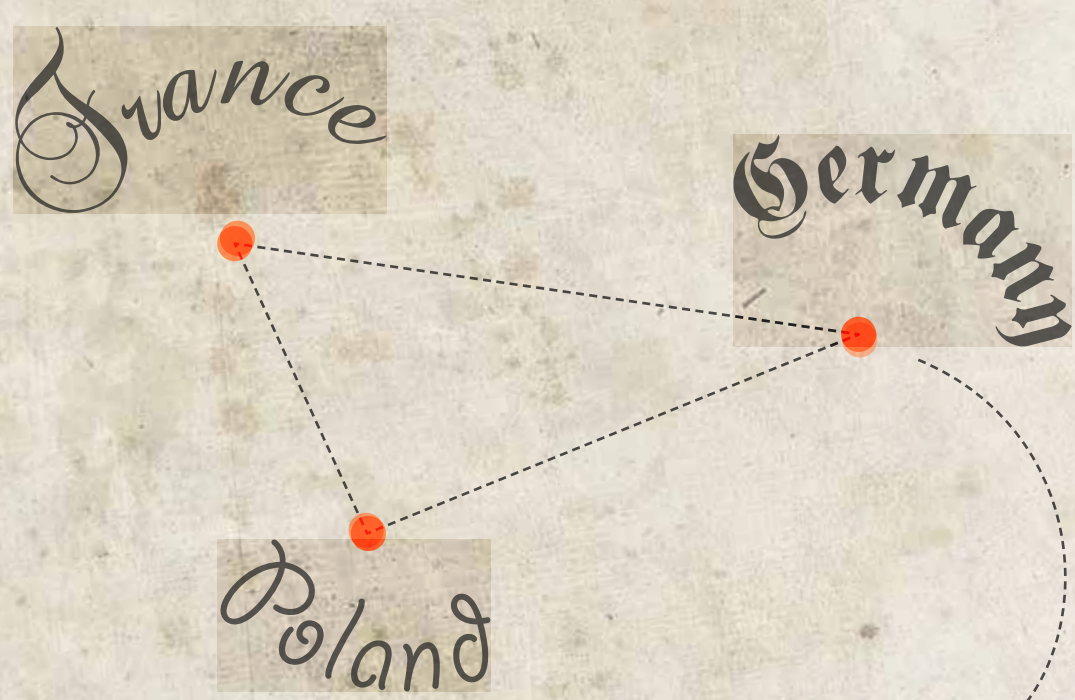
There may be many reasons for reluctance in supporting political parties as part of official aid. There is a general decline in trust in political parties throughout the donor countries, a decline that is similar in both the Western and the Eastern parts of the EU. It is also the case that dominant political parties in democracy-building states are often the main obstacle to achievement, frequently acting as hubs of economic power with ties to previous regimes. As long as political leaders are elected predominantly via political parties, we must keep continue to seek better ways to work with this crucial part of civil society.

Support for political parties and its "whys and whats?"

In practical terms, an implementer must establish and continually re-evaluate who is a promoter of change and who a hindrance, analyze changes in electoral code and legislation, identify the relationship between the state administration and the ruling party – as well as that between the ruling party or coalition and the opposition and individual parties. It must also identify the power bases of political parties and their leaders, and any ties with organized crime, militias, and strong economic players and oligarchs. For all these reasons, only highly qualified organizations with long-standing expertise should be awarded grants in this field of work.

Another important point to emphasize is that programs aimed at individual political parties often focus on party outreach to citizens. Bringing citizens closer to political parties helps bring previously disenfranchised and underrepresented populations including women, youth, people with disabilities, and ethnic minorities into the center of parties' interests and enriches the variety of policy options for voters. It not only improves party policies and engages citizens in the democratic processes, but also accelerates investment in civil society through citizens' various interest groups. Outreach methods must also reflect new technological opportunities in the nexus between political parties and citizens' socio-political movements. A very successful such method that combines party outreach and is based on multiparty elements is the establishment of parliamentary cross-party women caucuses. This method is used widely in the Balkans, as it helps overcome political differences and obstacles and works toward improving citizens' lives; many social reforms or business-oriented reforms have been initiated by these caucuses.

In very oppressed and closed societies with fragmented politics and no free and fair elections, work with political parties must be bolstered by a strong focus on civil society to foster an environment in which a multi-party political



a non--equilateral triangle

ERIC MAURICE

Could another geopolitical group be the backbone of a multifaceted Europe?

The European project has always been a kind of modern and peaceful Carolingian Empire. Its economic and political heart still runs mainly from the Northern Rhine region to south of the Alps, the territory of the European Union's original six member states, which incidentally covers those ruled by the Frank emperor Charlemagne around 800 AD. The founding Franco-German tandem has been the essential force of the European Union, building one-time and sectorial alliances with other members such as Italy, the UK, Spain, the Netherlands, and even Sweden.

The 2004 Big Bang enlargement changed Europe but did not fundamentally alter this political balance. It nevertheless added a new player to the game: Poland. The cooperation between Warsaw, Berlin, and Paris was organized as early as 1991 with the so-called Weimar Triangle. Could this triangle be the backbone of a multifaceted Europe?

There was logic in formalizing strong ties between the three countries. As the biggest ex-Soviet Bloc country, one that had a painful history with Germany and traditional ties with France,

Poland was a natural candidate for the continuation of post-Second World War reconciliation. Twenty-three years later, the triangle is still not equilateral.

In those years, Poland became a NATO and EU member, managed its economic transition, and started to act as a key player in EU decision-making, as in the bloc's 2014–2020 budget negotiations. But despite rather strong popular support for the EU, Polish political elites spent the crucial first years of their country's membership after 2004 arguing about its moral and strategic meaning.

Under conservative and Eurosceptic former president Lech Kaczyński, and all the more when his twin brother Jarosław was prime minister, Poland seemed more interested in settling historical scores with Germany and redrawing the EU's Eastern Neighborhood strategic map with the Bush administration, than in contributing to EU policies. In return, other EU members continued to consider Poland a regional power, and moreover a problematic one, rather than an emerging EU power in the EU's new half. The mass emigration of Polish workers, especially to Scandinavia and the British Isles, contributed to this perception.

Jarosław Kaczyński's defeat by the liberal and more EU-oriented Donald Tusk and then Lech Kaczyński's death in the Smolensk disaster coincided with the years in which the financial crisis developed into a life-threatening crisis for the Eurozone. As an "out" country, Poland could not play a crucial role in the most pressing issue in recent years. Opinion in Warsaw remains divided as to the necessity of adopting the single currency in the short term.

Poland has been gaining influence in the EU thanks to crisis-related factors: its economy was the only one to go through the crisis without recession – the so-called "green island" on a continent plagued by crisis; and the EU is now divided along a North-South fault line rather than an East-West one.

Tusk and his energetic Minister of Foreign Affairs Radosław Sikorski seized the opportunity to reposition Poland at the center. In a speech in Berlin in 2011, Sikorski famously called for Germany's leadership in Europe but also put forward a comprehensive view of Europe's situation: "The EU has changed Poland into a giant construction site, but it also cured it of its inferiority complex. Under Tusk's and the EU's guidance, Poland has been 'normalized,'" wrote *Le Figaro* in Paris, celebrating a "new Poland: ambitious, optimistic, and self-assured."

France is on the opposite path. The European project was for years a projection of French grandeur powered by an administration modeled on the French civil service, but with the German reunification in 1990, EU enlargement, and the growing influence of "Anglo-Saxon" liberalism, France has lost its grip and is no longer calling the shots. This trend resulted in and was aggravated by French rejection of the Constitutional Treaty in 2005 and the far-right Front National's victory in the May 2014 European elections.

Since the beginning of the crisis in 2008, France has become the creeping problem of the EU. It is too big to be sidelined or to be taken under political control like Greece or Italy, but too weak to win arguments about the EU's direction. France's trump asset, namely that it constitutes a link between Northern and Southern Europe, has become a disadvantage in an EU where North and South are growing economically and psychologically further apart.

The strongest side of the Weimar Triangle is Germany. Its reunification and the 2004 enlargement have made it the balance point of Europe. The power of its industry and Gerhard Schröder's social and economic reforms made it an unrivalled economic power in the EU. Although Germany dominates, it does not want to lead. For previous generations of German chancellors such as Helmut Kohl, Europe came first as redemption for their country's sins. For Schröder and Angela Merkel, German interests and welfare come first.

Germany is now the only country with the political and economical weight to avoid paralysis. In the Eurozone crisis, Germany has asserted its power and imposed its model of fiscal policies because German taxpayers were asked to help other countries, not because it wanted to redesign the EU with a comprehensive vision. German leadership is defensive and it comes at the EU's most vulnerable time since its creation.

This domination raises suspicions, fears, and even aggression toward Germany in many countries, including France. "When Angela Merkel was elected in 2005, her primary goal was to make Germany the dominant power in Europe; she succeeded in that," says French journalist

Jean-Michel Quatrepoint – author of the book *The Clash of Empires. United States, China, Germany: Who Will Lead the World Economy*? – adding, "Now, it about shaping Europe in its own image, but with internal contradictions: for understandable historical reasons, Berlin doesn't want to go through empire logic. It does not impose German and is reluctant in defense."

Exchanging views on a regular basis, "governments in Paris, Berlin and Warsaw form an important axis in Europe," notes *Deutsche Welle*. This axis could provide the EU with a strong East-West as well as North-South political, economic, and diplomatic backbone, but the imbalances between the three countries have not yet allowed this to happen. "What is the purpose of the 'Weimar triangle' in Europe? Since its invention in 1991, the three countries have often had difficulty providing a consistent answer," observed *Le Monde* in Paris. "The three countries are not considering formalizing the Weimar Triangle. They want to use it when it helps them to be more efficient but none renounces following its own partition."

The crisis in Ukraine presented the Weimar Triangle with a unique opportunity of a common purpose. As a strategic challenge for the EU, it has been a defining moment for the three countries and for their cooperation.

For Poland, the events from Maidan to the war in Donbass came as a vindication of its mistrust of Russia and desire to anchor ex-Soviet countries to the EU. For Germany, there has been the realization that preserving Russia, and Vladimir Putin in particular, for strategic and economic reasons, may be in contradiction to EU interests. As for France, it was a revelation that despite a seat on the UN Security Council and a nuclear arsenal, it is now considered a junior partner to Germany in Washington, Moscow, and Beijing. For the Weimar Triangle, these events demonstrated that its weakness – being an unequal and utilitarian association – could be a source of strength in times of crisis: three countries with different interests and perceptions can hold together a divided EU on a crucial issue.

Gazeta Wyborcza wrote: "Ukraine reactivated the Weimar Triangle." The trip to Kyiv by the three countries' foreign affairs ministers on 20 February 2014 was a tipping point in the crisis. President Yanukovych was forced to make concessions that led to his fall two days later. By going together, Laurent Fabius, Franz-Walter Steinmeier, and Radek Sikorski showed him and Russia that the EU could overcome its differences and take a strong position. "No one can say any longer that the EU is a paper tiger," hailed *Die Welt* in Berlin. "The EU took a risk and demonstrated boldness."

Following Yanukovych's fall and Russian annexation of Crimea, the Weimar Triangle summit on 30 March 2014 was instrumental in helping Poland obtain EU positions consistent with its own. "First Poland, Germany, and France, and then all the EU is going to recognize that cooperation with the countries of the Eastern Partnership should also apply to security and defense policy," explained *Rzeczpospolita*. Then Donald Tusk called for an energy union to reduce the EU's "excessive dependence on Russian energy." The EU strategic agenda adopted by the European Council in June includes an energy union, which is a victory for Poland.

This period was, however, two-sided for the country. "As in the Euro crisis, Poland confirmed its claim to a leading role in the union," observed *Frankfurter Allgemeine Zeitung* (*FAZ*). "But chaos in Ukraine and tensions with Russia brutally reveal the Polish economy's weaknesses and therefore the greatest threat to the further development of the country," added the German daily, noting Poland's exposure to Russia's commercial and economic policies. If Poland manages to set the energy union in motion however, "its weight in Europe will be considerably greater," predicted *FAZ*.

In Kyiv, in February, French diplomacy chief Laurent Fabius left his two partners before the end of the negotiations for a long-scheduled trip to Beijing. This was bad timing but also a symbol of French aloofness in the crisis. "In the showdown with Russia, François Hollande drew attention with his reluctance and a certain discretion," observed *FAZ*, adding that, "the French president justified his caution by efforts to maintain Europe's fragile unity." The daily also notes that until Maidan, "France was not much interested in Ukraine's future."

Unlike Germany and Poland, France never really looked east after the end of the Soviet Union, and unlike Germany and Poland, France is going through an introspective time. The unfolding of the crisis in Ukraine, from Maidan to Crimea and Donbass, coincided with a local election campaign that led to the fall of the government against a background of rising unemployment and creeping recession. A few days before the decision to go to Kyiv, France was more concerned with getting German help in its own involvement in Africa than with engaging in the Ukrainian crisis. As a consequence, France seemed a more useful partner in a German-Polish compromise to take action than a leading force in EU efforts at a solution. As the Polish press repeatedly noted, Paris never canceled the selling of Mistral assault-ships to Russia, only suspending it after much pressure, casting a shadow on its will to push Russia toward meeting its responsibilities.

As in all EU issues in recent years, Germany was the main player in the crisis, and as in many discussions, its leadership was unclear. First, Germany was openly supportive of the Maidan movement, with Angela Merkel's CDU "coaching" opposition leader Vitaly Klitschko. But when Russia intervened in Crimea, Berlin was put into an awkward position: "Between Russia and Ukraine, Germany cannot decide," observed the French economic weekly *Challenges*. "It is true that stakes are high. Gas pipelines, car factories, supermarkets: there are many German interests in Russia."

Merkel also had to choose a middle path between Foreign Affairs Minister Franz-Walter Steinmeier, a "friend of Russia" politically raised by Gazprom administrator Schröder, and her finance minister Wolfgang Schaüble, who compared Vladimir Putin to Hitler. "The violent debate in Germany underlines the fragility of relations with Russia still affected by the past," notes *Libération*. The German chancellor also had to compromise with strong pro-Russia public opinion – at least until flight MH17 was shot down – and a reluctance to engage in external involvement.

Has Poland risen to the Ukraine challenge and become a big EU power at last? It indeed seems that it punched above its weight, but only for a limited time. Old Franco-German habits never die and the Weimar Triangle again became the loose partnership it has always been. The masks fell away in a sense on 2 July, when Steinmeier, joined by Fabius, decided to bring their Ukrainian and Russian counterparts, Pavlo Klimkin and Sergey Lavrov, to the table to obtain a ceasefire in Eastern Ukraine.

While *Le Figaro* tried to explain that "Berlin and Paris [were] at the helm over Ukraine," *Die Welt* saw "Berlin as the center of crisis diplomacy" and the German press emphasized that the meeting was Steinmeier's initiative. No one in France or Germany noted, as *Gazeta Wyborcza* did, that, "common sense would suggest also providing another chair for the head of Polish diplomacy."

Most probably, Steinmeier and Fabius sidelined Sikorski to lure Lavrov to the negotiating table. But while *Gazeta Wyborcza* flatly judged that "sometimes it is better not be there than to endorse lame solutions that are against your own interests. And that what would have happened if Sikorski had taken part in the Berlin meeting." *Rzeczpospolita* drew a drastic conclusion: "The Triangle has exploded" and "the gap between Poland and Germany in Eastern affairs is more and more blatant." This view may be seen as reinforced by the exclusion of the Polish minister from a second meeting in Berlin in August.

After the crash of flight MH17 near Torez on 17 July 2014, the EU finally decided on a third round of sanctions targeting

the Russian financial sector and oil industry. Hailed as a breakthrough for EU power and a show of unity, this tougher stand owed more to Germany's new determination in the face of public emotion and Putin's non-cooperation than to Poland's long defended "containment" policy. "Germany has decided to change its tune," pointed out *Le Figaro*, while *Newsweek Polska* rejoiced that "at least [Putin] is now starting to take Europe seriously." This new set of sanctions was strengthened in early September after Putin escalated the crisis by increasing Russian military involvement in Eastern Ukraine.

By that time, Donald Tusk had been appointed to succeed to Belgian Herman Von Rompuy as president of the European Council. This decision was hailed as "a great victory" by *Gazeta Wyborcza*, while *Les Echos* noted that "Europe honours Poland," and *FAZ* considered it was a "deserved recognition of the development that Poland and the other Central Europe countries have achieved since the 2004 enlargement."

In the balancing act that is the nomination process for the so-called EU top jobs, the Polish prime minister had the advantage of being a man from the center-right from a Central and Eastern Europe country, whereas the High Representative for external affairs chosen at the same time, Federica Mogherini, was a center-left woman from a Southern European founding country. Tusk's nomination was also interpreted as compensation for the fact that Mogherini is considered by some countries, mainly from Eastern Europe, as being too soft on Russia.

It is interesting to note that while Tusk was promoted to a crucial post – his main task will be to maintain the cohesion of the 28 EU leaders – France will hold none of the EU highest offices for the next five years, and Germany opposed for a long time the nomination of French commissioner designate Pierre Moscovici to the important economy and monetary affairs portfolio.

Leaning toward France for the main political and strategic issues and toward Poland for the long-term management of the EU, Germany seems to take the best of its Weimar Triangle partners according to its interests, but this hardly guarantees stability in the EU political balance. With a weaker-than-ever President Hollande, France seems less able, from month to month, to shape the union's future and maintain the pre-eminence of the "Franco-German motor."

For Poland, Tusk's elevation to the presidency of the European Council comes at a time when the Visegrad Group it forms with Hungary, the Czech Republic, and Slovakia, and which has been the vehicle for increasing the region's weight in Europe, seems to be unraveling with Viktor Orbán illiberal turn in Hungary and with divergences over sanctions against Russia.

This transition from regional to continental power needs to be tested. Will Tusk's successor be able to stay the course set by him? And if he were to return to power, which is now a credible hypothesis, would Jarosław Kaczyński return to his old, Eurosceptic, and anti-German policies? More than the balance inside the triangle it forms with Germany and France, it is Poland's choices that will decide if it can harness the Hegelian cunning of history and enter the old Carolingian bloc. /

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TOUGH times AHEAD

Implications of the European elections for the V4

MARK MCQUAY AND RODERICK PARKES

Not a bad outcome for the V4, the May European elections. Issues that had once seemed peculiar to Central Europe – low voter turnout and a trend towards populism – suddenly became Europe's new normal. Issues formerly written off as V4 sci-fi – energy security and the territorial threat from Russia – were sufficiently accepted to become an EU-wide cleavage. And the V4's unofficial leader – Poland – was bolstered by a stronger than expected return for its ruling party.

So far so good. One caveat though: European elections don't actually have an outcome, at least not in the way national elections do, such is the fluid nature of the European Union. The next five years are nothing more than a game of snakes and ladders and May's balance of power will shift as the EU's new personnel is put in place, and again when the Commission and Parliament update their inter-institutional pact, and again and again with every national election or shock from outside.

Thus, when polls closed in May, most commentators agreed that Europe's Christian Democrats (EPP) had won the election, that the far right had triumphed, and that the British had marginalized themselves. But six weeks later, when the party groups had actually formed, the far right failed to cohere, the Tories' European Conservative and Reformist group emerged as the third force in Parliament, and of all parties the EPP were down the highest numbers of seats compared to 2009.

So have the V4 set themselves up to sustain their power and cohesion, no matter what comes? Well, let's take those three aspects again – starting with the dubious normalization of Central Europe's democratic problems.

Questions of democracy have always been the Achilles heel of the 2004 intake of member states when it comes to exercising influence. Slovakia's highest turnout in any European elections was 19.64% in 2009, and even the V4's most consistent voters, the Hungarians, have never managed a turnout above or even equal to the EU average. The June election was no exception, with a record low of 13% participation in Slovakia and a high of just 28% in Hungary.

As for populism, Jobbik came second in Hungary. But what really raised eyebrows was that this was a whopping 36% behind the ruling Fidesz – such dominance seldom a healthy sign. In Poland, the nationalist Congress of the New Right gained its first four seats, and Law and Justice (PiS) increased its representation by four to nineteen seats, equaling the result of the ruling Civic Platform and becoming the ECR's second largest delegation, just behind the Tories.

Such outcomes are now normal in the EU. And yet – surprisingly – the V4 are still considered the bad boys. It seems the UK's notion of democratization as a one-way process – reflecting its own linear development – has declined with the rest of Cold War triumphalism. Today, Germany's fear about the precariousness of democracy – based on its own sad experiences – predominates. The V4 are no longer viewed as mere laggards, but as a weight dragging the rest of the bloc backward.

Tellingly, Germany is reluctant to support the V4's top mainstream politicians in EU posts for fear of weakening their parties at home. More generally, V4 politics is viewed as ill suited to the EU's consensus-based politics, as there is no tradition of compromise in the old one-party system. It is also seen as ill suited to the more antagonistic party-political competition the Italians are trying to introduce after the wrangling over Jean-Claude Juncker, not having traditional left-right divisions.

In short, then, the perceived "normalization" of V4 issues with democracy has done little or nothing to boost the Four's standing in the EU. But what about the second element – the EU's new recognition that fears long expressed by V4 countries regarding Russia and energy security were well founded? Surely this will be a basis for the V4 states to profile themselves.

Certainly, these issues rose up the agenda during the election, the subject of much debate in France, Germany, and the UK. Following the May elections, moreover, Polish MEPs were able to secure the chairmanship of the Parliament's energy committee – ushered into the position by German MEPs who graciously gave the Italian and Polish delegations first dibs (after it became clear that neither delegation wanted the foreign affairs committee coveted by senior Germans).

So was this a tacit signal that Berlin is facing up to the new realities of European geopolitics? After all, the Poles will certainly use their chairmanship to push for an energy union aimed at reducing the EU's dependence on Russia. Well, no – this was just institutional maneuvering. In reality, Germany is deeply worried about the prospect of the return of geopolitics. Berlin was dismayed during the election at the way Eurosceptics were strengthened by this "perversion" of the EU's purpose.

The more fundamental problem remains that geopolitics is a main point of division among the V4. The Four have different approaches to Russia, ranging from outright suspicion, to a no-problems policy, to chasing Russian investment. The attempt of the four prime ministers to show a unified approach to Russia at May's GLOBSEC conference ended in farce. And, of course, it is not just about Russia. The Four's populist parties, for instance, still make claims on their neighbors' territories or populations.

And so on to the third aspect – Poland's leadership role – good thing or bad? Discuss.

Well, Poles certainly scooped most of the prizes in the new Parliament, obtaining chairmanships of three committees and one subcommittee, while the Czech Republic gained one chairmanship, Hungary and Slovakia, none. Poland's bag includes not just the Committee on Agriculture but also the Constitutional Committee. This places it at the heart of the EU's internal workings, at a time when a new round of treaty change and questions of a two-tier Europe remain ever-present.

One problem, however, is the way the focus on Poland obscures the other three's advantages. Slovakia sits at the Eurozone table and will hold the Presidency of the EU Council in the second half of 2016. Hungary, despite its unpopular vote against Juncker due to his "federalist" sympathies, has secured a strong numerical position for itself within the EPP due to Fidesz's strong electoral result. And the Czech Republic has been winning points by correcting the policies of the past.

The real problem is that the Four still measure these advantages on a national rather than a collective scale, failing to consider how they may be helpful for the V4's position in the EU. Thus, there seems limited readiness on the part of Poland to use its clout to push for a V4 candidate for one of the EU's top posts, as the Benelux countries did in 2009 with Herman Van Rompuy. As a result, the V4 are failing to establish themselves as a real brand such as the Nordics or Benelux.

And so there we have it. The Czech Republic, Hungary, Poland, and Slovakia joined the EU in order to ensure that they were on the right side of history, and in order to escape their geography. They used the Visegrad format as the vehicle to this end, showing solidarity with each other in a way that put established EU members to shame. All this was in the spirit of the EU, a body set up to bring a novel approach to the troubled geography of Europe.

And yet, those hard-won lessons now risk being lost. Over the course of the next Parliament, the V4 will have to battle with both the "return of history" – the EU-wide rollback of democratic standards – and the "return of geography" – the re-emergence of old-fashioned geopolitics to the continent. The Four will have no novel solutions to offer if they fall back into zero-sum politics among themselves.

The European Parliament is emerging as the *Schaltzentrale* of the EU's fluid political system – a body hugely boosted in its role, but nevertheless reflexive of the shifting tides of power outside Brussels. The V4 governments and parties could usefully rethink their cooperation there. /

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A WORLD IS OV

Olaf Osica, director of the Centre for Eastern Studies (OSW), assesses the challenges and prospects for cooperation of the Central European countries.

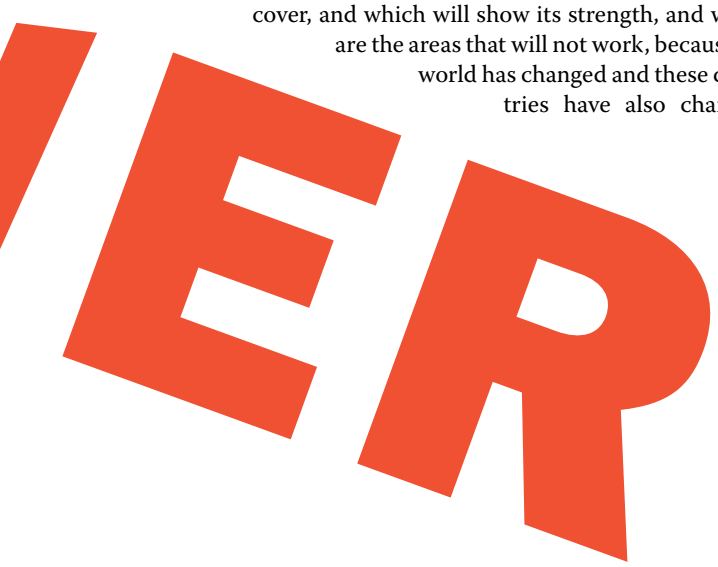
CONDUCTED BY WOJCIECH PRZYBYLSKI

How important is the Visegrad Group in the current situation in Eastern Europe?
First of all, we must realize that the Visegrad Group is under pressure – as is the whole region – of two overlapping crises – in the East and the West. The crisis in the West refers to what the European Union is and what it is to become. The crisis in the East, on the other hand, concerns the disintegration of social and political structures, as well as of inter-state relations that ensured relative stability. The consequences of these two crises significantly alter the position of the region. A good example of the impact of these two crises is the policy of Hungary, which – apart from internal sources – is in an attempt to determine its new location to the changes in the East and the West of Europe.

Not so long ago, during the GLOBSEC conference, there was a political altercation between Donald Tusk and Viktor Orbán; a verbal confrontation at the meeting of prime ministers. Does this mean that the cohesion of Central European cooperation is at stake?
You have to look at it from a historical perspective. There was always the question if something like Central Europe even exists and how attempts to create something like a "second Benelux" in the form of the Visegrad Group had any chance to succeed. When we look at the last twenty-five years, it is clear that from the beginning the V4 group was split by several conflicting interests – there has always been the problem of minorities, the Slovak-Hungarian problem, the problem of the Czech "third way" and Klaus' policy toward the EU, rivalry with Poland, concerning the fact that the Czech Republic felt that they were ready for membership sooner and considered waiting for Poland pointless. Then there are things such as a different outlook on the East, which were dormant and only now, in the face of a sudden break up of the continuity of the political sphere in the East come to light. However, this did not prevent the survival of the Group and it gaining the recognition it now has. A new factor is the issue of strong economic competition, which was not present in the 1990s, because the level of trade and economic development of these countries was different. As far as all of these prove the strength and to what extent the weakness of this group is and will be is a relative matter.

The Group's assessment should also be made in light of other regional groups. The more focused you are on looking at each regional cooperation, the more likely you are discover that there are a lot of conflicting interests. What looks great on the outside, turns out to be difficult and require enormous political effort internally, often not yielding results, and certainly not quickly. Nordic co-operation, a Sèvres standard for regional cooperation, has been developed since the 1950s. And yet, in many areas, it has not been able to exceed the barriers of narrow national interests. Meanwhile, the Visegrad Group is still young, but it is the only kind of cooperation in Central Europe which

has managed to sustain itself over the last twenty-five years and gain a clear political profile. It avoided the error that appeared in other regional projects after the fall of communism, to enforce cooperation by creating the institutional foundations of an organization. And although at the moment we are really at a turning point of the Visegrad Group, in the background of the crisis of European integration and the war in the East, the question is not whether the group will survive, but what its aims will be; what are the new areas to discover, and which will show its strength, and which are the areas that will not work, because the world has changed and these countries have also changed.



As for Ukraine, we know that it would be difficult to develop a coherent position. When it comes to hardline gas and energy interests, the Group does not behave uniformly either.

That is true. The current moment sees a certain myth about what the Visegrad Group is and what the cooperation within its framework means being exhausted. The problem of Ukraine is not a new problem. It was always that, within the Visegrad Group, talking about Eastern politics, Poland was the country primarily concerned with Ukraine. Slovakia after the gas wars has distanced itself, considering Ukraine a not very reliable partner. Hungarians and Czechs always gravitated toward the Balkans. Another myth is the attitude to NATO – only in Poland was it really a national project, in Hungary and the Czech Republic it was connected rather with the political elites and an uncertain popular support. Today, therefore, we observe two processes: on the one hand, discovering things that were hidden somewhere deep due to the awareness of a common goal – the "journey to the West" and the disciplining policies of NATO and the EU. Today, such a common purpose is no longer present. Therefore, and this is the second process, we are no longer on the level of geopolitics, but rather real politics of the Group's members. This leads to many collisions, therefore, no longer cushioned by the awareness of a "historical necessity," or of elite memory about what communism, Russia, and the idea of the West once were. The strategic perspective from the point of view of Warsaw differs from the perspective of Bratislava, Budapest, and Prague. These are small countries that have a different view of reality, which we too often forget in Poland. Poland is always the "icebreaker," pushing forward, sometimes changing the style of politics, but keeping aware of how fragile the foundations on which Central Europe has built its security and relative prosperity after the end of the Cold War are. Ukraine can serve as an example: despite the lack of illusions about the nature of Ukrainian politics over the last two decades, we supported Ukraine, often with gritted teeth, as that was the interest of the region and not Polish interest.

The second thing is related to the fact that today the economic and political crisis of the EU challenged a whole set of paradigms, which have so far maintained the consistency of the Group. Even ten years ago, everything was good in the EU, NATO, and the West. Today, such a prospect is no longer unquestioned. Each country sees it differently. Slovakia fled to the Eurozone, the Czechs – Central European "Anglo-Saxons" – are in between and try to reap the benefits of integration, emphasizing the issues of sovereignty and identity. Hungarians found themselves with little to lose and seeing that there is no understanding for their problems in the West, decided to open to the East, combined with a deep reconstruction of the state in contravention or in spite of criticism from the West. At the same time strong national particularisms were launched that have always been there, somewhere under the surface, but today play a mobilizing role.

Each member of the Visegrad Group, therefore, has a sense that a world is over, that some natural binders are exhausted. And here the question arises, how to look for a new place in the world and how not to waste all that was achieved thus far. We enter the game of interest and mutual favors. We know that we can not expect to speak with a single voice on Ukraine. However, there are areas where we have common interests, for example the EU budget or matters of energy security. We begin to bargain, name our interests, and determine how we want to implement them. We are at the beginning of the road to create a new model of the Visegrad Group, not at the level of ideas, but in the context of normal political debate. And in this sense it is healthy. This is the foundation of being able to do anything further.

Does Poland need this cooperation and what for? This question often arises from our partners. We had quite an invigorating presidency of the Visegrad Group, but today there is no message from Warsaw.

Yes, the presidency was very important, and brought in a lot of fresh air. In Poland there is no monolith idea for the region and Poland's role in the region. There are several planes on which to consider it. One of them, particularly important for me, is the historical and civilizational dimension. I believe that Central Europe really is something else, that there is a community of fate and history. It is something that Poland should identify with, as it should identify with a section of the Baltic. Not only the East, but also the North and South. There is also a purely political argument – Poland will always need the region. The foreign policy of every country begins in the region. It is there that it builds its own power. Whatever you do, you always have to have support the region. It builds you a political space, which in itself is good. Then it gives you the strength to confront the "big boys" – talks in Brussels or Berlin are very different when you know you have the region, than when you go alone. There is also the economic dimension. I was surprised a few years ago when I discovered how important the Czech Republic is from the point of view of the Polish economy. You are not able to grow economically, if you are not well supported politically in the region. The region is the first natural place for economic expansion.

At the same time if we are talking about the political dimension of the economy, it has to be noted that Germany has a huge share of their trade with the three remaining countries, although it is smaller with Poland. It treats these countries as a production base for its economy. How far are we aware of the need to adjust the economy in the direction of regional cooperation?

I think that consciousness is there. But money, institutions, and capacities must follow, and these are much worse off.

THE CRISIS IN THE WEST REFERS TO WHAT THE EUROPEAN UNION IS AND WHAT IT IS TO BECOME.

We are at the beginning of the road. Until now, there was talk of the Visegrad Group in terms of Havel, Michnik, Charter 77, and membership in NATO and the EU. We are only beginning to talk about the region in "hard terms." I have the impression that each member of the Group is aware of where we are and that we will be largely dependent on the economic situation in Germany. Everyone needs a bit of fresh air. The Polish role is not pushing German interests out of the region or warring against them. We can not find partners for such a game. Too often we extrapolate our own political ambitions onto our partners, and then we are surprised to discover that they do not think like we do. Poland is seen as a country that can bring a new look and expand the area of autonomy and subjectivity of the region in the EU. There are many issues interfering in the implementation of such a perspective. Poland for over twenty years has developed a thinking in terms of East-West. We are at the stage of discovering that there is something in the North and defining what is in the South. I hope that what the Polish presidency of the Visegrad Group generated will not be lost. It's not about rebuilding the Intermarium, but an objective, cool political and economic outlook. We need a broad region, so as to not choke ourselves politically in the Brussels, Berlins, and Paris. Another Polish problem is also still a lack of appropriate competencies and operational, institutional capabilities within the Polish regions. In the end, it is the bottom-up dimension that is the strongest dimension of regional cooperation. Top ideas within the region can often vary, but the bottom is where the hard infrastructure of cooperation is stored.

After the declarations of 4 June 2014 on defense and American bases in Central Europe, the first reaction from the Czech Republic and Slovakia was: we do not want any troops. In terms of defense spending, Poland lags behind other countries of the group. Is it necessary to hope on building some common security architecture?

The only thing that organizes thinking about the safety of the Visegrad Group is NATO. Without NATO the region ceases to exist as a whole in the dimension of security and defense. Another thing is that the issues of security and defense are one of these myths stored for many years – it seems to us that we look the same at Russia, and it is not and never has been the case. As long as the memory of communism and the stationing of the Red Army was fresh, the vision of security in the region was uniform. When historical memory was marginalized and where generation exchange in society and elites happened, the traditional, historical conditions surfaced. The countries of the Group do not feel as threatened as Poland does. They also had differing experiences of communism. It seems to me that in the Czech Republic and Slovakia there has always been a strong current of pacifism, which in Poland was something marginal.

Therefore, outside Poland there is no consensus on increasing defense spending. This is of course not only a Central European phenomenon. The belief that we are in a new world, where military matters are irrelevant, is already being verified, but I see no willingness, neither in the region, nor more broadly in Europe, to deal with this problem. The desire to wait it out dominates, and it is not an approach that increases the sense of security, nor improves the position of the V4 in Europe. /

Translated by Lula Męcińska

The winning entry of Visegrad Insight essay competition

THE UGLY TRUTH *of* PROJECT V4

ESZTER HAJDÚ

It is difficult to remain optimistic when it comes to Central Europe and the problems of the Visegrad Group. The non-existence of influential cooperation is clearer than the sky on a sunny afternoon, but from time to time politicians and experts believe otherwise. We try to believe in it rather than let it rest in peace, but sooner or later we need to accept the fact that, in its current form, it is just not working properly.

The common initial goals, like democratic transition and Western integration, are far behind us, but we still tend to believe that we share some basic foundations on which we can build our special, VIP-only partnership. All these declared common interests could easily be blown away by a small wind. We come together to save Ukraine or our "common" interests in the European Union, but at the end of the day, each country faces its own challenges and pursues its own well-being. We try not to position ourselves in sharp contrast to one another, but our different positions – the Czech Republic as a stagnant Eurosceptic, Hungary as a cheated-upon wife demanding respect, Slovakia as a good euro-student haunted by its past, and Poland as the diva of defence spending – will eventually turn us against each other.

HUNGARY AS THE NEW ENGLISH PATIENT

Hungary is considered the new black sheep of the European Union. Most of Viktor Orbán's initiatives merely question the healthy development of a prospering European democracy. Most politicians of the country still cannot get over the break-up trauma of Trianon; they still dream of the ghosts of the past. For instance, Gábor Vona, the leader of the far-right party Jobbik, announced many times that they will not give up the fight against the Treaty of Trianon. Nevertheless, without accepting facts and the current geopolitical environment, the cooperation in the V4 framework is merely a perfect acting job, with everybody vying for the Oscar.

Hungary is teetering and trying to balance between getting European funds and earning the title of sovereign and strong country. This is exemplified perfectly by the Fidesz campaign before the European Parliamentary elections, when the only message of the governing party was "respect for Hungary. On the other hand, the more the merrier: we cooperate with each other when it comes to the Multiannual Financial Framework or Schengen accession, but we are not ready to sit together when it comes to the question of the Eurozone, migration or reform of the Common Agricultural Policy. The V4 is trying to cooperate in the question of Ukraine, because we are all scared of the results of stricter sanctions against Russia, but without a common foreign policy, we have no chance of influencing events.

The supposed openness of Hungary toward Russia came at a very bad time. No one who wants to be politically acceptable in the European political scene can take the side of Ukraine's aggressor. Nevertheless, Hungarian leaders still stick to the agreement between the two countries regarding the nuclear power plant in Paks. Hungary needs to reduce the price of energy, but not for the sake of the people, but to favor its big companies. Attracting more foreign investment and gaining happy voters thanks to reduced energy prices may have been a good strategy, but not in the current political environment. The private passenger policy of Hungary is pushing the country further from the EU and the V4 countries. Getting in bed with Russia may bring monetary gain, but it will definitely end badly.

Hungary cannot hold onto both of these roles, and needs to choose in the near future. Meanwhile, the list of the criticized measures is growing longer; since the new media law and constitution, the country is implementing a new public administration system, the content of the

education system is drastically different, the status of churches have also changed, as has the historical memory of Hungary. Everything is changing except that which is the most important, more complicated issues like the healthcare system or the issue of homelessness. These questions are becoming ever more present in the public sphere; the number of scandals in the health sector is growing significantly, not to mention the anti-homeless laws aimed at driving the homeless from the city center. If we do not see them every day, these problems do not exist – that is the policy of the mayors.

Change was meant to happen and was really needed in Hungary, but its radical and accelerated nature is scaring intellectuals. Unfortunately, most Hungarian citizens do not see this as a problem. They only see the reduced energy and transport ticket prices, not the centralizing purpose of the initiatives. Where is Hungary going at this crazy speed? Nothing good ever came of a rush of law-making. If Orbán is acting such in a hurry because he thinks his time is running out, then he needs to think through his steps carefully.

V4 AS THE BLIND SPOT OF EXTREMISM

Less than a few decades after the Second World War, Europe is living in a renaissance of extremism. We have the Front National in France, with Jean Marie Le Pen proclaiming "Monseigneur Ebola" as the solution to migration; the German neo-Nazi National Democratic Party, which considers Europe a "continent of white people;" the Party for Freedom in the Netherlands, which thinks of Islam as the "Trojan horse of Europe;" and the UK Independence Party, which is clearly against Brussels and migrants seeking work in the UK.

These Western European trends are also present in the Central European region. Hungary has the well organized and strong Jobbik Party, whose clear aim is the reclamation of Great Hungary. Poland has Ruch Narodowy – an umbrella organization for far-right movements – whose sympathizers chanted "Gypsies out!" less than twenty miles from historically haunted Auschwitz. Slovakia has the nationalist and racist rhetoric of the Slovak National Party and the ultra-nationalist Our Slovakia – People's Party, whose leader, Marian Kotleba, described the Roma community as "Gypsy parasites." The Czech Republic has the Dawn of Direct Democracy, with Tomio Okamura fighting against "inadaptable immigrants, gypsy blood and religious fanatics." These parties generally follow an anti-Roma, anti-Semitic, anti-migrant, and anti-European policy.

The extreme-right, populist political parties are not interested in further European integration, and basically they know nothing of V4 cooperation – this may have something to do with the fact that the Visegrad Group does not have a strong voice in international politics.

In the rhetoric of the far-right parties, regional cooperation is a blind spot; the main enemies are the "others," the migrants, the Roma, and the Jews, and generally the EU and the Western world. For example, Jobbik sees the probable inclusion of Ukraine in the Visegrad Battle Group as a way to manipulation and control by Western forces. These politics are part of a much bigger play in which Russia and the Western world are the main actors, and the V4 is a powerless puppy that needs to be dismissed by Polish-Hungarian-Croatian cooperation – as Gábor Vona stated in one of his essays.

HOW TO FIGHT VISEGRADSCEPTICISM?

After all this negativity, the question remains: what do we need to do with V4 cooperation? Should we fight for its future with further institutionalization and by strengthening ties, or just let it die out like the other extinct species of the world? It is clear that the V4 is not an accepted actor on the continent's political landscape in its current form. How may this be changed? We need to modify our policy toward cooperation, because it is unequivocally clear that we need this additional platform.

Today's challenges, such hot topics as energy dependence, the economic potential of the region, and the lack of transport infrastructure, show that we still share a great deal in the wake of 2004. How to counter those who highlight the impotence of the V4 due to the divergent goals and interests of its members? Can a few common goals move cooperation forward?

A possible escape from this trap is the enlargement of cooperation. Czech President Miloš Zeman has said that Slovenia should be the fifth member of V4, but Czech Foreign Minister, Karel Schwarzenberg positioned himself against this idea at the GLOBSEC International Conference in May 2014. Another possible volunteer could be Romania, but the majority of the V4 population and its political leaders are entirely against the idea of expanding regional cooperation. They prefer the joint V4+ formula, although this cannot significantly increase the influence of the Central European region in the European Union.

Internal cohesion was too weak after EU accession and, without a clear mission, the cooperation was just a well-acted, empty, play at solidarity. As circumstances changed with the Ukrainian crisis, the V4 gained potential and became quite relevant. The problem was that Hungary took a pro-Russian lead, Róbert Fico compared the possible new NATO forces on the Slovak territories with the 1968 Soviet invasion, and the Czech Republic was not very keen to introduce strict sanctions against Russian companies. The little Central and Eastern European countries are not interested in sanctions, as János Martonyi, ex-foreign minister of Hungary, has stated many times, the sanctions would significantly harm the economies of the region. However, Poland remained on the other side of this issue – the country spends more and more on defense and cooperates with the Baltic states and non-NATO members like Sweden.

The case of Ukraine is a typical example of the struggles of the V4. Here was a chance sit at the same side of the table and be a coherent and strong actor, but differing interests and goals again prevented cooperation from moving forward. Ukraine could be a chance to show the EU that this regional cooperation is functional, but internal cohesion still has not been reached by the members. Without this, the meetings and the joint declarations are just empty acts of solidarity to no political effect. The visibility of the group is growing, but it is still just mimetic cooperation without significant weight. Believing that we are cooperating together constitute a strong actor – which in reality is not the case – could be the biggest mistake yet of the region. /

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conversation
with Hungarian writers


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ISTVÁN VÖRÖS


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ANDRÁS IMREH


Lubo Bechný

PÉTER ZILAHY


Lubo Bechný

GYÖRGY SPIRÓ

ON IDENTITY AND CREATIVITY

JOANNA SZCZEPANIK

The essay presented here is based on interviews. It is the partial result of my work during the last Visegrad Literary Residency Program in Budapest. The six-week residential project presented me with a great opportunity to arrange a number of very interesting conversations with Hungarian writers representative of various artistic attitudes. My intention was to talk about literature – its function, its relationship to ideology, its translatability into other media or other languages – and about community – as language and as regional affiliation (to Central Europe and the Visegrad Group countries, among others).

My first meeting took place on the hospitable grounds of my host institution, the Petőfi Literary Museum. Since my interlocutor, István Vörös, poet and translator, is also a great expert on Czech literature, the point of departure for our conversation was the well known Polish passion for Czech culture.

Although the playwright and novelist György Spiró is the author of books that are very important to Polish culture, one of them, *Iksowie*,[1] had to wait thirty-two years to be translated from Hungarian. I had the pleasure of conversing with György Spiró in my native tongue over coffee in the shade of the lush vegetation of a Buda café adapted from a former bus station.

The poet and translator András Imreh introduced me to an incredible place, filled to the brim with books, located at the bottom of a stairway street in Buda, where a Hungarian poetry evening began just after our interview ended. I knew of his South American experiences and as we spoke about the poetry of the region, I felt that both of us highly enjoyed the conversation in Spanish.

The book *The Last Window-Giraffe*[2] is easily available in Polish, and was of interest to me not only because of the view it provided of Hungary through the prism of the alphabet, but also because of the strong presence of the Balkans in its content. Since its author, Péter Zilahy – writer, journalist, and photographer – had just left Budapest as I arrived, he agreed to answer my questions in writing, with Italian genius loci as a point of departure.

The original essay consists of seven parts, of which four are presented here. These interviews about the culture of Hungary and Central Europe were held in three different languages from three Indo-European language families and, interestingly, none of them was Hungarian. The nature of free conversation is such that it does not always consist of language that conforms to the strict rules of grammar. I also tried to preserve the individual style of my interlocutors when translating fragments into English, as needed.

"How to write a haiku about a political situation?" Should literature have a function? Should it be engaged?

ISTVÁN VÖRÖS: I think everything is possible in art and literature, but they can have many different functions. If the country is well or the situation is quite good, it's not important for a writer to react to the political situation. But if it hurts, you have to write about it, because writers write about their personal problems. And anything can be a personal problem: a grammatical question or a question of language or how to express something, or how to create a new form. Of course also personal relationships, family, friends, lovers, children, dogs… anything. So if you cry over politicians daily, you can write about that, too. But nobody should tell you what you have to write about. And if somebody forces you to write about politics, it's not literature. Art is freedom, and freedom means you can do anything you want.

ANDRÁS IMREH: *[If you are asking me to compare the role of art in Latin America and in Europe].*

I see a huge difference. I have been invited several times to Latin America, to Mexico and the Central American countries. But poetry has a function, especially in Mexico and the Central American countries, that, I think, it has never had in Europe. Or if it had, it was in the early twentieth century. There, poetry has a political and intellectual function much, much more than in Europe: it is very political, often for the poor, for people who have no voice. It is completely different in Europe now. In Colombia, for example, there is a poetry festival and every night great poets from around the world recite their poetry in a stadium for 40,000 people. That, in Europe...?

Talking of poetry and its functions, we can't just talk about a society in which poetry works, we must also talk of the history of poetry itself. Not only is society different in Latin America and Europe, so is the history of poetry. For example, if you compare South American poetry written in Spanish with Spanish, Castilian Spanish poetry today, they are totally different. The same language. […] What the Latin Americans do, the Spanish can't, because it's ridiculous in some way.

PÉTER ZILAHY: Good literature is always engaged, even when it seems to be completely the opposite. You can be very political by leaving out any traits of politics, as well. I don't think Kafka was un-engaged; he even gave money to a military hospital for Austrian soldiers. Writing is communication, language is as social as it gets – people would not even understand something 100% apolitical, as words are themselves socially engaged. They would still read with their politically sensitive filters. When you leave something out, it often emphasizes the matter even more. It's another story to go directly political, which is not a characteristic of my work.

ISTVÁN VÖRÖS: *[Whether now is the time for engaged literature in Hungary?]* There are discussions about it and there are many poems about the situation in Hungary: the political, mental, and ethical situation of Hungarian people today. I think the situation of poor people is quite important, of Gypsies, of Jews, and it grows more complicated every day. […] Officially, the government doesn't say that it is against them, but it makes decisions that are against them.

I think you have to deal with these questions, but perhaps some people can't figure out how to write about them. If you write haiku, for example, how can you write a haiku about a political situation?

GYÖRGY SPIRÓ: I do not believe that good literature can serve as propaganda. I've seen great poets and writers who believed in various political parties, but when it comes to their best work, it is irrelevant whether they personally believe in something or not. I would say that if a poet or a writer writes for propaganda purposes, probably the chances are 99% that his work will not be good. […] There was a great man, I wrote a monograph about him, the Croatian writer Miroslav Krleža. He was fantastically talented, ingenious, and then he engaged in communism and that destroyed his work. This is a very good example of how partisan belief can destroy literature.

"But that tree shouldn't be there!" The somewhat humorous question of whether all Hungarian writers are translators, and others issues related with translation.

GYÖRGY SPIRÓ: (*Whether it is possible to preserve the spirit of the original in translation?).* With poetry, it's impossible. You can make a different, new poem.

Prose can be (preserved). It depends on the text…

ISTVÁN VÖRÖS: I'm sure that all poetry is translatable if the translator is good. But it is very hard work to figure how to translate and I think there are some things in poems that go into the translated language, beyond just the translation. You create a translation, which is a place for an idea to jump. Of course if the place is very bad, the jump will be dangerous.

And the Hungarian language is very interesting because you can create all kinds of forms in poetry, everything. You can create a dictionary of rhymes in Hungarian because with the changing endings of words there are a billion possibilities. […] I think Hungarian is not so translatable, as you can translate into Hungarian. It's like blood type: maybe you have blood that you can give to everybody, or you have blood that you can accept from all others.

ANDRÁS IMREH: Yes, in Hungarian you can do anything, any type of form. So if you want to translate Homer in Homerian form, you can do it. But of course you have to know Greek forms to be able to do it.

Some poets are more translatable, some less. One example of an untranslatable poet is a Polish one, Miron Białoszewski. He is someone who plays with words very well. I have read his poems translated into Hungarian and I just didn't understand why he was considered good. And then I talked to some Polish people and I heard his poetry recited in Polish. And it was totally different. Another example is one of the greatest Hungarian poets, Sándor Weöres. He's been a Nobel Prize nominee several times. But then the committee read his poetry translated into German and they didn't understand what it was, because it was so far from its roots.

PÉTER ZILAHY: *[Whether I'm satisfied with the translation of my works?]* With regard to translation, I cannot be satisfied with what emerges, only with the responses that come through and I think you can pretty much tell everything by that. If you hear relevant questions concerning your work, then the translation was good. As far as I am concerned, translation is as an art form equal to other forms of literature, so if you do not reward a translator or pay the necessary attention to the work of these artists, then what do you expect? I would not exist in other languages without great translators, so if I have a strong presence and a strong response in another country, I assume the translation is good.

ANDRÁS IMREH: *[Whether I'm satisfied with the translation of my poems?]* Sometimes yes, sometimes not. I think it's quite difficult to judge. Because if I want to compare the original and the translation, I see that they are different. But I know from practice that sometimes there are things that you don't want to translate word-for-word into a language because it would sound artificial. Even if I speak English and Spanish and French, I'm not able to tell whether it's good in those languages or not, I don't know exactly why the translator made that decision and probably it was right. So I think, I have to stand back a little bit. There is a story about Samuel Beckett, who was invited to the rehearsal of *Waiting for Godot*. He was sitting there and after the rehearsal the director asked him if he was happy with the rehearsal, and he said: "But that tree shouldn't be there." And I think this, precisely, is a bad example. You can't say whether the tree is there or not, because you wrote the play and it's the director's job to put it on stage.

GYÖRGY SPIRÓ: *[Whether I give directions to directors or stage designers?]* No, no. If they ask me and if I think I can help in some way, of course, but I myself do not take part in rehearsals. It bores me very much; it's not for me. I've spent a lot of time in various theaters; I was even the director of a theater. My territory is writing. Then, I let them do what they want.

Concerning the community: Visegrad and Central Europe.

ANDRÁS IMREH: Ok, let's start with Central Europe. Around 1990 I was hardly a believer in Central Europe. There is a Hungarian historian who very much influenced my generation's way of thinking, Jenő Szűcs, who wrote a book called, Draft on the Three Historical Regions of Europe. Central Eastern Europe for us meant Czechoslovakia, Poland, and Hungary: the Visegrad countries. It was very important, we believed in it, and we liked the idea very much. But then, for many, many years I thought it was just another idealistic thought. It doesn't really exist, because you could see after 1990 that these countries split completely. Of course, there is the famous Hungarian-Polish friendship. But we did nothing with Slovakia, Hungary's only neighbor from among these countries. With the Czechs, we had and have no relationship whatsoever. In my case, my favorite town was Prague. I just loved it. And after 1990 it happened that for some years I didn't go. And news came that Prague had changed completely, it's now for tourists. And I didn't really want to go, because I didn't want to have my memories challenged by the present. As it happened, I went two years ago and it was good. That was the time when I suddenly thought that maybe it's true that there is something in the idea of Central Europe. […]

And you remember what happened after 1990? Prague immediately went to Germany – "we are the West." Hungary and Slovakia had political differences and it's also interesting to compare these countries, because three of the four are Slavic-speaking countries. […] Slovakia is in the middle; it has three Visegrad neighbors. Hungary has one. Slovakia is at the center and Hungary is on the periphery, so I think Slovakia should rather become motor (…). And there is one huge difference. Poland, much bigger than the rest, has completely different opportunities in every area. Hungary is four times smaller, the Czech Republic and Slovakia are more or less the same. So, these things make huge differences between the countries.

ISTVÁN VÖRÖS: *[Whether I myself feel part of the Visegrad community?]* I feel it. I hope to feel it. I think it would be very important because these are rather small nations. Poland is bigger and stronger in Europe, but we can be stronger together, these four countries. Sometimes the differences are too big, but we have to work on them, to go back to the traditional Hungarian-Polish friendship. […] With the Czechs, all is well: they are far, they have beer, they have Hrabal, we don't have problems. But the Hungarian-Slovak relationship is very important and very problematic. […] The typical Hungarian doesn't like Slovaks: "They have our Tatras." But it's a very nice small nation. I think we have many things in common historically, traditionally, and in our lifestyles, we have to learn to love each other. For me it's very important.

GYÖRGY SPIRÓ: I don't believe in Central Europe. I started with the hypothesis that there is something like it, but I came to the conclusion that it was a monarchy and you can see it in the cities, the buildings in Łódź, in Kraków, Ljubljana, and here the same.

[Whether I feel the community of Visegrad countries?] No. [...] It is political. This is not cultural or psychological. Politics is like that. I agree that we should cooperate. I agree with opposing the Russians and the Germans. I agree. It's hard going. Politically, I agree. But it is not a question of mentality; it's politics.

Slovaks and Croats are like us, but Czechs and Poles are not. It's a different mentality. Our mentality is very similar to the mentality of the Slovak and Croatian, because we lived with them for a thousand years in one kingdom. These three nations are distinct from the Serbs, the Romanians, the Turkish mentality, and so on. We are even distinct from the Czechs. [...] We are romantics like the Poles are, although we had fewer revolutions than the Poles. Hungarians come from villages and that is very important. Poles too. On the one hand, there is a feudalistic mentality from the village, and on the other is an urban mentality, more Western European. This division also exists in Poland. [...] We are approaching the Balkans, but still we are not absolutely Balkan. Something is left over from the Austro-Hungarian Empire. Heading east here in Hungary, in Poland, and the former Yugoslavia, we approach the East within a single state. In the west of Hungary, people are more civilized than in the east. [...] This is a question of civilization, not mentality.

ANDRÁS IMREH: And again, for example, I never even knew about the Visegrad Fellowship and I think the idea is great. You should really make people come together from these four countries and let them talk and share ideas. But this is now regulated to some extent by the people who invented this very good fellowship. It exists and it can be improved, so it's good stuff and now, again, I believe more in Central Europe than I used to some years ago.

[You said that in Poland you don't want to be considered part of Eastern Europe.] It's the same with Hungarians. I think this is why the idea of Central Europe was invented.

Concerning the community: Language

GYÖRGY SPIRÓ: I'm not an Eastern European writer; I'm a European writer who writes in Hungarian. It is my native language, I could never write in another language. It's unfortunate, because if my native language were German, I'd have received two Nobel prizes. But I won't get one, because I write in Hungarian. And, unfortunately, the Hungarian language is very lonely. If for various reasons Hungary is not in fashion, as the case is now, you can't count on success in business. The majority of Hungarian literature was edited – and still is – for ideological and political reasons, not because of business. (I agree you can also apply this to the other literature of the Central Europe countries). With the exception of the Russians; Russian literature exists in the West because they have the atomic bomb and we do not. They are important.

ISTVÁN VÖRÖS: It is said in linguistic history that we have origins in common with Finnish and Estonian, but it's very far, it's like Polish from French or maybe from the Icelandic language. […] I like Finnish culture very much, but I can't understand a word in that language, it's too far.

[*Whether we feel a little bit lonely here in Europe?*] Yes, we do. And it is very important to know that Finnish and Estonian people and some small nations in Russia are our relatives. And it's a good feeling, because we are not completely alone. It's very funny that Hungarian ultranationalists don't like this relationship with Finland. They say: "We are Huns historically." But that nation does not exist any more; it's dead. Why should it be important to have dead friends? It's better to have living friends.

ANDRÁS IMREH: Finnish to me sounds like the most exotic language in the world. I don't understand a word and it's very funny, it's very different. Yes, I think it's like being isolated, but it's not always melancholic isolation, sometimes it's splendid isolation. Because we can say –although I don't like this viewpoint – that people don't understand us because we are different, because our language is different, the way we think is different. But you can't explain everything with that. It's a very dangerous path.

Of course I like Hungarian as a language and I can compare it with different languages and it's really funny how different it sometimes is from other Indo-European languages, how differently we express the same thing. But we have more or less the same way of thinking as anyone else in Europe. So, I wouldn't overemphasize the meaning of such loneliness.

[*Of course, we have been here in Central Europe for one thousand years*], we have contact with all our neighbors. That's the problem, I think. The quality of that contact is quite horrible. So, we don't know anything about Slovakian, Ukrainian, Romanian, and Serbian history. We don't speak any of these languages. Maybe it would be a good idea to teach something in schools, but I know that is absolutely idealistic, because Hungarians have great difficulty learning languages, I mean English. […] We have an opportunity that we don't take advantage of. And that's the problem with writers, too. Many writers don't speak any languages.

GYÖRGY SPIRÓ: [*Hungarian?*] This is a normal language. If we can learn other European languages, Europeans can also learn Hungarian. But unfortunately it's not profitable. [...] I am very happy that at age nineteen I came to the conclusion that I needed to learn languages. Since then I have learned languages regularly. I do not speak any language as I do Hungarian, I don't have a talent for languages, but I'm a normal guy who is able to learn to some degree. It was worthwhile and it was very interesting, and without that I would be a different kind of writer. For sure I would be a writer, but I would choose other topics.

My perspective is somewhat distinct from a typical Hungarian's, because I can look at Hungary through the eyes of other people: through the eyes of the West, the eyes of the East. It helps. [*What do I see?*] I see that it is small. Very little, very marginalized. But it doesn't mean that I'm not 100% Hungarian, because I am. I have double vision. [*That's right, maybe even multiple.*] This is interesting. It's a dramatic sight when one can see through the eyes of one's characters, all characters, and they have different points of view. You can play with these starting points. /

The project "Around identity and creativity" was carried out as part of the Visegrad Literary Residency Program in the Petőfi Literary Museum in Budapest, from 1 May to 12 June 2014.

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MARTA PATÓ

ON

Aquarium by Krisztina Tóthová

Krisztina Tóthová, *Akvárium*, translated from Hungarian to Czech as *Akvárium* by Jiří Zeman, Fra, Prague 2014.

There have always been authors whose new books tend to appear in public as literary sensations. Their works are usually perceived as interesting fodder for reviews and criticism to be published in literary journals and weekly magazines, etc.; their books are purchased as trophies. There are, however, books of another kind, simply put: they are written, translated, and read. Krisztina Tóth (1967) is one of the very few Hungarian authors translated into Czech in more than two decades, still left in the shadow of great stars – such as "Nobelist" Imre Kertész, the re-discovered Sándor Márai, "aristocrat" Péter Esterházy, and István Vörös, known for his essays, translations, and poems rich in reference to Czech culture.

Krisztina Tóth, along with Árpád Kun, Ferenc Szijj, István Vörös, and Szilárd Borbély, belongs to the generation that paved its way to public recognition around the Velvet Revolution. Some of her poems were translated and presented by Lucie Szymanowská first in a literary periodical (*Souvislosti*, 1998) and later in an anthology of contemporary Hungarian literature, *Bez obalu* (*Without Cover*, 2001), a book that has been in short supply ever since. In 2002, the literary periodical *Host* published a representative list of Hungarian authors, in which Tóth was unanimously identified as one of the most significant contemporary Hungarian poets. The leading literary periodical *Souvislosti* (2008) dedicated a full section to her works, where Szymanowská introduced her as representative of gender writers. A long interview was translated in the same issue to help Czech readers to understand her works on a personal level, as well as in the broader context of Hungarian literature. Some of her prose works were presented in the same issue. Shortly after their first Hungarian publication, Jiří Zeman also published some of her short stories in other periodicals (*Labyrint Revue, Tvar, Protimluv*), as Tóth had also been acknowledged as a novelist by that time. A full audiobook was first published in 2009, with three stories from the author's best-seller *Čárový kód* (*Bar Code*, original title: *Vonalkód*). After the book came out in 2011 (translation by Jiří Zeman, introduction by Jan M. Heller), the author was invited to read her own texts at Prague's annual literary happening, the Night of Literature.

It is thus clear that the novel *Aquarium* (Fra, 2014) did not enter the Czech literary scene as if into a vacuum, but was embedded in a logical sequence of systematic work by translators, reflecting their interest in the author's works. Her works' strength lies in experimentation with form, and although perhaps inconspicuously, she nonetheless provides deep poetic insight with careful attention to detail. The publisher Fra refrained from editorial introduction this time, only recommending the novel as a continuation of the previously published short stories. The fact that the book is on sale with two different covers (both by Magdalena Rutová) is worth mentioning, and may correspond to the two-fold interpretation of the novel. While the eye-catching big belly of the young heroine on one cover addresses the female perspective, the volume with the feet of an elderly lady on the front cover refers to the social aspect of the novel, as she is almost always slumbering on her favorite couch. The author is thus interpreted as a sociologically motivated writer depicting the social reality in Hungary. The feminine quality of her texts is noted (see Jan M. Heller's introduction to *Bar Code*), butalthough the author has also been criticized for the same; some critics have said that it is due to the author's gender that her works do not meet some of the expected criteria, such as excitement, humor, and high drama (as in the case of Heller's critical comments on *Aquarium*).

We should, in any case, acknowledge the most relevant literary merit of her style, namely the care taken with details, which are smoothly edited into a sophisticated mosaic. Regarding the main theme – searching for a way out of a deterministic environment – independently of the vocabulary of history or sociology, we may easily imagine the author's perspective: giving literary expression to a dying soul in a vegetative body, anchored in an environment of so-called "real socialism." It is about a way out, about pilgrimage, and ultimately is dependent on neither temporal nor spatial conditions.

The first book by Krisztina Tóth published in Czech is annotated as a novel on solitude. The author herself shares the story as a solitary speaker, not with a microscope focused on sociologically interesting fall-outs, but consciously presenting the female world from her own point of view; a lens that, in turn, determines all that is inside and around us. /

ANNA GÁCS

ON

The Secondhand Woman by Uršuľa Kovalyk

Uršuľa Kovalyk, *Žena zo sekáča*, translated from Slovak to Hungarian as *Nő a turiból* by Erika Vályi Horváth, AB-ART, Bratislava, 2013.

Paid friendship seems to be on the rise in the richest parts of the world. If you do a Google search on the topic, you will (or won't) be surprised at the number of articles discussing the new phenomenon: employing people to act as friends at public or private events. The reason is obvious, as is pointed out by a regular client in the *New York Observer*: "Some people need the money, and some people need the friends." This could have been said by Uršuľa Kovalyk's heroine, Csabika, a small town woman who, after five years of unemployment, decides to try and conquer the city, relying on the only talent she has: her ability to listen to others. She observes, "A paid friendship has many advantages over an unpaid one. It doesn't have to last forever. I make no promises, I have no conditions, I do not speak, I do not get hurt, I accept flaws, I expect nothing, I do not disturb you, I do not eat up everything from your fridge, I do not drink your wine, I do not defame you, I do not judge you."

Kovalyk's sensitive and witty novel, whose title translates into English as *The Woman from the Second-Hand Shop*, does not specify the place Csabika comes from or moves to. Even if the Slovak and Hungarian names of the protagonists are likely to tie up the narrative with Bratislava for most readers, the "Big City," as the location is referred to throughout the book, could be the capital of any post-socialist country, or if we disregard the few tinges of an unmistakable state socialist past in the life stories of the characters, it could be any contemporary metropolis of the (more or less) developed world. The author, who as an activist, runs a theater for homeless people, and portrays the city as the eerie home of a deeply divided society in which the worlds of the poor and rich are rigidly separated: "Outside the furniture shop a homeless woman places her hand on the shop window. Exhaustedly, she stares at the bedroom on display. She pets the cold glass with her palm as if petting a velvet bed throw." This is the world in which Csabika places her small add offering "second hand" friendship for money and waits for clients to call. And one after another, they do.

Her first client is Kornél, a young man in a wheelchair suffering from a debilitating disease, who tries to ease his torturous pains by smoking pot and daydreaming about sailing. The second is a seemingly heartless, ice-cold top manager, Muriel, with serious alcohol problems and a cruel secret in her past, hidden deep under a mask of domination. The third is the very young Pipi, an ardent fashion fan and mistress of an elderly businessman. As Csabika become increasingly involved in her clients' lives, Kovalyk paints vivid and funny portraits of these extravagant characters and, making her book even more memorable, graces her readers with a beautiful and idiosyncratic poetry of the city. Surprising similes, evocative images, descriptions of smells and tastes, and cameo appearances by people and animals contribute to a feast of metropolitan experience. (The Hungarian rendering of Kovalyk's unique style sounds to me, someone with no knowledge of Slovak, overall accurate and enjoyable, yet time and again a bit awkward.)

In contrast to the detailed portrayal of Csabika's clients, the main character, the professional friend herself, is a very volatile figure. We come to know very little about her own past; in a sense, she is a hollow character, a listener or receptor for others and the stimuli of the city. She is an outsider, but at the same time the mirror image of her clients. She is at their mercy and she is their parasite. As a paid friend, she may seem to be a very contemporary figure, yet she is also the eternal assistant, a Leporello serving the Don Giovannis of the metropolis, or a Marlene leaving behind the Petra von Kant of the hi-tech office. Uršuľa Kovalyk's subtle irony also suggests that she is simply playing the good old role of the writer who makes a living from observing and reflecting other peoples' lives. /

ZUSKA KEPPLOVÁ

ON

Lullaby for a Hangman by Hubert Klimko-Dobrzaniecki

Kołysanka dla wisielca **by Hubert Klimko-Dobrzaniecki, translated from Polish to Slovak by as** *Uspávanka pre obesenca*, **Salon, Bratislava, 2013.**

The author's biography on the back cover leaves no doubt as to the inspiration for his prose. Moreover, Klimko-Dobrzaniecki opens the text with a dedication to the memory of his friend Szymon. The Polish violinist Szymon, a Croatian painter, and a narrator closely identified with the author constitute the main character triangle.

The reader is confronted with traces of loss very early in the text. The atmosphere is both nostalgic and poetic as the narrator remembers time spent with these close friends. What binds them together is their outsider status: we learn very little about their motivations to settle down in Iceland but we quickly realize they don't like it there. It seems as though they had been blown to the island by the winds of migration: Szymon comes to play in the philharmonic orchestra, while the unnamed narrator arrives as a student. "It seemed we both felt a bit deceived," pronounces the narrator, but abandons the topic in favor of describing the adventures and mad performances that structured their Icelandic stay.

The Slovak reader and spectator may be reminded of the aesthetic of Havetta and Jakubisko's early films. Madness is presented as a way of life, as the only path to meaning: when Szymon plays the violin dressed in a swimsuit in the middle of a sea of flowers, he embodies clichéd poetic images. It is as if poetry were knowingly inhabited as a place in which these migrants could feel at home. In Klimko-Dobrzaniecki's novelette, such attitudes toward madness and art have specific meaning. It is a classic Bohemian gesture which, instead of ridiculing the middle-class values of order and propriety, draws a divisive line between the communities of migrants and natives.

The characters go beyond the gestures of Havetta and Jakubisko's young fools inspired by the existentialists and situationists. They go beyond Šikula and Dušek's picturesque figures and tiny moments of sheer humanness. Rather, they reinvent Bohemia as a life-making and life-taking force. The community of fools is not composed of migrants exclusively; a queer Icelander whose husband scalped her in an act of jealousy, a barbarian villager with a preference for anal sex, and a quasi-saint Polish birth-assistant with beautiful hands join in, at least for a while. The timespan of this community is both temporally limited and rendered eternal by the characters' belief in friendship, love, and art.

With the rise of the Icelandic music craze, the island tends to be invoked by hip Slovaks who have either visited or plan to visit the home of their favorite bands. This book may be a stark contraposition to such infatuation. The narrator and his peers are passionate critics of the history and present of Iceland. Make no mistake; the book does not aspire to political or social commentary. The trio of two Poles and a Croatian simply utter minor comments of deep contempt in politically incorrect language and do not hesitate to present their difference as cultural superiority. What might be misinterpreted as an Eastern European mixture of male chauvinism and deep skepticism toward the Western European values of tolerance and democracy should rather be understood as the survival strategy of little migrants; the same comments can be found in different contexts around the world.

The vigorous (and humorous) entrepreneurialism of the narrator – he acts as a mime in street performances, sells his book of poetry, and accepts a variety of jobs to support himself and later his new family – is the other side of the Polish success story that has recently received considerable coverage. There are lives that don't fit into wishful trajectories. In Uspávanka pre obesenca, Klimko-Dobrzaniecki has turned such lives into proud and fragile testimonies haunted by madness, poverty, and death. Moreover, it is the narrator's joyful art of storytelling that transforms picturesque moments into powerful statements; just like his friends, he is obsessed with myth creation. /

ŁUKASZ SATURCZAK

ON

Plastic Three-bedroom Apartment by Petra Hůlová

Umělohmotný třípokoj **by Petra Hůlová, translated from Czech to Polish as** *Plastikowe M3, czyli czeska pornografia* **by Julia Różewicz, Afera, Wrocław, 2013.**

Petra Hůlová (born 1979) is a rather recognizable writer in Poland as a representative of Central Eastern Europe, a fact that is not self-evident. Due to low readership we rarely reach for our native authors, not to mention our neighbors, or the twenty foreign representatives nominated for Wrocław's Angelus Award. Oksana Zabuzhko? Dubravka Ugrešić? Svetlana Alexievich? The number of published and widely appreciated female authors in Poland representative of the central part of our continent is, unfortunately, still small. The appearance of another name therefore delights us. Obviously, the Czech author is not a novice – her novels *Czas czerwonych gór (All This Belongs To Me)* and *Stacja Tajga (Taiga Station)* have been published in Polish by the W.A.B. publishing house, but it is *Plastikowe M3... (Plastic Three-bedroom Apartment)* that has won the widest renown among critics and readers.

The novel's subtitle *Czeska pornografia (Czech Pornography)* is not really metaphorical. What first comes to mind (and probably most appropriately), leads us to the first novel of Ukrainian author Oksana Zabuzhko, *Badania terenowe nad ukraińskim seksem (Field Work In Ukrainian Sex)*. The two works are women's monologues, the main thread of which are male-female relationships, but that is as far as their similarities go. Oksana Zabuzhko tells the story of a Ukrainian intellectual relating her life story to American students. Petra Hůlová, however, creates the character of a Prague prostitute who does not talk about her life but rather philosophizes about and satirizes it.

The title refers to a room. There are two rooms in her apartment, but one of them is special – "plastic," as it is called by the protagonist – so that we know precisely what the setting of the 30-year-old woman's story is. The story is not a tale of human drama, of fall and degradation, but just the opposite. The heroine amuses with her coquetry, wit, apt remarks, and naiveté. If she did not reveal her age, she would rather come across as a mercenary matron with great experience of people and the world, with an undercurrent of childlike gullibility. This, actually, is not a surprising character construction – she is at once a folk philosopher and oracle and an excellent observer of patriarchal society, reminiscent of Elfriede Jelinek. Obviously, these two are not mutually exclusive, although such a construction will always trouble the reader; for instance, in the very attempt at identifying with the main character. It is hard to imagine her appearance, take on her viewpoint, comprehend, accept, or reject it, as it could just as well be a monologue of her bed, phone, or pads. The character is a self-propelled machine explaining the male-female reality of Prague, viewed from the perspective of a small room. She ridicules other women, but men, too, and reveals how self-deluding they are; they become human caricatures in their pursuit of dubious pleasure.

The mockery is justifiable, and is the most important component of the novel. It is this mockery that draws our particular attention to subjects that the character sneers at. But does she only sneer? That men's world, in which women function only as subhuman (mistresses at work are to please, wives at home are to clean and cook), has created, according to the heroine, a prostitute who comes across as an independent figure.

What are we like? Everyone should reach for *Plastikowe M3...* introspectively, as a reading about ourselves, our little lies, and our more elaborate deceptions of ourselves and our family and friends. The prose of the Czech writer makes this a challenging linguistic masterpiece, although Julia Różewicz has tackled the task of translating it into Polish brilliantly.

In brief, *Plastikowe M3...* is a novel in which Erika Kohut of Jelinek's *The Piano Teacher* gives up the Austrian petty bourgeoisie and becomes a Czech prostitute in order to convey a bittersweet portrait of self-satisfied and delusively withdrawn Praguers. /

Translated by Marta Miszczyszyn

A CEE-LED SMART CITY *vision*

CEE's future lies in developing its Smart Cities.

ANYA MARGARET OGORKIEWICZ

Most Smart City presentations start with a slide of a satellite shot of the European Union by night, with its city lights accentuating the familiar outline of the continent. This slide is often accompanied by the claim that the EU's cities will accommodate the majority of citizens and consume the most energy in the upcoming years, which is why the new urban policy called "Smart Cities" is the visionary answer to this emerging twenty-first century challenge; however, this narrative doesn't stand up to the reality. A brief background of the Smart City movement explains how this narrative came into existence, and how it is limiting the scope of Smart City policy.

GENESIS

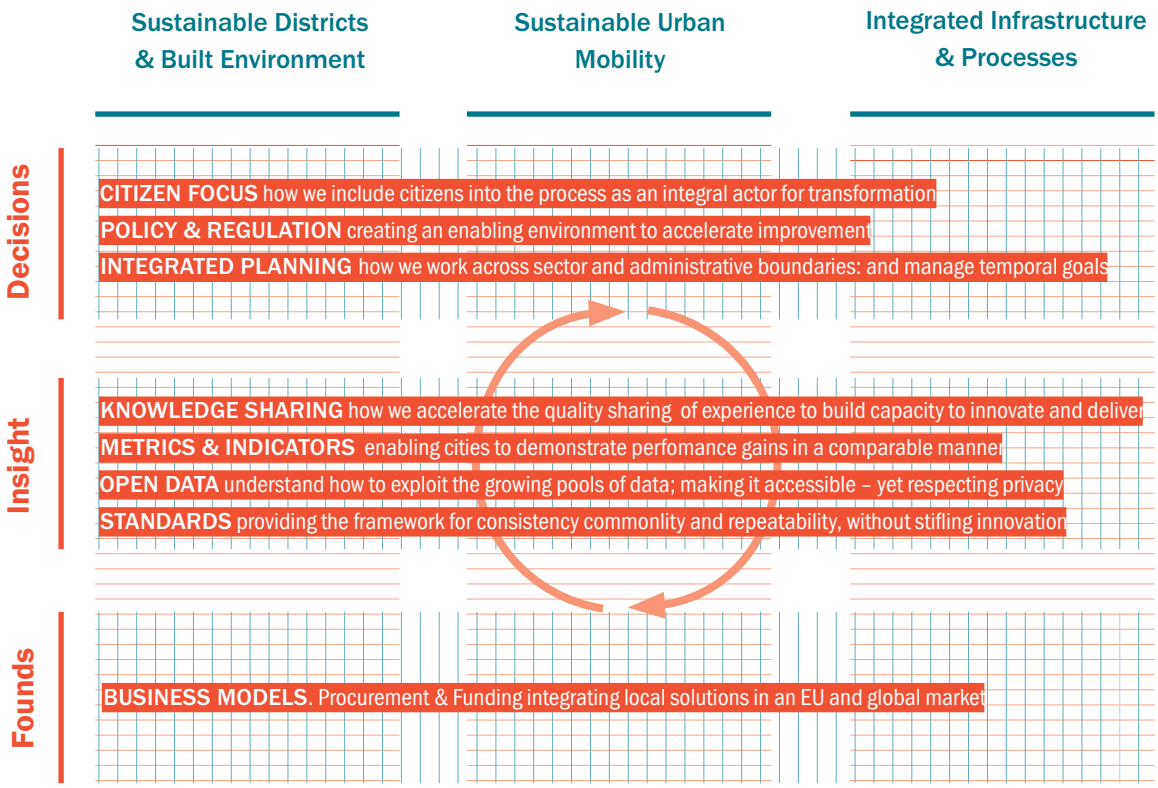
2008–2010 was a time of great expectations. The first mobile application distribution platform debuted in 2008, and 2010 saw the launch of the Arab Spring, in which citizens marched carrying handheld devices interconnected by "social media" and seemed to breathe new life into democratic movements worldwide. This set in motion an early Smart City vision where access to data would create new forms of financing, from online crowd-sourced campaigns to crowd-funded social impact bonds, and even a new direct democracy. This bottom-up Smart City model may be designated as one of "crowd-rule."

This was also a time of great financial distress. The most reputable financial institution worldwide, Lehman Brothers, declared bankruptcy in autumn 2008, sending the global financial system into surreal tailspin. The top-down credit crunch and the simultaneous bottom-up need for stable data streams to feed a growing grassroots citizens' movement form the genesis of the Smart City movement. Stimulus packages were created to keep both big businesses and local municipalities afloat, and taking advantage of those stimulus packages extended a lifeline to multinational corporations.

THE EU SMART CITY POLICY

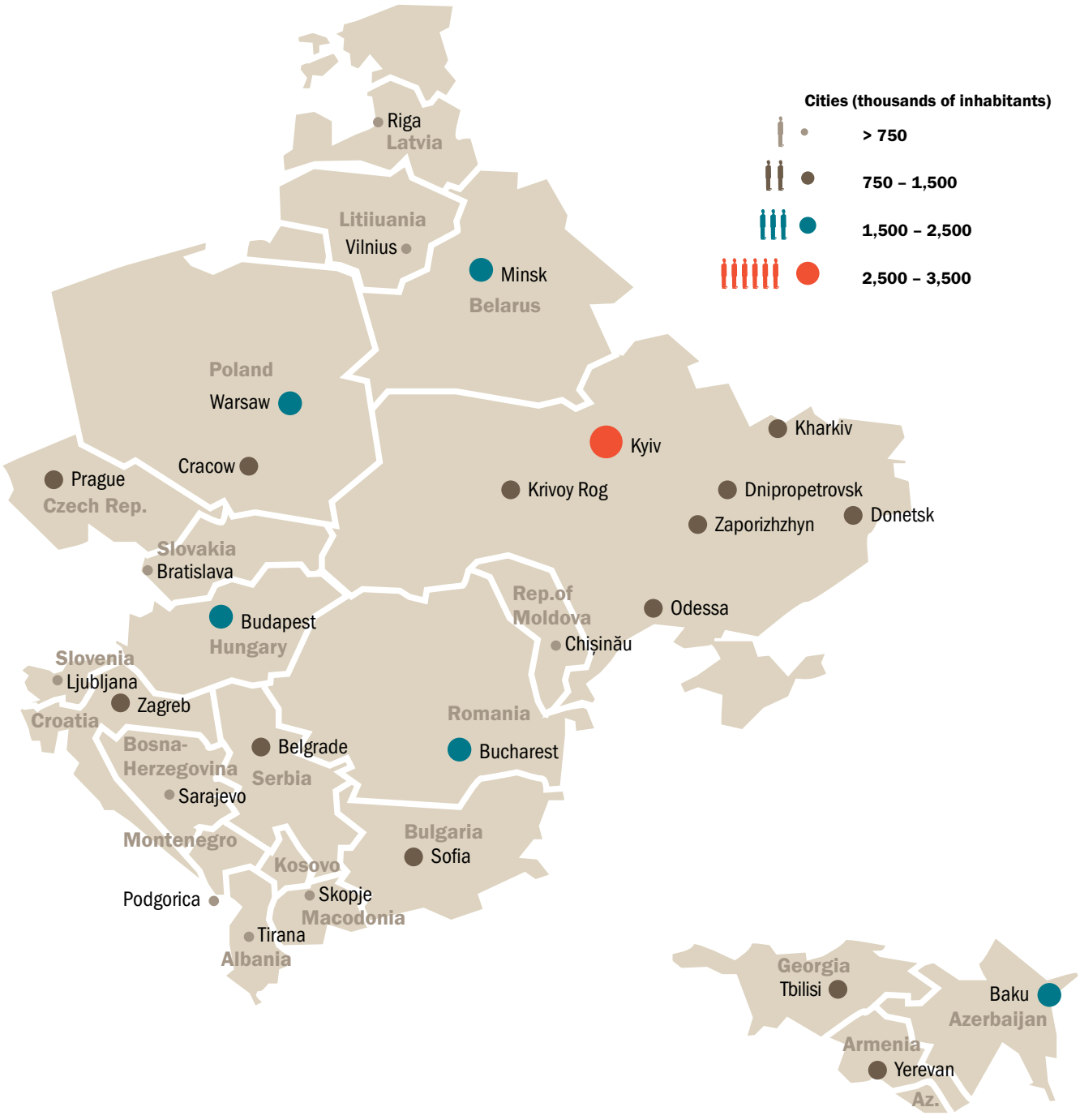
To a great extent, this business diplomacy successfully persuaded the European Commission to jointly launch the European Innovation Partnership on Smart Cities and Communities (EIP-SCC) in 2012. The conclusions of three years of Smart City EIP policy work are summarized in the following graph. The main focus of the Smart City EIP remains threefold: transport, buildings, and "Integrated Infrastructure and Processes," meaning energy and ITC.

PRIORITIES OF THE EU'S SMART AND SUSTAINABLE CITIES AND COMMMUNITIES POLICY.



Source: "Operational Implementation Plan of the European Innovation Partnership for Smart Cities and Communities," European Commission 2014.

CITY-SCAPE IN CENTRAL AND EASTERN EUROPE



Source: "The State of European Cities in Transition" UN Habitat 2013

The biggest challenge in the top-down Smart City vision is to develop viable business models that can pay for the new digital services and infrastructure provided by the Smart City. By autumn 2014, the EIP is set to transform itself into a "Smart City solution marketplace," but two issues remain outstanding. Firstly, there is a stark lack of participation in EU urban governance and networking structures by Central and Eastern European cities. Secondly, there is the feeling that corporations are less interested in the Smart City movement than previously. Enthusiasm for Smart Cities has definitely plateaued, limited by what corporations can provide to municipalities and vice-versa. The case of Central and Eastern European cities illustrates this very well.

CEE URBAN REALITIES

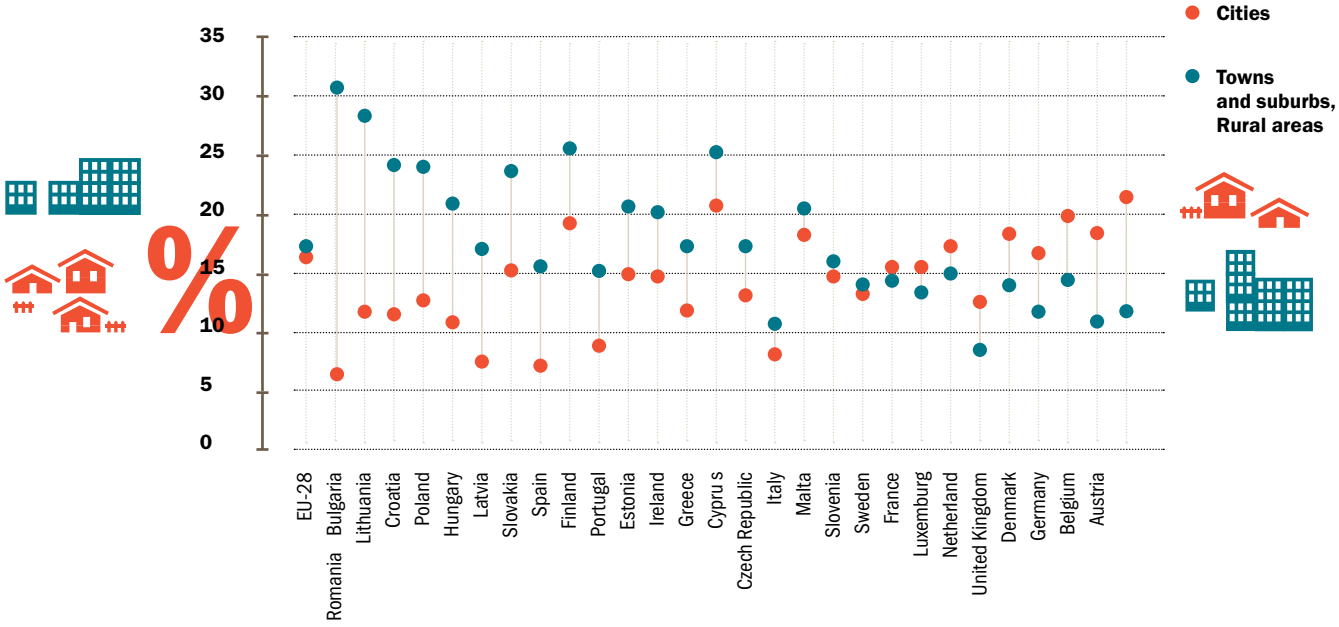
The following map is taken from the 2013 UN Habitat report of "The State of European Cities in Transition," which divides Central and Eastern Europe into four regions based on past history and current development.

Stripping away political borders provides a fresh view of the region. At first glance it seems that CEE cities would have the necessary critical mass to support combined top-down and bottom-up Smart City visions. To forestall those who would claim that CEE cities do not participate in the in forging EU's Smart City policy because the region's cities have never given previous thought to urban planning, it is worth emphasizing that the previous global urban movement was actually wholeheartedly embraced by the region. All industrial towns created by the Czech Bata Corporation, for example (Zlin, to name one), were planned on the principals of the turn-of-the-century garden city movement.

CEE cities share an arc of urban development that differs from that of Western Europe cities. On the whole, CEE countries are poorer than their Western counterparts, yet Eastern European cities are islands of relative wealth nestled in much poorer countryside areas; in Western Europe this relationship is inverted. Is EU Smart City funding more skewed toward the needs of Western Europe's cities, while Eastern Europe remains less concerned with supporting its islands of wealth than with alleviating rural poverty?

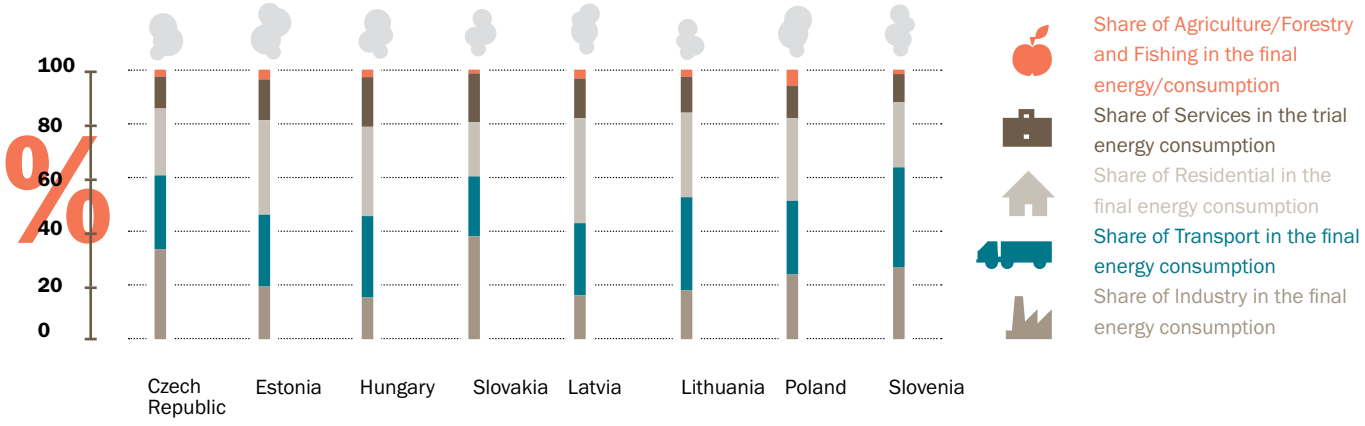
The typical Smart City narrative doesn't apply to Central and Eastern Europe, because CEE cities suffer from population decline and a shrinking tax base, which directly translate into

AT-RISK-OF-POVERTY RATE BY DEGREE OF URBANIZATION, 2012



Source: "8th Progress Report on Economic, Social and Territorial Cohesion" European Commission, 2013

ENERGY CONSUMPTION BY SECTORS, 2009



Source: "The State of European Cities in Transitio" UN Habitat 2013

lower municipal revenue. In this region, border towns are at risk of becoming separatist strongholds. Neither the "crowd-rule" nor the "control room" vision addresses these geopolitical and geo-economical differences adequately, nor is either intended to alleviate poverty, unemployment, demographic decline, or social alienation. Urban financing is readily available for development, improvement, growth, and expansion, but it is a challenge to find financing to tear up obsolete railways, demolish vacant lots, and launch infrastructure cutbacks, all of which form solid public policies in shrinking cities.

Rather than fading, the industry is currently entering a new normalization phase in which information technology is a pervasive aspect of urban infrastructure. As we enter this new phase, the top-down vs. bottom-up, or "crowd-rule" vs. "control-room" Smart City dichotomy is stifling the potential of the new urban landscape. We lack both strategic thinking about information technology to guide municipal public decisions, and the larger picture in which Smart Cities play key roles in foreign affairs and national security.

VALUES-BASED SMART CITY GUIDANCE PRINCIPLES

The EU's Central European countries, notably Poland, have been granted advantageous financing opportunities in the European Commission's 2014–2020 financing period. Moreover, the CEE region attracts direct foreign investment from Western Europe and abroad by offering a stable economic landscape of relatively low taxes, stable salaries, and low inflation, with an educated workforce and strict adherence to EU standards. Lack of resources cannot explain the region's lukewarm reception to Smart City urban planning, but its shared communist past can. This past is reflected in the region's distinctive data trends, but also in a shared value system that statistics alone cannot easily grasp. These values point to a strong individualistic streak across the region. CEE municipal authorities are merely responding to this attitude in their procurement choices. The sequences of values that prioritize any ideology (be it energy efficiency or communal living) over individual freedom will not stand the test of time. Smart City solutions characterized by a high degree of individual control, subjecting the individual user to neither the "wisdom of crowds" nor the control room, will flourish in Central European countries. While the West inhabits a time in which spaceports are considered viable business investments, in CEE, memories of urban destruction wrought by zealous followers of progressive policies still linger. Developing an approach that acknowledges the CEE experience and balances preserving heritage with fostering innovation should become guiding principles in global Smart City procurement.

The cutting edge of technology requires a quasi-Kantian system of categorical imperatives to guide policymakers. At the strategic level, however, remains the unexplored potential of an entrepreneurial approach to Smart City management, ranging from better energy security to better border management. The CEE region is currently coping with geopolitical challenges that could utilize Smart Cities as an extra layer of defense in matters of energy and foreign policy.

SMART CITIES AS CEE ENERGY SECURITY

The latest EU Energy Security Strategy (COM [2014] 330) states that energy efficiency is a means to stronger energy security. To deliver energy security to CEE, however, requires that the region's cities drastically reduce their energy demands.

According to common lore, big extractive industries are responsible for the most energy consumption and greenhouse

gases, although the EUROSTAT graph points to a different reality. If the residential, transport, and services sectors are merged (as in the three main building blocks of EU Smart City policy), it suddenly becomes clear that CEE cities need to reduce their energy consumption first and foremost. Combined transportation and residential energy demand is greatest in countries considered the most energy efficient, such as Estonia. To deliver the region's energy security, drastic energy demand reduction can therefore be attained through Smart City management.

In practice, Smart City energy management includes developing both new energy supply facilitators such as smart grids, and new energy producers such as prosumers. The ultimate goal of of the region's energy security is to automatically store and seamlessly switch to the best available energy sources integrating Smart city energy management into the larger energy security picture alongside bidirectional pipeline flows and increased amount of inter-connectors between national energy networks. However, conservation and efficiency should be the immediate priorities of CEE, given that analysts predict that the region may experience an energy shock in its upcoming (2014/2015) winter due to the consequences of recent EU sanctions on Russia. Foreign policy and geopolitics are another key strategic opportunity to develop a CEE-led understanding of Smart City management. In developing a Smart City approach to modern border management, we shift Smart City policy to the domain of national security.

SMART CITIES AS CEE BORDER SECURITY

Modern or integrated border management goes far beyond the traditional understanding of border patrols, high security fences, and points of entry, acknowledging that borders are ultimately porous. This must be balanced with the need to facilitate the free movement of people, goods, and services for the economic well being of those on both sides of the border. If the medium-sized cities of Eastern Partnership countries closest to the EU border were to experience a sudden influx of refugees, it would likely be a shock to their brittle urban systems. As seen in other border regions worldwide, their natural reaction may be to facilitate the refugees' passage as swiftly as swiftly as possible across the border to the EU in order to ease the strain on their own infrastructure.

Smart City border management seeks to strengthen infrastructure and services by creating a tight network of Smart Cities on both sides of the border, improving both economic performance and social conditions. In making Eastern Partnership border cities more attractive to their own citizens, they would be less likely to harbor pockets of refugee poverty on the EU's immediate borders and would stem further inward migration. Funding for Smart City-led border management is already available in Eastern Partnership funds and in specific funds earmarked for cities on the EU's eastern borderlands. However, this requires coordination and a broader perspective of the Smart City vision.

SMART CITIES AS CEE POLICY ENTREPRENEURSHIP

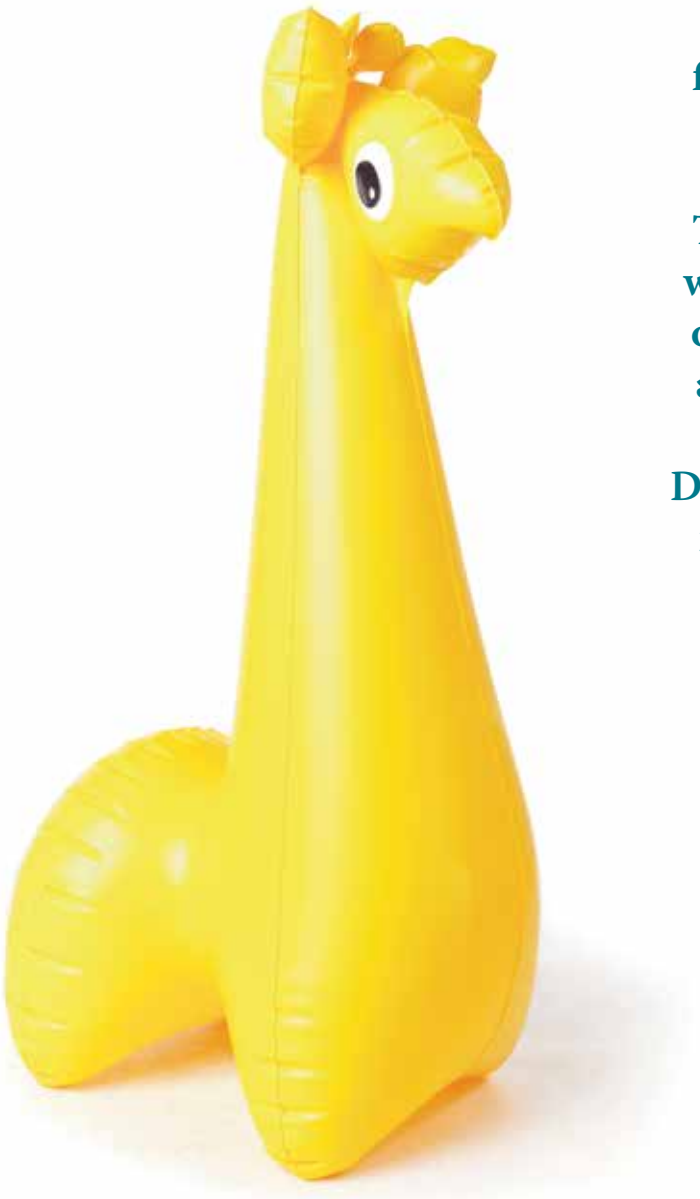
Smart Cities as a line of defense in porous border management is just one example where synergies between Smart Cities and foreign policy objectives can be met. The region's policymakers must show a willingness to engage in policy entrepreneurship to make Smart Cities a tactical element in the larger national security and foreign affairs landscape. Competent and coordinated Smart City technology policy could therefore play a leading role both in Central and Eastern European municipal development, as in its larger geopolitics. As it stands today, the very low engagement of the CEE region in the many layered governance structures that are forging EU's future Smart City polic is self-defeating. For example,Poland has sent a representative to the discussions that will determine the standards, metrics and benchmarks according to which EU's future Smart Cities will be judged and funded., and no other "new" member state has sent a representative to these standardization talks.

Given the potential use and long-term consequences of information technology applied to the urban field, neither of the current competing Smart City visions are visionary enough. The necessary elements for an alternative approach to Smart Cities are present in Central and Eastern Europe, and CEE's future lies in developing its Smart Cities. /

The author is a dual US and EU citizen. She is the founder and Managing Director of The Keryx Group, an advisory working with municipalities in Central and Eastern Europe. Since January 2014, permanent representative of Poland to the Smart and Sustainable Cities and Communities standardization discussions at EU-level (CEN, CENELEC, ETSI). Chairman of the Strategy Group in the EU Commission's Smart City Stakeholder's Platform in 2012–2013.

INFLATABLE CZECH DESIGN

Since the 1960s and 1970s, toys manufactured by Fatra Napajedla factory have been among the icons of Czech design. Today, Jan Čapek, who won Designer of the Year Award at the prestigious Czech Grand Design competition, is continuing the tradition.



TEREZA KOZLOVÁ

Fatra Napajedla is among Europe's best-known producers of plastics. Even though the company's cash cow is its products for IKEA, roofing hydro-isolation, PVC flooring, and special steam-permeable foils, Fatra also manufactures toys. Since the 1960s and 1970s, they have been among icons of Czech design. In 2014, the company received major prizes for its new toys, and designer Jan Čapek has found his own way to continue the tradition of the old toys, coming up with a wonderful new collection.

Fatra was founded in 1935 by the famous Czech Bata company. At that time it was hit by the economic crisis and the shoe industry faced stagnation. Then company director, Jan Antonín Bata, decided to diversify production. Following an impulse from the Ministry of Defense, the Fatra plant opened in Napajedla. The first products manufactured there were gas masks and protective gear, technical rubber, as well as rubber toys. The progressive Bata Group had its own construction department and a signature architectural style that also marked the Fatra plant at Napajedla. The best architects worked for Bata, along with others such as filmmakers and photographers. The publicity department of Bata Film Studios in Zlín produced advertisements for the company's products. Like everything else at Bata, advertising was also done to the very best standard. A good example here is the advertising film for tires, entitled *Silnice zpívá* (*The Road Sings*), of 1937, made by Alexander Hammid, which received the Gold Medal at the World Fair in Paris.

AN ARTIST AND A VISIONARY

In the 1950s and 1960s, Libuše Niklová (1934–1981) designed small, rubber squeaking dolls and animals for the Gumotex company. In 1963, she joined Fatra Napajedla, where she made a series of progressive toys led by the seated ones that are currently being manufactured anew. Niklová first tested simple, tiny armchairs, which she then transformed into shapes of squeaking animals with moving eyes. "… passive seating does not fit the nature of a child … the point of my toys is that the body of a toy consists of a sequence of at least four, connected, flat molded parts, two of which set the shape and at least two internal ones, fitted with round openings that complete the piece and provide space for seating," Niklová described her patented discovery.

INDUSTRIAL PERFECTION

Timeless design with a touch of retro was universally praised and made Libuše Niklová a staple in history of Czech design. The production continued in the coming decades, but at the beginning of the 1990s, when the Czech toy market was flooded with more economical competition from China, Fatra gave up the fight and almost closed the production line. Plastic toys from Moravia were rediscovered in thanks to curator Tereza Bruthansová. In 2005 the toys by Libuše Niklová were included on the list of *Czech 100 Design Icons*. Experts and leaders of Czech art scene chose 100 items that best characterized the development of Czech design over the past one hundred years. Designer Jan Froněk chose the inflatable Buffalo, thus assuring the toy its glorious resurrection. Tereza Bruthansová joined up with Libuše's son, artist Petr Nikl, and helped him prepare an exhibition in the memory of his mother's achievements. The *200 dm3 of Breath* exhibition was held in 2010 in the Regional Museum of Art in Zlín. A reissue of a few pieces of the Buffalo, the toy designed by Libuše Niklová in 1971, was made for the occasion. It was very well received. Soon the Buffalo was joined by the Elephant and the Giraffe. These toys represent the highlight of Libuše Niklová's work, and were praised by designer Jan Čapek: "Niklová's toys represent perfect industrial design. They bring together artistic originality, an ability to abbreviate, whilst retaining the strong character of individual animals. At the same time, the animals are very well optimized in terms of the number of manufacturing tasks. The collection of animals within the current re-edition is the peak of Niklová's work. It bears the fruit of the many years spent in the plant, and of hundreds of earlier designs and prototypes of toys."

The Museum of Decorative Arts in Paris launched an exhibition of original toys designed by Libuše Niklová in 2011, eleven years after Fatra ended the toy production line. In 2012, Czech toys made in the 1970s in Moravia were shown at the exhibition *Century of the Child: Growing by Design, 1900–2000* at the Museum of Modern Art in New York and drew major interest from audiences, critics and customers alike. The trio – Elephant, Buffalo, and Giraffe – soon appeared in leading design shops all over the world.

The re-edition of the old toys was selling well and the company wanted to come up with something new. Bruthansová wanted to see the high quality of toys designed by Fatra retained, so she chose the best designers experienced with toys and brought them to Fatra. Three teams ended up working there: the designers Jan Čapek, Anna and Jerry Koza, and graphic artist Zuzana Lednická, who is also the graphic designer of the *Libuše Niklová* monograph.

A RETURN TO MANUAL LABOR

The most successful new toys are a dog called Bulík and a formula racing car, which earned Jan Čapek Designer of the Year Award at the prestigious Czech Grand Design competition. "The work for Fatra gave me a unique opportunity to become acquainted with entirely new technologies and at the same time to follow on the company's legendary tradition. I am honored by the success of the toys and the Designer of the Year Award, as every year sees an increase in the number of high quality projects and companies that work with designers in the Czech Republic. Each of the entries in the wider nominations for the Czech Grand Design was wonderful. The development of the toys was perhaps the most difficult I had ever done. To take PVC foil and come up with a pattern that, once inflated, looks as you want it to, is quite tricky. I quickly suppressed the bad memories of the first toys and enjoyed their ultimate success. I recently started travelling to Fatra again because of the new toys. Again, I faced disappointment and tough confrontation with the processing requirements and the length of the entire process," says Čapek.

Čapek designed the dog in 2013. The construction of its body follows Niklová's seating toys; the difference is that the front is more developed to better contrast with the dog's narrower rear part, which enabled the creation of the correct posture of the dog. In 2014, Čapek came up with a dinosaur. "In the dinosaur I further developed the principle that I first used with the dog: the individual part that is pulled over the body. Once inflated, the individual parts firmly join together," explains the designer. For the dog it was a collar and for the dinosaur it is its legs.

JAN ČAPEK (1976)

Jan Čapek is a designer and lecturer, and head of the Industrial Design Studio at the Faculty of Art and Design at the Jan Evangelista Purkyně University in Ústí nad Labem. He came to fame with his design of the Mattoni PET bottles and the 500ml Kozel beer bottle. His bottle for the Kofola soft drink with spikes was also significant. His scope, however, exceeds industrial design. His signature Pin Up vase is particularly popular. It draws from the smooth female form and his passion for collecting vases by Czech glass artist František Vízner. His Bulík dog, based on the English bullterrier, is also a success. The dog can either swing or move on wheels. Čapek made inflatable Bulíks for Fatra. "We have a bullterrier at home. He is a permanent source of fascination for me. It is a very recognizable breed. I enjoy playing within the context of children's toys with the stereotype of a fighting breed – the child killer, a category in which the dog is unfairly placed," explains Čapek.

ANNA (1982) AND JERRY (1976) KOZA

Anna Koza specializes in design, while Jerry Koza is currently involved in architecture. Jerry is member of the SAD studio that designed, *inter alia*, the brilliant interior of the Oblaca restaurant, bar, café and hotel apartments in Žižkovská Tower. The Kozas exclusively design children's toys together. The first was a torpedo inspired by the Australian motorcycle racer Burt Munro and his "The world's fastest Indian." A tiny house and boat followed, each drawing quite an interest. The Kozas first designed a goat and then a tractor for Fatra. "With toys by Libuše Niklová, it was the bright color range that was, in some models, defined solely by the color of the foil, that inspired me. I also liked that the toys had an integrating construction principle and characteristic elements, such as the eyes. We wanted to follow on that, but utterly in our own way," says Jerry Koza. "We wanted the toys to trigger the imagination and be discoveries. The goat's teats squeak, for instance. The convex eyes enable you to see inside or to observe the distorted reality," adds Anna. The Fatra assortment now also contains Anna's inflatable colored balls. They are working on a sailboat together.

ZUZANA LEDNICKÁ (1974)

Graphic designer Zuzana Lednická started to work with the Najbrt graphic studio as a student at the Art and Design College, and has remained a member of Najbrt until today. She is the author of the graphics for the monograph *Libuše Niklová* and related exhibitions. Lednická studied toys in high school. She designed a collection of inflatable balls with distinct prints for Fatra, inspired by Niklová's work with graphic rasters both on toys prints and their packaging, which she also designed. "At Fatra I realized how important it was that Niklová was there every day, that she knew the technologies in detail, which enabled her to play. It is clear from the toys. I adore her prints, how cleverly she used them! They were highly simplified, but playful," says Lednická. She has successfully worked with just black and white, which is not very common for toys.

"Designing inflatable toys meant starting from zero for me! It can be compared to clothing design. Here, too, the surface sheer pattern of the foil is the basis for further work. Then the foil is not sewn but welded together. Compared to clothing, in this case, however, individual welds have to be all on one surface. Welds are always on the same plane. As opposed to tailoring, our work is more shape-sensitive in that the inflation shows everything. The very process of prototype manufacturing is also quite a challenge. The welding proceeds piece-by-piece with the help of differently bent metal sheets that works as electrodes. When you come up with a particular shape, it takes quite an effort before you see that you 'went astray' altogether. This process cannot be skipped and in principle it eliminates the use of a computer. For me, designing inflatable toys meant an honest return to manual labor. I can proudly say that literally each inch of the shape of a toy passed through my hands repeatedly."

The study of the old toys was also vital. Čapek further developed the principle of welding, for instance the neck of Niklová's Giraffe, which is how he created a formula car, his second toy, to which he added the hitherto unused foil perforation around the wheel discs.

As a passionate collector of retro items, his collection also contains a range of unique toys from the 1960s and 1970s that he loaned to Tereza Bruthansová for her book. "Because of the era and the limited opportunities to become established, toys for children were made by outstanding artists who, as freelancers, would normally focus on something else. When one looks for instance at a Czechoslovak animated film, it is clear that creative ambitions went well beyond children's film: from puppets through music, all the way to the graphics of the credits. The same can also be said of decorative glass: often the regime's undesirable artists would find refuge there. Similarly, Niklová was almost too good for toys," believes Čapek.

Since 2000, Fatra has been part of the Agrofert Group. With its 27,000 employees, Agrofert is a major employer in the Czech Republic. Toys represent a negligible portion of their operation, as the development cost of new toys, including their presentation, has proved quite high. The beginning of the cooperation with designers was thus shadowed by doubt as to the project's completion. The established autumn design show Designblok introduced prototypes in 2013, and final versions of toys went into production before Christmas. Fatra is not taking part in the design show in 2014. Designers are working on new toys and promise to have them on sale again by Christmas. Fingers crossed that the toys – like the Bata products – conquer the world! /

The author is a Czech journalist and design critic.

Translated by Lucia Faltinova

REVOLUTIONARY DESIGNS FROM CENTRAL EUROPE

Gregory Project Slovakia

It is hard to tell which aspect of this concept is most advantageous. The idea of its authors is to provide living space for the homeless by using triangular billboard structures. This would not only contribute to addressing a social issue but would also help optimize construction costs. Maintenance expenses would be minimized due to the rental of advertising space. What's more, it is a nonprofit project and could be introduced anywhere with appropriate features and individual design.
http://www.projectgregory.com/en

PLED Project Razy2 Poland

This tiny red object looks more like a chocolate bar than a life-saving appliance. The pocket-sized, NRC foil, equipped with an LED lamp, is hidden by an attractive wrapper. As its creators – Paulina and Jacek Ryń – say, its design makes their product userfriendly. This is probably what the future of commercial first aid tools looks like. PLED Project won third place at the "Light for..." competition held by OSRAM.
http://razy2.pl/

Pikkpack Shoes
Hungary

Tradition still inspires trends and cyclically shows up in fashion and design. Sara Gulyás based her concept on the Hungarian shoe bocskor, but also wanted to involve the future user in the production process. She raised money for her project on Kickstarter. This is how Pikkpack Shoes – a combination of unisex minimalism and quality – came into being. The leather material guarantees comfort; various color combinations ensure individual character. You choose them separately and make your own pair of Hungarian shoes.
http://www.pikkpack.com

Jakobsen Design
Czech Republic

Martin Jakobsen, graduate of the Academy of Arts, Architecture and Design in Prague, has already gained recognition and received many nominations and awards (Jury Prize by the Talent Design Award in 2012, nominated for the Czech Grand Design Award in 2013). Unusually shaped glasses and vases and a universal Christmas tree can be found among his projects. These are subtle, classy, and startling forms, combined with the surprising design of everyday objects.
http://jakobsendesign.com

Nomad Collection, Lost and Found Studio

Slovakia

"Mobility is a lifestyle" could probably be the motto of many Europeans. Lost and Found Studio meets those who get around a lot halfway. Its Nomad Collection consists of two simply designed, hand-crafted, plywood pieces of furniture, a portable shelf and standard lamp. It is easy to imagine how many students and modern vagabonds would like to try them.
http://www.lafstudio.com/http://www.pikkpack.com

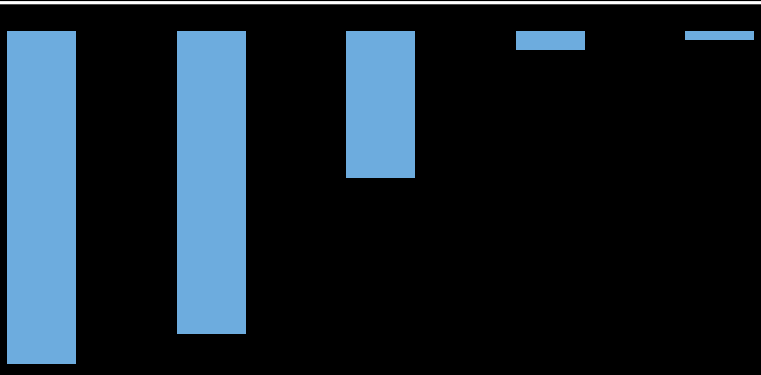
your NEWUROPE100 not so AVERAGE CHALLENGERS

AVERAGE NEWUROPE100 CHALLENGER IS 35 YEARS OLD

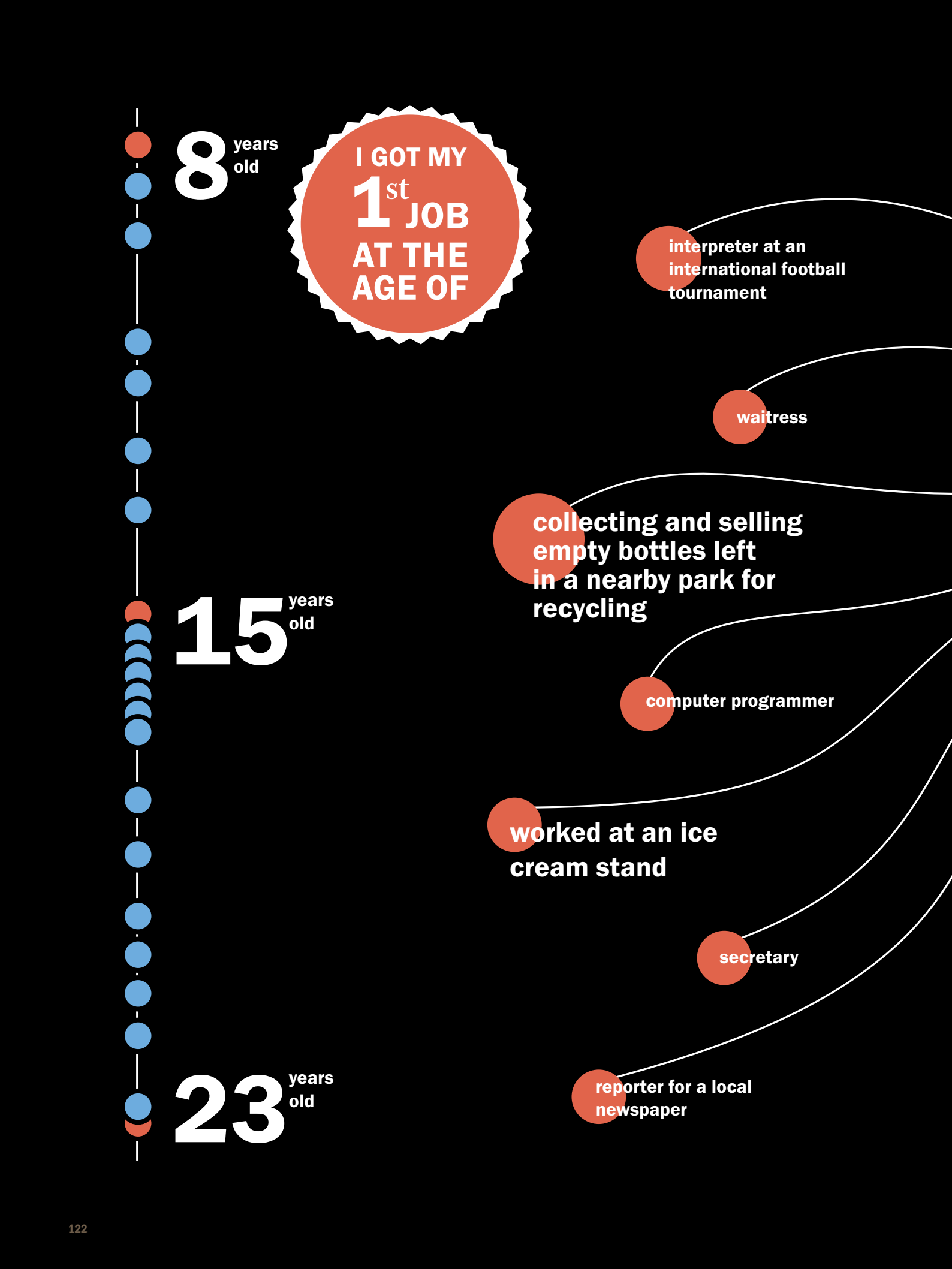
WAKE UP TIME

5.00 6.00 7.00 8.00 9.00 10.00

1st MORNING DRINK



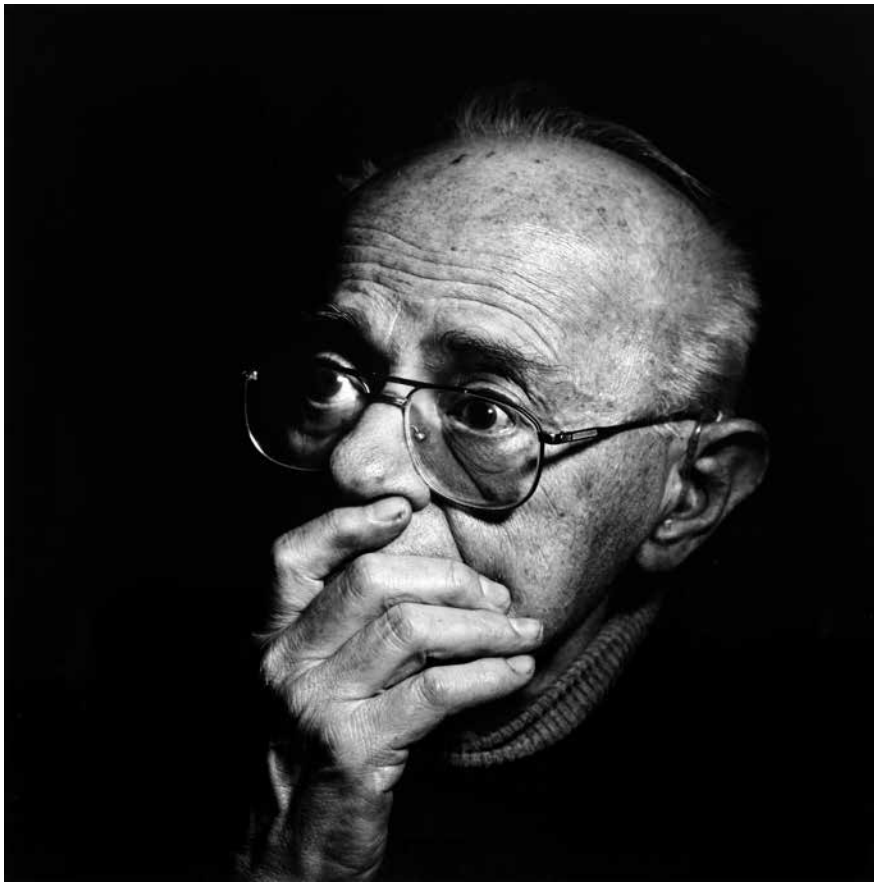

dancing, blues, and jogging
windsurfing
YES
NO
all racket sports
are close to me
SPORT
cycling and walking
everyday, sometimes
jogging
fishing and skeet shooting
mountain biking – into the
night, into the wilderness,
as far from paved roads
as possible
running from one
meeting to another
Bikram Yoga
roller skating, climbing,
geocaching
SOURCES
OF INSPI-
RATION


8 years old
I GOT MY 1st JOB AT THE AGE OF
interpreter at an international football tournament
waitress
collecting and selling empty bottles left in a nearby park for recycling
15 years old
computer programmer
worked at an ice cream stand
secretary
reporter for a local newspaper
23 years old

ONE OF THE CHALLENGERS:
I didn't have a job. I had refused more than 15 jobs by the age of 20

“We’re not searching for anything except people. We don’t need other worlds. We need mirrors.”

Stanisław Lem, *Solaris*



bogdankrezel.com

Stanisław Lem (1921-2006) was a Polish writer of science fiction, philosophy, and satire. The New York Times described him as a “giant of mid-20th-century science fiction, in a league with Arthur C. Clarke, Isaac Asimov, and Philip K. Dick.” Lem is best known as the author of the 1961 novel *Solaris*. His works explore philosophical themes – speculation on technology, the nature of intelligence, the impossibility of mutual communication and understanding, despair about human limitations, and humanity’s place in the universe.

The portrait of Stanisław Lem absorbed in thought was taken in 2001. It is one of the most recognizable photos of the writer and one of the most iconic pictures taken by the photographer, **Bogdan Krężel**, throughout his career.

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