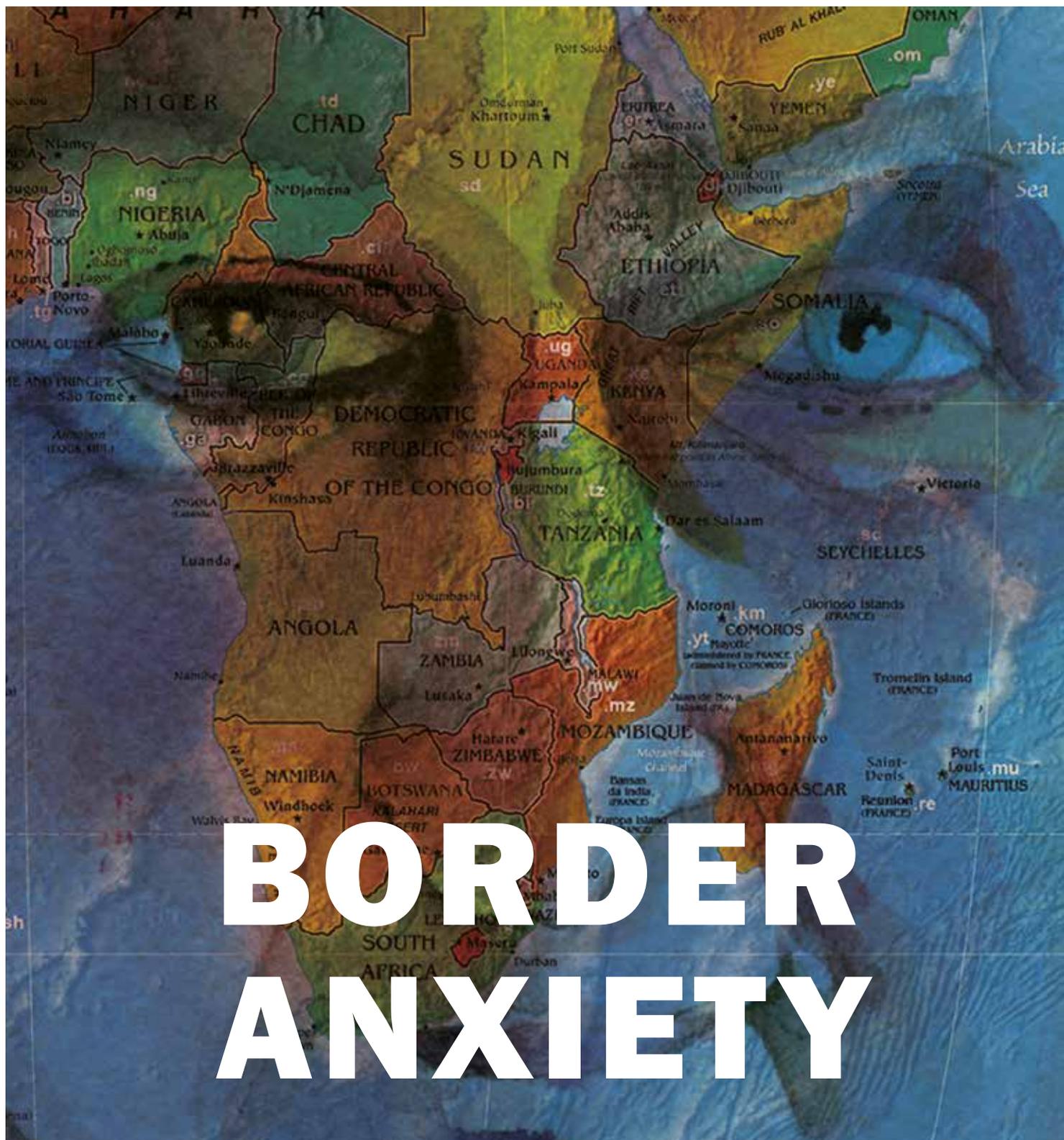


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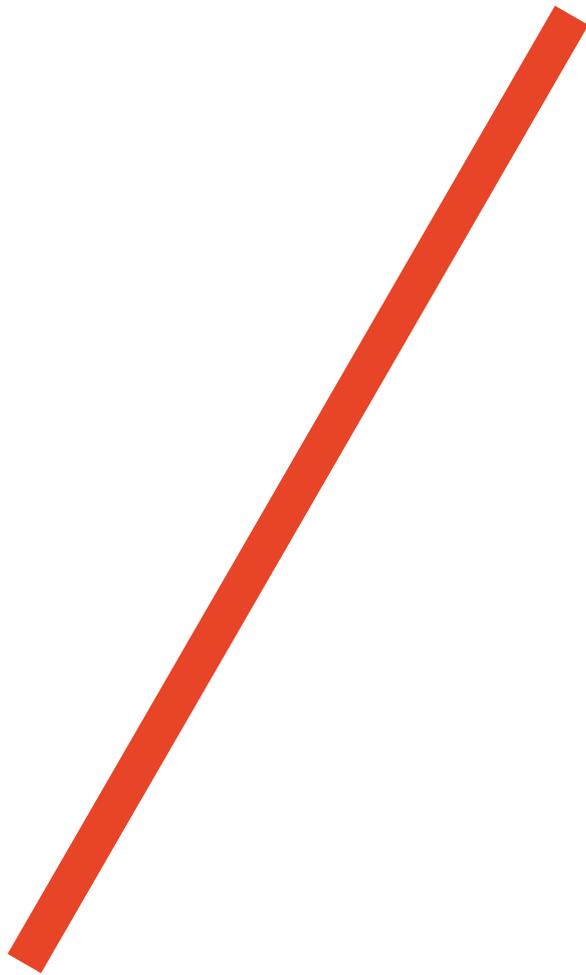
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# Politics in the Age of Migration

PIOTR BEKAS



**WOJCIECH PRZYBYLSKI**  
Editor-in-chief

**WHILE THE RECENT TENSIONS OVER MIGRATION HAVE PROPELLED THE ISSUE TO THE MAINSTAGE OF THE POLITICAL ARENA, ITS POSITION BOTH CONTENTIOUS AND SEEMINGLY PERMANENT, IT IS NOT TRUE THAT THE SYRIAN CONFLICT IS THE ONLY CAUSE BRINGING MASSES OF PEOPLE TO EUROPE.**

**THOUSANDS ARE READY TO RISK THEIR LIVES IN ORDER TO BE PART OF THE EUROZONE ECONOMY, TO GIVE THEIR CHILDREN THE BENEFITS DERIVED FROM THE SCHENGEN AGREEMENT.** A generation ago, the countries of Central Europe invested in positive changes to the educational system – from primary schools to universities, doors and minds have been opened to free thinking and truly liberal education. It's time to ask how to raise the talents of tomorrow to at least sustain the long lasting effects of that strategic reform.

Are we ready to give up on what is desirous by so many, to shut down the European project so that we may distance ourselves from the global challenge of migration? And even if we were willing to sacrifice what has benefited and defined us for so long, how realistic would that be?

Mass migration is not just a European occurrence, and it did not happen overnight.

The fears of negative consequences stemming from migrations have always been in the background during discussions of European enlargement. When the V4 countries were about to join, the old EU members fervently defended their job markets against what they saw as the “menace” of a new workforce. Contrary to those suspicions, the free movement of people only bettered the recipient's economies.

Though intensifying two years ago, migrants became the targets of David Cameron's shameful rhetoric. He claimed that Tony Blair's decision to open the job market for Poles and other Central Europeans was a mistake and that migrants were an ominous threat.

This short-sighted vitriol was met with fierce and just responses from the leaders of the V4. Their arguments were numerous, but many focused on the shared economic prosperity brought by the united market and the Schengen agreement.

But history loves irony. A year later, those same leaders adopted Cameron's tone of bashing foreign populations when the inflow of migrants through Hungary reached its peak.

If the gradual arrival of capable, entrepreneurial EU citizens became such a prickly issue in 2013 for a rich and stable democracy like the UK, how can we expect a more conciliatory tone from countries that are faced with a massive and nearly instantaneous influx of migrants and refugees.

There was then, however, more time to prepare, and the inflow of newcomers was better regulated. But why are we not better prepared for our current situation? Spain and Italy have been calling for a common European response for years, so we knew that rapid, mass migration was coming one day or another. In the following decades, this process will only intensify.

It is high time to adapt and build up our economies; we must prepare our societies for the future. It most certainly requires a pan-European response because single nations are helpless against these global challenges. Neither the UK nor Germany can cope alone, nor can they try to impose their solutions without assistance.

Europe is in a delicate situation with possibilities ranging from losing so much of what we have created to gaining so much more than we already have. Even though our current politicians are attempting to tackle this question, it is obvious that the issue will be ongoing, and that the leadership of tomorrow will be tested by the age of migration. Since there is far more at stake than just the futures of the common currency and Schengen zone, a cohesive response now could help the situation in the world to come. /

# NEW EUROPE 100

## CHALLENGERS

Res Publica together with Google, the Visegrad Fund, and in cooperation with the Financial Times as well as dozens of notable institutions from the region is launching the second edition of the New Europe 100 project — a list of outstanding challengers from Central and Eastern Europe.

The New Europe 100 list is about individuals from Central and Eastern Europe who are changing the world and improving people's lives with ideas that scale up in the digital world.

The list recognizes those who — with their courage for innovation, expertise in emerging technologies, unique skills, and social outreach — are having a global impact. It is an effort to seek out and bring together personalities whose actions drive them and us to a better future.

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EUROPE

RETURN TO GEOGRAPHY

- 12 **Movement of people is a norm, not a crisis** Atilla Meleg, László Csicsmann, Boldizsár Nagy, Diana Szántó, Pál Nyíri, Orsolya Jeney, József Böröcz, Muqtar Jama discuss migration in a global context
- 18 **The desert of the real** Ben Cunningham
- 22 **Migrants are politically mute** Ivalyo Ditchev talks cultural triggers and consequences of mass migration with Wojciech Przybylski
- 28 **Free trade in an age of mass migration** Andrea Franc

*The*  
**Desert**  
*of*  
**the Real**

Benjamin Cunningham

PAGE **18**

Illustration: Jagna Wroblewska

ECONOMY

GEOECONOMY

- 30 **Martin Ehl reports on trade wars and origins on strong competition in Central Europe**
- 34 **Survey: What does TTIP hold for V4?** Marek Wąsiński, Vilém Semerák, Peter Baláž, Eva Palocz and Peter Vakhal
- 40 **Ministry of foreign opportunities Economic diplomacy in the Czech Republic** Martin Tlapa and Tomáš Píša

What does **TTIP**  
hold for **V4?**

Marek Wąsiński, Vilém Semerák,  
Peter Baláž, Eva Palocz and Peter Vakhal

PAGE **34**

OPINION

EURO IN PERSPECTIVE

- 46 **Should we all have one currency?** Eight prominent authors debate pros and cons of euro adoption in V4 Krzysztof Blusz, Leon Podkaminer, Luděk Niedermayer, Mojmír Hampl, Zuzana Gabrižová, Juraj Karpiš, Balázs Romhányi, Adam Balog
- 58 **Visegrad's role in the Greek tragedy** Henry Foy

**SHOULD WE ALL HAVE ONE CURRENCY?**

*Eight prominent authors debate pros and cons of euro adoption in V4*

Krzysztof Blusz, Leon Podkaminer, Luděk Niedermayer, Mojmír Hampl, Zuzana Gabrižová, Juraj Karpiš, Balázs Romhányi, Adam Balog

PAGE **46**

Illustration: Tímea Kezsi

INTERVIEW

THE BEST THAT COULD HAVE HAPPENED

- 60 **Grigorij Mesežnikov on Slovakia's future in conversation with** Marek A. Pędziwol

INTELLIGENT MIND

THE OTHERNESS OF CENTRAL EUROPE

- 64 **The other Europe. Face to face with its contradictions** Jacques Rupnik

**GRIGORIJ MESEŽNIKOV ON SLOVAKIA'S FUTURE IN CONVERSATION WITH MAREK A. PĘDZIWOL**

PAGE **60**

Illustration: Jagna Wroblewska

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# THE OTHER EUROPE

Jacques Rupnik

PAGE 64

photo: VIGORIGES GOBET/AFP/EAST NEWS

Michal Kořan

## Central Europe in the European Union: A STORY OF HYPOCRISY

PAGE 70

**VISEGRAD ABROAD**

**NEW SILK ROAD**

- 70 Central Europe in the European Union: A story of hypocrisy Michal Kořan
- 74 V4 and the Balkans Matteo Tacconi
- 78 All aboard the China-Europe Express Liu Zuokui

**NEW EUROPE 100**

**PROMISE OF TECHNOLOGY**

- 84 Public administrations are never as smart as their citizens. Interview with International Visegrad Fund Director Beata Jaczewska
- 86 Innovation's new home: local economy Daria Tataj
- 90 Technologies in the refugee crisis Anna Wójcik

**CULTURE**

**TRAPS AND ESCAPES**

- 94 New challenges, old problems: media landscapes in Central Europe 25 years after transition Václav Štětka
- 98 Inside the house of the dead. Ágnes Orzóy on *Son of Saul*, a Hungarian success in Cannes
- 102 Migration and Central European literature Krzysztof Cieślík, Noémi Szécsi, Julia Sherwood, and Martin Tharp

**PUBLIC ADMINISTRATIONS ARE NEVER AS SMART AS THEIR CITIZENS**

Interview with International Visegrad Fund Director Beata Jaczewska

PAGE 84



*Son of Saul: A Hungarian Success in Cannes*

**INSIDE THE HOUSE OF THE DEAD**

Ágnes Orzóy

PAGE 98



📷 Born in Damascus in 1980, **Tammam Azzam** lives and works in Dubai. A painter by training, he has received critical acclaim for a series of collages that depict the unfolding conflict in his native home Syria. Drawing inspiration from classical Western painting traditions and contemporary street art, in 2013 Azzam famously superimposed Gustav Klimt and Henri Matisse's iconic paintings on photographs depicting the ruins of Damascus. His latest work explores the everyday civilian experience in the conflict zones and the reality of migration from war-torn regions.



# Movement *of* People

*is a Norm, Not a Crisis*



From the perspective of the European media Hungary is at the center of the migration and refugee crisis. Many in the Visegrad countries and also in the broader European arena are, wishfully, treating this dilemma as an isolated event, albeit one of considerable size. But these large movements of people are no longer aberrations to be contended with once the crisis reaches a boiling point; today's reality suggests these egressions are the new norm.

Illustration: Jagna Wroblewska



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 ATILLA MELEGH

 Professor, Corvinus University, Budapest
 

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*North American and European players, nor their regional allies have been willing to abandon their brutal politics, regardless of their indefensible stance according to international law.*

This has led to a very serious emergency, which has ruined various states and led to an immense refugee crisis, spreading consequences to the European Union. For this reason we held the discussion at the Karl Polanyi Center for Global Social Studies; the conversation reflected on the causes and the nature of the crisis as well as the various methods different countries and regions are using to handle the massive flow of migrants.

We need to look at how to respond to the immediate crisis, how to apply and possibly change international and EU laws, and what to do with the intensifying political competition and the exclusion of various migrants groups.

If we don't, we run the risk of populations becoming increasingly radical and frustrated by these vulnerable masses in and around Europe. In turn, populist politicians and media elites will elevate this hysteria – if the last few months are any indication of their behaviour – through orchestrated scapegoating, and there will be a cacophonous mob applauding newly erected razor blade fences and burning down refugee centers. This is an outcome no one wishes to see come true, but unless we solve some of the questions mentioned above, it could become our unfortunate future. /

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 LÁSZLÓ CSICSMANN

 Associate Professor and Dean of the Faculty of Social Sciences, Corvinus University, Budapest
 

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*Today we are seeing the negative spill over from the Arab Spring that started in 2011 in Syria and other Middle Eastern countries.*

The failed states in Iraq, Yemen, and Libya are the root of the so-called current global refugee crisis. So too, the Syrian state has fallen and foreign actors—the United States, Russia, Turkey, Saudi Arabia, and Qatar—are playing different roles in the situation, but there seems to be no political solution on the horizon. Similarly in Iraq, Libya, and Yemen, we have witnessed the government's failure to maintain order after the fragile equilibrium of the Hussein, Qaddafi, and Saleh's regimes was broken. Therefore, one possible solution to the refugee crisis is a reestablishment of order in those states. The question is how to do it.

Four million people have fled Syria since March of 2011 when the protests against the Assad regime erupted. Since July

of 2012, the civil war has become a reality. As a result, the neighboring countries of Turkey, Jordan, and Lebanon were forced to welcome most of the Syrian refugees while Egypt and Iraq took several hundred thousand. Millions of displaced people have been living in refugee camps and in the cities for two to three years now. They cannot return home safely, many do not have any homes to return to, and the living conditions in camps are difficult, to put it mildly. Their presence is a huge burden to welcoming states, which have no qualms against those people moving elsewhere, particularly to Europe. /

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 BOLDIZSÁR NAGY

 Associate Professor, Central European University and Eötvös Loránd University, Budapest
 

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*When we talk about the situation in the Middle East, we should not forget about the five million Palestinian refugees scattered throughout the region. Secondly, we should take into account that nothing is unprecedented.*

There were two million refugees from Rwanda, and six million from Afghanistan. The one thing that has changed; more of them reach Europe. Currently it amounts to 10% of the total number; in comparison, the number reaching Europe from Afghanistan was only around 2%.

Therefore, I am inclined to believe this is not an unprecedented refugee crisis. We in Europe are somewhat more affected than we used to be. Earlier, as a consequence of the war in Afghanistan, Iran took in three million refugees. Pakistan took in another three million refugees. Mainly Tanzania and the Democratic Republic of Congo (Zaire) hosted the Rwandan refugees. And as a final example, Malawi took in 700,000 Mozambicans. Neither the proportions nor the absolute numbers of the current migration to Europe are of exceptional magnitude.

When dealing with the fears induced by the present migratory movements to Europe, the next thing to consider is that refugee status is temporary. The whole discourse is suggesting that these people are coming to Europe to stay. That is wrong. Once the stakeholders finally manage to peacefully secure Syria and Libya, these people with refugee status are supposed to return. There will no longer be a well-founded fear of being persecuted and there will no longer be a serious threat of general harm, which is the basis of subsidiary protection. Then, unless they have another reason or authorization to stay, they cannot remain, but will be called upon to leave. Bosnians who found refuge in Germany were returned after the Bosnian war was over.

The present crisis is partly the result of the very uneven distribution within the EU (and in general within Europe) of the asylum seekers, which insulates the crisis to a few states.

But, and this may appear as a maverick idea in essence, we have a crisis because there is no global freedom of movement. If there was freedom of movement for everyone, people from the Middle East would just move to the European common space just as Hungarians or Romanians did, or the Danish who moved to Germany. The whole scandal of criminalizing people trying to get into a country is created by the fact that the country is not willing to let them in. If freedom of travel would be re-established as it was the default norm prior to WWI, there would be no crisis. We created this crisis by creating borders. But of course no politician is in favor of abolishing the borders. /

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DIANA SZÁNTÓ

Director at Artemisszió Foundation

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*What we are actually going through is a major crisis of global capitalism. This so-called global migration crisis is just an external side effect.*

Let me give an example from Sierra Leone, a small country in West Africa. We never hear of it nowadays in Europe, simply because Sierra Leonean refugees are not coming here in big numbers. Sierra Leone is an example of what happens when society has to be rebuilt with western aid. In this case, the state did not fail by itself. Foreign actors completely took over the economy of the country and weakened it. The country is democratic, but privatization and the expropriation of national wealth is an on-going challenge which has been unchanged since the dictatorship. I worked there in 2008 when the country was just emerging from the war. Back then, nobody spoke about migration. Today everybody wants to leave. I don't know if it's very scientific, but there is a moment in life – and in the life of societies – when there is just no hope that tomorrow is going to be better.

From 2009 until 2012, 1.2 million people's property has been expropriated by international companies that are not paying taxes because they are relying on tax allowances. The five major mining companies that are expropriating the land are not paying taxes because they are not making a profit. And there is, of course, a migration crisis inside the country because people are moving to the city from rural areas. Two million people live in a city built to accommodate 200,000, which consequently causes an economic crisis.

Every single aspect of what I have mentioned can be reproduced globally in any post-war society. If we are creating peace, which will be followed by the same injustice, it's not going to be a lasting peace. In the long run, we have to make sure that we are revising our economic practices, rules, and regulations to create specific economic circumstances under which thousands and thousands of people will not be pushed away from their homes. /

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PÁL NYÍRI

Professor, Faculty of Social Sciences, Vrije University Amsterdam

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*Are people moving now because suddenly they have no hope? Is it hope or something different?*

There is an interesting anthropological concept called "capacity to aspire" that can be useful to consider here. These days, people are more capable of aspiring to accomplish things that would have been unimaginable about twenty years ago. Because of social media, people can imagine other ways, easier ways, of living. And it is this comparison to those other ways of living that fragments hope. So thirty years ago, people from Sierra Leone did not move because it was easier to accept their fates.

We are shocked when witnessing the current migration wave to Europe, but the fact is people have always moved. There is nothing extraordinary about it. Instead of asking why do people move, we could ask why do they stay where they are, and this would be an equally legitimate starting point for the discussion. Migration to Europe in the current form has existed more or less since the 1970s, reaching its peak in the 1990s, coinciding with the Chinese migration to the former Soviet Union. This has to do with the establishment of the common European migration space, which meant that people could move easily from one state to another.

Of course, we still need to ask why it is that we are seeing this particular migration intensified at this particular time, from these specific places to these destinations. One of the reasons is the collapse of the states and subsequent deterioration of living conditions (e.g., with Syria becoming increasingly uninhabitable). At the same time, Europe remains a place where people can lead a more liveable life.

The other factor is that compared to the early 1990s when I began my research on illegal immigration to Europe, it has in some ways become much easier thanks to the accessibility of new communication technologies and social media. The opportunity costs of migration have decreased because people can get much better information faster and at a much lower cost. This means that smuggling infrastructures are struggling to maintain their usefulness. Many more people can operate on their own.

It is also important to ask why people do not go elsewhere. The European migration situation is very peculiar. Since the end of WWII, especially since the 1970s, the European migration system has operated under the false pretences that migrants can be separated into groups where some are subjects of humanitarian concern and others are economic migrants. The latter are to be admitted in very limited numbers upon demonstrating proper qualifications, and strictly as a matter of free choice from the individuals. Their claims are assessed on a case-by-case basis by state authorities.

Neither the Asian nor the American migration systems operate on the same sort of principle. So, for example, you can ask why the migrants cannot move to the Middle East or to China. Well, they cannot because those migration systems do not fully recognize the idea of freedom of movement; they consider migration to be a matter of state-to-state agreements, which is a path that some of the European countries would now prefer to take.

What we observe now is interesting because it is a corollary of this fictional separation between the humanitarian flow of refugees and a discretionary flow of economic migrants. Now, we can see just how difficult it is to make a distinction between these two flows. And some governments have removed the mask of humanitarian concern for individuals. What is equally important, the migrants themselves have taken off this mask of deserving refugees. They don't think proof that they have been persecuted is necessary, and seem to be operating under the principle that moving to a country where they can live a better life is some sort of human right. It is a very interesting development that we have not seen anywhere else before. The question I wrestled with now is how this dilemma is going to proceed? Who is going to emerge victorious from this particular conjunction?

A number of European countries do realize that their pretence as non-destination countries of migration is untenable, simply because of demographic reasons. Germany in particular is motivated by the recognition that they need to add to their working population. Since there is a population that is literally dying to get in, why not accept them?

The situation in the Central European countries is particularly interesting as they are experiencing this mounting humanitarian concern for the first time in recent history. This is not something they have ordinarily witnessed because they have not been a sight of massive influx from distant places ravaged by crises like Africa. But when people are confronted with this reality, thrown forcibly into their lives, thrust under their noses, they cannot deny their human interest, their humanity. /

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ORSOLYA JENEY

Director, Amnesty International Hungary

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*Here are a few facts to consider:  
there are 19.5 million refugees  
globally.*

Only a tenth of the 1.15 million most vulnerable refugees are being resettled. 86% of refugees are presently hosted in developing countries while UN refugee appeals remain chronically and severely underfunded.

The crisis appears insurmountable at times, but there are methods which we could introduce and, in the process, make the seemingly impossible a feasible reality.

First and foremost, we must prioritize saving lives. No one should have to die crossing a border, and yet almost 7,000 people drowned in the Mediterranean alone in the two years since the first big shipwreck in October 2013. To avoid this we need to open safe routes for refugees, allowing people to reunite with their relatives and giving refugees visas so they do not have to spend their life-savings and risk drowning to reach safety. People fleeing persecution or wars should be allowed to cross borders, with or without travel documents. Pushing people back and putting up massive fences only forces them to take more dangerous routes to safety.

Administratively, strong refugee systems need to be set up allowing people to apply for asylum, treating their refugee claims fairly, providing basics like education and healthcare, and resettling the most vulnerable of all. This last point of resettlement, for some reason controversial to some, is a vital solution for the most defenceless refugees – including torture survivors and people with serious medical problems.

Cruel notions and policies also need to be discouraged and governments need to stop blaming refugees and migrants for economic and social problems. Instead all this xenophobia and racial discrimination needs to be combatted. In part, this is a reaction from media bias which presented the “problems of the refugees” as the “problems of the enemy.” The ominous nature of this “enemy” points out the stereotypical and prejudiced beliefs that it may encourage. We have to have accountability for politicians who attempt to capitalize on these waves of distrust and unease, and to praise those sober voices extolling the virtues of aiding the neediest. As a practical example of how governments can help, all countries should investigate and prosecute trafficking gangs who exploit refugees and migrants. It seems like a simple request, but if this was fully enforced, the extent of assistance required by refugees could diminish as well.

None of these solutions are impossible to achieve if politicians listen to the millions of people saying “refugees welcome,” and put solidarity and compassion above petty wrangling over who should host a few thousand refugees. /

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**JÓZSEF BÖRÖCZ**

 Professor, Rutgers, The State University of New Jersey
 

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*Far too few people are asking the question: What if the current state of things in Europe is not a short-term problem, but the new norm?*

**W**hat if what we are witnessing is a new, creative adjustment to the astonishing continued global hegemony of the US and the EU? The reason I am asking this is that the global media seem to suggest that people who cross state borders are completely destitute in all possible senses of the word. (Asylum laws more or less force them to act like that in their interactions with the authorities.) We assume that their decisions to move have no other moral, political, social or cultural component but a “raw” and final quest for survival, and that they made their decision on a completely isolated, individual basis. But, is that assumption warranted?

What if what we see is the emergence of a new kind of alternative, cross-border social organization of early-21st century, hyper-modern, global life? Why would European societies want to oppose such a development?

What about the issue of the future political and social organization of the groups of people currently on the move? Everybody seems to assume that the millions of people are not, and will never, transform themselves into a political force. What if they find charismatic leaders who speak in a new voice, with new messages? What will those new messages be? How would such sociopolitical developments transform their own societies—as well as western Europe? In flatly opposing the idea of accepting even one such family, how are the Visegrád states positioning themselves vis-a-vis such a development? /

**The following excerpts are adapted from a discussion on migration flow and showcase a variety of aspects on this new global disorder.**

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**MUQTAR JAMA**

 Intercultural mediator at the Hungarian Association for migrants MENEDEK
 

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*Political instability, poor economic conditions, civil conflict, and the 2011 Arab Spring protest that swept through the Middle East and North Africa, are all factors contributing to the radical reshaping of the regions political and security environment.*

**N**ow being added to the list of consequences is the massive outflows of refugees to Europe. It is not a migrant crisis as some call it; it is a refugee crisis, a matter of modern civilization, and Europe has the humanitarian and moral obligation to assist these people in need. What is really required in Europe is solidarity and concerted efforts to find acceptable and lasting solutions to this crisis. The establishment of new asylum systems and the promotion of protection-sensitive management of mixed migration movements should be the key priorities.

To be clear, the situation in Syria is the most dramatic humanitarian disaster facing the world today, and it will remain to be extremely challenging and unpredictable. This crisis cannot be solved with an external monetary influx, and it will not simply go away without testing the strength and fortitude of European unity and hospitality. The political landscape will also be, if it has not already been, tested before the process and crisis comes to an end.

What is crucial to understand about the refugee situation can be exemplified by a quote from the Somali poet, Warsan Shire: “You have to understand, No one puts their children in a boat, Unless the water is safer than the land.” /

Edited excerpts from “Global Politics and the Refugee Crisis” discussion at Karl Polanyi Research Center of Global Social Studies, Corvinus University in Budapest, September 16<sup>th</sup> 2015.



# *The* **Desert** *of* *the* **Real**



Though it almost never seems that way, Europeans actually feel quite good about the European Union. Even in countries where populations are traditionally viewed as skeptical of Brussels, just a fraction of people view the EU in an outright negative way – only 13% of Hungarians, for example.

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BENJAMIN CUNNINGHAM

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**T**here were only two member states (Cyprus and Austria) where a plurality of people had a negative view of the EU in a Eurobarometer survey released in July 2015. Perhaps even more surprising to the casual observer is that Europeans are highly optimistic about the future direction of the EU. In twenty-six countries, a majority of people feel the EU is going in a positive direction (all but Cyprus and Greece), and this is especially so in the Visegrad Four where the statistics enjoy healthy majorities — 67% in Poland, 62% in Slovakia, 61% in Hungary, and 57% in the Czech Republic.

The results are clear. Europeans, including V4 citizens, like being part of the EU. In fact, the race is not even close, and, contrary to what a few tensions and struggles would suggest, positive public opinion is pulling more and more ahead.

The most popular single feature of the EU is the free movement of people, goods, and services, in other words, the Schengen Area. Unlike other trans-European projects, Schengen membership

is still a draw for those outside of it, and the free travel zone includes four countries that are not even EU members. In Bulgaria, a non-Schengen country, 57% of people say they support joining the Schengen zone, with just 12% opposed. Juxtapose this with how Bulgarians feel about potentially joining the Eurozone — 65% are opposed — and you get a picture of how popular free travel really is.

It seems that if there were ever a single issue which most Europeans could agree on, it would be this free movement, but that does not suggest that it is free from attack. At the time of writing this article, this right was being threatened and, indeed, had been temporarily suspended in much of Central Europe. The crisis of the Schengen zone “cuts to the heart of the political spirit of the EU” notes Benjamin Tallis of the Institute of International Relations in Prague. “Schengen created a common border without creating a common migration system,” he added.

While Europeans may well support the EU as an idea, that concept is actually not uniform; it is often under the influence of various and disparate views.



*Most European countries agree with accepting empty and ineffective political gestures. We will be opposed.*

MILAN CHOVANEC,  
Czech Interior Minister

The ongoing influx of migrants from the Middle East, North Africa, and elsewhere has done a lot to expose those divisions. Though a simplification, it is largely accurate to say that this has placed Western European member states (with decades of experience in immigration) in opposition to Central and Eastern Europe (where emigration has been a more common trend).

Indeed the ability of people to move around once inside the Schengen area “does not make life easier” when it comes to dealing with refugees, says Robert Visser, director of the Malta-based European Asylum Support Office (EASO) which coordinates EU asylum policy. He continued, “The countries where people are going have invested in integration and integration does work.”

The open, internal borders frequently serve as an argument that migrant-wary politicians use to vacillate over accepting refugees. V4 leaders are not above arguing that any asylum seekers resettled in their own countries would, almost certainly, make their way elsewhere as soon as possible — as if such hostile rhetoric would not create a self-fulfilling prophecy.

“Why pretend that your country is not a nice place to live?” Tallis asks.

The obvious answer is to avoid responsibility. As of now, the unwillingness of some EU members to welcome refugees has been combined with outsourcing security duties for external borders to others. That combination shifts the burden of coping with migrants onto just a few countries — because they are external border states (Greece, Italy, Hungary, etc.) or desired destination states (Germany, Austria, Sweden, etc.).

The Czech Republic falls into neither of those categories, and although Poland and Slovakia have external borders, refugees have yet to flood either country. None of the three have thus far contributed in any significant way to dealing with the current migration issues.<sup>1</sup>

“We should do our part, but at the same time it is a tough sell politically,” said one top Czech government official, who asked that his name not be used as he was not authorized to comment publicly on policy deliberations. “There is also a growing realization this won’t go away anytime soon and that this will shape domestic politics in one way or another.”

Indeed it already is, and although voting publics the world over have a great capacity for ignoring the suffering of faraway peoples, the V4’s reticence to engage in migrant issues also abandons their supposed allies in the EU — in particular the very countries that V4 citizens and the goods from their industries wish to travel to regularly without border checks. Few reasonable observers believe this imbalance can continue if the free movement within the Schengen zone is to be maintained, and why should it?

“The Central and Eastern European members have never been keen on taking on the burdens ... of EU membership,” Tallis says. “They have managed to get away with it until now.”

European Commission President Jean Claude Juncker largely agreed in his September State of the Union speech. “The free movement of people under Schengen is a unique symbol of European integration,” he said. “However, the other side of the coin is a better joint management of our external borders and more solidarity in coping with the refugee crisis.”

V4 leaders have balked at increasing solidarity, but thus far vocally support increased security on the EU’s external borders. They tend to argue that sealing the outer border must come before aid

to the hundreds of thousands of people already inside. As our anonymous Czech official put it: “A common position is that we have to help in the countries of origin and strengthen the Schengen borders.”<sup>2</sup>

This is presented as a dispute about chronology — that improved external borders come first and migrant aid second — but is really a reluctance to resettle migrants at all, and comes as V4 leaders cater to domestic xenophobia. In all four countries, the public has a negative view of immigrants generally and foreigners from outside the EU in particular. The

*We must protect the borders of Hungary and Europe, and at the same time we must also fight against Europe’s short-sighted policy, which has turned against the will of the European people.”*

VIKTOR ORBAN,  
Hungarian Prime Minister

Czechs lead the way with 81% of people pessimistically perceiving immigration from outside the EU.

“People are genuinely scared,” the anonymous Czech official said.

But as is often the case, those fears have little basis in reality. Though just 0.3% of Poland’s population is foreign, Poles view immigration as the most urgent challenge facing Europe. They may be right, but for the wrong reasons as a full-quarter of Poles believe that foreigners account for at least 10 % of the population. This means they overestimate how

*At the moment Slovakia is not affected by the crisis because we have been consistently protecting our borders for years. We don't really attract people wanting to stay.*

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ROBERT KALINAK,  
Slovak Interior Minister

many foreigners live in their country by 3.7 million people.

During the Sept. 22 vote that ultimately saw EU members approve the redistribution of 120,000 refugees, the Czech Republic, Hungary, Slovakia, and Romania opposed the plan. Going into the summit, most had predicted that the V4 countries would vote in unison against redistributing migrants, but Poland broke with the rest of the group.

This may not mean the end of the V4 altogether, but the move did have the look of a country unwilling to be dragged down by eccentric neighbors and leaders unconcerned with short term public opinion.

"The alternative was turning away from Europe," Polish Interior Minister Teresa Piotrowska said.

In the Czech Republic, Interior Minister Milan Chovanec used Twitter to express displeasure with Warsaw's decision. "Poland broke away," he wrote. "I am afraid now it is only the V3."<sup>3</sup>

Someone might tell him that without Poland, it could be called the Visegrad Zero for all the influence his grouping might wield.

Next door in Slovakia, Prime Minister Robert Fico called the resettlement plan a "dictate" from Brussels and threatened to fight the EU in court in an attempt to avoid taking refugees. Just weeks earlier, and running contrary to the shocking images of suffering children, Fico had asserted that most of the migrants were not refugees at all.

"Is a person who shells out €5,000 to a smuggler really impoverished?" Fico asked. "Look how many of them are young men seeking jobs, it's 90% of them."

*We couldn't have blocked the [EU] Council decision even if we were four [Visegrad countries voting no]. We could have said "No" and had no say in the negotiations, or we could have done what we did.*

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PIOTR STACHANCZYK,  
Polish State Secretary for Immigration

Not to be outdone, Hungarian Prime Minister Viktor Orban has remained the face of Central European opposition to migrants and in a recent speech he made to the Hungarian parliament where he described Europe as "rich but weak...the most dangerous combination possible."

But buried in the rhetoric there was something resembling a constructive proposal. As the only member of the V4 that has thus far dealt with a significant number of migrants, his position resembled the urgent calls that went ignored when they came out of Rome and Athens for at least a year. "All 28 member states should share in the protection of the southern borders of Europe," Orban said.<sup>4</sup>

What Orban and others don't mention is that a full 73% of Europeans also support the idea of a common migration policy — including a majority in Hungary and the rest of the V4 states.

The future of the Schengen Area almost certainly depends on it. /

Benjamin Cunningham is a Prague based writer and journalist. He contributes to The Economist, The Guardian, and Politico and is an opinion columnist for the Slovak daily Sme.




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2. Quotation modified.
3. Quotation modified.
4. Quotation modified.

# MIGRANTS ARE POLITICALLY MUTE

*Ivaylo Ditchev talks cultural triggers  
and consequences of mass migration with  
Wojciech Przybylski*

**We usually discern the geopolitical and economic causes of mass migration. Are there any cultural changes that made it possible on this scale?**

People are less attached to the places, religions and cultures in which they were brought up. The theatre of group identities is still performed by some “righteous” parties and religious organizations, but in general we are becoming more and more singular. The contemporary individual *has* a culture instead of being a culture. Culture has become a possession, like a car or a music piece, and it follows you wherever you go. That is why we can choose places more easily, as if we lived in a marketplace of belonging. This has been by far the easiest in the European Union, which declares the freedom of

movement and of goods and peoples as one of its founding principles.

Choice is a crucial part of our modern culture. When you choose a particular place to live, perhaps because the climate is nicer there, as well as some political and economic conditions, you inevitably influence politics. And politics has been, until now, linked to territory. In the past, there was a fatal sense of belonging to the soil where ones ancestors were buried. People considered borders something to defend and die for. Today we all choose identities from a market of belongings, and politics has become a matter of individual consumer choice. Politicians became managers of the flows, luring desirable populations, for example a creative class, to the city.

GEOGRAPHY HAS **ALWAYS BEEN THERE.** SOME SAY THAT THE RISE OF GLOBAL TRANSPORTATION AND COMMUNICATION **TECHNOLOGY HAS ABOLISHED GEOGRAPHY.**

*But it matters.  
Inequality is ever  
more geographi-  
cally based.*

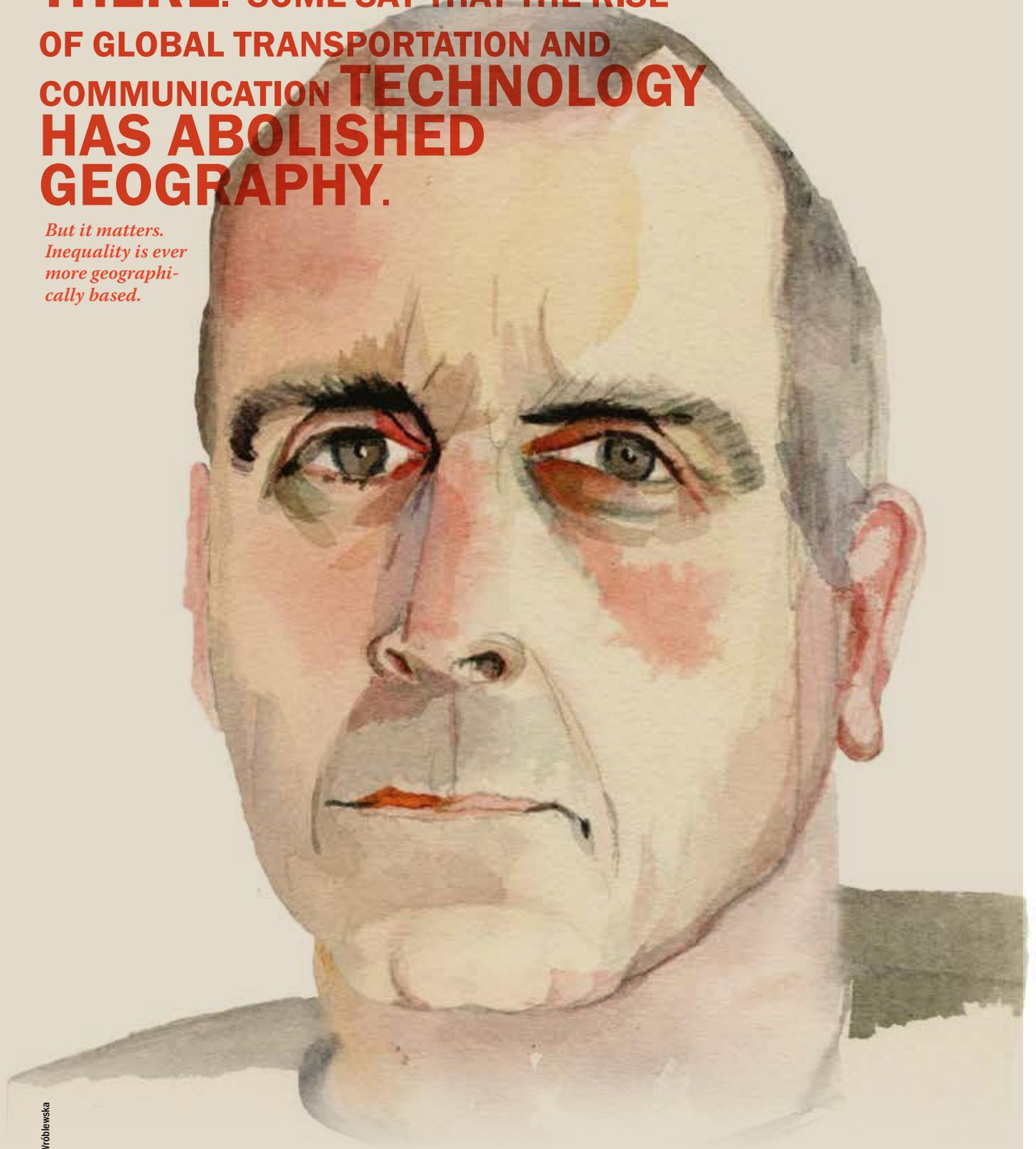


Illustration: Jagna Wroblewska

# ...WE NEED TO CONSIDER THE TRAP OF ACCOMPLISHED DESIRE, OF COMFORT, WE HAVE FALLEN INTO. LIBERTY IS NOT ONLY A GOOD THING; IT CAN ALSO BE A BAD THING

## Should we consider the origin, background and identity of newcomers?

This is the main issue. Extreme right parties in Bulgaria want to attract ethnic Bulgarians from Bessarabia or Macedonia. But those people are not interested in coming to Bulgaria. Rather they want to go to more economically prosperous places. Others cry, “we don’t want Muslims; we want Christians.” And finally, every government wants rich and educated people. Many places in the world, e.g. Bulgaria or the United States, would happily grant citizenship to people who can invest more in the country. This is the reason why we have politics of a different type now. States have become enterprises, which somehow manage these flows of people, and citizens become consumers of the services provided by the state.

## Is this change of politics a good or a bad thing?

I have grown up in a different world, so this new situation makes me a bit uneasy.

But there is no way back. I do not see any. If we go back, we need to consider again dying for the motherland, and this seems counterintuitive bearing in mind the levels of violence in society today. One of the things that has happened is that the modern world was pacified by trade and globalization, among other factors. Of course, this does not mean there are no wars. But wars nowadays are considered illegitimate; they are not a natural part of the system. You cannot imagine establishing a new sovereignty through war today, thus the scandal around the annexation of Crimea by Russia. Before, for thousands of years, war was the ultimate argument regarding sovereignty and borders.

We cannot go back, but we need to consider the trap of accomplished desire, of comfort, we have fallen into. Liberty is not only a good thing; it can also be a bad thing. Social scientist Albert Hirschman compared Eastern Germany and The People’s Republic of Poland in his research about the reasons that explain the lack of resistance in Eastern Germany. His argument was that people in Eastern Germany could leave the country, and the government was even paid by Western Germany, using a complex price list. So people who were dissatisfied, left. And the situation calmed down. Whereas, in Poland, there was no second Polish state to emigrate to, people had to stay, and wanting to improve their condition, they fought. The easier it is to leave, the less motivation you have to voice opposition; in fact Hirschman takes this model from consumer behavior – you leave the shop where they do not serve you, and you go to another.



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There are five million people leaving Syria now which means that we have five million fewer citizens who would create a normal, democratic state in the near future. This is alarming. Today's citizen-consumer, someone who is shopping for a better, more liveable place, is pragmatic and does not have that much sentiment for the ideals of democracy and solidarity. Of course there is war and the European Community should help, but war is also an occasion for a great part of these people to leave and look for a better life. Under communism the majority of those "fleeing to the West," were not political dissidents and only presented themselves as such in order to be able to choose a better shop, sorry, citizenship. But then, sending them back home would have meant sending them to prison as traitors of the motherland.

Unfortunately, a migrant is more docile. Bulgarian migrants in Germany rarely participate in collective movements, or strikes. They are not interested in politics. Of course they have more important questions to settle: finding an apartment and a job. But their disinterest significantly lowers overall citizenship standards. Mass migration lowers citizenship standards because migrants are more submissive due to their precarious condition. Let me give an example: you wait for a document permitting you to stay legally in the country. During this waiting time you don't want to be noticed. You always have your ticket when you ride the metro, because – in your opinion – even a minor offence can attract the negative attention of the authorities. Therefore you strive to be invisible. You don't speak, you don't have a voice, as psychoanalyst Julia Kristeva suggested. The migrant experience, the period of being mute translates to a time with no voice, with no claim to rights. Mass mobility, in this sense, might be seen as a big machine to produce submission.

#### **Was the Schengen area, a free-movement area in Europe, a mistake?**

Schengen is a mistake just as euro was a mistake: creating a common currency without a central Ministry of Finance is akin to establishing a common area of free movement without a central Ministry of Internal Affairs and common border control. The result, either adopt common institutions, or Schengen falls apart. Unfortunately federalist ideas are

not fashionable today and only catastrophes may make us move forwards.

#### **We are also on a leash of technology.**

Modern technologies have created much more serious border control than the physical ones did. The population is constantly being supervised, but this control is often implicit; one is hidden among the endless streams of data, but if they want to, they can find you. We saw this on September 11<sup>th</sup>; the information was all there, but there was no human capacity to analyse it. For the moment machines, still, cannot deal with singular, illogical events. Social control is not obsolete; the problem is whether you can have it in a society on the move, to the levels we were talking about.

#### **So you suggest we should keep borders, but have greater citizen's control over them?**

Borders are not bad, they protect. They are the foundation of political entities; they not only separate but also link the peoples. French philosopher Étienne Balibar said that "we cannot abolish borders; we should democratize them." We should make the borders a matter of public debate and decide where borders should be, what we want them to be. For instance: should we be controlled by our telephone provider? There has been no public discussion about it. And I am not sure that most of the people would be against it. They can be convinced such control is permissible for a greater good, for instance to fight against the mafia. However, this issue should not be decided arbitrarily by the ones in power, but by the citizens. When you build a house, you decide whether to put up a fence or not.

#### **In the Czech Republic some eighty percent of the population was against admitting migrants. This popular attitude may go against the state interest, and, therefore, against the interest of its citizens.**

Let's see what happens when a country closes its borders. The trade is stalled, the movement of people is on hold, the country is entering economic crisis. Perhaps people should learn this painful lesson, and then decide again. The small nations of Central and Eastern Europe take global exchange for granted. Cut them off for a while from the world and watch what happens. Greeks boasted that the

Russians and Chinese would save them. Again this idea allows you to choose the better provider.

Regarding the borders, public discussion means that you take into consideration the positive but also the negative sides of the argument. There is a famous description by Aristotle of an ideal *polis* in "Politics." The ideal polis, he says, should be a place that is easy to leave but difficult to get in to. It should be difficult for the enemies to get into the city, but it should be easy for the citizens to get out. So everybody has a little bit of an asymmetrical fantasy about their living space: I want to go out, to do tourism, work abroad, but I don't want the others to come. In this sort of discussion, people should be put in front of different possibilities and different consequences. What happens if we close the borders? What if Bulgaria brings back the communist border? Let us give it a try for a year if they want. For a month.

#### **Is it the revenge of geography?**

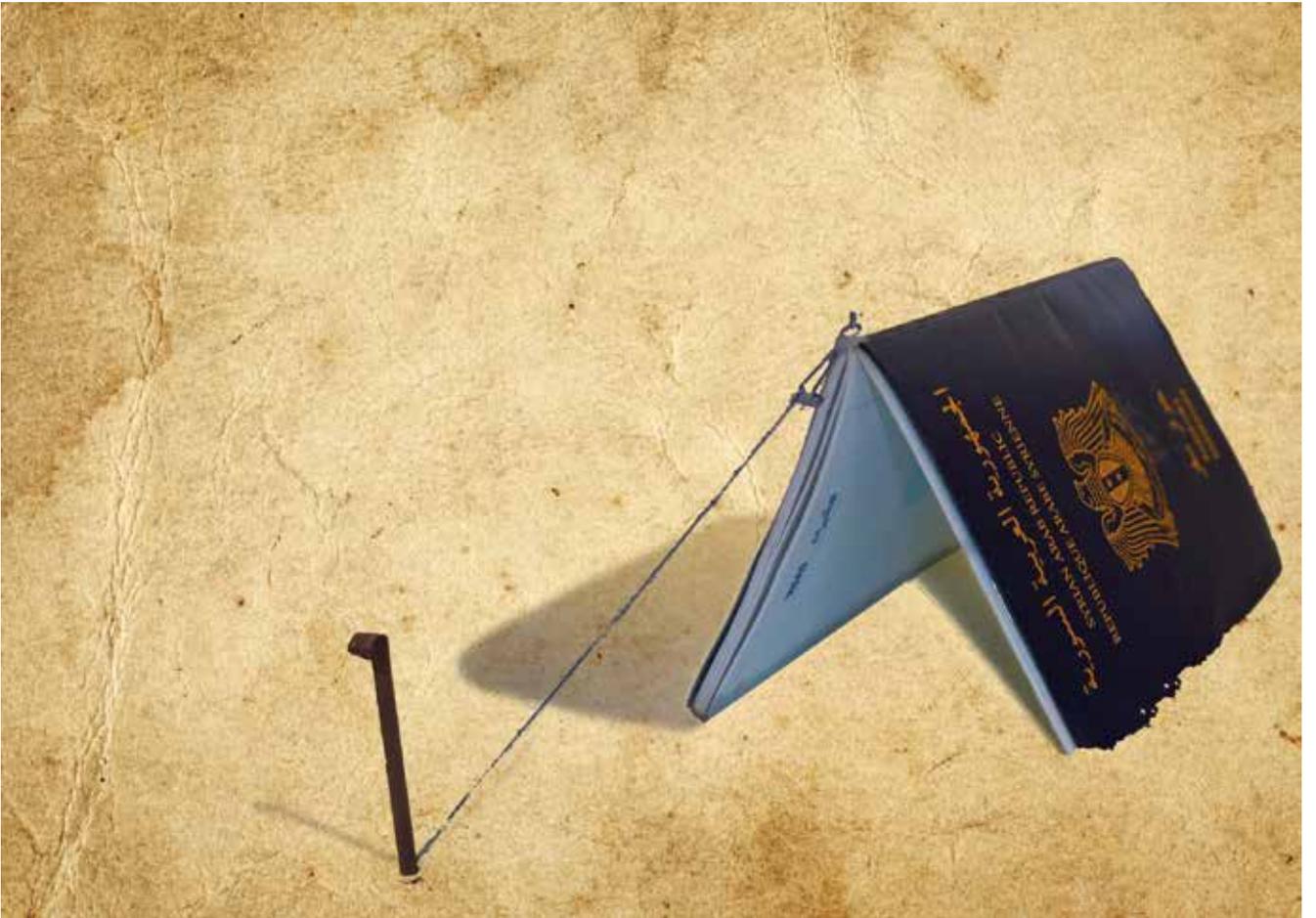
Geography has always been there. Some say that the rise of global transportation and communication technology has abolished geography. But it matters. Inequality is ever more geographically based. Just compare how much you would earn for doing the same job, say sweeping streets, in Zurich and Karachi.

Geographical determinism has become a new form of inequality. We fight inequalities that stem from race or our family background, but those based in geography seem natural. Just stay where you are, you are naturally adapted to this climate, to this dictatorship. /

Ivalo Dichev is professor of cultural anthropology at Sofia University.



📷 Tammam Azzam



📷 Tammam Azzam

# FREE TRADE

## *in an age of mass migration*

For decades the West has denied Africa access to western markets. Meanwhile, subsidized western agricultural surpluses have destroyed African economies. The human cost of this can now be seen along the full length of Europe's southern shores.

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ANDREA FRANCO

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**T**he African boat migrants we see almost daily in the news are mostly young, healthy men who are looking for work. They come with peaceful intentions and with an apparently boundless belief in capitalism and democracy. Paul Collier, the British economist and author of the book *Exodus* (2013), says: "Migration from poor countries to rich ones is driven by the wide income gap between them." We should have listened to Collier's voice much earlier: since the 1990s, he has drawn attention to the growing income gap between Africa and the rest of the world. No one knows the problems of African countries better than Collier. He has always emphasized that western trade policy towards Africa is a part of the problem. Collier already wrote in 2007, that our diplomats' defence of subsidizing European agriculture with billions of euros and protectionist duties is "too shaming to accept."

Western diplomats, on the other hand, maintain that their hands are tied owing to domestic policy. They point to the populace who would reject any proposal to open their agricultural markets. Indeed, the European population has so far been willing to spend countless billions in order to support its agriculture. As taxpayers, Europeans subsidize their agriculture, and as consumers, they ac-

cept high prices. Up until now, they have had no qualms about the fact that their diplomats mercilessly defend European agricultural policy in negotiations with the poorest countries of Africa. European cows cost more money to keep per day than millions of Africans need for survival. The masses of African economic migrants could bring about a change in attitude here.

### FROM DECOLONIZATION TO THE WTO

For decades, contributors to *Schweizer Monat* have preached that the state should hold itself back, withdraw and let private initiative prevail. Why shouldn't this credo also apply to our relationship with Africa? Daily political campaigning only feeds the illusion that the thousands of Africans in search of work in Europe could be shipped away, out of public sight and out of mind, with a few more tax millions and some heavy-handed asylum policy manoeuvres. The tragedy, however, does not simply concern a few fishing ships in the Mediterranean, but the full length of the continent's southern shores. This tragedy was programmed to happen decades ago.

Since the 1970s, Western trade policy has kept Africa out of international trade. Since the 1990s, boats carrying migrants have been landing. How did it come to this?

After the Great Depression of the 1930s and World War II, there followed a "golden age of globalization" in the 1950s and 1960s. True free trade with low trade barriers, and a high degree of freedom of movement for the means of production, capital and labor, facilitated the economic upswing of the post-war period in Europe, as well as in Africa, Asia, and Latin America. In 1964, the newly independent and self-confident developing countries called upon the United Nations to convene at a Conference on Trade and Development, UNCTAD. The developing countries were aiming to industrialize and demanded "trade not aid" from the West. Already in the 1960s, trade barriers, then still in the form of import taxes, blocked these countries' access to the lucrative markets of the West. The West ostensibly accepted the suggested remedy of establishing tariff preferences for poor countries on their way to industrialization – but, at the same time, they surreptitiously resorted to non-tariff barriers which grew like a thicket of legal thorns surrounding "fortress Europe."

In the 1970s, many developing countries made massive investments in infrastructure and relied on public-sector investment to develop their industry – for Africa this path ended in a debt fiasco. Asia, on the other hand, managed a successful transition and soon became competitors with Europe and the United States. The 1974 GATT Multi-Fibre Agreement (MFA)

heralded the age of neo-protectionism in western countries: global free trade was dismantled as the result of an alliance of conservatives, nationalists and trade unions. Later on, it was envisaged that Third-World and environmental organizations, the “useful idiots” (Paul Collier’s quotation from Lenin), should use human rights and environmental protection as a moral cloak to disguise the West’s perpetual exclusion of Africa from world trade.

The creation of “fortress Europe” was also crucial in protecting its small economic area from external threats by introducing further trade barriers. It protected not only industry, but also, predominantly agriculture from competitors outside Europe. The establishment of the European Economic Community also necessitated the creation of a common agricultural market, which, with a simple stroke of the pen, seriously hampered any importation of agricultural products throughout Europe and freed the way for equally substantial agricultural subsidies and subsequent surplus production. Development economists were already calling the European Union’s Common Agricultural Policy (CAP) the Common Agricultural Insanity in the 1970s. From the perspective of trade policy, the European Union has put the former colonies in a worse position than they were in during the colonial period.

Then, in the 1980s, the IMF prescribed a neoliberal remedy for the over-indebted African countries: developing countries should stop experimenting with state-funded industrialization, and open their markets instead. As a result many African countries ceased exporting raw materials and started importing them. Not only did Africa’s industrialization fail, but also the job markets associated with the raw material exports disappeared. The classic example of this – the tip of the iceberg – is sugar, which was being produced in the unified Europe of the post-war era using subsidized European sugar beet instead of tropical sugar cane. African academics trained in the 1960s went into exile in France, the United States, Germany, and the United Kingdom; today this is called the first stage of Africa’s brain drain.

In 1986, at the Uruguay round of the GATT, the industrial countries refused to stop subsidizing their textile and, in particular, their agricultural industries. In the 1994 WTO Agricultural Agreement, agriculture was finally excluded from the

agenda. At the end of the 1990s, the first boats left Morocco in the night for southern Spain with African migrants, the *clandestinos*, who work in EU-subsidized fruit plantations in the Spanish region of Murcia: The Common Agricultural Insanity had reached a new level.

The WTO negotiations stagnated in Seattle in 1999, in Doha in 2001 and in Cancún in 2003, because the North was still not prepared to make any concessions to the South over agriculture. The African countries of Benin, Burkina Faso, Chad and Mali turned to the WTO ahead of the 2003 Doha-negotiations and requested that the United States and the European Union stop their massive subsidization of cotton production. African cotton producers were losing a quarter of a billion US-dollars annually in cotton earnings alone, as a result of the West’s subsidies. Similar amounts can be assumed for agricultural products such as corn, cereals, nuts and fruit, and also for meat and fish. The request of the four African countries to put cotton on the agenda was up until now the only time that Africa was involved in the WTO. As already mentioned, until then, western diplomats and governments were not prepared to make any concessions for agriculture. Western diplomats used the African countries’ dependence on development aid, as well as on cheap wheat and rice imports, as a carrot and stick in the negotiations.

### THE ENTREATIES OF ECONOMISTS IGNORED

Numerous economists in academia have pointed out that we are actually facing not an asylum challenge, but an economic one. Paul Collier coined the phrase “the bottom billion.” At the beginning of this millennium, he warned: “If nothing is done about it, this group will gradually diverge from the rest of the world economy over the next couple of decades, forming a ghetto of misery and discontent.” Back in 1995 when the WTO was founded, Jagdish Bhagwati, the most renowned free-trade apologist, already accused the West for its continuation of neo-protectionism. Joseph Stiglitz, the Nobel Prize-winner and a colleague of Collier at the World Bank, demanded, after Cancún 2003, that “Fair Trade for All” should include the poorest countries as well. Esther Duflo and Abhijit Banerjee show in *Poor Economics* (2011) that multinational corporations fight poverty

by simply creating jobs. Dani Rodrik, another distinguished contemporary economist, on the other hand, tried to elucidate “the globalization paradox:” he accused his fraternity for having ignored and underestimated domestic political reservations against free trade.

In short, the economists accuse the conservatives of protecting agriculture, industry, armament exports and military intervention in the wrong places. They accuse the unions for their insistence on clinging to old employment structures. They accuse the NGOs for their fight against free trade and multinational firms. They all repeat the same mantra to no avail: we need jobs and economic growth – and this is not possible without genuine free trade. We are far from achieving this: as in the 1930s, the European Union and the United States are following a policy of beggar-thy-neighbor. They are protecting their own economy with subsidies and laws, preventing direct foreign investment of their firms abroad, and blocking foreign imports. The continent of Africa, Europe’s neighbor, has actually been turned into a “beggar.”

Still, there remains a glimmer of hope. Latin America and Asia have been able to defend themselves somewhat successfully, while Africa, excluded and dependent on aid, has to demand that the West, which has preached free trade for decades, permits it. The pictures of the economic migrants from Africa cannot be interpreted in any other way.

The picture is clear. Some of us are still familiar with the photographs of the 1930s Great Depression, which show large groups of young men looking for work. Back then, a world war was necessary to remind policy makers that free trade is crucial and herald in a genuine “golden age of globalization.” Politicians and diplomats today should employ the photographs of economic migrants from Africa to remind their populations and themselves of the economic necessity and the moral urgency of free trade in the twenty-first century. /

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Illustration: Magda Wolna

# Trade wars

*The HISTORICAL ORIGINS for*  
**STRONG COMPETITION**  
*in CENTRAL EUROPE*

Discussions about TTIP demonstrate that after centuries of trade wars, European nations are well aware of how trade agreements can affect their economies. Martin Ehl showcases the changing face of competition through the ages.

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MARTIN EHL

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**C**entral Europe has always been a crossroads of trade, quite often of goods produced elsewhere. Customs and trade rulers were thus important parts of the local economy. Simultaneously, what are now considered Visegrad countries, were also part of individual, at times larger, economies or trading blocs such as the Polish-Lithuanian Commonwealth, the Austro-Hungarian Empire, and Comecom.

With the exception of the twenty years between the two world wars and the short period after the fall of socialism in 1989, the Visegrad countries were much more so objects to be passed around rather than the subjects of any trade war. This does not imply that they refrained from fighting each other, economically, before all four countries entered the EU in 2004. This would mark a turning point in their mutual trade and the wars were transformed into something wholly different.

## COMPETITION THROUGH THE AGES

The Spiš region was historically one of the most important trade regions in Central Europe. Largely found in the northeast of Slovakia with a small segment in the south of Poland, it is home to a culturally diverse population which gives this region a unique atmosphere of historical importance exemplified by the richness of castles and royal cities.

Likewise, the German Zips, the Polish Spisz, and the Hungarian Szepes all played important roles as the pawns of the Austrian King Sigismund of Luxembourg matched against the Polish nobility in order to finance his wars and serve as temporary shelters for the Polish Crown Jewels. Beyond their political involvement, this area and these people have also held due influence as the economic crossroads for Central Europe.

The royal towns of Spiš like Stará Ľubovňa, Kežmarok, and Levoča have developed unique trade, craftsmen rules, and privileges which were quite often

subject to mutual competition; in modern terms, this would be called trade wars. For example, Levoča, in 1364, was awarded the right to store all goods entering the Spiš region which attracted merchants from the surrounding area, leading to a strong economic advantage over neighboring towns. Kežmarok, the biggest competitor with Levoča at the time, did not respect Levoča's monopolistic claim, and, subsequently, a "hundred-year" war broke out between the two towns. Both towns were not only hunting for merchants in the region to pay a storage tax in their respective towns, but also actively damaging property held by their competitors. Furthermore, in the political arena, the two towns supported different candidates in the fight for the Hungarian throne.

## WAR AND TRADE

As economic development advanced from the times of Spiš royal towns, the region of Central Europe has also been subjected to the ramifications of many real

# Wars in V4 The



wars, which are indispensably connected with the economic (or trade) policies of the area. In *Power and plenty. Trade, War and the World Economy in the Second Millennium* Kevin O'Rourke and Ronald Findlay suggest that the level of trade is not a simple outcome of tariffs, quotas and other trade policy instruments. The greatest expansions of world trade have tended to come not from bloodless negotiations but from barrels, guns, and ammunition, not to mention the forced enslavement of populations. "When trade required more profits, these could be earned via plunder or violently imposed monopolies. For much of our period the pattern of trade can only be understood as being the outcome of some military or political equilibrium between contending powers," they conclude in the chapter on the interdependence of trade and conflict (O'Rourke, Findlay).

For centuries Central Europe was a chessboard for manoeuvres of different armies and imperial powers. Usually the Czech, Polish, and Hungarian markets, with their raw materials and products, were not the subject of the wars themselves, but part of a wider issue at stake. One example is Germany's struggle for unification under Prussian leadership in the 19th century.

Trade was also used as an excuse for wider political campaigns. The most prominent example in recent history comes from August 1st of 1939, when Germany claimed that Poland was damaging the economy of Gdańsk/Danzig by refusing to import Danzig's margarine and herrings, the main export products of the free city. This supposed attack on Danzig's "vital economic necessities" was an additional excuse to attack Westerplatte.

## MODERN TARIFFS

Trade wars, with their modern form of imposing tariffs or quotas on imported products to safeguard domestic producers and markets, came into the region in full force with the emergence of nation states after the fall of the European Empires in 1918. The inter-war commercial policies of the Central European states were highly protectionist and are considered today as a major factor leading to the outbreak of the Second World War.

Economic historian Richard Pomfret documented how the tariffs increased over time. Czechoslovakia had average tariff levels in 1913 set at 22.8% (adopting the Austro-Hungarian system after the 1918 independence); in 1927 it was already at 31.3%, and in 1931, at the height of the Great Depression, it was 50.0%.

Likewise, Hungary had 30% in 1927 and 45% in 1931. Poland, which in 1913 was divided among three powers, had an average tariff level of 53.5% in 1927 and reached a staggering 67.5% in 1931.

Similarly, Pomfret shows how Hungary defended its agricultural sector, which was de facto the only source of export revenue for the heavily indebted country by guarding any danger of devaluation. After the 1933, no trade policy instruments were used. All imports were subject to "secret and arbitrary" administrative procedures about the level of tariff for each import transaction.

This example might suggest that in the inter-war period, trade wars were mainly affecting the agrarian sector. However, Czechoslovakia was much more industrialized than Poland or Hungary, and its interests ranged from exporting weapons and planes to shoes produced by the famous Bata Company. But due to the influence of the agrarian party, Czechoslovakian agricultural tariffs were among the highest in the developed

world, and its trading partners answered with higher tariffs for Czechoslovakian industrial products.

A classic example is the Czechoslovak – Hungarian custom war in the 1930s, described in detail by Aleš Skřivan. It occurred in the peak of the Great Depression, as Czechoslovakia raised its agrarian custom tariffs in 1930. At that time, exports to Hungary were 5.8% of all Czechoslovakian trade. After a quarrel, which resulted in the renouncement of the trade treaty between Czechoslovakia and Hungary, Czech exports to Hungary in 1932 fell to 2.7%. A similar situation occurred with the imports from Hungary.

It is difficult to assess how tariffs had an impact on Central European economies in the decades that followed. Firstly, the Second World War ravaged those economies. Secondly, they could not freely participate in the international trade under communist regimes. During the Comecom era, the main aim for trade was to obtain as much hard currency as possible from behind the Iron Curtain.

## BACK TO COMPETITION

Only after 1989 did the national economies of Central Europe return to their pre-war levels of competition and tariffs. In the 1990s, it seemed that free trade areas like CEFTA would create an alternative to the EU; or if not an alternative, then perhaps a waiting room. But these years did see harsh competition, which resulted in trade wars on beer and wine exports and imports.

For example, the Czech Republic in the middle of 1990s had negotiated quotas for the export of beer to Slovakia, Poland, and Hungary. According to Václav Lavička's article in the *MFDnes* daily, these quotas were small. Hungarians at that time were willing to increase the quota on Czech beer, but wanted higher

# rough The Ages



quotas for the import of Hungarian wine into the Czech Republic in exchange.

Unfortunately, this move blocked by Slovakia, which at that time created the Czecho-Slovak custom union and was protecting its own wine market. Earlier that year, the Czecho-Slovak custom union had already been damaged by a 7% change in tariffs affecting 80% of the Czech imports by Slovaks. This was supposed to improve the Slovakian trade balance.

Similar protectionism was seen in the agrarian market where mainly Poland was defending its own grain producers. For example, in 1999 Poland increased the custom tariff for imported wheat from 20% to 70% and cancelled preferential treatment of Czech, Slovak, and Hungarian suppliers. And, in 1998, the Czech Republic was in a trade war with the European Union which imposed an import quota for apples. Brussels showed through its restrictions in the meat and milk trade, how it was willing to protect its internal market and the exhibited the strength of a united response.

## HOW DO WE DO IT IN THE EU

After entering the EU, the rules changed profoundly; not only for hot wars but also for trade wars. Classical trade wars like the raising of custom tariffs and the imposing of quotas is not possible within the EU. Instead of custom tariffs, sanitary inspections of food products from neighboring countries, alternative tax, and/or social incentives for prospective investors are used.

As an example, in 2012 the Czech Republic used a scandal about technical salt, which Polish food uses regularly, to impose food quality inspection, effectively putting Polish products on a black list of dangerous products. Thus they regulated their imports on the open common market. The Czech Republic is the third biggest market for Polish food products, and recently the Polish government decided to pay a marketing company to engineer a campaign in support of the consumption of Polish food.

A second example of this kind of trade war inside EU regulations was fought recently between Poland and Slovakia for the Jaguar Land Rover investment. Worth more than 1.3 billion EUR and estimated to create up to five thousand jobs, both governments encountered the deal before elections. Equally as desperate to get strong marketing tools that would offer tax breaks, social support, and promises of infrastructure, in the end the Slovaks provided a stronger case. But this appeal also had to be approved by the European Commission.

Details of the Slovak offer were not public at time of writing this article. But it is worth it to look closer at the arguments the Polish minister of economy Janusz Piechociński made after the Slovak's victory was declared:

"[The] Polish offer – in terms of finance – was much lower than Slovak one because of simple reason: we had additional argument with localization.

First, bigger potential of people, perfect experts in this area. Second, the most important, at close distance big possibilities of production of parts of the highest quality, part of that already today working like driver units for all Jaguar marks. When finishing, Slovak party has offered such high conditions of public support that it would be impossible to continue discussion in Polish conditions; spread of benefits and expenditures would be irrational not only from the point of view of jobs created but also from future budget requirements."

Central Europe is also affected by a trade war resulting from sanctions from Russia coordinated with its aggression in Ukraine. These are affecting not only staple products like food, but also other products in textiles and machinery. It remains hard to distinguish whether the damage is a consequence of these sanctions or from the weakened Russian rouble and Ukrainian hryvnia. Similarly as in the past, Central Europe has been a part of a bigger block and the individual states couldn't influence their own trade policies directly; only as EU members. A similar situation is reflected in the negotiations of the Transatlantic Free Trade Zone with USA.

Although they will have tendencies to defend themselves, the national economies in Central Europe have become integrated into not only the EU market but also the global economy like never before. /

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# What does TTIP hold *for* V4?



THE TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP (TTIP) IS A PROPOSED FREE-TRADE AGREEMENT BETWEEN THE EUROPEAN UNION AND THE UNITED STATES OF AMERICA. NEGOTIATIONS HAVE BEEN GOING ON SINCE THE MID-2000S. THE MAIN GOAL OF THE AGREEMENT IS TO TIGHTEN ECONOMIC COOPERATION BETWEEN THE TWO MARKETS BY REDUCING TRADE BARRIERS IN ORDER TO STRENGTHEN USA-EU GLOBAL COMPETITIVENESS. WE ASK FOUR EXPERTS ABOUT POSSIBLE TTIP IMPLICATIONS FOR VISEGRAD COUNTRIES.

## Poland's geopolitical gains

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MAREK WĄSIŃSKI

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It is shocking that the negotiations of the Transatlantic Trade and Investment Partnership (TTIP) have attracted so little attention from public debate in Poland – especially considering the recent focus on politics with the parliamentary and presidential elections.

At the same time, this critical trade agreement will most likely need to be ratified by the Polish authorities including approval from the president as well as the parliament. The negotiations for this highly influential document have taken place privately between the EU and the USA, but it will have wide scale consequences, both positive and negative, for Poland.

It would be most effective to analyze the potential effects of TTIP on a few levels: economic, geopolitical, and national. We will begin with the first one. Most studies have emphasized the benefits associated with daily life by adopting the agreement. According to the 2013 report published by the Center for Economic Policy Research (CEPR) in London, growth in GDP for the EU would accelerate by about 0.3–0.5% yearly, accounting for nearly 68–119 billion in euros. Using the same methods, the (most optimistic) estimations for Poland show a gain of about 0.2% totaling in around 1.5 billion euros. Similar results were also collected from a recent study led by Jan Hagemer from the University of Warsaw.<sup>1</sup>

This kind of economic scenario is possible only with additional measures to facilitate trade beyond meeting the basic conditions written into the plan. Meeting only the basic conditions would not ensure any benefits, or losses, to the Polish economy. From this point of view, the government in Warsaw ought to take measures to install within the deal the so called non-tariff barriers, which are addressing issues that deal with discrepancies in product standards or licensing requirements. Obstacles like these will vary between different sectors of the economy which is why TTIP affords some areas greater opportunity than others.

According to the aforementioned CEPR study, TTIP offers the greatest benefits to Polish industries dealing with electrical equipment, processed foods, and the financial sector. In turn, energy intensive industries like chemical, automotive, and metal manufacturing could experience the largest drops in exports. These would result mainly from the lower prices of energy commodities in the USA. The conditions for the agreement do not make it possible to revoke the prohibition of exporting oil from the United States, but it would facilitate in the obtaining of a license to export liquefied gas to Europe.

On the other hand, the geopolitical aspect of the agreement offers some of the most attractive options for Polish interests. Warsaw has been strategically pursuing a path towards diversifying its sources for gas in Europe, and a new import market from the USA presents itself as an interesting proposition. This move would not only permit less reliance upon Russia for energy resources, but also consolidate the difference in prices for gas between the EU and the USA.

TTIP could also heavily influence global trade policy for the European Union, and thus for Poland as well. The growing importance of emerging economies such as China, India, and Brazil means that the EU must look for opportunities to protect its interests. The agreement with the USA will strengthen transatlantic relations (by increasing rates of mutual trade) as well as normalize product standards. This could in turn create a domino-effect where, for cost reasons, the new European-American standards could dissuade other countries from creating their own, encouraging them to adapt to theirs.

An equally important platform to consider is the one propagated by civil society. The way TTIP plans to reform the arbitration clause in place between investors and the state (ISDS) could be advantageous for Poland. By replacing the current clause, the authorities in Warsaw will not be held responsible for the regulations in the EU in the same way they are currently liable for them domestically. Reforms in the clause also plan to introduce a mechanism by which to appeal the decisions made by the arbitration tribunal.

However, it will still be possible for American investors to file lawsuits against European governments or the European Commission for unfavorable changes in their laws. Non-governmental organizations have been sounding the alarms in reaction to this; saying that decision-makers will hesitate to elevate product standards out of fear of being subjected to a lawsuit brought about by the negative effects these changes may have on investors' interests. On the other hand, a clause such as this puts pressure on the government to develop long-term plans and make only predictable changes, which has benefits for the public and investors alike.

The enactment of TTIP would catalyze a fall in product prices due to increased competition in both the Polish and European markets. While this may be an undeniable social benefit resulting from the agreement, non-governmental organizations fear the reduction of, among other things, environmental standards as a result of the greater competition. A portion of European companies will be unable to cope with the standards of their American counterparts. This may result in their search to cut costs by lowering their environmental impact standards or else outsourcing beyond Europe where the regulations are not as stringent. In this respect, the agreement means there will be greater pressure placed upon the consumer and their awareness; for if they want a product produced according to high standards they will have to pay the price for it. /

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## *New opportunities rather than immediate gains for the Czech republic*

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VILÉM SEMERÁK

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**T**he Czech discussion on the TTIP started recently, and it has so far proved less intense than similar debates waged in other European countries (e.g. Germany). This difference can be attributed to several factors: many Czech businesses had not previously seen the US market as a potential opportunity (or threat), the Czech public seems to be focused more on domestic (or at most European) issues and pays less attention to extra-European affairs, and it appears the Czechs were ready to support/reject transatlantic trade liberalization based on its assumed geopolitical role without debating the potential effects.

Last but not least, the relevance and quality of the debate was influenced by the development of available information. The initial vagueness led to the emergence of half-truths, some of which unfortunately seem to still plague the public debate today.

Ex ante evaluation of the future effects of TTIP on the Czech Republic is not a simple task. Primarily, we still do not know the sequencing nor the full extent of the liberalization. For example, the EU only presented its proposal for actual services during the 10th round of talks in July and the proposal for investment on September 16th. Furthermore, the nature and complexity of many non-tariff measures (NTMs) make the estimations of their effects a rather daring enterprise.

In addition to this, Czech estimates are made even more complicated by two additional aspects. Firstly, local companies export into many non-EU countries indirectly – via supplying intermediate inputs for the export production of for example German companies. This can be exemplified by local automotive part suppliers (lighting, electronic components). Secondly, many successful Czech exporters are foreign owned companies, and the decision whether to enter the US market does not, necessarily, depend on either a decision from local management or, from a local perspective, on the economic viability of the exports. Considerations for risks, such as intra-company brand cannibalism, may cause an otherwise successful and active Czech exporter (e.g., Škoda Auto) to miss interesting opportunities offered by liberalizing access to the US market. All these factors mean that we should treat the results offered by economic simulations with a considerable pinch of salt.

Available evidence suggests that direct aggregate effects on merchandise exports and imports are likely to remain limited, at least in the short run. Many tariffs have already been eliminated or at least reduced. Even before the TTIP negotiations started, 41% of agricultural products and 48.9%

non-agricultural products faced zero tariffs when exported to the USA, and the EU market was even more open (45.5% of agricultural products, 60.4% of other products). The overall average MFN applied tariff was at 3.4% (exports to the USA). And in spite of this relative openness, the direct share of Czech exports to the US amounted to just 2.3% in 2014.

Moreover, while the low tariffs can be expected to be largely removed, the dismantling of non-tariff barriers will be more gradual and often incomplete. The harmonization of certification procedures, mutual recognition, and the removal of useless administrative differences will reduce costs for Czech exporters to the EU somewhat. However, notable differences in regulatory traditions and attitudes imply that full harmonization of standards will not (and cannot) be achieved in most areas.

Real market barriers such as distance (both geographical and in terms of market organization and consumer behavior), transportation costs, exchange rate volatility, and many other hindrances to trade are likely to remain unchanged. The importance of NTMs and of the real barriers suggest the same conclusion as the one at which we typically arrive with the so called gravity models of trade; it seems that the model based on exporting to the intra-EU markets directly (and exporting to extra-EU markets indirectly – with the help of business partners in Germany) is not likely to change dramatically. In other words, while the TTIP will facilitate trade with the USA, it is likely to have fairly low direct effects on the high dependence of the Czech economy on the EU markets, at least in the short run.

What is the meaning of low/high in similar considerations? An independent evaluation done by Francois for the European Commission came to following, modest conclusions; the elimination of 98% of tariffs on goods would mean that EU GDP in 2027 would be higher by 0.1% (not including any additional, smaller effects of partial services and procurement liberalization).<sup>1</sup> The preliminary results from simulations, focused specifically on the Czech Republic, suggest similar effects of tariff elimination; positive effects on GDP and purchasing power of wages, yet in a similarly small order of magnitude. In short, eliminating only tariffs would make Czech households a few hundred crown richer every year. A reduction of NTMs, however, leads to much more differentiated effects (the sheer number and complexity of the measures implies a plethora of possible scenarios), but even the “ambitious scenarios” in Francois’ evaluation meant that pure contribution of TTIP to EU-wide GDP would only be 0.48%. While even more ambitious scenarios could be obtained with the inclusion of some dynamic elements, the effects of which may be difficult to enumerate (competition induced changes in quality, improved choice for consumers), and it would be unrealistic to expect and promise any dramatic improvements.

Low aggregate effects do not preclude the possibility of larger effects at the level of individual industries/products, including increased profits for these businesses. While analysis of existing tariff protection suggests the biggest potential effects in the agriculture and food industries (e.g., increases of imports of meat and meat products, increased exports of dairy products), high non-tariff measures are typical for the same sectors, and they are likely to reduce the extent of actual changes in exports/imports. Czech exports of these products are also unlikely to benefit from the proposed protection of

“geographical indications” (achieved by the EU e.g., in the FTA with Korea) because the concept in its current form will be, probably, either unacceptable for the USA or restricted to a few special cases within the EU.

The expansion of manufacturing exports to the USA would be desirable, but the scope for potential effects appears to be smaller in both directions; existing tariffs on Czech exports are low, and companies located in the USA are not the typical competitors of Czech producers. Higher positive contributions of improved market access can be expected in sectors such as “other transport equipment” and in the chemical industry. That being said, the possible gains from exports of motor vehicles may be significantly reduced by a dependence on the business decisions of exporters, and – in the case of some third markets – by increased competition of cars imported from the USA.

Furthermore, we should not forget that the USA remains a global powerhouse in research and development, IT, and other knowledge intensive sectors. The most interesting and hitherto hidden opportunities can emerge in these sectors; of course, these future opportunities are difficult to analyse with the use of available historical data. Our ability to profit from them also depends on the motivation of local entrepreneurs and on the quality offered by the domestic market.

A few additional, possible implications of the TTIP are related to the liberalization of public procurement and to the possible effects of the investor-state dispute settlement (ISDS) rules on future investment flows between the EU and the USA. The liberalization of public procurement rather asymmetrically offers advantages to Czech producers – the USA has one of the largest public contract markets in the world, and Czech producers (e.g., producers of trams) have been facing significant barriers when entering the market. However, the system is complicated (individual states and in some cases even cities have different rules), and the elimination of the negative effects from preferential treatment is unlikely to occur as the Federal government has a limited ability to influence procurement at the state level. Furthermore, partial deregulation (e.g., changes in thresholds for preferential treatment) was also a typical result from previous free trade agreements signed by the USA.

The future and exact wording of ISDS rules is not yet known. However, there are reasons to expect that the ISDS will not mean additional risks for the Czech Republic. The CR has had a “bilateral investment treaty” with the USA since 1992. All currently available signals (EU position documents) suggest that the new rules are likely to be more balanced than the original treaty.

The debate about the TTIP cannot be complete without any mention of concerns over standards in the food sector. There is a deep schism between European regulators and the US on many important issues (ractopamine, antibiotics, anti-microbial treatment), some of which have even led to long disputes within the WTO. As the progress of negotiation suggests, many complicated issues will be simply avoided completely (e.g., differences in attitude to hormone-fed beef or Genetically-Modified Organisms). Partial liberalization can be achieved, for instance, by the simplification and harmonization of certification procedures even if many of the sensitive regulations remain unchanged. Such attitudes, on the one hand, reduce some potential economic benefits of the TTIP; on the other hand, this should help reduce the possible worries of Czech consumers.

So, how should the Czech Republic approach the TTIP? As argued before, it would be very irresponsible to present the TTIP as a panacea capable of significant immediate improvement of standards of living. It is just as irresponsible to paint its effects in extremely dark colors, risks of negative effects are low, and the current, available estimates suggest that Czech citizens should be a little bit better off with the agreement. We can simply view the TTIP as another in the long series of EU trade agreements, an agreement which more or less fills in a gap in the trade policy of the EU. After all, the value of Czech exports to the USA has been growing by more than 9% annually from 2004 to 2014, and the gradual liberalization and elimination of NTMs has been achieved even without any free trade agreement.

Many trade economists do not enjoy the fact that the world economy seems to be committed to the use of preferential trade agreements; many would prefer multilateral trade liberalization led by the WTO. If the latter is not possible though, let us view the TTIP as a second best solution which promises at least some positive direct effects on welfare and which offers some new future opportunities. /

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## *Expectations can be met only if global conditions are favorable*

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PETER BALÁŽ

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**S**ince 2008 the economies of both transatlantic partners have struggled to recover from a protracted economic crisis. Even the tiny “glimmers of hope” that have flickered from time to time are being extinguished by worrisome reports of growing unemployment, declines in industrial growth and demand, and massive losses on international stock exchanges.

These signals have hurt the business climate everywhere, from Asia and Africa to the American continent. Specialists have pointed out the deepening interdependence of the globalized economy; having introduced more liberal approaches to international markets while at the same time dismantling the remaining mechanisms that serve to protect national economies from negative outside influences. They believe that the agreement will act as a multiplier, intensifying and helping to energize opportunities for growth that could not have been fully exploited until now because of protectionist measures on both sides.

The European Community’s negotiating position has been affected by several factors. In terms of economic expectations, the Center for Economic Policy Research estimates that the Partnership will increase EU incomes, overall by around 120 billion euros and the GDP by approximately 0.5%. The chief beneficiary of the estimated 8% increase in exports to the US will be the auto industry (+149%) although pharmaceuticals and agriculture will also benefit. The High Level Working Group on Jobs and Growth (HLWG), which deals with improving market conditions, has concluded that the most effective way of enhancing cooperation will be to create a common free-trade zone. In addition to improving the business environment this will enhance the positive effects of eliminating various regulatory measures (technical, sanitary, phytosanitary and other obstacles) that affect mainly mechanical engineering; i.e. the auto, chemical and pharmaceutical industries. The liberalization of rigid regulations relating to the energy industry, intellectual property protection, economic competition and other sectors is expected to bring further benefits.

However, experts have emphasized several problematic aspects of the agreement. The agricultural sector faces the main issue of trying to maintain European standards for hygiene and sanitation while protecting consumers from imports of, inter alia, genetically modified foods. But the main challenges lay in reconciling the conflicting mechanisms for investor-state dispute settlements (arbitration). Past experience shows that multinationals usually come out ahead, and that they may be able to demand exorbitant fines for deals

– though often only virtual – that are blocked since EU legislation is much more lenient in this respect.

Despite the expected positive impacts on both economies, experts involved have to bear in mind that such expectations can be met only if global conditions are favorable.

This is illustrated through the example of recent currency fluctuations having strengthened the US dollar but negatively affecting the competitiveness of American exports as well as plunging the oil prices, which are also quoted in US dollars. Since many business partners use oil as the only real currency to pay for EU and US imports, declining exports of raw materials will necessarily result in a falling demand for imported goods. Moreover, European partners have had to grapple with existential problems in the PIIGS countries, Greece in particular, for some years. Analysts expect a further weakening of the eurozone due to austerity measures. It is, therefore, quite difficult to imagine that a slower growth rate in the US and EU, caused by the above as well as other factors, would not have a negative impact on the partners’ overall recovery, or that the implementation of the transatlantic deal might resolve these problems. In addition to the overall impact of the negotiated agreement on cooperation with the US, individual EU countries will be affected in different ways. Naturally, this is not only because of the varying structures of their economies but also due to the way their external economic relations are structured. The scenario that might evolve is relatively simple in the case of Slovakia. The country’s profile looks like this: it exports over 95% of its GDP, with some 80% of its total goods ending up in EU markets; its exports are represented by foreign investors in the auto, electrical and mechanical engineering industries, which contribute to more than 75% the exports. As a principal subcontractor the Slovak Republic has to respect the advantages as well as disadvantages that will arise from how successfully German, French, Italian and Dutch companies will adapt to the deal.

Specific risks for the Slovak economy may stem from lower energy prices in the US and the growing expansion of that country’s exports to markets where Slovakia has gained a foothold. The low proportion of sophisticated production and so forth minimal involvement of domestic research and development could, in a relatively short time, turn into a significant handicap. It could drive out foreign investors by annulling the original comparative advantages they enjoyed. For the same reason, income from transit fees and reliable oil and natural gas imports, which have benefited the country so far, could become history. Neither the drafted budget for the next period nor the long-term systemic proposals indicate that the Slovak government is aware of the potentially unfavorable impacts of ratifying the TTIP agreement. So far official statements have been consistent with the position presented in official EU negotiations. This could make the direct and indirect risks arising from its implementation even more serious. /

*Translated by Julia Sherwood*

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## Further integration into global supply chains for Hungary

EVA PALOCZ AND PETER VAKHAL

Opinions regarding TTIP are rather contradictory. Consequently, after several rounds, there is still a lack of consensus regarding many of the proposed points of the agreement. Beside the reduction of customs taxation and other non-trade barriers (e.g., issues with standardisation), it is worth emphasizing two additional points.

First is the investor-state dispute settlement (ISDS) which was temporarily withdrawn from the agenda due to public discord. This happened despite the fact that this proviso is a traditional component of most bi- or multilateral investment protection agreements that are currently in place: Hungary has such investment protection acts with Canada, the USA, and several other countries in the world. The second controversial point is the trade liberalisation of genetically modified organisms (GMO). Although the EU has expressed several times that all member states have the right to decide whether to allow GMO products to be traded or not, there are fears in the public arena that the American lobby will be successful at bringing GMO products to the EU market through the TTIP.

If we are to scrutinize objectively, only the effects of trade liberalisation can be examined and forecasted since there is a lack of data in the remaining fields. However, even these outcomes mainly depend on the macroeconomic assumptions that were decided before the analysis. Additionally, the situation is complicated by the millions of products that are traded between the USA and the EU, most of which have varying characteristics in their demand. To simplify the process, most foreign trade statistics are over-aggregated during this type of analysis. A good example would be the motor vehicle market: even the most detailed statistics cannot differentiate cars by label or quality. For instance, although it is obvious that a lower priced vehicle has different demand from a model which is 10-20% more expensive, they are all considered to be in the same class.

At external borders, the Common Customs Tariff is applied to goods from non-EU countries. At the same time, tariffs applied by the EU and USA are asymmetrical because the EU imposes almost twice the amount of duties on US products as the USA on commensurate EU goods. To demonstrate, the effective tariff (weighted by trade volume) applied by the USA to EU goods is 1.69% while the EU imposes 2.56% duty on US products.

In 2014, Hungarian exports to the USA were only 3% of total exports (although it was 2.3% in 2008). At the same time, imports from the USA were 1.9% of the total (in 2008 it was 1.8%). 80% of Hungarian export to USA consists of machinery and transport equipment. That percentage includes parts and

accessories of the motor vehicles, power-generating machinery, equipment (i.e. engines), office machines, and automatic data-processing machines. 70% of imports to Hungary also consist of machinery (mostly steam turbines and office machines). As one can see, the Hungarian-USA bilateral trade in goods is at such a low volume that the effects of reducing trade and non-trade barriers would be minimal. Not to mention the concentrated product structure which would imply that only a few economic sectors and corporations (most probably in US ownership) would be affected. According to our calculations, the reduction of all direct trade barriers could increase Hungarian exports to the USA by 3.2%, and imports from the USA by 0.3%. This could mean only a few tenths percentile change in the total foreign trade in Hungary.

Non-direct trade barriers are a more interesting topic because, according to our assumptions, the general increase of EU-USA trade could incrementally spur transactions for Hungary with the EU through the supply network. Due to the fact that the Hungary-EU trade structure is also asymmetrical, higher value added sectors can primarily profit from the agreement. These are the chemical industry, other manufactured industry (like furniture etc.), machinery, and the motor vehicles industries. As it was already mentioned, the EU would reduce duties with the US by half (consequently, Hungary as well); therefore, US goods can become more competitive in the EU market and likewise with EU products on the US market. Thus, a 0.5% increase is expected in total Hungarian exports, and 0.7% in total Hungarian imports.

At the same time, non-trade barriers are also on the agenda. According to official estimations, non-tariff barriers could account for 20% of the final consumer price of the products. Conservative estimates suggest that non-trade barriers can be reduced by a quarter through the facilitation of standardisation procedures. That would mean direct Hungarian exports to the USA could increase by 5.6% while imports could grow by 0.6%.

The total effect of TTIP on the Hungary-USA trade in goods would result in a 0.1% net export growth which would distribute asymmetrically among economic sectors. Meanwhile, due to multiplier effects, there should be no industries that would experience loss from the agreement.

The main positive effect of the proposed agreement, for the Hungarian firms, would be further integration into global supply chains. Reduction of trade and non-trade barriers would enhance the global assimilation of production processes which could result in competitive advantages against third countries that do not participate in the integration. /

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# MINISTRY OF FOREIGN OPPORTUNITIES

## ECONOMIC DIPLOMACY IN THE CZECH REPUBLIC

A rapid pace of change in our modern world poses new types of challenges to the likes of economic diplomacy. The premier instrument to promote economic interests and implement foreign policy is increasingly subject to demands for greater flexibility and making incremental improvements.

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MARTIN TLAPA AND TOMÁŠ PÍŠA

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**I**n the modern business world, the traditional notion of economic diplomacy is becoming obsolete and hard to follow. These changes challenge us with the difficult task of doing the right thing in a new way. Instead of following lofty visions or resorting to over engineered tools, we have chosen to assume a new role; the role Czech businesses are expecting us to play – that of a partner. This allows us to offer specific services with sustainable quality and presents us, correctly, as a body that understands economics and the needs of the business sector.

In 2014, we set in motion a process to change our economic diplomacy, guided by the vision of gradually transforming the Ministry of Foreign Affairs (MFA) into a ministry of foreign opportunities and, ultimately, into a ministry of foreign opportunities that have been exploited. We aim to become an indispensable partner in promoting Czech economic interests around the world. This article aims to describe all the key changes in working practices associated with what we regard as a modern understanding of economic diplomacy.



## *Consensus over key goals based on strategy documents*

The key precondition for the success of changes aimed at “re-setting” the system of economic diplomacy and supporting exports is, first and foremost, to find consensus among the stakeholders (exporters, associations, ministries, and other state agencies). From our perspective this involves broad agreement on the goals as well as on the tools for achieving solutions, in consort with finding a mode of cooperation that goes beyond low-key affirmation. The success of the consensus will rely on presenting the planned changes clearly and gaining the support of internal and external stakeholders.

What should be avoided, when trying to shift economic diplomacy into a higher gear, are multiple-track approaches and unnecessary arguments over departmental jurisdiction, which tend to rob the participants of energy rather than affect productivity. The requirements of the business sector have been clearly presented and communicated by its representatives, and the onus for finding a solution has therefore fallen on state institutions. Since signing the Framework Agreement on Cooperation between MFA and the Ministry for Industry and Trade (MIT) in June 2014, the quality of cooperation between the two minis-

tries has improved. The agreement has now been implemented and, following a period marked by inter-agency squabbling, once again the economy, exports, and foreign investors are at the center of attention.

The new consensus and common goals were reflected in, among other strategy documents, the Conceptual Framework of the Czech Republic’s foreign policy adopted by the government in July 2015. The Conceptual Framework offers a new vision of foreign policy, whereby individual foreign policy goals are not regarded separately but as “interlinked and mutually determining goals.” The foreign policy goals include security, prosperity, sustainable development, human dignity (including human rights protection), service to citizens, and safeguarding the country’s reputation abroad. Economic diplomacy is, of course, a key tool for achieving the goals of prosperity and sustainable development. The demands placed on economic diplomacy are of a purely practical kind, that is to say, it is expected to assist “in developing contacts abroad and paving the way for Czech companies to access third country markets.” Meeting these requirements demands innovation as well as new tools for economic diplomacy.

## *Unified customer service – a customer center for exports*

The starting point for the provision of services to companies, in our case economic diplomacy services, is the development of a user-friendly interface designed with a singular and coherent business language. This aims to ensure both that company representatives know to whom they should address their queries and requests and that they receive a clear response. The role of a joint gateway or interface has been taken on by the Customer Center for Export (CCE), which launched on the 1st of October 2014 and is run jointly by the MFA and MTI as well as the state-run agency CzechTrade. The actual running



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of CCE is conducted jointly, for the first time in history, by the MFA and CzechTrade.

Communication and customer services are based on the account management principle, with each business allocated a specific CCE specialist staff member. CCE account management does not involve the physical relocation of all export specialists from a variety of institutions to a single place. Rather, CCE collaborates with export specialists in a number of institutions who work together in a matrix structure while maintaining their base with their home companies. Core CCE activities and its gateway to the support system are located in the headquarters of CzechTrade. The joint interface that connects companies with the matrix of export specialists is based on professional expertise.

For the purpose of sharing customer information a Shared Information System for Staff Abroad (SINPRO) has been set up by CzechTrade and the MFA. But it also involves MFA headquarters, MIT, CzechTrade, and other cooperating institutions. This information system is better known as customer relationship management software or CRM. SINPRO helps us understand customer needs and allows us to apply this knowledge when planning joint activities. Variations on this system do, of course, exist, particularly in the commercial field. However, SINPRO is distinguished by one key characteristic: in addition to providing information on companies, it also stores information on export opportunities as well as major developments abroad. SINPRO also serves as an editing environment, which can be used, *inter alia*, to update summaries of territorial information so beloved by exporters, i.e. individual country profiles posted on the website [www.businessinfo.cz](http://www.businessinfo.cz). Active use of the system, which includes information sharing, is the cornerstone of the practical functioning of the Czech Republic's new approach to economic diplomacy. Although plans to introduce the shared SINPRO platform across the board were first suggested in 2006, the plans were not put into practice until eight years later as individual institutions gradually started joining the system and making active use of it.

At the same time, while CCE specialists continue being exporters' advisers and aides, the actual foreign trade and individual deals are implemented by the companies themselves. The suggestion that the model used under the previous regime – where the state-run foreign trade companies actually implemented foreign trade – should serve as inspiration is misguided. That system is wholly incompatible with the logic of modern economic diplomacy which has been put into place.

## *A united and enhanced international network*

Without a functioning international network, or with the current system which is presently in rudimentary form, supporting exports and implementing economic diplomacy would remain purely theoretical. Efficiently functioning and focused international networks provide a prime source of contacts and opportunities as well as a platform for implementing targeted activities.



In 2015, the three separate networks formerly operated by MIT, MFA, and CzechTrade, merged into a single export-oriented network formed by Czech representative offices and CzechTrade's foreign offices; which represent the Czech Republic abroad. Known as the Single International Network to Promote Exports (SINPE), it provides a range of services listed in the Service Catalogue, which exporters can access via CCE (mentioned above).

In the past, Czech Republic international networks suffered from a number of shortcomings, in particular: unsystematic transfers from one institution to another, international positions staffed by individuals who lacked adequate expertise, the fact that resources allocated to economic diplomacy were reduced in favor of other areas of work, and insufficient use of local economic experts. For several years, the network of economic diplomats was being reduced; now, selected representative offices are being reinforced. This involves, in the first phase, economic diplomats being posted in Los Angeles (USA), Dakar (Senegal), Nairobi (Kenya), and Rangoon (Myanmar). The strengthening of the international network has been focused on countries outside the EU, reflecting the stakeholders' needs and strategic requirements for diversifying the Czech Republic's foreign trade.

In addition to building up the number of economic diplomats, agricultural diplomats have been posted to selected representative offices (pilot programmes in Russia, China, Saudi Arabia, and Serbia) in line with the Memorandum on Cooperation that the MFA signed with the Ministry of Agriculture. Following another agreement, this time with the Office of the Government of the Czech Republic, economic diplomats will be posted in Israel with the primary goal of strengthening cooperation in the field of science, research, and innovation.

However, the purely quantitative strengthening of the network cannot be regarded as sustainable in the long run. This is why attention has been increasingly turning to planning, management, and optimisation of the international network with a focus on making full use of resources in servicing and task implementation. Local economic experts, who combine cost optimisation with a capacity to expand their services to exporters thanks to their detailed knowledge of the local environment, have been playing an increasingly important role.

So far in 2015, we have devised and launched a new model of trade and economic activities carried out by the Czech Republic's representative offices abroad. A transparent review of the way Czech economic diplomacy performs has been based on an evaluative process. This applies multiple criteria grouped into seven pillars that assess, among other factors: the quality of trade and economic activity planning, the quality of economic reporting, and comprehensive regional informa-

tion. It also involves the evaluation of feedback from stakeholders, i.e. businesses, cooperating ministries and professional associations, the Confederation of Industry of the Czech Republic, and the Czech Chamber of Commerce. Open and fair feedback from stakeholders has shown that while most are happy with the services provided and activities carried out by the network, the network as a whole does not perform at an optimum level and there is still room for improvement. All those subjected to evaluation were informed of the specific results, with the areas for improvement spelled out. Naturally, key factors such as the size of individual representative offices, excessive workload, and the range of work commitments were taken into account in the evaluation.

But even the best models and service processes cannot be expected to perform well without high quality diplomatic staff. To this end, the MFA and MIT have developed a joint educational project for MFA, MIT, and CzechTrade staff aimed at increasing their knowledge of economic issues. The primary goal is to emphasize specific economy-related elements in their training. However, a new system of training for economic diplomats which will reflect their newly-introduced requirements and focus more on practical activity examples and less on theoretical input, is being developed. The training also includes a briefing on economic diplomatic service and practical solutions that can be delivered directly to export companies.

## *Customer service*

Another key instrument of implementing economic diplomacy are the actual services CCE and SINPE provide for Czech businesses wishing to reach out to international markets. The CCE was launched simultaneously with the Catalogue of Services for Export. Like the single network, the catalogue integrates services provided by various institutions in a unified, carefully-organized and concise document. The catalogue lists a range of free business-to-business (B2B) services such as the planning of business negotiations or assistance with the selection of partners provided by the Single International Network. Free B2G (business-to-government) services include the organisation of fora for business representatives which feature the participation of foreign delegations as well as the sharing of information on proposed public contracts. The services include tried and tested tools that are being further developed and modified largely thanks to modern communication tools.

## *Sectors and opportunities*

Another example of the changes in economic diplomacy is the shift away from the traditional approach. This is marked by a certain number of countries being prioritized. The new method starts by identifying opportunities within individual sectors, and only then moves on to the selection of countries, based on the priorities within these sectors.

To facilitate the implementation of this new approach, a Map of Global Sector Opportunities was developed. This map identifies the most promising sectors for Czech exports in over 100 countries; from Europe, Asia, and America to Africa, Australia, and New Zealand. The Map of Global Sector Opportunities is based on an in-depth analysis, essentially “big data analytics,” as well as the subsequent verification of outcomes compared with the real situation in the field through international networks. It does all this while still ensuring that the output remains user-friendly. The map has validated the direction currently followed by the MFA’s economic diplomacy, which reflects the growing interest in economic analytics and a shift from compiling general territorial information to collecting specific and targeted outputs that focus on promising sectors.

The map provides Czech exporters with a new perspective on ways to ensure that their products can break into international markets, enabling businesses to better plan and diversify their exports. We regard this as the main reason for the map’s extraordinary success and the huge demand it has generated. The map will help the MFA and CzechTrade to be more effective in planning targeted export activities.

## *Further projects to facilitate economic diplomacy*

Projects aiming to facilitate economic diplomacy concentrate on presenting companies and their products. It also organizes business missions, seminars, and workshops whose focus is primarily on environmental and mining technologies as well as nanotechnology.

The projects also serve as a supporting tool for economic diplomats, helping to strengthen their position when presenting and communicating the goals of our economic diplomacy, particularly at the B2G level. In 2014, the MFA developed a new methodology for economic diplomacy projects. It facilitates a more straightforward and transparent way of running projects. In that year, foreign representative offices of the Czech Republic organized a total of 51 projects, providing over 200 Czech exporters with an opportunity to promote their companies in conjunction with making the Czech Republic better known among target sectors and markets. Bolstered by increased funding, the plan for 2015 is to implement 87 projects and thus support many more initiatives.



## *Improved coordination of overseas travel by top Czech Republic officials*

Many of the activities the MFA organizes for exporters are connected by foreign travel of the country's top representatives. This is regarded as an effective tool, albeit not a goal as such, of economic diplomacy. The MFA plays an active role in the coordination of foreign trips by top officials of the Czech Republic. Foreign travel proposals reflect the interests of representatives of the business world, while at the same time being harmonized with the Map of Global Sector Opportunities to make sure sector priorities are covered. Rather than ending when a politician returns to the Czech Republic from a high-level visit, a foreign trip conceived in this way involves a range of specific follow-up tasks that are recorded and shared in their relevant environments. The MFA provides systematic monitoring of the completion of the tasks that are involved in this follow-up. Furthermore, we also plan – in addition to high-level missions by the country's top officials – to support smaller missions by businesses representing a certain sector, supported by lower-level official bodies.

## *Future plans*

In 2015 and beyond, we intend to move from looking for opportunities for Czech businesses to making full use of these opportunities. In trying to take advantage of these international opportunities, we will focus on three issues: (1) quality and processes; (2) optimisation of the network and training; and (3) targeting of activities.

The key task in terms of quality and processes is to set and subsequently maintain the quality of services being developed across the international network. The first component – the introduction of a mandatory methodology for a standardized quality of service – will be launched in September 2015. Incorporating the new quality requirements throughout the network will be a long-term task, and the tools and principles of quality management will be applied throughout its implementation. In conjunction with this, those internal processes that had previously not been adjusted (those which have become either obsolete or have not yet been established) will be reconfigured. These processes and services will, naturally, be reflected in the demand for the development of a new, 3.0 version of the SINPRO information system both in terms of system input and the subsequent reporting tools. The system of evaluating representative offices will also be refined and enhanced, using tools such as success stories and metrics on labor effectiveness for measuring of the activity output.

In terms of optimising the network and training, the focus will be on a detailed analysis of how the capacity of the international network is being used and configured. The selection and training of economic diplomats will play a key role

in this new approach to planning, with the aim of gradually strengthening the base of economic diplomats who are able to provide professional assistance to Czech businesses in international markets. The development of practical training modules with an economic focus will be an integral part of the training for diplomats and specialists.

The targeting of activities involves a qualitative shift from a broad range to specific sectors, opportunities, and tools which make it possible to see clearly at any point what goals are being pursued and what purposes are being served. Even technically well implemented activities will not deliver the desired results unless they are targeted. It is also worth pointing out that the Czech Republic and its international network will not, and cannot, achieve capacities comparable with larger countries. This makes targeting even more crucial. More attention will be devoted to the changes in global demand and to opportunities for offering Czech solutions to countries where we have identified sector opportunities. More focused targeting will permeate the entire system of economic diplomacy, and its impact will be particularly felt in areas such as economic diplomacy projects, organisation and coordination of events in foreign countries as well as in smaller-scale sector-oriented missions, and events organized within the Czech Republic.

## *Conclusion*

All the changes introduced in the processes and goals of our economic diplomacy follow a common aim: to respond primarily to the needs of exporters as they reach out to international markets. Targeted support of exporters and teams of exporters active in international markets, based on the prosperity pillar of the Czech Republic's Foreign Policy Conceptual Framework, is the principal task of Czech economic diplomacy today. A range of essential changes in economic diplomacy have already been implemented, affecting the practical activities of the MFA and the Czech Republic's representative offices. Further changes are being planned with the aim of creating the most effective framework for the functioning of economic diplomacy. In implementing these changes, MFA will naturally continue to work with stakeholders to ensure that the proposed solutions meet the requirements of Czech businesses in global markets as well as reflect the capacity and financial constraints of the Czech Republic's institutional framework. Assessing the results and soliciting exporters' feedback has become and will remain the key criterion for evaluating the success of our economic diplomacy. /

*Translated by Julia Sherwood*

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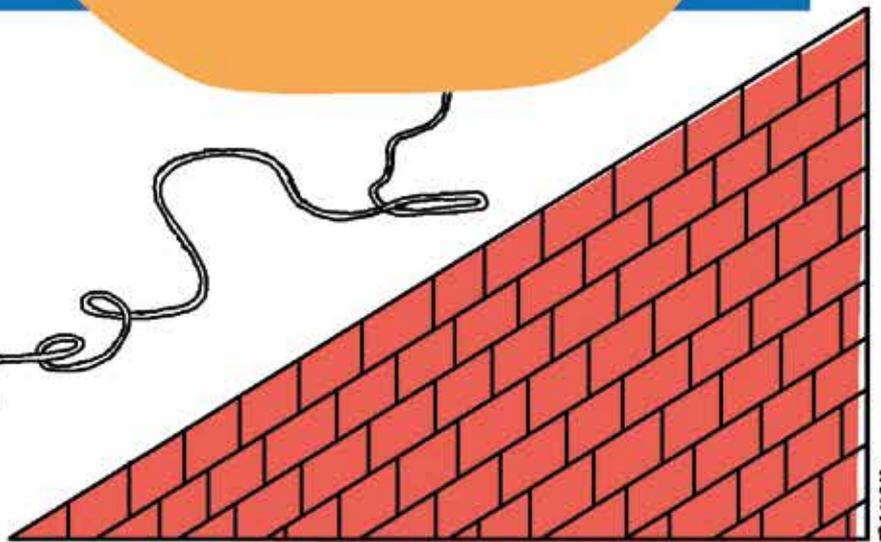
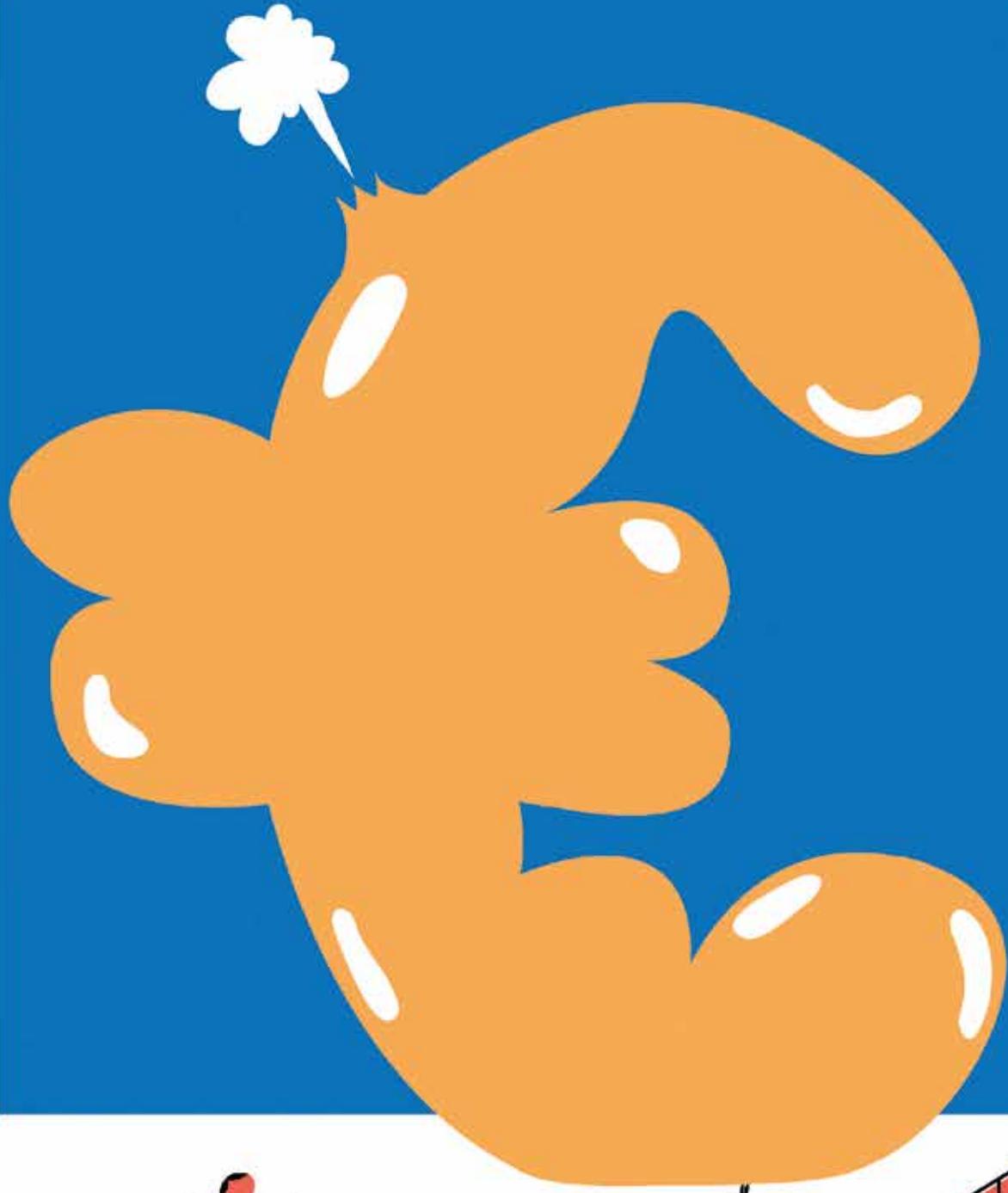
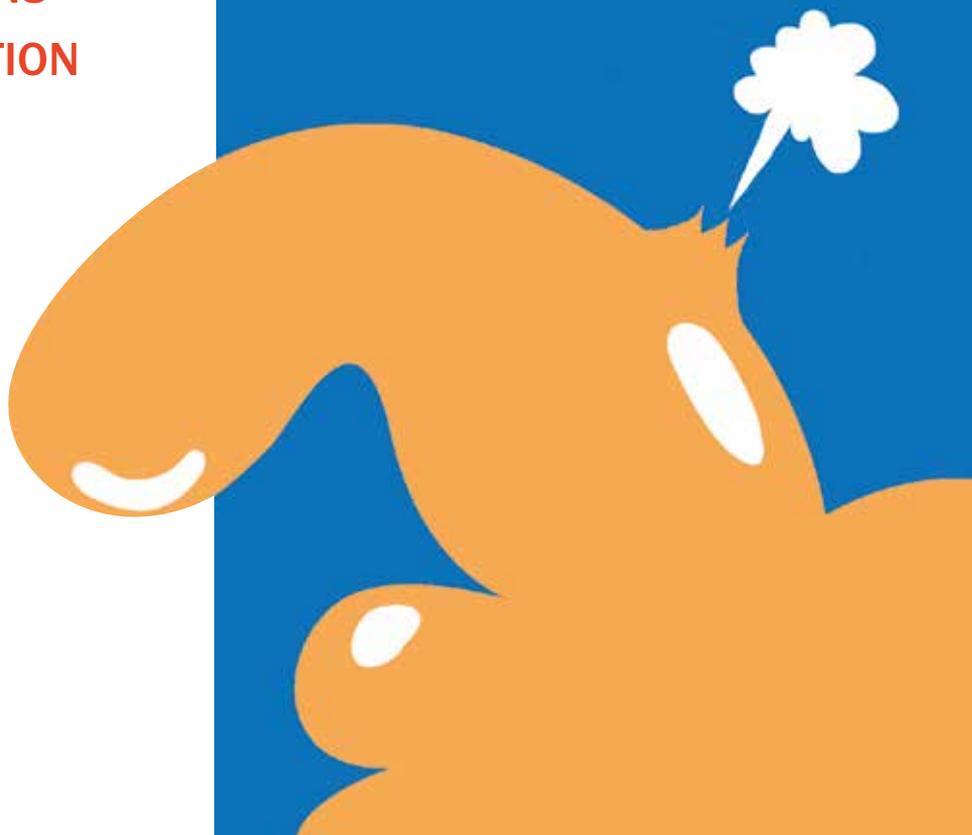


Illustration: Tymek, Leziński

Tymek

# SHOULD WE ALL HAVE ONE CURRENCY?

PROS AND CONS  
OF EURO ADOPTION  
IN THE V4



# POLAND

## KRZYSZTOF BLUSZ

The common currency for the European Union was meant to be the culmination of a political project that united aspirations for integration among Europeans. Paradoxically, in thanks to the lessons being learned from the eurozone crisis about the macroeconomic mechanisms currently in effect, there may soon be a fundamentally new Europe and a variety of “unions” Meanwhile in Warsaw, Polish membership in the euro has been postponed *ad kalendas Graecas* by almost all political forces in the country.

Since 2010, several countries belonging to the eurozone have been experiencing a multidimensional crisis resembling a protracted political thriller, with Alexis Tsipras and Angela Merkel in the lead roles. Results from Poland’s recent economic performance have confirmed the suspicions of Polish eurosceptics in their belief that the benefits of Eurozone membership have been disproportionately emphasized in comparison to the risks. Adding to this tension is the understanding that the struggles facing the southern economies can be attributed to government mismanagement. So it is no surprise that in terms of adopting the common currency, recent Polish political opinion shifted from support for the idea to a preference for sticking with the zloty. In Warsaw, it is difficult to see a direct link between membership in the euro and security, especially in terms of the economy. Key interests for Poland remain maintaining monetary sovereignty and control over the management of the exchange rate, and these take priority over deeper integration with the EU body and its institutions.

In spite of the novel circumstances surrounding the current reform of the eurozone, the debate in Poland is still dominated by the polarized options of either entering in or staying out of it. This perspective, sorely lacking any sort of nuance, is increasingly proving to be of little help in the search for a clear, informed decision. The struggle that led to the agreement between the EU and Greece was a palpable example of how membership in the eurozone redefines the sovereignty of a member in the field of economic policy. And this sovereignty is not the same kind everyone was accustomed to prior to the introduction of the euro. For a moment, it seemed like the Greek crisis would repeal the premise that the eurozone permitted only entries and never exits. However, the material consequences for participants now appear to be an envisioning of the euro project to include possible “anti-invitations” or “suspensions” from eurozone membership. It’s true that no one fully understood what the legal, political, and financial consequences would be for this kind of union. But it is quite possible that through this difficult experience, the eurozone will come out stronger. Additionally, this has also prompted European leaders to introduce political reforms that could prevent a future crisis from hitting the eurozone while also allowing them to symbolically address the

concerns of the European community that have focused on the stability and durability of the system.

This is why it is pertinent for Poland to reflect beyond the decision to enter the eurozone or not, and ask: what kind of eurozone would Poland be willing to join and what sort of structure would best foster Polish aspirations? Should it be a eurozone based on the “German model” meaning constructed on a platform of Kantian order, which coordinates economic policies without requiring common political or fiscal structures between partners? Perhaps it should resemble the “French model” which combines elements of political and fiscal union? Or maybe the current political climate does not permit this kind of thinking, and Poland must continue to believe that it is better off refusing invitations to join the eurozone? And if in fact, we come to this conclusion conclusively, what form should Polish relations have with the countries belonging to the eurozone?



The answers to the aforementioned questions are pressing for all nations currently harboring notions of entering the eurozone. In the next few months – in thanks to the cathartic performance of the Greeks and the sentiment of the “grexit” circulating throughout Europe – a process of fragmentation and reintegration could be catalyzed in Europe by the common currency. If that happens, the script to announce a “genuine monetary union” will take a while to get through because of the inclusion of structurally advanced political and economic policies that will ensure the consistency of fiscal and political strategies, hopefully creating a more durable and safe system. And then what? How are the member states that remain tied to their own currencies affecting the risks associated with a slow diffusion of these policies throughout the union? Although a seemingly plausible counter-example, the UK, in this case, may not be the most effective strategy. Not every nation is an island in the Atlantic, and Poland is more deeply integrated into the geopolitical and economic happenings in Europe than the British.

Membership in the eurozone has existed long enough to be able to witness the variety of economic gains and losses, benefits and risks that the system affords. It is high time to look at the situation through a new and updated perspective. Accession to the EU in 2004 and 2007 provided the impetus for modernization and cemented a political anchor that would provide Poland with security and geopolitical stability. But there are many signs today that suggest, without taking inherently risky steps towards joining the euro, it is unclear whether these promises will be fulfilled. /

*Translated by Sylvia Gozdek*

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## LEON PODKAMINER

Until 2008, Polish elites were generally quite eager to give up their national currency. To the intellectual elites the adoption of a common currency would seal the process of the country's "return to Europe." Civic Platform (in power since 2007) also favored an early euro adoption while the opposition represented by Mr. Jarosław Kaczyński's Law and Justice Party (PIS) resented the idea. In practical terms, the National Bank and the Finance Ministry were busy designing a roadmap for the monetary switchover which was planned to culminate on the 1st of January 2012.

Since 2009, the poor performance of the euro area's economy has had a sobering effect – at least as far as the government and the national bank are concerned. Nonetheless, some politicians and economists still deplore Poland's staying outside of the eurozone. They have been joined by no less a figure than Professor Grzegorz Kołodko who recently delivered a passionate plea for the switchover.

Essentially, the proponents of the switchover keep repeating two arguments. First, that by staying outside the eurozone Poland consigns itself to the political periphery. By implication, by entering the area, the country is believed to gain international stature. Second, that the euro as the national currency would substantially lower various costs (e.g., relating to foreign trade transactions) and accelerate the country's economic growth (e.g. via lower interest rates and easier credit).

Neither of the above arguments is convincing. First, Poland still has relatively low economic potential; the country's ruling elites will have little real say on global (or even European) affairs – whether the country adopts the euro or not. As a point of argument, what international prestige do Portugal and Greece derive from not having their own national currencies?

Now let us consider the "economic" case for the euro adoption. Certainly, this could lower some transaction costs. But these costs are rather hard to assess and in any case seem rather minor. In contrast, the risks – and potential disadvantages – likely to materialize upon the adoption of the euro are grave. These risks must not be overlooked.

One essential risk relates to the sudden – and possibly excessive – lowering of interest rates. This could lead to a real estate bubble and a consumption boom fuelled by inflated capital inflows. Currently, Poland's foreign debt stands at 306 billion euros (70% of GDP). With lower interest and exchange rates, the foreign debt could balloon further. Would that mean increases in the level of Poland's competitiveness and productive investment? Possibly. But more likely it would mean higher inflation combined with falling competitiveness,

yawning current account deficits, and additional external indebtedness. Financed by foreign borrowing, the post-accession boom would end badly, either sooner or later. Does all this sound familiar? But of course: this is the shortest description of the developments that had led to the perpetual crisis which started in Portugal, Spain, Italy, and Greece in 2008.

Retaining the złoty is not without some drawbacks. The exchange rates tend to fluctuate – occasionally the złoty is too strong vis-à-vis the euro, which may affect the external competitiveness negatively. But these negative effects could be controlled as demonstrated, for instance, by the practice of the monetary policy conducted in the Czech Republic.

A country which does not have its own (floating) currency may end up in permanent crisis lacking any exit strategy. Such a situation develops when – for some reason – such a country cannot withstand competition from its much stronger economic partners. It is an illusion to believe that Poland (or other Central European countries) could prosper in the euro area if only the initial conversion rate of the national currency into euro is chosen correctly (so as to guarantee proper level of external competitiveness). Italy converted its lira into the euro at the rate which seemed correct in 1999. However, the course of events – specifically the aggressively mercantilist policy of the successive German governments has made Italy increasingly uncompetitive. The same applies to all other developed members of the euro area (excluding Austria and Holland – both tightly integrated with Germany since the 1960s). There is no reason to believe that Poland's eventual euro area membership could bring about sustainable and fast growth. At best Poland's growth would be anaemic – in line with the very feeble growth characterizing Germany whose (unsustainable) export-led growth has been achieved with the consequences of stagnating domestic consumption and repressed domestic wages. /

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# CZECH REPUBLIC

## LUDEK NIEDERMAYER

In the Czech Republic, the discussion about whether to adopt the euro has been deadlocked for years. Czech public opinion needs a wakeup call on the issue.

The Czechs have accepted as a given fact that Slovakia, partly thanks to switching to the common currency, has started to overtake the Czech Republic in terms of growth and, increasingly, also in terms of wealth. On the other hand, “the euro’s bad reputation,” brought about by the economic crisis and intensified by the avowed euroscepticism of many politicians, has taken deep root in people’s minds. To exacerbate the situation, the politicians who favor the euro have also kept quiet.

All sorts of arguments against the euro are alive and well in the Czech Republic, preventing an informed debate about whether its adoption might benefit the country. So, unless this resistance is overcome such a debate is unlikely to happen. The conviction that the euro as a project has been badly thought through and is unsuitable for Europe, that it has hampered growth in individual countries and given rise to political tensions, is widespread in this country. And the majority of people believe that the euro was to blame for tax payers in eurozone countries having to bail out the “lazy” Greeks to the tune of billions.

In addition, the Czechs are fond of “their crown” which, they believe, has served them well since 1993 (when Czechoslovakia split in two). They have conveniently forgotten the occasions when the crown was too strong, slowing down economic growth and raising unemployment, and thus the only remaining point for discussion is the ongoing currency policy of the Czech central bank, which weakened the crown by a few percentage points two years ago and has kept it at this level ever since, to the great joy of exporters and the lesser joy of households.

So let us take a look at what arguments really ought to be raised in the discussion about whether the Czechs should adopt the euro, were it not dominated by petty politics and deep-seated untruths.

From a purely Czech perspective, there are two key categories of issues. The first one is whether the eurozone is “good enough” for us, and, provided the answer is yes, the second type of question is whether being members of the club is better for us than lurking on the side-lines.

However, this narrow Czech point of view may be ignoring the rationale behind the creation of the euro, which aimed at much more than being merely a currency union since the euro is part and parcel of the project of European integration as a whole. This view may also be indifferent to the fact that the original rules proved too weak for the reality of twenty-first century politics.

The current architecture of the eurozone is based on a much clearer set of rules. These include mechanisms for the coordination of fiscal policy (including sanctions), the identi-

fication of and pressure to remove any imbalances (within the European semester), the creation of a crisis system for problem solving (the EFSM and ESM funds which provide loans conditional on reforms rather than generous gifts), and the Banking Union, including a mechanism for reducing the need to use public funds to resolve banking problems (bail outs). The new rules, along with past experience, provide better guarantees that mutual responsibility won’t make the life of eurozone countries more complicated, and that it won’t damage the credibility of the common currency, which is otherwise working well.

The notion that the euro has been a success is not widely shared because citizens are not particularly interested in the fact that it has worked well as a reserve currency, rapidly rising to the rank of the world’s second most important currency. However, a quick look at the statistics is enough to refute one of the myths – that it was the common currency that has caused a slowdown in economic growth. Focusing on EU member countries for the purposes of this argument, the data shows that among the countries which have thrived in recent years, some are within the eurozone while others are outside the euro (for example, Germany and Slovakia which have adopted the euro, or the UK and Poland which have not). Likewise, there are countries which have run into difficulties or have experienced slow growth (Portugal and Greece within the euro, and Hungary and, until recently, also the Czech Republic, which are outside the common currency). Even during the eurozone credit crisis, it was not only the countries which use the euro that faced problems; five countries that are members of the eurozone and three countries that are not have drawn on the EFSF bailout fund.

Even more misleading, however, is the actual sense among many people that the causes of success or failure of individual countries are mostly due to currency or monetary policies. The euro has affected the development of individual countries, but the nature of its impact depended on their specific economic policies. Some countries – such as Germany and Slovakia – have exploited the advantages arising from the creation of the euro (the lowering of transaction costs, the elimination of currency uncertainty). Others have deplorably wasted this opportunity (which usually involves the lowering of interest rates and inflation) or worse, transformed it into the seeds of crises.

Thus, the main question is this: whether the Czech Republic is a country that would benefit from adopting the euro or whether we are one of those that might face economic hardship. Two factors are essential in this respect. The first is whether the eurozone currency policy would represent a degree of change that might help stimulate our economy. The second is whether the benefits of adopting the euro would outweigh the “giving up” of Czech monetary policy.



Given that we have been accustomed to low interest rates for years and that switching to the euro rates will not cause a nominal shock of cheap money, the risks that some countries faced after the adoption of the euro will definitely not affect the Czech Republic. At the same time, our country's similarity to the core of the eurozone—as well as the increasingly harmonized and strong trade—suggests that ECB policies would not necessarily constitute an obstacle for our prosperity and stability.

The actual pegging of the crown, in turn, represents several economic phenomena. Not only the elimination of currency uncertainty (which is welcomed by the business community), but also lower expenses for the industry and individuals (as well as a reduction in bank income from crown-euro exchanges) against the risk of the unsuitability of Frankfurt's currency policy. The aforementioned risks, although not particularly high, call for new policies which function well; primarily budgetary policies that would reconcile the absence of a domestic currency policy.

Last but not least, a political question arises with regard to the future of the club that we might be joining. As a result of fixing the eurozone's architecture, the main risks we are facing today are not bad rules or the behaviour of its members. What might constitute the greatest risk is the fact that the overwhelming majority of Europeans are lost amidst rules that are good yet complex, and that some people feel they are just puppets in a play directed by the elites in Brussels.

Furthermore, they feel all that the euro entails plays against their interests, a sense stoked by the aggressive rhetoric – which pays no heed to accuracy and truthfulness – from those who criticize the euro and the Union as a whole. Therefore, the future of the euro will not be decided by any sophisticated economic analyses but by the way European politicians behave and by what the people want. The European Union is a far more democratic project than either its opponents or its supporters believe. Should the Union, or just the euro, lose the support of its users, both would be headed for a fall. This is not an imminent scenario but it would happen eventually. And it would occur at a great cost; a cost incurred by the public if the euro were to be partially dismantled, let alone if the bonds of EU as a whole were to be radically loosened.

To reiterate, the greatest cost of this disintegration would be borne by the citizens of small nations. They would lose whatever influence they now have to shape the future of their continent, as well as the benefits they derive from the current situation. That is why, as long as countries such as the Czech Republic don't pluck up the courage to take what I believe is the rational step of adopting the euro, they should, as a minimum, wake up to the significance of the issue. And they should support the club instead of questioning it, which might ultimately bring the date of our joining the eurozone quite a bit closer. /

*Translated by Julia Sherwood*

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## MOJMÍR HAMPL

**T**he main reason why the Czechs should keep the koruna can be expressed neatly by the wise adage: “if it ain’t broke, don’t fix it;” and the monetary policy in the Czech Republic is simply not in need of fixing.

Since 1998, the Czech National Bank has been using an inflation targeting framework to steer its monetary policy with notable success. After an initial period of disinflation, the CNB has been able to keep inflation expectations close to its set targets. More specifically, the goals were to have low, positive levels of inflation which it considers the most effective match for price stability. In the view of the CNB, inducing inflation expectations to hover near price stability is the best that monetary policies can achieve in order to nurture robust investment and support the sustainable growth of the economy.

A welcome implication of low average inflation has been a trend of real appreciation – as implied by economic convergence to Western European peers – which has resulted, at least nominally, in an advantageous exchange rate. This strengthening of the exchange rate has taken place at a mostly moderate pace. One notable exception was the first half of 2002, when the pace of appreciation became rather dramatic, mostly due to expectations of recently privatized properties transferring to foreign investors and entities. But the CNB and the Czech government took lessons from that episode and, since then, the two institutions have exhibited a high degree of mutual policy communication and co-ordination. As a result, the foreign exchange market has had little reason to speculate on any exchange rate-sensitive, domestic policy blunders.

Another fruit of the long-term price stability has been a low level of nominal interest rates. Thus, the domestic market has had no reason to demand loans in foreign currencies – a product which, in recent years, has caused so much trouble and public discontent in some other Visegrad countries.

Needless to say, the actual price developments have been dramatic whether due to domestic policy changes, such as indirect tax changes, or due to shocks coming from abroad, such as swings in the price of oil. But this is and always will be the case for any small open economy, regardless of who determines domestic monetary conditions. Forcing actual inflation to stay close to the target at all times would perhaps be possible, but only at the cost of sizeable monetary policy shocks, which would have adverse implications for the real economy.

In fact, developments in recent years have only reinforced the idea that autonomous monetary policy, if conducted properly, is an advantage. Just compare the Czech and the Slovak cases.

In both economies, the relevant monetary policy authority has hit the lower boundary on nominal interest rates. However, the Czech authority (the Czech National Bank), unlike the Slovak one (the European Central Bank), was able to start using the exchange rate between the local currency and the euro as a supplementary monetary policy tool in an effort to avoid deflation and to bring inflation back to the target. I would assume that, as a result, future longer-term inflation expectations will be better anchored near price stability in the Czech Republic than in Slovakia.

There would be little need for such use of autonomous monetary policy if at least one of the two following conditions were met. Either the Czech economy would have to be very similar to that of the euro area so that the European Central Bank’s monetary policy stance would be appropriate for the Czech economy as well. Or the Czech economy would have to

be flexible enough to easily weather any mismatch between the monetary policy stance it actually needs and whichever stance the ECB takes. None of these two conditions, however, have been met. The set of comparative analyses that the CNB has produced at the end of every year since 2005 shows that the two economies differ considerably, and that neither the Czech labor market nor the public coffers are ready to work as a reliable adjustment valve.

To sum up, the CNB’s monetary policy seems to have earned quite a lot of credibility. Indeed, a survey in April 2015 showed that almost 70% of Czechs are more or less against adopting the euro. This general feeling can also be documented by deeds; despite its geographical proximity to, and close trade links with, the euro area, the degree of spontaneous eurosisation within the Czech economy is low – in comparison with Poland and Hungary – and is not growing. /

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# SLOVAKIA

ZUZANA GABRÍSOVÁ

Slovakia had the appeal of a common European currency almost completely figured out since joining the EU. Slovak and Czech readers can recall a famous quote from the notorious Czech 1988 movie “How Life Tastes to Poets” (“Jak básníkům chutná život”):

“The departure point is the marriage, of course. Hereafter, there are only positives and social benefits. First, a holiday in Yugoslavia; the first child follows. Then comes the purchase of the automobile. Here (pointing to a spot on the diagram) I become the deputy director, second child.”

The Slovak departure point was the “marriage” with the EU. “Positives and social benefits” were soon to follow, namely joining the Schengen zone (2007) and the adoption of the euro (2009), which were both perceived as final steps towards the very core of civilized and wealthy Europe.

As for euro adoption, surely there were specific economic arguments at stake. To begin with, it was the elimination of transaction costs for people and businesses, along with transparency of prices when comparing the costs for goods and services abroad. Increased attractiveness for foreign investors and creditors was also expected, together with the effect of sharing the same strong currency with some (not all) of the main trading partners – Germany, Austria, Italy, France.

With fiscal prudence being the indispensable condition for joining the Eurozone, Slovakia tamed its levels of debt and deficit, as well as met the other Maastricht criteria. Slovakia and the euro embarked on a common journey with an exchange rate fixed at the very strong level of 30,126 koruna for 1 euro; which was favorable favourable for the people and not so much for exporters. The currency transition itself was smooth, people proved to be flexible enough, and the fears of radical increase of prices appeared to be largely unfounded, at least in the short term.

So far, so good. However, there is the obvious factor that puzzles almost every evaluation of the Slovak experience with the euro. As the character in the film also says while looking at his planned life-diagram, “coincidences are out of the question, or they are accounted for.” But coincidences do happen and they are rarely accounted for as was the case with the sovereign debt and economic crisis that hit the Eurozone just as Slovakia became its 16th member.

Despite the crisis that has shaken the Eurozone to its core, Slovakia enjoyed some of the expected positive developments of euro adoption. The transaction costs saved in the first year alone matched the level of expenditures linked to the transition to the new currency. Being a permanent benefit, the

savings has amounted to 0.3 % of GDP annually, according to the National Bank of Slovakia. While it is true that due to the economic downturn, foreign direct investments recorded a drop after 2009, some investments had pre-emptively reached Slovakia once the investors had taken the adoption of euro as a foregone conclusion. It is a common understanding that the euro has sheltered Slovakia from more adverse effects of the crisis, such as the extreme volatility of exchange rates and loss of capital that has hindered the situation in Hungary.

Where Slovakia used the euro as remedy and shelter, the Czech Republic took advantage of the means of its own monetary policy. The different parameters of the economies at that time probably allows for an evaluation of both of these strategies as more suitable to their respective countries. It is probably fair to add that Slovakia’s shopping tourism suffered in the bordering regions for some time as a result of differing price levels. Having eurozone membership in mind,

Slovakia has undergone fiscal consolidation in terms of deficit and debt required by the Maastricht criteria. The truth is that public expenditures were largely relaxed right after joining the euro which also eliminated the benefits of lower borrowing costs for some time to come.

In general terms, the euro was seen by Slovakia as one tool for convergence with more advanced EU economies, but it definitely was not the only one and perhaps not even the main one. Political elements were definitely present in the euro-debate and the political class was especially enthusiastic about the assertion that, with the euro adoption, Slovakia would be the first from the former Eastern bloc countries which had met all the metrics for full EU-integration.

Just like for the founders of the common currency, for Slovakia the euro has never been just an economic project. This has become even more obvious as the cracks in the eurozone architecture are painfully exposed, and the Greek situation brings it to the brink of collapse. The membership in the eurozone during the crisis years has put Slovakia in an unprecedented position. It has faced numerous political dilemmas unknown by any EU-newcomer until now and has barely figured out what it wants to achieve within all of the elite EU-clubs. The instinctive rejection of the bilateral loans programme to Greece was gradually replaced by more constructive thinking about the conditions of the second programme for Athens, about the design of the permanent eurozone bail-out fund (the European Stabilisation Mechanism), and about the basis for new economic governance in the eurozone area. The obligation to abide by the formally strengthened



EU-fiscal rules has not only been supported by Slovakia vis-à-vis others, but has been consensually adopted domestically as well. Last year, Slovakia stepped out from its excessive deficit procedure that had been in place from its adoption of the euro in 2009.

Today, Slovakia is present, active, and some say also listened to in the discussions whether the eurozone should have its own budget and how far the political project of the eurozone economic governance should go. It is one of the most exciting political and economic exercises of our time, and thanks to the early euro adoption Slovakia is at the table where these decisions are taking place. Sure, the EU, Schengen, and eurozone come with specific and non-marginal strings attached, but that is a notion that Slovakia desperately needed to understand to make the perception of the EU project genuine. /

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## JURAJ KARPIŠ

For numerous and understandable reasons, the Slovaks were very keen to join the eurozone. After the stormy 1990s, people remembered only too well how local politicians could make a mess of the currency. The way the political class wrecked public finances and plundered the banks by offering irrecoverable credit to their pals, masquerading as “Slovak capitalists,” did nothing to contribute to the idea that Slovakia could manage its own independent currency. Things finally came to a head during a currency crisis that had to be resolved with the help of an IMF loan; but the rocketing inflation, exceeding 20% in some years, did not boost the people’s love of their national currency either.

At the start of the new millennium the public was more than ready to experiment with another currency. People believed that a currency good enough for the Germans could not possibly be worse than the Slovak crown. Furthermore, the euro held local symbolic value for Slovakia. It was meant to be the final step, the crowning achievement of a successful period of reform and integration at the turn of the millennium. After finally ousting Vladimír Mečiar in 1988, two successive governments under Mikuláš Dzurinda managed to restructure the looted banks, reform the labor market, and lower taxes. Dzurinda’s administration was able to steer a country known as “the black hole of Europe” into NATO and the European Union, and it attracted new investments that helped bring unemployment down. As a result, the economy grew by leaps and bounds, catching up on previously missed opportunities. The euro was supposed to be the culmination of both the political and economic achievements of this Central European “tiger” that had become the talk of the world. However, far from being just a feather in the cap of ruling politicians, everyone in Slovakia – from opposition politicians to businessmen and economists to the plebeian on the street – wanted the euro. Apart from hoping for a more stable currency, lowering foreign trade transaction costs, and eliminating black market currency speculation occurring on the country’s borders, prestige and national pride also played a major role. The Slovaks, who until then had lagged behind neighboring post-communist countries in terms of nearly every economic indicator, finally had an opportunity to be first in something. And, by adopting the euro, the Slovaks have finally bested the Czechs.



The overwhelming enthusiasm for the euro affected the discussion of its advantages and disadvantages; which turned out to be dismally shallow. The central bank made no special effort to investigate the potential negative scenarios and risks. Its creativity in assessing the negative aspects of introducing the euro was limited to pointing out one-off costs that the state and the banks would incur in the course of the transition. The Slovak National Bank (NBS) did not regard the increasing practice of “fiscal fare-dodging” in the currency union nor the badly functioning Stability and Growth Treaty as problems that would directly affect Slovakia. According to them, none of this would prevent the currency union from working smoothly “for some years or decades” and they believed that in the long term the problem would be resolved through “closer political integration and improved economic policy coordination.”<sup>1</sup> The NBS had a much clearer picture of the advantages and was more than happy to list them. Eliminating transaction costs in euro deals was supposed to add an annual growth of 0.36% to GDP, and the elimination of currency risks was meant to boost GDP by a further 0.02%. Pricing would become more transparent, capital expenses would go down due to lower interest rates, and the influx of direct foreign investment would increase. Even though Slovakia had one of the most open economies in the world before it had adopted the euro, and was busy trading with Europe and the rest of the world, the NBS believed that the euro would give a boost to foreign trade, increasing it by between 30% and 90%. This might perhaps not happen immediately, but it would definitely occur within two decades. And together with foreign investment this would “ultimately grow GDP by 7% to 20%.”

In fact, the influx of foreign investment following the introduction of the euro decreased compared with previous years. In relation to GDP, it was actually even lower than that in the Czech Republic, which had retained its currency. In the four years preceding the introduction of the euro, the result of subtracting inflation from the volume of imports and exports had grown faster year-by-year than in the four years after the foreign currency was adopted; even disregarding the entire crisis year of 2009.<sup>2</sup> Although the crisis caused a decrease in volume of foreign investment, the fact that a marked spike in trade did not occur after the adoption of the euro is not re-

ally surprising. Comparisons of earlier developments in various parts of the EU indicate that a change of currency does not constitute a serious barrier to trade. The euro could not have played the role of a saviour to the economy because, the first ten years of existence for the common currency showed that those EU countries that did not adopt it (Sweden, UK, Denmark) may have had higher interest rates but their macroeconomic indicators were better than those in the eurozone. These countries enjoyed lower inflation and a faster decrease in unemployment as well as growth in real GDP. At the same time, the level of debt went down in non-euro countries and their public finance deficit was lower.<sup>3</sup>

In the wake of the crisis, analyses of the expected revenues and expenses resulting from the introduction of the euro have provided ample evidence to show how naive medium-term quantitative economic predictions have been.

In hindsight, it is quite amusing to note that it was Ireland with its manic and unsustainable growth that had been cited in Slovakia as a favourite example of the positive effects of the euro on lowering interest rates. A few years later, as Ireland narrowly avoided defaulting, exceedingly low interest rates were proved to be more of a curse than an advantage to the euro. In May 2010, as the eurozone crisis erupted, the fundamental rules of the currency union were changed without a referendum. By introducing joint mutual guarantees, politicians have transformed the currency union into a debt union. Slovakia joined the elite club of the eurozone just before the end of a riotous feast; barely managing to order a drink before the waiter arrived with the bill. To our great surprise, it was suddenly decided that instead of dividing the bill based on how much each guest had consumed, it would be settled by using a joint credit card. The result is a perverse kind of solidarity that has forced Slovak taxpayers to guarantee credits for richer Europeans in problematic countries on the periphery and to help cut the losses of French, Italian, and German banks whose wrong decisions had financed the debt bubbles in the first place. /

*Translated by Julia Sherwood*

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# HUNGARY

## BALÁZS ROMHÁNYI

**W**hen assessing the current chaotic situation within the eurozone, there are two fundamentally different courses which seem plausible. Either the country specific problems (Greece, Portugal, Slovenia, etc.) will largely be solved, or a splintering will occur if enough countries opt for a two-speed Europe, with the faster club decisively going after much stronger integration.

The first case, by and large, is reminiscent of the 2001-2007 period which would accompany lower growth rates but would also include the same options and threats. It would again be possible and attractive to join the eurozone, but it does not suggest that the same local problems could reoccur of that the same bubbles (real estate, competition, etc) could pop. A country like Hungary should only join the eurozone if its intention to avoid such macro and fiscal imbalances is serious. History has shown that a repeat of the 2002-2011 Greek example would be a clearly worse option than staying out.

In the second case, there would be three groups of EU member states; a further integrating euro group, a non-euro group, and a group between the two. The integrating euro group would start to behave more and more like a single country which would consist of at least 40% of all EU inhabitants and produce an even higher share in GDP. The European Central Bank would then have ample opportunities to differentiate between the integrating and non-integrating members of the eurozone, so a free-riding option on low, German interest rates, as the Greeks did for a decade, would only be a (theoretical) option in the fast club. In this situation the non-integrating euro-members will basically have to take on all the burdens of the single currency, but without the benefit of the free-riding option. Moreover, attacks on such countries to exit the zone can become a new, popular game. Being in the middle group would be even worse than belonging to any of the other two individually. A country like Hungary should only join the eurozone if it has the clear intention of joining the further integrating group, should the option arise.

Since 2011, the market has leaned towards a devaluation of the forint, both in nominal and real terms. Some experts even claim that the forint is now slightly undervalued. There are at least three reasons behind this trend. First is the notorious unpredictability of Hungarian economic policy, which certainly would not be part of any desirable, new equilibrium. Second is the current Hungarian government's belief in old logic to foster growth of exports via devaluation. However, the key factor for Hungarian exports is clearly the demand from Chinese and US consumers for luxury cars and not a dependence on the exchange rate. Moreover, while Hungary seems

unable to make sustainable cuts in budget expenditures, they are content with the fast growing wages and subsequent tax revenues; this nominal wage hike more than offsets the competitiveness gained from the nominal devaluation. At the end of the day, this deliberate devaluation will not have a long term effect on export growth. Third is the recent switch from the exchange rate to the short term interest rate as the most sensitive, political, financial variable.

Although there was a long series of shocks that hit the Hungarian economy, the government could not afford to let the currency devalue as much as it should have done because of the number of Hungarian households which owed mortgage payments in foreign currencies (a total estimated value up to 15% of the GDP) was far too high. Now, after having converted close to all of these mortgages into variable rate forint-loans, the short term interest rate will affect directly the debt repayment burden, and hence the purchasing power of the indebted households. It is a safe bet to say that the pro-government central bank will be more than reluctant to increase the base rate, hence the currency will have to devalue. Perhaps it sounds logical; it is still an internal imbalance problem that necessitates the exchange rate change. The deleveraging of the households will take a few years, but this process can also be looked at as a preparation for the euro entry. It is clearly far less dangerous to enter the zone at a slightly undervalued exchange rate than at an overvalued one. As far as the future is concerned, not only foreign made, but also homemade country specific shocks should be avoided. This is much in line with the requirements of the revised Stability and Growth Pact.

My view is that Hungary should join the eurozone, more specifically its further integrating part because it would be a better, more consistent economic policy package than what we have now. At present, we are outside the currency union, the banking union, the financial market union, and running an economic policy full of unnecessary and detrimental shocks. However, if Hungarian governments in the future are not willing to give up their heavily used and misused toys in their short term political games, then it is better not to pretend to be a temporarily sober member of an elite club. /

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## ÁDÁM BALOG

Considering the current challenges facing many states, the euro system is clearly broken and needs fixing. Why do these events happen? Some might say this is because the whole euro system was based on a delusional idea.

Considering the developments after the crisis, the answer would be that even a great plan can get off the track when the implementation is wrong. The Greek example suggests speed is a secondary factor in the case of euro adoption. From the EU's point of view, clear rules, regulation, and strict assessment are the top priorities for the process.

From a macro perspective, the success and development of a country is only partially dependent on its currency. What exhibits greater influence are the good or bad decisions that parallel finding the right balance between monetary and fiscal policy. The adoption of the euro is a major decision, but it is not the only one within this context. Countries can be successful in economic terms outside the euro bloc, while others may suffer from structural vulnerabilities within the eurozone. However, they have to keep in mind one thing regarding the currency union: this is a one-way road.

The World became quite a different place from what it was in 1993 when the Maastricht Treaty came into force. The 2008-2009 economic-financial crisis is still in the memories of us all, and these recollections make policymakers very cautious about making such a major decision. The suffering of the Greek people affects politicians and decision makers alike. First, because the example shows that things can get really bad in the eurozone even with a fixed exchange rate; second because the system itself could not prevent this situation.

Hungarian decision-makers are looking through cautious eyes when taking considering joining the eurozone. As a member of the European Union, the country is obliged to join the eurozone once all Maastricht-criteria are met. Hungary already managed to meet three out of five existing criteria during the past few years. Meanwhile, the country is on a good track to meet the debt-to-GDP criterion, as well. This figure stands at 78.2% and it has been continuously declining.

The ratio is expected to reach the 60% goal in the mid-term fueled by Hungary's solid GDP-figures and the government's strict attitude towards debt reduction. The fifth criterion dealing with the vitality of the exchange rate does not apply currently, as the country is not participating in the ERM II system.

These criteria are in line with what most economists think are good policies for the country. The crisis has shown that economic vulnerabilities, coupled with the irrational and irresponsible fiscal policies occurring before 2010, can lead to a major crisis regardless of membership in the eurozone.

Hungarian authorities have to adopt smart policies that support economic growth which also reduce both external and internal vulnerabilities. That was the key reason why policymakers have focused on reducing and keeping the budget deficit below 3% of the GDP since 2012. This was tied with the idea of lowering the proportion of FX-denominated financing within the government debt.

Regarding a few of the central bank's decisions, the funding-for-lending program launched in 2013 provided relief for SMEs amid liquidity shortages. In addition, the introduction of stricter rules for commercial banks to lower the operational risks of the banking system also supported the aforementioned mentioned goals.

These are all critical factors supporting Hungary's economic expansion and the aim of adopting the euro as a "by-product." Local policymakers and central bankers mostly agree on the necessity of the adoption of the euro. The key question is finding the right timing, as they would like to pick the best moment possible for euro entry. /

The author is CEO-Chairman of MKB Bank Ltd.



# WISEGRAD'S ROLE IN THE GREEK TRAGEDY

Perhaps inevitably, this summer's Greek euro crisis is most fondly remembered as a drama of finance ministers. For while the script was thrilling, it was the cast list which was exceptional.

Illustration: Tymek Jezewski

HENRY FOY

**T**here was, of course, Greece's Yanis Varoufakis, the tragic anti-hero, dripping with both charisma and celebrity, but also hubris and ego; undeniably the unmissable star of the show regardless of which side of the cinema you were sat.

Opposite him, there was the cunning, calculating German Wolfgang Schauble, always one step ahead of his Hellenic negotiators, but never even close to winning the hearts of the audience.

In Brussels, attempting to hold the story together but stumbling like a chorus singing out of tune, viewers were puzzled by the necessity of the blustering, self-important Dutch Jeroen Dijsselbloem.

And then, entering stage from the east, there was Peter Kazimir. Like a Hollywood unknown making his big-screen debut, Slovakia's finance minister was the breakout success; the best supporting actor who stole the show whenever he appeared on-screen.

A Twitter addict and a soundbite darling for the bored Brussels press pack

that thought a summer hanging around outside drab meeting rooms would never end, Kazimir soared to fame as the voice of the skeptics, the outspoken hawk, and a lightning rod for austerity in a Europe tired of the Greeks, and their misplaced sense of exceptionalism.

For many tired, frustrated, and pessimistic European politicians and diplomats that spent June and July locked in intractable discussions across the continent trying to find a solution to the Greek debt crisis, Kazimir became an unofficial spokesperson – the man that said the otherwise unspeakable.

"The nightmare of the 'euro-architects' that a country could leave the club seems like a realistic scenario after #Greece voted No today," the 47 year old wrote on his Twitter page after Greek voters rejected the terms of an international bailout in July.

"We will not go gently into this good night," he wrote in another post that same evening, as jubilant Greeks danced in the fountains of Athens' central square. "We stand united and we need to respond

to this situation as soon as possible," he added: the cold, calm voice of the unimpressed creditors.

Throughout the crisis, his social media profile became a must-read chronicle of the crisis, giving insights into the atmosphere in crucial meetings, or the optimism – or lack thereof, in most cases – around the bloc's top negotiators.

That the finance minister of a small eastern European state could become the voice of the bloc's fiscal conservatives was a triumph for the eurozone's democratic governance structure, and a reward for Slovakia's decision not to shirk away from what it saw as its responsibilities to both its national taxpayers, and those in the rest of the currency union.

For the rest of the EU, it was yet another sign of both the Visegrad Group's importance, and its rising confidence. While, for many, the Greek crisis represented the V4's comfort in attacking other EU states, it was just a warm-up compared to the recent battle over migrant quotas, and the bloc's emergence as a prominent thorn in the side of pan-European harmony.

Slovakia is the only Visegrad country to use the euro, and thus the only one of the four on the hook if Greece had defaulted on its debts to the European Central Bank.

But it was not alone in weighing in on the travails of the Hellenic republic. For politicians and economists in Warsaw, Budapest, and Prague, the crisis presented two talking points.

First was the question of the euro and its attractiveness. Poland, Hungary, and the Czech Republic must all adopt the single currency at some point, and are in various stages of debate over it. And second was the discussion over fiscal discipline, an important debate across a region that swallowed tough austerity measures after a 2008 financial crisis that many saw as a western European creation.

In Poland, with an election on the horizon, it bent both ways. For the ruling government, profligate, populist Greece was an example of what happens without strong, dependable governance. For the more nationalist opposition, it showed what happens when you put too much trust in Brussels.

"Greece should be a warning for Poland," said Ewa Kopacz, Poland's prime minister, pulling no punches on a stump speech in July, during the early days of a parliamentary election campaign that ran until late October.

"What happened there was a result of irresponsible politicians' promises which were made for Greek people," said Kopacz, with fiery rhetoric straight from Kazimir's playbook. "Greek people were betrayed. I don't want to let anyone betray [the] Polish people during the election campaign."

Her rival for the premiership, Beata Szydlo, took a different tack, using the crisis to warn voters that plumping for the more pro-EU party run by Kopacz risked euro adoption and becoming liable to misgovernance by Brussels that could see Poland follow Greece into ruin.

"Greece's problems started when it joined the euro," said Szydlo. "[The current government's] politicians have said time and again that Poland needs the euro, and it is the path Poland should be on. I would like to appeal to them: abandon that bad idea unless you want Poland to become a second Greece."

In election videos released months later, in September, Szydlo's party again accuses Kopacz of "preparing a Greek tragedy for Poland," while Kopacz's party urges voters not to "pretend to be a

Greek," a play on a Polish proverb meaning to be willfully ignorant of the facts.

The large structural differences between Poland and Greece's economy aside, it was a powerful message. While Poland's euro adoption was not considered imminent before, the Greek crisis certainly quelled whatever ambition some may have had to lobby for it.

In the Czech Republic, politicians have treaded a little more carefully. Keen for his country to adopt the euro sooner rather than later, prime minister Bohuslav Sobotka laid the blame firmly with the Greek Prime Minister Alexi Tsipras, and avoided criticism of the eurozone project as a whole.

"They should present a plan of reform and of the changes they want to make, how they want to improve tax collection, how to fight corruption, how to stabilize basic functions of the state, in which way they want to manage their economy," he said.

The implication, of course, being that Prague had practised how Sobotka had preached, and thus would not suffer the same fate. It was a Greek problem, not a European one.

And in Hungary, Viktor Orban somehow managed to turn the crisis in Greece into a demonstration of his authority.

Hungary had avoided such a situation, he proposed, due to the two-third majority his party had won in the 2014 election, allowing his government to take difficult decisions that Tsipras was not powerful enough to make.

Greece, he said, lacked the "complete and almost unconditional unity" that gave Budapest its strength.

There was also a barb at Brussels, for whom Orban never misses an opportunity to chide: "The Greeks could have done more," he said. "And those whose job it was to help them could also have been less greedy."

Politics aside, there was certainly a legitimate cause for concern at the potential impacts of a Greek default, a return to the drachma, and perhaps EU exit on the Visegrad Group.

Notwithstanding the broader questions of EU legitimacy in the event of a Greek exit, diplomats fretted over the need for the other 27 members to provide assistance to a collapsed state, and financial analysts worried about the protracted hit to investor confidence and the region's financial markets.

In 2004, when the Visegrad Group joined the EU, many saw it as a club where, as the newest and least developed members, they would mainly receive assistance, support, and expertise. Eleven years later, Visegrad found itself dish-ing out the advice as a more established member state floundered.

If anything showed the confidence and security in their EU status that abounds among the Visegrad Group in 2015, it was Kopacz lecturing Greek politicians on how to run a budget, or Kazimir telling Athens that Bratislava would refuse to chip in to any rescue deal.

Europe should expect more of the same in the rumbling debate over how the EU should best deal with the unprecedented influx of migrants and refugees from the Middle East and North Africa travelling across the Mediterranean and through the Balkans to reach Europe, the V4's outspoken and unbowed attitude towards far larger and more powerful member states – forged in the Greek crisis – is again unleashed.

Pressured with a suspension of Schengen and the freedom of movement that Visegrad holds so dear, and with whispers of threats to structural funds should the bloc not support mandatory quotas to divide up Europe's migrants, Visegrad scoffed.

Such threats and the fear of becoming Europe's *bête noire* in the past would have seen Visegrad fall in line. But, despite a last-minute softening from Poland, resistance held firm, casting Orban, Fico, and Sobotka as the men who dared to defy the might of Brussels.

Visegrad has grown stronger and bolder in Europe as it has become richer and more accustomed to the rules of the EU game. It deserves an ever-louder voice.

And with each and every crisis that grips the bloc, it is finding that its position is becoming more and more important, and its opinion sought. Yet all the Group's leaders should take care to remind themselves that with power comes responsibility. Nobody should seek confrontation for confrontation's sake. /

The author is Financial Times' Central Europe correspondent.

# THE BEST THAT COULD HAVE HAPPENED

*An interview with Grigorij Mesežnikov  
by Aureliusz M. Pędziwol*

**The new Slovak parliament will be elected in 2016. Can we expect a surprise?**

The most powerful party is currently Smer (Direction), the party of the Prime Minister Robert Fico, which enjoys the support of between 30% and 35%, and it seems that it will win again. But for one-party governance, it is not enough. The question is whether Smer will find a coalition partner.

**How does it look on the other side of the political scene?**

The center-right party has very weak footing. However, there are more [right-wing] parties than there were in the last elections. In some polls, together these parties get more than Smer and sometimes [the Slovak National Party SNS] gets even more than Smer.

**Is there, in Slovakia, the potential for new protest parties?**

In recent years, there have emerged three parties which have offered themselves as alternatives. Only one of them has come really from protest: The Ordinary People's Party (Obyčejní lidé, OL). But today, after five years in Parliament, I would not describe it as a protest party.

The remaining two – The Bridge (Most), a project comprised of nationalist leaning minorities, and the liberal, or more precisely, libertarian party, Freedom and Solidarity (Sloboda a solidarita, SaS) – which endeavors, indeed, to make a few policies, but still within the standard-party system.

The recent increase in disputes over immigration, coupled with the debate on the situation of the Roma minority inspires the radical nationalist and extremist parties which do appeal to a part of the electorate. If an alternative political project arises, which would be based on protest votes, it can either be an assembly of several extremist groups around the People's Party for Our Slovakia (Ľudová strana Naše Slovensko, ĽSNS) of Marian Kotleba or something entirely new. I do not think they will enter parliament, but they might reshuffle the cards and take votes which otherwise would go to the less radical nationalist parties. Consequently, the balance of power between SNS, Smer, and other parties would change.

But I rule out the emergence of a new, strong party with an extensive program, which – as ANO in the Czech Republic – could be supported by 15% to 20% of the voters. The time is too short – less than a year to the elections.

# TODAY, **SLOVAKIA** HAS A ROBUST MARKET ECONOMY WITH EFFECTIVE CONTROL MECHANISMS THAT TRY TO STAY IN LINE WITH THE CORE OF **EUROPEAN INTEGRATION**

*says political scientist Grigorij Mesežnikov of the think tank Institute for Public Affairs (IVO) in Bratislava.*



illustration: Jagna Wroblewska

**Does that mean that Slovakia will retain its European orientation, and its economic course will not change?**

The vast majority of mainstream parties are pro-European, even Smer. It manifests itself as critical towards the situation in the EU, but, as a ruling party, it benefits from EU membership, and it takes EU-compliant positions. So I do not expect that anything regarding our support for European policies would change regardless of who will form a government; whether it is Smer with a center-right party, or even with the SNS, and perhaps even a wider center-right coalition.

This also applies to the most burning question of the war between Russia and Ukraine. Even if Prime Minister Fico criticized the EU-sanctions, he does virtually nothing to abolish it. On the contrary, Slovakia has always supported the common European approach.

**His two visits to Putin, in Moscow, have changed nothing?**

No, even though they do not contribute to a positive perception of Slovakia. The Slovak diplomats and experts have to explain to their partners abroad the source of this dualism. De facto it does not exist. The Slovak foreign policy is exercised in full compliance with all obligations arising from our EU and NATO memberships.

Ukrainian politicians describe Slovakia actually as a friendly country.

Contrary to some statements by our Prime Minister, Slovakia is in no way hostile to the Ukraine. Conversely, it supports Ukraine's striving for European membership. It is one of the priorities of the Slovak foreign policy that are defined in the strategic documents of the Foreign Office.

In the Visegrad Group, Slovakia is responsible for the energy, and it helps Ukraine in matters of energy security. Bratislava has also secured the reverse flow of natural gas to Ukraine, thus helping Kiev to overcome Moscow's position. Within the framework of the Eastern Partnership, it helps Ukraine to strengthen its administrative capacity.

**Robert Fico and his party Smer have governed Slovakia for two terms – with a nearly two-year break during which the Right came at the rudder again when Iveta Radičová ruled with her cabinet. Before Fico's first term, Mikuláš Dzurinda was Prime Minister for eight years, first at the top of an anti-Mečiar coalition with the Left, then of a right-wing coalition that reformed the country profoundly. Why has Fico withdrawn from the reforms of Dzurinda and Radičová?**

Both in 2006 and 2012, Fico campaigned with clear announcements of significant changes. He criticized that the "Right" was antisocial and had introduced brutal market mechanisms. Nevertheless, no fundamental system changes came. The reforms were so stable that its removal could be destabilizing for the country and be devastating for anyone who tried to withdraw them. Lastly, the main task for Fico was to explain to his own electorate why there are no visible changes. Although Smer talked about radical improvements in social policy, in reality there were only minimal corrections.

However Fico has taken some steps...

There were some modifications in the tax system, labor law and social policy, but no radical change that Fico could present as a fulfilment of his announcements.

However, I think that this was the right choice. I am one of those who believe that what happened during both terms by Dzurinda and was continued under the government of Radičová was the best that could have happened to this country after 1989 and the subsequent fall of the Mečiar regime. Thanks to those changes, Slovakia now has a robust market economy, in which there are functioning control mechanisms both in public administration and the distribution of funds from public sources.

**Were the foreign investors not deterred by Fico?**

Today, attracting foreign investment is no longer as clear as in the time of the second Cabinet of Dzurinda. The question is whether we have reached saturation. I do not think that there is space for major investments, for which there would have been enough manpower and sufficient infrastructure. But in between there were two crises.

Yes, that's true. However, some experts believe that the changes both Fico governments have made were not beneficial in increasing these investments. But, thank God, they did not have a negative impact either which could have discouraged foreign investors from Slovakia.

**Does the right-wing opposition have any ideas that they could still offer to Slovakia?**

They are talking about innovation, about the knowledge economy, as well as IT and start-ups. But this is not far from the vicinity of the Smer party since the new Education Minister [Juraj Draxler on 25 November 2014] has occupied this office. But, in my opinion, the center-right parties show more initiative in this direction. Unfortunately, their fragmentation and internal disputes, in which they are deeply entrenched, do not allow enough space to present their programs, proposals, and ideas to the public in order to win them over. I think, anyhow, that these parties will fight more for market mechanisms – rather than with Smer, which calls for a stronger state.

**So the Right does not have a project, such as the flat tax of the former Finance Minister Ivan Mikloš, which could attract the people?**

The flat tax was a strong drive for a certain part of the population – for economically active people, for entrepreneurs, for tradesmen. At the moment, I cannot identify such an idea comparable in quality stemming from the center-right parties. Some carriers would be necessary – a strong group of leaders, of highly qualified professionals, could have potential. The SDKÚ [Slovak Democratic and Christian Union, led 2000-2012 by Mikuláš Dzurinda] was such a party. Currently there is nothing similar on the Slovak political scene.



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**A project started under Dzurinda and finished under Fico was the transition to the euro. Slovakia has exchanged its crown at a pretty steep rate. Has this resulted in any competitive disadvantages compared to neighboring countries, which can alter their exchange rates?**

By participating in this project we have received mainly guarantees against an irresponsible government. Thanks to the financial discipline that is held following the introduction of the euro, no government, including those of Fico, can spend the money in an irresponsible way.

Greece shows, nevertheless, that this is also possible in the eurozone.

Greece is a different case. Greece joined the EU when there were serious doubts. But now we are talking about Slovakia. Thanks to the euro various administrative barriers were removed that previously hindered the old currency. I mean the rates, conversions, exchange... The other thing is that membership in the eurozone has really disciplined us.

Regarding these negative consequences on competitiveness you have mentioned, I think that the total momentum of economic growth in Slovakia along with the small level of inflation, compensates for them, at least partially. In our vicinity we have Hungary, Poland and the Czech Republic. Poland – yes, it may be an example. But Poland is a big economy. There we could discuss the pros and cons. However, let us look at Hungary, which has a national currency. The Hungarian economy is still not competitive, or in as a positive a situation as we would expect. If we had not introduced the European currency, we could have found ourselves in a similar situation. All in all, I think the benefits of membership outweigh the negatives.

**So how do you see the future of Slovakia – politically as well as economically? Will this country continuously develop and become more and more European? Or is there a danger that such parties like those of Kotleba could gain the upper hand?**

Two years ago, I would have been more optimistic. I think that if development in Slovakia would depend only on our internal factors, then I would see them in a very good perspective. But today I am more cautious; in the face of what is happening now in the East and with the challenges confronting Europe. It depends to what extent the conflict in Ukraine continues, or whether it will be resolved. To what extent we will hold the joint line, and to what extent the West will manage to resist what Russia is demonstrating in the East.

The overall position of Slovakia – as an EU Member State – is, in my view, strong. Even this government, which lacks potential and which radiates no significant developmental impulses, is pro-European – even if there is certain a opportunism behind it. Yet, Slovakia endeavor to be at the core of the European integration processes, which will be good for Slovakia. Maybe we are only imitating something, but we are doing it fairly effectively. Therefore, I do not believe that Slovakia will have similar economic problems to Greece or – in the political sphere – Hungary.

So I am a moderate optimist. But we must keep a careful watch on what happens in the East and take appropriate precautions.

And in the South also...

Also in the South, but that is a challenge of another kind. For this, a common [European] procedure for migrations is needed.

This is also a task for our political elites. We are taking full advantage of EU membership. We draw quite a bit from the euro funds; Slovakia is a net recipient. Even in the last year,

## I THINK THAT THE TOTAL MOMENTUM OF ECONOMIC GROWTH IN SLOVAKIA ALONG WITH THE SMALL LEVEL OF INFLATION, COMPENSATES FOR THEM, AT LEAST PARTIALLY

the Premier noted that we would end up in an econom-

ic catastrophe if we did not have the euro fund. I do not agree.

We do want to use all these advantages; however, we should also show solidarity. That is the job for our politicians. They should explain to people that their pro-European attitude is also reflected in the support of such macroeconomic negligible things, such as taking a few hundred people from the countries where dramatic events are taking place. They are trying to save their lives, and we should help them.

**Will the anti-Islamic sentiment outweigh these positive notions?**

I do not think that it will be actively expressed by a majority of the population like what we saw in the end of June on the streets of Bratislava. Perhaps the radical forces will be strengthened, perhaps the competition between the nationalist parties will be greater, but I do not think it will change our state policy. /

# EUROPE

## *Face to Face with Its Contradictions*

**Even though freedom of movement was one of the major achievements of the revolutions of 1989, the countries of Eastern Europe are reluctant to grant this freedom to non-Europeans**

photo: Craig Ruttle/Reflux/EASTNEWS



JACQUES RUPNIK

**E**urope is facing the biggest wave of migration since the end of World War II and the start of the Cold War. It is indeed Central Europe, whose peoples regard freedom of movement as the greatest benefit arising from the fall of the Berlin Wall in 1989, which today is subject to new migration routes and experiences the most concern about the tensions provoked by this surge.

The country that is the symbol par excellence of the end of the post-1989 era is Hungary. During the summer of 1989, it was the first to open the Iron Curtain between Hungary and Austria, allowing tens of thou-

sands of East Germans who “voted with their feet” to reach the German Federal Republic. More recently, in the summer of 2015, it built a 175-kilometre fence along its frontier with Serbia, aiming, with little success, to prevent migrants entering its territory. At the end of August, at the Balkan summit in Vienna, the Serbian prime minister declared: “The answer is not building walls. We are just a transit country.” Whereas Hungary claims that it is protecting an EU frontier, the Serbian foreign minister, Ivica Dacic, presents his views with a touch of irony: “The Balkans are facing a wave of migration ... from the EU!” And indeed, the migrants who are arriving in Macedonia and Serbia are coming from Greece, a member-state of the EU and signatory to the Schengen agreement.



### HOSTILITY AS MIGRANTS ARRIVE

We have, therefore, to distinguish between the “Western Balkan” countries and the central European countries that are part of the EU. The former are a source of economic migration, mainly from Albania and Kosovo, but they are also a transit zone for refugees from the Middle East heading for the EU (increasing by 600% in 2014). The EU countries are attempting to protect themselves from both sources. While the Serbs have, on the whole, given a sympathetic welcome to the migrants, providing them with food and even wire-cutters so that they can get through the barbed wire fences, the central European countries are distinctly more inimical. And not just in

Hungary, where only 10% of the population is in favor of accepting asylum seekers; 80% of Slovaks and something approaching three-quarters of Poles are hostile to receiving migrants, no matter where they are from. Most new member-state governments, from Estonia to Romania, are unreceptive to the idea of quotas to divvy up migrants and some claim to be ready (as in Poland and Slovakia) to receive a few hundred Christian Syrians. The three Baltic countries between them have agreed to accept 725 asylum seekers.

The first paradox is that countries whose populations after half a century of confinement, consider the freedom of movement as the greatest achievement of the 1989 revolutions, refuse to apply that

principle to non-Europeans. For twenty years they have been enthusiastic about globalization; the slogan for the Czech presidency of the EU in 2009 was “Europe Without Barriers.” But today, they call for a “Europe That Protects;” the slogan of the French presidency in 2008.

The second paradox is that post-war, pro-democracy movements in Central and Eastern Europe, movements which were overpowered by Moscow, resulted themselves in major waves of refugees. For example, in 1956 more than 200,000 Hungarians fled Soviet tanks and arrived in Austria while also being welcomed by the rest of Europe. This was a response that no one questioned. The same occurred with the Czechs and Slovaks after

the August 1968 invasion that crushed the Prague Spring. It also happened with the Poles after 1981 when the authorities came down on the Solidarność movement and drove many into exile. Is this amnesia or is solidarity supposed to remain solely intra-European?

## While Central and Eastern Europe were experiencing the age-old problem of national minorities, Western Europe was trying to cope with integrating immigrant populations.

There are two factors that help us better understand the situation as seen from the “Other Europe.” Historically, the countries of Central and Eastern Europe have, since the late nineteenth century, been lands of emigration and not immigration. Since 1989, about one million Poles, Slovaks, and citizens of the Baltic States have arrived in Great Britain and Ireland. Romania and Bulgaria have seen about 15% of their population leave for southern EU countries. More importantly, these nations embarked on building on the ruins of the multi-national empires that had existed: Hapsburg, Ottoman, and Russian. All had minorities accounting for about a third of their population. At the end of World War II, during which Hitler had exterminated the Jews and Stalin had encouraged the expulsion of the Germans, we witnessed the dismantlement of the ethnic jigsaw puzzle that was middle Europe. The map that used to resemble a painting by Kokoschka, made of subtle touches of different shades turned into a painting by Modigliani, made of compact mono-color blotches. Poland and the Czech Republic became homogenous nation-states. But Western Europe, with its post-colonial heritage and incoming economic migrants from countries in the south Mediterranean since the late 1960s, had begun to transform. While Central and Eastern Europe were experiencing the age-old problem of national minorities, Western Europe was trying to cope with integrating immigrant populations.

This is one of the key issues of contrast concerning the current situation. Whereas, in Western Europe, a liberal model of multi-ethnic societies has been in the making for nearly half a century, Eastern Europe, with some variation, had closed societies prior to 1989 and has

yet to experience any notable migration from the South. These nations had been colonized and did not share the West’s postcolonial complex. And of critical importance is the widespread perception stemming from the east of Europe that this western multicultural model has

become a “complete failure,” to borrow the term from Angela Merkel’s speech at the CDU Party conference in December 2010. There is a pithy phrase making the rounds in these societies as well as in political discourse and the media: “migrations from the South today will become our ‘suburbs of Islam’ tomorrow.” Hungary’s Orban has been the most strident in his “invasion” rhetoric; the EU has “let itself be invaded by migrants threatening European countries with an unprecedented social, economic, cultural, and security conflict.” Slovakia’s Social Democrat Prime Minister Robert Fico, adds: “Slovakia is not bound by any duty. It was not Slovakia that provoked the chaos in Libya by bombing Ghaddafi.” Well, that may be true, but Slovakia like Poland and the rest of what Donald Rumsfeld called in February 2003 the “new Europe,” supported with great rhetorical and military fervor the Bush administration’s war in Iraq. This is now considered as the main turning point in bringing about the disaster of state-collapse in Iraq, destabilizing the Sunni-Shiite balance in the region with its spill-over into Syria which is accountable, in a large extent, for the current refugee crisis.

A shared reading of the migration challenge led the countries of the Visegrad group on September 4, 2015 to jointly reject the quota system proposed by the EU Commission. However, a couple of weeks later, they were a less united front. This was the result of mounting pressure from Brussels and Germany on the eve of the EU summit of September 22-23. The pressure culminated in threats to cut EU funds to those reluctant to toe the line. Poland showed flexibility; Hungary was not going to bow to the “diktat”; and Slovakia even threatened to sue the European Council at the EU court

of justice in Luxemburg. The Czechs, as often, reluctantly made a concession so long as quotas were a one-off measure, not a permanent arrangement. “A New Munich,” “The End of Sovereignty,” and “Do Not Give In To Blackmail” were just some of the headlines featured in Czech, Slovak, and Hungarian press.

Two significant developments should be mentioned in connection with the EU migration summit decisions on quotas. First is the “defection” of Poland from the Visegrad Four and its new-found flexibility on migration. Several explanations can be suggested. Donald Tusk, who chairs the European Council (an appointment that owed a lot to his relationship with Chancellor Merkel), helped promote the position of his successor, Mrs. Kopacz. There was no way the Polish Prime Minister could oppose Mr. Tusk on such an important matter in the EU. Next, Poland is perhaps the only country in the region thinking strategically: if your eastern neighbors, Ukraine and Putin’s Russia, are your priority in the European arena, you must show you are willing to be more forthcoming on issues concerning the southern neighbors. Finally, Poland has an influential “Europeanized” civil society which has had an impact on the evolution of the debate in the country; though this argument must not be exaggerated on the eve of an election which may bring Kaczynski’s PiS back to power.

The second novelty is that the Brussels decision on quotas was largely perceived in Central Europe, as a German one. On the eve of the summit, Interior Minister de Maizière hinted that countries reluctant to adopt quotas could be stripped of structural funds. This position was supported by the Social-Democrat Vice-Chancellor Sigmar Gabriel but Mrs. Merkel refrained from explicitly linking the two issues. The reactions were predictable: “blackmail,” “unprecedented threats,” etc. The Slovak prime minister stated that “punishing a country for a divergent opinion would be the end of Europe.”<sup>1</sup> So the Central Europeans, who supported the German rule-based position on the handling of the Greek financial crisis, found themselves dismayed by the imposition of German hegemony on the migrant issue. One has to admit that the German position was sometimes hard to follow; before the summer, it was opposed (together with France) to the quotas, then, in the face of the unprecedented scale of the refugee tide, decided

at the end of August to simply abandon Schengen rules and let the migrants in only to close its border again with Austria on September 16.

Thus the migrant crisis has also brought about a major parting between Germany and its eastern neighbors. These countries are economically and politically the most closely tied to Germany; a connection which they see as the main driving force for their integration into the EU. But how powerful is German leverage on the V4? So far this year Germany has accepted a million refugees, and that number is still growing. The firm positions taken by Chancellor Merkel on accepting foreigners and the necessity of mobilizing Europeans has caught the political elites of her neighbors unawares. They do not know how far they can stray from the European mainstream as defined in Berlin.

### IMAGES AND NARRATIVES

The migratory wave facing Europe also shows that, while the East-West convergence of economies and political systems over the last twenty years has been spectacular, the changes in society, mentality, coping with diversity, and co-existing with other cultures have each been quite a different matter. And many in Western Europe are now (re)discovering the “Otherness” of the countries of Central and Eastern Europe within the context of the migration issue. Images and narratives are being reshaped.

Twenty years ago, the image of Hungary was that of the most liberal, open and pro-European of the countries that came out of the Soviet fold. Meanwhile Serbia embodied the Balkan paradigm of a closed society obsessed with redefining (even with violence) its national identity and territory. The migrant crisis somewhat reversed the roles between the Balkans and Central Europe. Perhaps the most spectacular, widely discussed, and even admired tactic was that of the German reinvention of its identity and image through a daring welcome of a million immigrants. It can be considered a “humanitarian Anschluss” if one includes (for a couple of weeks at least) Austria in this spectacular and highly symbolic moment; 70 years after trains were deporting people from Germany to death camps in Middle Europe, the summer of 2015 featured trains bringing refugees to Germany from the Middle East.

People in all corners of Europe are changing their perceptions, but beyond this there are different narratives that are attached to them and different ways of defining what Europe is or supposed to be. As Angela Merkel emphasized the duty of offering asylum and showed solidarity with European humanism, Viktor Orban replied that in building the fence he was acting on behalf of protecting “European civilization.” This leads to the conclusion that there are at least two versions of what Europe stands for. This one, associated with the EU, is based on shared norms and rules. When focusing on this one aspect, asylum policy, it can be seen that it is not an option but an obligation consistent with the human rights commitments endorsed by EU member-states. Germany’s recent evolution in the definition of nationhood from an ethnically defined *Gemeinschaft* to a legally defined *Gesellschaft* and its parallel conversion to “multi-kulti” concept of the nation and citizenship is the most visible illustration of this definition of Europe.

The Central Europeans have their own narrative, their own definition of Europe which, they have discovered, is now at odds with the one prevailing in the EU. How do we account for this? These nations, long without a state of their own, were *Kulturnation* (based on what used to be the German pattern) defined by language, culture, and often religious denomination. The Central Europeans have transposed this approach to their cultural/civic definition of Europe. They have considered themselves to be historic protectors and geographic insulators; the “rampart” (*antemurale christianitatis*) against external threats. As an example, the Ottomans who seized Budapest in the 16 century were stopped at the doors of Vienna in 1683 by prince Sobieski’s army. In the post-World War II era, they offered cultural and spiritual resistance to Soviet totalitarianism coming from the East. While the West considered Europe to be a “common market,” they emphasized belonging to a Western culture and European civilization. This 1980s narrative about the “kidnapped West” (Kundera) developed by writers and dissident or exiled intellectuals triumphed in 1989. For a while, as dissident intellectuals were propelled to center-stage, there was an expectation, or a messianic illusion, that Central Europe would help redefine the identity of a reunited Europe. Instead with the eclipse of the intellectuals and the priority given

to economic integration in the European common market, the Central European narrative fizzled out in the more prosaic process and normative agenda of EU enlargement.

Of no less importance in the 1980s was the Central European discourse that defined Europe as a culture/civilization with human rights. Today, the two seem at odds. The EU defines itself through universal values and human rights rejecting any culturalist definition of Europe. The very word European civilization is either taboo or used simply to oppose the barbarism of jihadi terror. So when Central Europe claims to resist a “Muslim invasion” from the South in order to protect a European or “Christian civilization,” it has rediscovered or rather revamped a discourse on Europe’s cultural identity which, to the European mainstream, smacks of a “clash of civilizations” and is echoed by the nationalist, populist, and anti-EU end of the political spectrum.

Since joining the EU, Central Europeans have appreciated the economic benefits but often complained about the lack of attention for specific experiences and concerns belonging to the Central European identity which has been diluted in the EU integration process. Well, be careful what you wish for because you may get it! Central Europe got in the last six month more attention from the Western media and politicians than ever before in the last twenty years. To be sure, the attention often had a simplistic or moralizing tone. But it also had a common thread: stressing the distinct Central European approach to the main issue of today, the otherness of what used to be the “Other Europe.” /

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# WHAT DO YOU THINK ABOUT TO WHAT EXTENT WE COULD TRUST THE FOLLOWING NATIONS AND RELY ON THEM?

## POLISH RESPONDENTS

NATIONS	Definitely trust	Rather trust	Neither trust not distrust	Rather distrust	Definitely distrust	DK
SLOVAKS	7,6	61,7	12,5	4,9	0,3	13,0
GERMANS	5,1	49,5	19,1	13,7	5,0	7,6
HUNGARIANS	6,2	54,4	20,3	5,5	0,9	12,7
ENGLISH/BRITONS	4,8	46,8	26,8	9,5	2,6	9,5
RUSSIANS	0,6	8,0	15,5	28,5	42,4	5,0
AMERICANS	5,6	44,0	23,9	11,9	4,8	9,8
CZECHS	6,7	54,7	19,4	7,1	2,0	10,1
FRENCH	4,2	44,9	25,0	11,4	3,2	11,3
UKRAINIANS	1,0	28,3	27,9	23,7	8,5	10,6
CROATIANS	2,1	41,0	26,2	9,6	1,9	19,2
AUSTRIANS	2,7	43,7	25,6	8,8	2,2	17,0
SLOVENIANS	1,8	42,1	25,4	7,6	1,8	21,3

## CZECH RESPONDENTS

NATIONS	Definitely trust	Rather trust	Neither trust not distrust	Rather distrust	Definitely distrust	DK
AMERICANS	9,5	31,2	34,3	16,0	7,5	1,5
ENGLISH/BRITONS	12,5	45,9	27,9	9,1	2,8	1,8
SLOVAKS	30,0	48,9	15,7	3,7	0,8	0,9
FRENCH	11,6	46,9	28,8	8,3	1,9	2,5
CROATS	5,2	32,7	37,7	16,5	3,5	4,4
HUNGARIANS	4,9	32,2	39,3	17,2	3,1	3,3
GERMANS	10,7	32,9	32,8	15,7	6,3	1,6
POLES	13,0	44,8	28,2	9,1	2,7	1,4
AUSTRIANS	13,0	44,8	28,2	9,1	2,7	2,2
RUSSIANS	2,9	14,0	29,2	33,2	19,2	1,5
SLOVENIANS	4,0	29,0	37,5	19,0	4,2	6,3
UKRAINIANS	1,3	11,5	34,7	32,2	17,6	2,8



Source: Perception of Visegrad in Visegrad Countries Survey 2015

## SLOVAK RESPONDENTS

NATIONS						DK
POLES	5,1	38,7	35,9	13,2	4,8	2,3
GERMANS	8,2	31,4	31,6	18,5	8,1	2,3
HUNGARIANS	5,2	24,6	30,6	26,5	10,8	2,2
ENGLISH/BRITONS	6,5	28,0	33,5	22,3	7,3	2,4
RUSSIANS	5,3	26,0	34,1	20,4	10,9	3,3
AMERICANS	6,7	20,5	26,1	25,0	<b>20,0</b>	1,8
CZECHS	<b>25,4</b>	52,8	16,1	3,6	1,1	1,0
FRENCH	5,0	33,2	<b>39,9</b>	14,3	3,4	4,2
UKRAINIANS	2,1	14,5	34,3	<b>30,3</b>	13,7	5,2
CROATIANS	7,5	32,8	34,8	13,7	4,2	7,0
AUSTRIANS	9,5	<b>39,7</b>	34,7	10,9	2,2	3,1
SLOVENIANS	4,5	23,8	37,3	20,2	4,8	9,4

## HUNGARIAN RESPONDENTS

NATIONS						DK
SLOVAKS	8,2	31,6	36,3	12,4	4,3	7,0
POLES	<b>14,3</b>	43,9	27,0	5,1	2,7	7,1
GERMANS	13,2	<b>48,9</b>	24,7	5,9	2,2	5,2
ENGLISH/BRITONS	5,5	38,9	32,6	10,1	3,9	9,4
RUSSIANS	1,5	14,3	36,3	27,1	<b>14,9</b>	6,0
AMERICANS	3,3	29,8	37,1	14,5	8,8	6,6
CZECHS	5,9	33,9	33,6	11,5	5,6	9,6
FRENCH	4,7	27,6	36,7	13,4	6,7	11,0
UKRAINIANS	1,0	13,4	31,6	<b>30,3</b>	14,8	9,0
CROATIANS	4,3	27,2	<b>37,9</b>	15,0	6,0	9,7
AUSTRIANS	5,9	28,6	26,3	9,4	6,3	23,6
SLOVENIANS	4,0	27,4	37,2	12,0	5,2	14,3

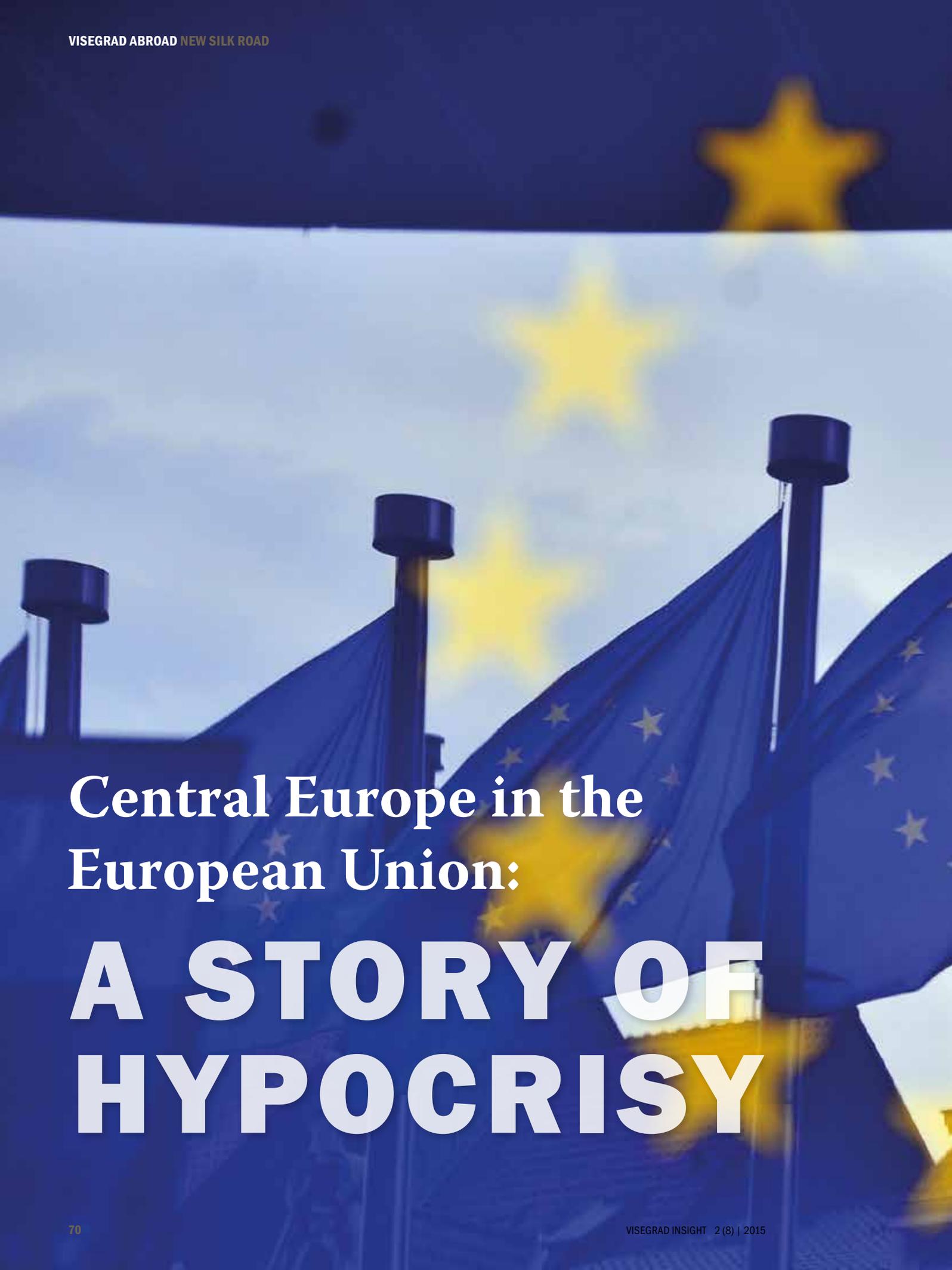
### Perception of Visegrad in Visegrad Countries

Public opinion polls conducted in:  
Czech Republic (sample size: N=1,065)  
Hungary (N=1,001)  
Poland (N=1,000)  
Slovakia (N=1,067)

Samples are representative for the adult population (age 18+) in each country.

Fieldworks have been conducted between May and July 2015 by STEM (Czech Republic), Tárki (Hungary), Stratega Poland (Poland), and FOCUS (Slovakia).

The project is financially supported by International Visegrad Fund and coordinated by the Institute for Public Affairs, Bratislava.

The background of the page features several European Union flags on tall, dark poles. The flags are blue with a circle of twelve yellow stars. The scene is set against a clear blue sky with a few soft, out-of-focus yellow stars, suggesting a bright, sunny day. The overall color palette is dominated by blue and yellow.

Central Europe in the  
European Union:

# A STORY OF HYPOCRISY



photo: VGEORGES GOBET/APP/EAST NEWS



**It has become something of a rule lately that when a Central European country makes it to the front pages of a big international newspaper, it is not cause for celebration.**

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MICHAL KOŘAN

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**T**he autumn of 2015 proved this rule to be true more than many Central Europeans would like to admit. Central European governments, namely those that actively opposed the EU quotas as a part of the solution to the immigration crisis, have found themselves in the spotlight of a very heated and emotional exchange. Just as the world was recovering from the surprise of the Czech Republic, Hungary and Slovakia, among others, disputing the sanctions against Putin’s Russia, it once again stared in disbelief when confronted with what was generally termed as a lack of solidarity and understanding on the part of these “new members” of the EU.

The blatantly defensive and self-centered position of the Central and Eastern Europeans first caused a shock and soon prompted many people to think about the very foundations of the region’s belonging to Europe and, in particular, to the EU. After having witnessed the political development in the region after the EU accession, the fact that this was at all shocking is itself surprising – any involved observer would have had all the evidence he or she needed on hand to support a claim that the troubles in Central Europe have been brewing for some time. But, as I will explain later, it was convenient for the West to overlook this evidence and for Central European governments to benefit from this conscious negligence.

On the other hand, if what has been happening in Central Europe now serves as a wake-up call, all we can say is – better late than never. Yet, such a critical review of Central Europe must acquire a different form than that of an emotional bashing from the West, and no less an emotive rejection on the legitimacy of this moral tongue-lashing from Central-Eastern Europe, which is what we have experienced so far.

If we continue to engage in this kind of dialogue, we run the risk of losing the single biggest achievement Central Europe has given Europe in centuries: a peaceful, non-antagonist, and even cooperative way of living *with* each other and *within* a larger entity without being forcefully coerced into it by an outside power.

Europe truly faces a threat that its Central part will become once again a group of largely antagonized states – within themselves, against each other, and against anything that they individually and arbitrarily choose to define as “the other.” This would be the epilogue to the dream of Europe, whole and free. In fact, we are sensing a divisive mood in the region already. Just as we are prone to forget what immense potential was yoked because of the division of Europe before 1989, hardly anyone can picture today – if this divisive mood becomes a reality – the cost to be incurred related to all imaginable spheres of life: social, cultural, political, economic, security, and environmental.

How did we get to such a breaking point? A widely used and meritorious explanation points to the fact that Central Europeans failed to think about the future of Europe beyond the immediate goal of their EU membership. In the midst of the revolutions of 1989, a small group of Central European activists, philosophers, thinkers and, dissidents (e.g., Václav Havel and Lech Walesa) acquired executive powers in their respective countries and began to realize their dreams of ending the political, cultural, economic, and social divisions of Europe. The EC/EU membership was to them a step on this path though it was hardly the end goal. Yet, after securing a wide (yet possibly shallow) base of public support for EU membership, broader ideals gave way to the burdensome process of managing and administrating the EU membership process

and never quite made it back to the realm of Central European politics. Intellectually, it was easier to adapt to the externally provided conditions than to engage in the demanding and risky business of thinking about the future of Europe beyond the more attainable and immediate goal of EU membership. What we witness with a growing urgency is the fact that the leading political figures in Central Europe failed to internalize the basic principles of European integration. The EU keeps hanging somewhere out there as an external entity in the minds of the majority of Central European politicians, serving nicely as a source of money, as a straw man to fend off public frustrations, and as a platform for numerous photo opportunities. This, of course, is an exaggeration, but only to a degree. Central Europeans have, in fact, many historical reasons to keep their minds locked in the narrow confines of their immediate environs be it family, community, social class, or nation. Too many times in its painful history “the evil” came from outside of Central Europe despite every effort to be invisible to the European powers. Yet, the more this historical narrative is being utilized, the more it is abused, and the more Central Europeans are willingly turning a blind eye to the vices of their own making.

We can see many structural weaknesses in societies and politics in Central Europe on the rise in the rest of the EU too – populism, xenophobia, distrust in political parties and parliamentary politics, disbelief in the EU, and so forth. But, while there are strong political figures promoting these popular anxieties and frustrations all over Europe, what Central Europe is missing – as opposed to countries with longer democratic traditions – are those who are able to offer strong political leadership with alternatives to populism or hiding behind the back of Brussels.

This feature owes a lot to a mutual hypocrisy between the so called old and new members of the Euro-Atlantic community. For more than a decade, Central Europe has lived a blasé life, wrapped in the cozy blanket of illusion that it had successfully managed its difficult transformation to become a fully European democratic region with well-functioning market economies and responsible societies. It was the hope that these societies would eventually lead to improving the still murky world of everyday politics. This illusion was further augmented by both the European Union and the United States as they – and rightly so – needed success stories of democratic transition. Not to mention that the world has had other and more pressing tasks to do than to pay attention to a once problematic region. Naturally, it was far more effective to see Central Europe as fixed once and for all than to confuse the world by asking unpleasant questions.

Thus, from being “students” of the European Union and democracy, the Central Europeans became “teachers” almost overnight after their EU accession and happily accepted the role of providing transformation assistance to the countries further to the East and South. As a consequence, Central European governments could focus general attention on the deficiencies of other countries while happily playing the role of those who have gotten their own house in order and were able to provide some valuable advice. All these factors contributed heavily to the increasing volume of economic and democratic transformation deficiencies, all being kept neatly under the carpet. And these deficiencies are dire – widespread corruption, a disenchanting public, a weakening sense of responsibil-

ity to name just a few. Of course, it was a convenient way of doing business for both sides – the Central European governments were able to keep others from looking too closely, and the EU and the United States could put Central Europe on a pedestal, showcasing success in democratic transitions while avoiding any burdensome, and possibly problematic, inquiries.

We all are now paying for this complacency dearly. Western Europe must demonstrate its frustration with Central Europe much more fiercely than it would have if it had paid attention to the political, social, and economic development of the past decade. Some Central Europeans, on the other hand, are on the brink of fully utilizing this clash with the rest of Europe for their own domestic and short-sighted political goals.

Just as it was wrong to assume that the transformation process has been successfully finished in Central Europe, it is wrong now to assume that all hope is lost. As mentioned above, challenges that European societies face nowadays are indeed similar. There are large segments of Central European societies that feel that they find themselves on the wrong side of the economic transformation just as well as there are large segments of the societies in the rest of Europe that feel that they find themselves on the wrong side of globalization and European integration. There are individuals and political movements all over Europe eager to escalate and abuse this genuine frustration and to transform it into a political power that would later be used not for creating a solution but for garnering power in itself. If there is less political will and responsibility in Central Europe to withstand these populist trends it might be due to the lack of experience with democracy throughout the societies – not because of some inherent wickedness of the people.

There is no magical formula to tackle this potentially devastating conundrum. The sterile calls for more political responsibility, more political leadership, more unity, and more civic engagement will not have an impact because they underestimate the nature of politics today. What we might hope for is that the current crisis will help to resurface those positive elements that aided the rebuilding of Europe after World War II and the recreating of Europe after 1989. We can maintain an optimism about such circumstances creating potential for a candid retrospection into what went wrong with the transformations of the Central European societies. There were times in the 1970s and 1980s when a handful of Central European dissidents were able to act as a biting conscience not only against the communist regimes but also, and perhaps even more importantly, against the “consumer happiness” of Western societies that shielded their sights from what was happening in Eastern Europe. This means that there is a lot of intellectual potential in Central Europe. If nothing else, Central Europeans can serve as a reflection of Europe’s own problems. There is a genuine European future for Central Europe, the problem is that the roads to this future are growing ever more narrow and steep and there are fewer people to suggest a credible solution. To look more frankly into the history of the past two decades, however, might be a good start. /

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# V4 AND THE

While theories circulate about comparisons to be made between the Western Balkans and the V4 states, it remains to be seen what individualized path the former will take. Because of the difference in their respective histories, the V4 may serve as an example, but surely is far from being an exact blueprint to follow.



Photo: VARMEND NIMANI/ARF/EAST NEWS

# E BALKANS



MATTEO TACCONI

The media in the Western Balkans is still thirsty for war-related issues that challenge political élites and make old wounds fester. The 20<sup>th</sup> anniversary of the Srebrenica massacre, which took place on July 11, was precisely this kind of issue, and it sparked a sensitive debate. On the one hand, Serbia was asked to admit once and for all that the genocide occurred in eastern Bosnia in 1995 and that Serbia itself was directly responsible. On the other hand, some think this request was too demanding and frustrated Belgrade; which over the years has made noticeable efforts to deal with its uncomfortable burden. They began with the arrests of Radovan Karadzic and Ratko Mladic, who were accused of being the masterminds and perpetrators of the Srebrenica massacre. They are currently both on trial in Hague, where the UN special tribunal for crimes in the former Yugoslavia operates.

In the last several months, a fight broke out between Kosovo-Albanian guerrillas and Macedonian policemen in Kumanovo, a Macedonian city border-

ing Kosovo. The deaths of 22 people (14 fighters and 8 policemen) prompted wide media coverage of the incident. The news has been interpreted as a symptom of the unstable relationship between the Slav majority and the Albanian minority in the former Yugoslav republic, which featured a short civil manifestation in 2001. Some media reports even proposed that the unrest was triggered by supporters of the Greater Albania movement and ISIS, suggesting the two forces had teamed up.

Of course, such sensational reports attract a lot of readership though one would still hope, regardless of any growing sense of uncertainty, that adherence to fact-based journalism would still remain norm. Yet there is also the other side of the narrative, one shaped by regional cooperation. Perhaps a topic less sexy to report, it should garner attention by giving a real taste of how the Balkans can partly overcome the “dictatorship of the past” and stop being a “black hole” that produces more history than it can consume, to quote Winston Churchill.

Trade, commerce, infrastructure, and foreign investment – Or economy in general – are the main pillars of regional

cooperation in this corner of Europe. In an article published in 2009, the British journalist Tim Judah used the word “Yugosphere” to express this process.<sup>1</sup> Although some disagreements still persist, this method helps the Western Balkans enhance political dialogue and keeps the possibility of joining the EU alive despite issues like economic stagnation and Greece’s debt crisis, which has negatively influenced Brussels’ enlargement agenda.

In a similar vein, economically-driven, regional cooperation was a milestone on the path to Europe for the Visegrad Group. The Central European Free Trade Agreement (CEFTA), which expired when Poland, the Czech Republic, Slovakia, and Hungary joined the EU in May 2004, largely sped up integration in the region. Now CEFTA plays the same role for the Western Balkans countries.

Of course, a common aspect does not forge a common history although the V4 is a source of inspiration for the Western Balkans. Can it also be a model? “I do not like this word, but I think that the V4 is the experience from which the Western Balkans can learn more,”



THE RIGA CONFERENCE 2015

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said Istvan Gyarmati, the President of International Center for Democratic Transition. It is a think-tank based in Budapest which argues that culture, geography, the history of the Cold War, and the European integration process make the V4 and the Western Balkans quite comparable.

Gyarmati also stressed that platforms for cooperation established by Poland, the Czech Republic, Slovakia, and Hungary are not so binding and this makes them very attractive to the Western Balkans. "Serbia and other countries of the region are not ready to have structures like those of the Nordic Council, the Council of the Baltic Sea States, and the Benelux, which are more advanced and integrated forms of cooperation."

Should the Western Balkans "copy and paste" the V4 mechanisms and structures? "There is no need to do this," remarked Jelica Minic, the President of the Forum on International Relations, a branch of the European Movement in Serbia. "The existing structure for cooperation in the Western Balkans and its mechanisms are already much more complex and comprehensive than in the V4 in the pre-accession period," she claimed. This comment was hinting at the Regional Cooperation Council which is a focal point for regional cooperation located in Sarajevo. So, what experience can the V4 give the Western Balkans? "The lesson that can be learned from the V4 is avoiding inappropriate absorption of European funds, shyness in speeding up reforms and problems in pursuing decentralization," suggested Minic, who recently coordinated a policy study titled *European Integration of the Western Balkans – Can the Visegrad Group Countries Serve as Role Models?*

If the Western Balkans look carefully at V4 involvement, the V4 agenda is much more focused on the Western Balkans than it used to be years ago. In Warsaw, Prague, Bratislava, and Budapest policy makers have realized that the Balkans matter. Their anchorage to Europe is a condition for increasing Brussels' commitment to the stabilization of the post-Soviet region, an issue of vital importance for the Visegrad Group, not only because three of its members (Poland, Hungary, and Slovakia) share borders with war-

torn Ukraine. If the European agenda for the Western Balkans will recover at a fast pace, boosting growth and stability in the region, the room for manoeuvring in the post-Soviet area can be greater.

"The V4 can be a bridge for the Western Balkans," commented Minic. She continued, "Maybe the Visegrad Group could not play a role of top driver, but it can better understand problems of the Western Balkans and approach them on a more equal footing than other big European countries." This can generate a more balanced and articulate European strategy to address the challenges of enlarging the EU to include the Western Balkans.

However, the chilly atmosphere that descended across the region because of the respective divisions in opinion on the war in Ukraine and relations with Russia, could question the effectiveness of the lobbying potential of the Visegrad Group. But Istvan Gyarmati thinks that this lack of unity does not jeopardize the likeability of the V4.

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*Poland and Hungary do not share the same view on Ukraine and Russia, but they cooperate bilaterally and in the V4. Good cooperation survives diverging opinions. Also the Western Balkans show disagreements on several issues, but this should not stop cooperation. When you cooperate, you must learn to disagree.*

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The Srebrenica massacre, going back to the beginning of this story, is one of these issue areas. The Serbs call it a crime while the Bosnian Muslims call it genocide. A shared vision will never be defined and it doesn't make sense to find one. But Serbia and Bosnia Herzegovina have developed an encouraging level of economic cooperation that somehow has turned into an acceptable political dialogue.

Serbia has improved ties with Kosovo as well although it refuses to recognize the independence of its former province. Through the brokerage of Brussels, the two countries recently upgraded an agreement that provided Serbian municipalities in northern Kosovo a large degree of autonomy, yet

remained under Pristina's laws. This paves the way to put an end to a historic territorial controversy. Both countries received awards for their commitment from the EU, which adopted the Stabilization and Association Agreement proposal for Kosovo and gave the green light for the opening of accession negotiations for Serbia. Meanwhile, Belgrade and Pristina are jointly campaigning in Brussels for assistance in financing a highway connecting the Serbian city of Nis to Kosovo's capital, a project that is supposed to shift the local economy into a higher gear.

The Western Balkans pursuit of democratization, stabilization, and the free market cannot trace the same path as that of the V4. It will be a longer process which will take time, but at least it seems that the on-going cooperation is a step in the right direction.

Here we could theoretically end the story – if the new challenge of refugees had not emerged violently this summer. The thousands of people fleeing Syria, Afghanistan, Nigeria, and other countries have risked their security in their march through the so called Balkan route to reach Europe. Hungary had been their door to the EU until the government in Budapest built a fence on the border with Serbia. Such an issue might jeopardize the dialogue with Serbia and the Western Balkans as a whole. In fact, the region could become a bottleneck for refugees. Furthermore, Slovakia and the Czech Republic's refusal to host refugees in accordance with the Brussels' quota system (they want to reduce the proposed EU numbers for hosting migrants) could create some disappointment among the countries of the Western Balkans, perceiving the V4 stance as a lack of solidarity. /

The author is an Italian journalist focusing on Central and Eastern Europe and the Balkans.

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# ALL—ABOARD —CHINA —EXPRESS



The future of Chinese cooperation with Central Europe is shaped in the Silk Road Economic Belt.

# THE EUROPE

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LIU ZUOKUI

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**W**hy is China interested in Central Europe? Because, Sino-European relations are top priority in the plan to promote China's diplomacy. China is firstly concerned with the Central and Eastern European countries (CEEC) collectively, not the Central European countries exclusively.<sup>1</sup> Additionally, due to the recent refugee crisis, the importance of the Balkan countries should not be understated. Then, why does China attach a high importance to CEEC?

This question is not so easy to answer because different people in China have different considerations. For example, decisions made by the older generations are influenced by their memories of the countries from the former Soviet Union and Eastern Europe and their ideas on the necessity of restarting these relationships. The younger generations, on the other hand, have little to no motivation in developing these associations. Shared economic interests and concrete benefits should be, however, China's major incentives to push the relations forward with CEEC.



CHENGDU

### INVESTMENT AND TRADE OPPORTUNITY WINDOWS

Following the 1989 drastic systemic change in Central Europe, the region offered a comparatively big investment opportunity for China. Later, an emphasis in CE was placed on “returning to the west,” and these opportunities gradually disappeared.

Restricted by investment capacity, China failed to issue relevant investment strategies at that time. But they did encourage migrants to actively participate in the market development of the CEEC, mainly with short-term investments. From 2005 to 2011 China’s investment in the stock of some companies in the CEEC had been rising (see table 1).

suitable investment opportunities in this region. But, in the Eleventh Five-Year Plan period (2005-2010), Chinese investors began to realize the investment potentiality of the CEE region.<sup>4</sup>

In 2010, the Greece sovereign-debt crisis triggered continuous turmoil in the eurozone which then exerted significant influence on the economic development of the CEE. In terms of investment opportunities, this constituted a “window period” for China.

First, the debt crisis in the eurozone directly harmed the CEE by slowing down economic growth in the region. As a result, many countries looked to foreign direct investment (FDI) as a way to promote economic growth and in order to attract this kind of attention changes were made in 2011 to the investment environments

DUISBURG

However, the base number has remained comparatively low and the investment potential of CEE has not been fully exploited by China.<sup>2,3</sup>

With China’s opening-up policy in full swing and the launching of the “Going Out” strategy in the Tenth Five-Year Plan period (2000-2005), China began to seek investment opportunities in the global market. However, the CEEC always regarded the EU countries as their primary resource for collecting investment. Adding to this disregard was China’s unfamiliarity with the rules of the EU market place and the CEEC’s history of dynamic borders; both rendering it difficult for China to find

of some countries, making them more conducive to the interests of foreign investors. The proportion of countries that adopted restrictive policies to FDI decreased from about 32% in 2010 to 22% in 2011; while policies for investment liberalization and promotion became increasingly focused on the industries of electric power, gas and water supply, transportation, and communications.<sup>5</sup> These statistics support the observation that the CEEC has used investment promotion as a means to stimulate economic growth.

## THE INVESTMENT STOCK OF CHINA IN MAJOR CEECS FROM 2005 TO 2011.

	2005	2006	2007	2008	2009	2010	2011
HUNGARY	2.81	53.65	78.17	88.75	97.41	465.70	475.35
POLAND	12.39	87.18	98.93	109.93	120.30	140.31	201.26
CZECH	1.38	14.67	19.64	32.43	49.34	52.33	66.83
BULGARIA	2.99	4.74	4.74	4.74	2.31	18.60	72.56
ROMANIA	39.43	65.63	72.88	85.66	93.34	124.95	125.83

Unit: Million US dollars

Secondly, due to the impact of the debt crisis, eurozone countries have found it difficult to sustain their investments in CEEC. This has resulted in a large number of poorly managed assets; provided the needed opportunities for foreign investment to step in. The spill over from the eurozone crisis has seriously affected the economic growth and social stability of CEEC. It now seeks closer cooperation with eastern partners, such as Russia and China, out of necessity. CEEC has managed to improve transport infrastructure, promote the construction of electric power and other clean energy as well as develop information technology and communication industries. In light of the foundation of good investment present in these industries, the early-development advantage, and the abundant foreign exchange reserves of China, some members of CEEC have sought investment from China; and these opportunities have now reached an unprecedented level.

To seize this “window period” is very important for both China and the Sino-EU trade relations. Currently, investing in CEE would allow China to

upgrade its exports and extend the investment value chain. But choosing inaction would result in a missed opportunity to occupy the market.

The European debt crisis has shrunk the economies of EU countries, which has resulted in a decline in demand in general. Since mid-2010, the growth rate of Chinese exports to the EU has continued to wane. What’s worse, negative growth occurred in 2012 – 1.8% in the first quarter and 0.8% in the second quarter.<sup>6</sup>

China cannot expect, or wait, for the recovery of the EU economy to compensate the losses incurred. On the contrary, China should focus on enhancing the competitiveness of its export products in the EU market and promote the products so that they move upstream on the value chain. With CEE’s foundation of solid investment in labor, capital, and industry, including its integration into the EU technology sector, it is a place that presents good investment opportunities which can produce lots of added values.

### SILK ROAD ECONOMIC BELT INITIATIVE

On September 7, 2013, Chinese President Xi Jinping delivered a keynote speech in Kazakhstan titled, “Promoting Friendship Between Our People and Working Together to Build a Bright Future,” in which he proposed jointly creating a “Silk Road Economic Belt.”

This belt would encompass political, economic, trade, and cultural elements while also calling for enhanced communication in five specific areas: policy coordination, road connectivity, unimpeded trade, money circulation, and mutual understanding between various actors. The mechanisms for the involvement of Central and Eastern Europe in a Silk Road Economic Belt are varied. The most important are: key cooperative mechanisms between China and CEEC, operative

mechanisms between China and the EU, and the Asia-Europe Meeting (ASEM).

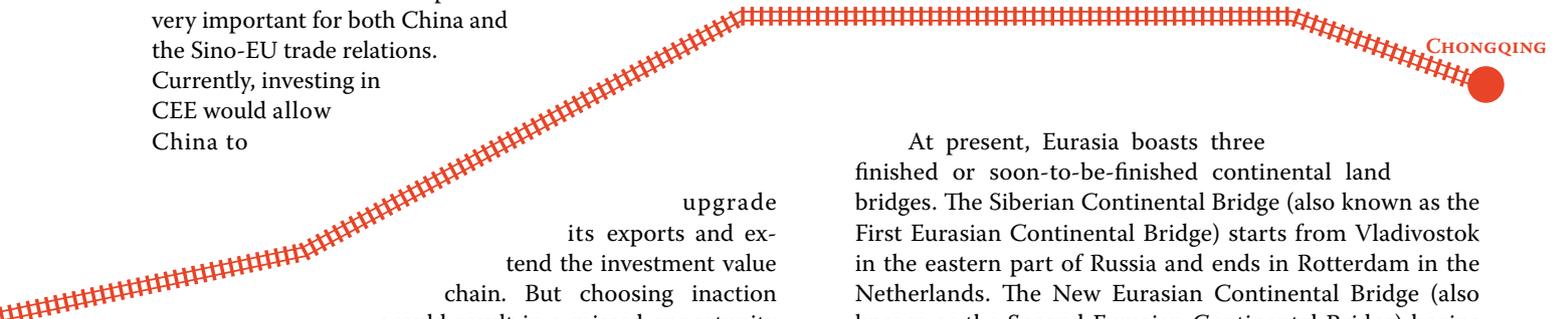
As a component of China’s strategy of expanding its opening-up to the West, the development of the Silk Road Economic Belt would provide greater regional cooperation opportunities. It is important to note that CEEC not only forms a cooperative market, but that they also play a role in linking European and Asian markets and helping to promote cooperation between the European Union and China.

The majority of CEEC enjoys good relations with China and has neither salient conflicts nor any other outstanding historical issues to impede affiliations. Any strategic resistance to the construction of the Silk Road Economic Belt will most likely be avoided due to the advantageous nature of the project for CEEC.

At present, Eurasia boasts three finished or soon-to-be-finished continental land bridges. The Siberian Continental Bridge (also known as the First Eurasian Continental Bridge) starts from Vladivostok in the eastern part of Russia and ends in Rotterdam in the Netherlands. The New Eurasian Continental Bridge (also known as the Second Eurasian Continental Bridge) begins in Lianyungang in China’s Jiangsu Province and also ends in Rotterdam. It exits China via the Alataw Pass and runs through Central Asia into Russia, Poland, and Germany. The third is still on the drawing board. This proposed route would start from Shenzhen in the Guangdong Province and end in Europe via Myanmar, Bangladesh, India, Pakistan, Iran, Turkey, and Bulgaria.

The Silk Road logistics corridor, operated by China, mainly uses the Second Eurasian Continental Bridge. In October 2011, the first “Chongqing-Xinjiang-Europe” international freight train made the journey from Chongqing, China, to Duisburg, Germany. One year later, the first “Wuhan-Xinjiang-Europe” freight train left Wuhan for Prague; and in April 2013 Chengdu launched a regular rail freight service between Chengdu and Lodz, Poland called the “Chengdu-Europe Express.” Most recently in July 2013, Zhengzhou began to operate freight trains between Zhengzhou and Hamburg, Germany, via the Xinjiang Uygur autonomous region.

Rail transportation is a competitive mode of transportation for some goods — faster than maritime and cheaper than air transportation. On top of that, China’s foreign trade depends heavily on sea transportation. Choosing railways would allow China’s freight and energy transportation to diversify. On the other hand, CEEC can also contribute to China’s 21 Maritime Silk Road, initiated by Xi Jinping. During the Belgrade Summit between China and sixteen CEE Prime Ministers in 2014, China alongside Hungary, Serbia, Macedonia, and Greece, decided to cooperate on the China-Europe Land and Sea Express.



**V4 IN THE 16+1 FRAMEWORK**

After twenty-five years of existence, the Visegrad Group has become the most influential regional cooperative group in the CEE. To make comparisons within the China-CEEC framework (abbreviated as the 16+1 cooperation), trade volume between China and the Visegrad countries is highest and the V4 accounts for more than 70% of all the trade between China and the 16 CEEC.<sup>7</sup>

**WHAT SPECIFICALLY CHARACTERIZES CHINA'S INVESTMENT IN THE V4?**

First, the growth rate of investment in the V4 is rapid. The investment in Poland in 2012 was twice the number it was in 2007; in Hungary – six times, in the Czech Republic – ten times, and an astounding seventeen times larger in Slovakia. Second, China's investment in the V4 accounts for the largest proportion of its total investment in all of the CEE; accounting for 75.3% all the total investment (1.334 billion USD). Third, the proportion of China's investment in the V4 and CEE is very small when comparing it to the investments it has historically had with the EU. In 2012, China's investment stock volume in the EU amounted to 31.5 billion USD. Fund directed towards the CEEC accounted for only 4.2% of this sum with the V4 taking the majority (3.18%) of it.<sup>8</sup> Last-ly, V4 nations

have constructed some of the best business environments in CEEC, placing them in the top four attractive countries.<sup>9</sup> In this evaluative light, Poland proves to be the most favorable earning a score close to Germany's.

The Visegrad Group holds an important position in Central and Eastern Europe, both economically and politically, and it can greatly influence the 16+1 cooperation. The group has already demonstrated interest in moving in this direction by actively supporting the "One Belt, One Road" labor initiative.<sup>10</sup> Hungary is the first European country to sign a memorandum of understanding for this initiative with China. Poland is the only founding member of the Asian Infrastructure Investment Bank (AIIB) in this region. The Czech Republic has been actively following this process in recent years, promoting the 16+1 cooperation at the local government level, and Slovak officials are eager to follow their footsteps.

The geographical location and transportation links are of particular importance for the China-V4 cooperation. Poland and China are connected by the Beijing-Warsaw charter flight, the Yu-Xin-Ou railway, the Rong-Ou express, and the Ningbo-Gdansk maritime line. The V4 countries are a part of the European Single Market and will be able to connect China's investors with the markets in Western Europe.

Moreover, the V4 is influencing EU energy and climate change policy, European Common Agricultural Policy, and

PRAGUE

**The Investment Stock of China in V4 from 2004–2012 in ten thousand US dollars.**

	2004	2005	2006	2007	2008	2009	2010	2011	2012
ESTONIA	–	126	126	126	126	750	750	750	350
BULGARIA	146	299	474	474	474	231	1860	7256	12674
POLAND	287	1239	8718	9893	10993	12030	14031	20126	20811
CZECH REPUBLIC	111	138	1467	1964	3243	4934	5233	6683	20245
LATVIA	161	161	231	57	57	54	54	54	54
LITHUANIA	–	393	393	393	393	393	393	393	697
ROMANIA	3110	3943	6563	7288	8566	9334	12495	12583	16109
SLOVAKIA	10	10	10	510	510	936	982	2578	8601
SLOVENIA	–	12	140	140	140	500	500	500	500
HUNGARY	542	281	5365	7817	8875	9741	46570	47535	50741
CROATIA	–	75	75	784	784	810	813	818	863
BIH	401	351	351	351	351	592	598	601	607
MONTENEGRO	–	–	–	32	32	32	32	32	32
MACEDONIA	–	20	20	20	20	20	20	20	26
SERBIA	–	–	–	200	200	268	484	505	647
ALBANIA	–	50	51	51	51	435	443	443	443
TOTAL	–	–	–	30100	34815	41060	85258	100877	133400

Source: 2012 Statistical Bulletin of China's Outward Foreign Direct Investment, China Statistics Press, 2013.

the EU accession policies for the remaining eastern countries and the Western Balkans. The Visegrad Group has also developed a dialogue mode called “V4+” which plans on expanding to other countries in Europe and Asia. Further bolstering the strength of the V4 is the International Visegrad Fund, which has proved to be an effective tool to push research about the Visegrad Group throughout the world.

China needs the V4 to expand its influence in the Central and Eastern parts of the European continent, and also to some extent in the European Union. While each Visegrad country has different strengths, the Polish story seems to resonant most with the Chinese perspective; however, China should venture to establish closer relations with all V4 countries. It is important to remember that academic and scientific exchange can be one of the most fruitful dimensions of these kinds of cooperation.

In recent years some moves have been made in this direction. Chinese scholars have developed more interest in the V4 thanks to projects co-funded by the International Visegrad Fund. This is exemplified by

international conferences like the 2014 “Current Trends and Perspectives in Development of China-V4 Trade and Investment” in Bratislava and the “Chinese Investments and Financial Engagement in Visegrad Countries: Myth or Reality?” in Budapest. That same year the Institute of European Studies of CASS started a project called “The Comprehensive Cooperation between China and Visegrad

Group,” funded by the Chinese Ministry of Foreign Affairs. Under the support of the Chinese government, the Chinese Academy of Social Sciences has established the China-CEEC Think Tank Exchange and Cooperation Network. China and the V4’s great interest in making these kinds of project possible showcases the rewards that can be reaped from these kinds of endeavors.

The questions posed in this article have an incredibly broad scope which makes the pursuit of answering them comprehensively very difficult. But it can be seen that initiatives such as “One Belt, One Road” exemplify China’s obvious interest in developing strong diplomatic, social, and economic ties with CEE. As a final point it is worth mentioning that on September 6, 2012, the Inaugural Conference of China-CEE Cooperation Secretariat was held in Beijing. The result of this

event was that bilateral relations have entered an important phase in their development. China’s recent rapid increase of investment in CEEC has become an important support mechanism and can contribute to their bilateral relations; this trend points to the continued advancement of trade routes and cooperation throughout this region. /

The author is director of the Department of Central and Eastern European Studies, Institute of European Studies, Chinese Academy of Social Sciences and a visiting scholar of the Polish Institute of International Affairs.

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3. According to statistics of the MOC, as of 2011, the investment stock of China in the 16 CEECs totaled 1.00877 billion U.S. dollars, far less than the investment to Sweden (1.53122 billion U.S. dollars). And the gaps between the major investment countries in Europe are even larger: France (about 3.7 billion), Germany (about 2.4 billion), and Russia (3.8 billion). The investment stock of Luxembourg, the largest investment from China in EU members was about 7.1 billion, and that of the Netherlands, the second largest was about 6.6 billion, which were 6 to 7 times more than the investment in the 16 CEECs. Data sourced from the above.
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5. UNCTAD, *World Investment Report, 2012*, p.xix.
6. See the statistical data of MOC: <http://ozs.mofcom.gov.cn/date/date.html>
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# PUBLIC ADMINISTRATIONS ARE NEVER AS SMART AS THEIR CITIZENS

*Sustainability can be the golden rule for all projects*

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## INTERVIEW WITH BEATA JACZEWSKA

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### **What are you bringing to the Visegrad Fund?**

We will see in three years... No, seriously, I think I can bring quite an unconventional combination of collected experience regarding topics that I have dealt with previously.

### **While you worked for the Polish Environmental Ministry, you helped organize the UN Climate Change Conference in Warsaw. What was your role?**

First of all, I need to underline that this was the biggest project I have ever worked on so far. And I presume that anything of that size and intensity may not happen again. The conference will therefore probably forever hold the title of the biggest project of my lifetime. The preparatory phase took a whole year, while the climate summit as such lasted for two weeks. During the peak days of the high-level segment, we were hosting more than 14,000 guests. We had a

budget around €25 million to be spent in only a few months – and we managed to even save 10% of it.

Formally, I was the head of the Polish delegation to the summit. In reality, I had two hats to wear, supervising two teams that is. One team was responsible for the organization – renting and arranging the venue, security issues, organizing public vendors for goods and services, as well as a public awareness campaign. The second team negotiated the formal position and national priorities of the Polish government within and outside of the EU. Both teams had to, of course, work with colleagues from other Polish ministries as well as with the representatives of institutions like UNFCCC or the European Commission. And, informally, I was sticking my nose into the preparations for the negotiations, on the side of the UN. Needless to say that this part – with the global perspective – was the most fascinating one!

everything must start in your head. The economic growth of a country, the global fight with climate change, these all start within the minds of individual human beings. The question is the same – how to provoke those minds to take the ingredients and cook something surprisingly delicious from them?

**Your entire career has been in state administrations. What are the most useful lessons you learned, especially those that could be relevant to your mission at the fund?**

I was very lucky that I had a chance to work on a great variety of projects and topics and particularly that I could experience working with various people with diverse skills and backgrounds.

I'm a professional civil servant, and I believe that public administration should be constantly improving the quality of its services. Regarding the Visegrad Fund, we have a successful story that has lasted for 15 years already – but the political, economic as well as social reality has changed during that time and every public institution had to adjust. Besides, public administration is never smart enough when compared to the citizens it intends to serve or assist. I have a strong belief that life is about discussing, convincing each other and finding the best solutions for beneficiaries of our everyday work. And compromising again and again. But we never want to forget about the direction we are heading; yet there is always room for improvement. /

**Do you see any potential in promoting the climate change agenda on the V4 level? And is there anything the fund can contribute?**

Even though I'm personally convinced that climate change will affect all of us at some point, I believe that sustainable growth is the one, single issue to be promoted at all policy levels. No matter how we call it, raising awareness and getting local communities involved in projects that aim to improve the quality of life or prevent the waste of resources, should be a priority. Sustainability is the key here and I believe that it can be easily adopted as a golden rule for all projects that the Visegrad Fund supports.

**You have also worked for the Ministry of Economy. Do you believe there are sets of policies possible that would strengthen economic growth while reducing the risks of dangerous climate change?**

It's sustainability – again and again. Economic policy aspects that are discussed at the public administration level may have different names – green growth, circular economy, resource efficiency – but anyone working in the private sector would tell you that competitiveness is also about saving and not wasting.

Sustainable production and consumption is a concept relevant to the everyday reality of businesses as much as private homes. Take any sphere of your lives: it could be waste or water management, energy, or transport of any kind, agriculture, forests we rest in, or the cities we live in... Then add to that some creativity, innovation, and cooperation and finally you'll come up with new competitive advantages. After the experience of working with private companies, and especially with small and medium-size enterprises, I am simply convinced that




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### BEATA JACZEWSKA

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Executive Director of the International Visegrad (from September 2015)

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#### CAREER

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##### 2015

Ministerial Advisor in European Policy Dept.  
Ministry of Foreign Affairs of Poland

##### 2014–2015

Ministerial Advisor in Energy Dept.  
Ministry of Economy of Poland

##### 2011–2013

Undersecretary of State  
Ministry of the Environment of Poland

##### 2008–2011

Director/Deputy Director, Economy Development Dept.  
Ministry of Economy of Poland

##### 2006–2008

Deputy Director, European Affairs Dept.  
Ministry of Economy of Poland

##### 2005–2006

Head of European Law Unit,  
European Union Dept.  
Ministry of Economy and Labor of Poland

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#### EDUCATION

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Warsaw School of Economics  
PhD Studies in Economics—Social Studies Dept.

University of Cambridge  
Diploma in English and European Union Law

Warsaw University,  
Faculty of Law and Administration  
MA in Legal Studies

Jagiellonian University in Cracow,  
Philosophy/Sociology Faculty  
MA in Culture Studies

# Innovation's New Home

## The Local Economy

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AN INTERVIEW WITH DARIA TATAJ

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### **Anna Wójcik: Can innovation help Central Europe escape from geographical determinism?**

Daria Tataj: To answer this question, we need to look first at the mechanism of inducing innovation. When we look at how innovation is induced globally, we realize that there is a certain architecture to the global innovation network, and certain universal mechanisms characteristic to the network's economy, the network's society, which lead to the de facto accumulation of knowledge, talent, and capital in certain innovation hubs or nodes of this network. It so happens that it is difficult to change this dynamic, to change the status of a small or unimportant node into an emerging node or into an emerging leader in this network.

When we look at Central Europe, we see it is growing as an important region in innovation, especially hubs such as Warsaw, Wrocław, and Krakow in Poland, Prague or the Moravia region in the Czech Republic and the Budapest metropolitan area in Hungary. If we look at a very simple parameter, such as the number of graduates in STEM subjects, we realize that there have been over 1.3 million jobs created in Poland alone over the last 10 years. The question is how did it happen? Can other cities in Central Europe replicate this success? I believe this is possible. What is needed is the convergence of top-down and bottom-up approaches. Certain policies taken by central governments, regions, and municipalities need to comply, encourage, and facilitate bottom-up initiatives at companies, universities, and NGOs.

### **Is innovation tied to cities? To what extent could it benefit non-urbanized zones?**

Usually, we think of innovation as technology or knowledge-driven innovation introduced by industry. This is not true. Innovation is a much broader phenomenon; it is a process of learning and this process should lead to the creation of jobs.

What you really witness is that we need universities with strong technological capacities, which can educate a knowledgeable workforce for the industry. On a smaller scale, let's call them the peripheries of innovation networks, major areas may evolve and jobs and growth may happen if there is interconnectedness between hubs and these peripheries of innovation. This happens when the networks overlap, and when there is "a switching capacity" that is an ability to capitalize on knowledge, talent, and funding flowing between different types of networks because we need to realize that innovation requires an ecosystem. We need networks of universities, companies, investors, networks of large industrial organizations, which can buy products and services from SMEs, as this is the case in the Silicon Valley. The question is how to facilitate the mobility between peripheries and innovation hubs.

Now there is also a question of brain drain, and this is a major question policymakers ask. The logic of global networks shows that when talent is mobile, people tend to go for better opportunities. The challenge is to create local environments of opportunity which will offer people chances to stay where they are rather than go and become employees in major cities elsewhere. They should be motivated to stay and take a chance to start their own profit or non-profit ventures.

### **Innovation policies are carried out on a national level. Would it be more beneficial if there were more subsidiaries?**

The national innovation system really impacts the long-term efficiency of the innovative capacity of a nation. They can either enhance it, or they can impair it. The quality of institutions in the innovation system is extremely important. Let me focus on one type of these institutions: universities. There is no possibility for the economy to grow if the talent that gets on the job market is not well prepared. By well-prepared I mean that people understand that knowledge is not their only asset.

I believe that people in Central Europe are very knowledgeable. What would help change the education landscape would be to put more focus on a different type of education. Rather than learning “about” something, learning “how to become.” The economy today requires such a dramatic flexibility and adaptability to all the discontinuities of the process, to disruptive innovation, in different aspects of our life and work. The national education system plays a really crucial role, and I believe there is good evidence that the educational institutions in the region are making efforts to move on, to embrace innovation, to help entrepreneurial students. At the same time, we are still lagging behind in promoting a risk-taking culture and what we incentivize, what we reward is not a type of employee or entrepreneur that would truly become a radical innovator.

Quite often in the national system, when there is redistribution of income, innovation and entrepreneurship are separated. This is extremely important from the very beginning, starting with the legal and bureaucratic frameworks, along with market opportunity incentives for early adopters of innovation and technologies. This environment is embraced and will always be embraced on the national level because of the redistribution policies. The European Union has a very aggressive scheme for innovation and is experimenting with new approaches. The issue is how we can, in Central Europe, get better exposure, more collaborative partnerships that not only enhance one aspect of partnership innovation, for example research output, but they also make a leap from the knowledge-driven economy to the innovation-driven economy. This results not only in a better quality of science, but better opportunities on the job market; either for self-employment, for professionals, for creating small companies that will think about the market in a more global sense from day one, or by supplying innovation for big industry to help them innovate better and faster.

**What can Visegrad Group do to improve its coordination of innovation policies?**

It would be extremely beneficial if more bottom-up initiatives – driven by citizens, investors, or companies – would meet with a political willingness to integrate them better regionally. Why is it not done this way now? People do not embrace this network character of innovation. To succeed, we need to be closely knit at the local level and loosely coupled at the regional and global levels. This may come from organizations such as the Visegrad Fund or social leaders. In my opinion, New Europe 100 is a great project that puts the spotlight on regional game-changing agents. But this at the same time should come with wider instruments that embrace a more collaborative innovation model. After all, today all defensive innovation strategies think this is 0-1 game, me or you, which does not really play in the midterm. We need more trust to understand different environments, new interests, and we need more courage to carry out joint projects. /

Dr. Daria Tataj, Foudner and CEO at Tataj Innovation, is an expert to the World Economic Forum and former founding Board member of the European Institute of Innovation and Technology (EIT). She has recently published *Innovation and Entrepreneurship. Growth Model for Europe beyond the Crisis* with a preface of Manuel Castells.

*Why Central Europe needs a system of mobility between the periphery and hubs of innovation*



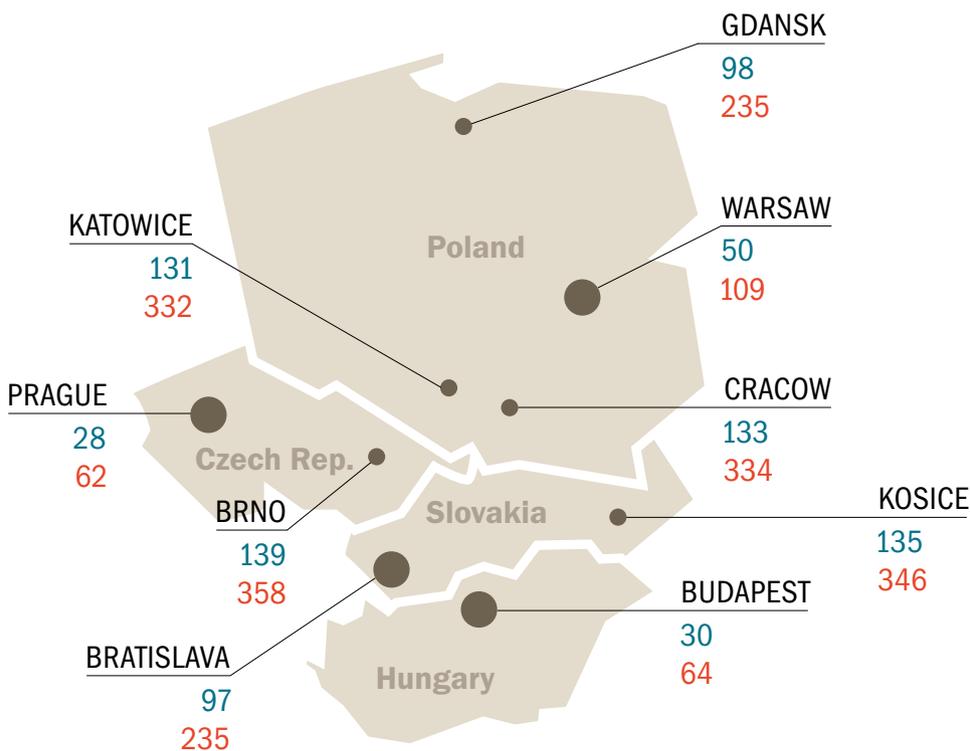
# HOW INNOVATIVE IS CENTRAL EUROPE

## MODERATE INNOVATORS

	EU AVERAGE	PL	CZ	SK	HU
Average annual growth rates of the innovation (2007-2014)	1%	1%	2,60%	1,90%	1,30%
New doctorate graduates per 1000 population aged 25-34	1,8	0,6	1,7	2,4	0,9
Non-EU doctorate students as a % of all doctorate students	25,5	1,9	4,4	1,5	3
Scientific publications among the top-10% most cited publications worldwide as % of total scientific publications of the country	11	3,8	5,6	4,2	5,3
R&D expenditure in the public sector (% of GDP)	0,72	0,48	0,87	0,44	0,41
R&D expenditure in the business sector (% of GDP)	1,29	0,38	1,03	0,38	0,98
PCT patent applications in Environment-related technologies and Health	0,98	0,09	0,2	0,11	0,42
SMEs introducing product or process innovations (% of SMEs)	30,6	13,1	30,9	17,7	12,8
Employment in fast-growing enterprises in innovative sectors (% of total employment)	17,9	19,3	18,7	19,2	19,1
Employment in knowledge intensive activities (% of total employment)	13,8	9,6	12,9	9,6	12,8
Exports of medium and high-technology products as a share of total product exports	53	56,6	62,5	63,6	66,3
Knowledge-intensive services exports as % of total services exports	49,5	26,6	35,2	31,3	28,8
Cultural & creative services exports as % of total trade	-	1	0,6	0,4	1,5
Creative goods exports as % of total trade	-	3,9	10,1	10,5	6,2

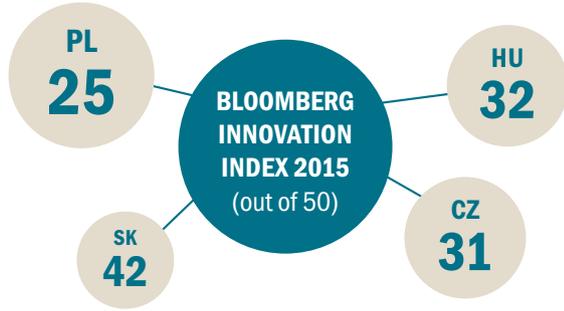
Sources: European Innovation Scoreboards 2015, Global Innovation Index 2015

## INNOVATION CITIES INDEX 2014

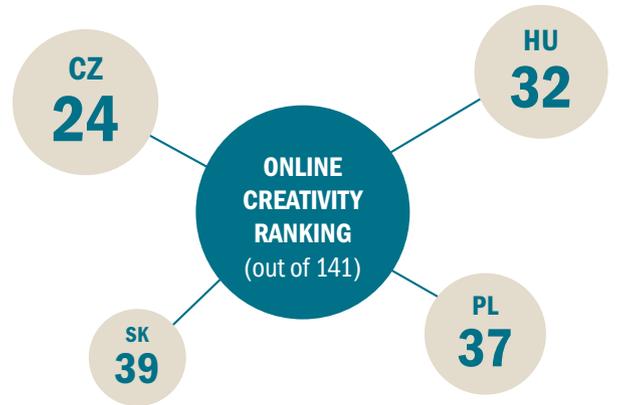
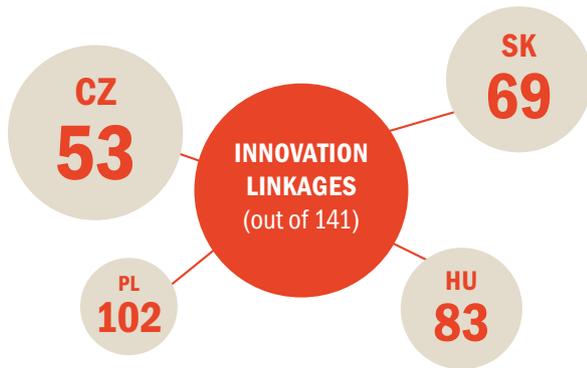


Rank in Europe  
(out of 153 cities)

Global rank  
(out of 445  
benchmark cities)



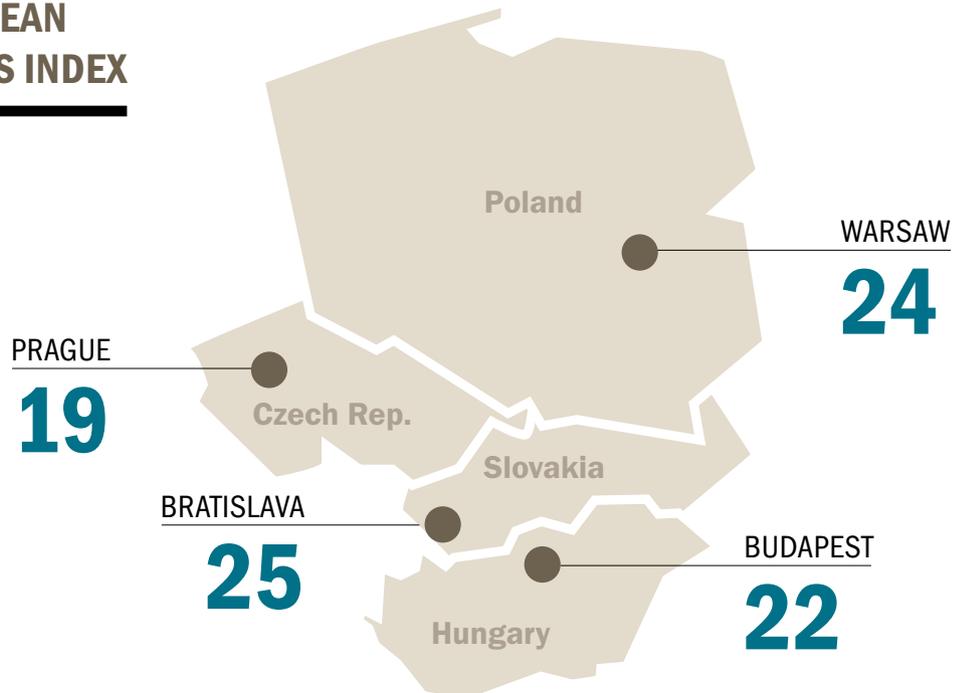
Country's overall rank is the average of the six measures: R&D, Manufacturing, High Tech Companies, Education, Research Personnel, and Patents



University/industry research collaboration, State of cluster development, GERD financed by abroad, JV-strategic alliance deals, Patent families 3+ offices  
**Global Innovation Index 2015**

Number of generic top-level domains, country-code TLDs, Wikipedia edits, video uploads on YouTube  
**Global Innovation Index 2015**

## NESTA EUROPEAN DIGITAL CITIES INDEX



# TECHNOLOGIES IN THE REFUGEE CRISIS

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ANNA WÓJCIK

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It is easy to envision a new sign above the hearth emblazoned with the phrase “Home is where the WiFi is’ if you will pardon a contemporary read on the old adage. It certainly holds true for refugees arriving in Europe as they use advanced technologies to navigate both the first part of their journey, the one across the Mediterranean or via the Balkan route, and the second, the bureaucratic one which begins after arrival. Migration researchers agree that the new media sources have eased the burden of migration.<sup>1</sup> It is not difficult to imagine how social networks and communication apps can contribute to critical information sharing, providing instant updates about weather conditions, smugglers’ fees, police patrols, or even the whereabouts of loved ones.

Switching to the perspective of people welcoming asylum-seekers in the reception centers and in their cities, it is visible that ICTs (information and communications technology) have become an indispensable part of the humanitarian toolkit. Expert aid providers and civilian volunteers alike apply new technologies to creatively solve the most pressing issues. There are numerous attempts to improve crisis management in conflict zones and on the sites of environmental disasters by equipping peacekeeping and humanitarian aid forces with state of the art technology.<sup>2</sup> Innovative solutions can result in better communication, less costly logistics management, more targeted and effective shelter, and essential supplies provision. Dedicated apps facilitate, for instance, the distribution of goods or cash assistance among the people in need, and biometrics can support and speed up standard registration procedures.

## THE POSSIBLE PITFALLS OF CYBER HUMANITARIANISM

Technology is not a universal panacea, and its application is often ambiguous. Cyber-humanitarianism brings both a promise and a threat. While the footage of Hungarian soldiers marking numbers on refugees’ wrists evoked the imagery of Europe’s darkest hours<sup>3</sup>, the use of more advanced technologies for the similar purposes is also problematic.

For starters, the use of digital fingerprint technologies in registering refugees brings new forms and possible complications to the collection of sensitive personal data. In the optimistic scenario, gathering more accurate information about the incoming population allows for mapping refugees’ needs and providing dedicated assistance. At the same time, this data may be used and abused in various contexts, and examples that come to mind are political persecution or ill-founded terrorism accusations. Even more controversies arise around remote sensing and surveillance drones<sup>4</sup>, which monitor the movements of people.

## TECHNOLOGY FOR OPEN SOCIETY

As the advance of certain technologies may increase undesirable surveillance in some areas, it is undeniable that innovation can be also put to good use and contribute to more open societies; an apt example would be the technology-driven civic activism.

While many European political leaders and citizens express great concerns about the developments of the global mass movement of people, there are numerous individuals and initiatives who are swimming against the current of misunderstanding and fear.

Some of those challengers use technology to alleviate the condition of people who seek refuge in Europe while others launch social campaigns to encourage their fellow EU citizens to respond with greater generosity to newcomers. It is especially promising to witness many of those initiatives springing up across Central Europe and the Balkans, the parts of the EU which are challenged not only by the influx of refugees, but also by the alarmingly fearful, and sadly popular, reaction to this phenomenon.

In Budapest, the Civil Society and Technology Project for the Center for Media, Data and Society at the Central European University builds bridges between academia and civic activism around migration issues. Their flagship initiative was Keleti Wifi and Mobile Charging Project<sup>5</sup>, a dedicated place where refugees waiting at Keleti railway station could charge phones and access wireless internet. The project, initiated by Kate Coyer, was operated by dozens of volunteers from CEU Refugee Aid force and documented at keleti-connected.tumblr.com. The project is currently paused as there are no more refugees stationed at Keleti.

Authorities in Europe have been overwhelmed and generally underprepared for the influx of asylum-seekers, which in turn caused disinformation among the refugees. For this reason, a Hungarian volunteer initiative, Migration Aid, helped refugees to access reliable information through the InfoAid app<sup>6</sup>, developed by **Enys Mones**. The app provides information about a variety of issues, from legal provisions of entry and stay in the EU, to access to shelter or medical care. Regular updates are sent in the language of choice including English, Arabic, Urdu, and Farsi.

Another remarkable venture is the response of the Otvorena mreža<sup>7</sup> (Open Network) initiative to the wave of migrants entering Croatia. The organization, established in Zagreb by **Valent Turković**, has been promoting the ideas of independent internet infrastructure and the internet as a public good. In the autumn of 2015, Otvorena mreža activists set up human WiFi beacons, mobile hot spots carried in backpacks to small border towns where refugees lack internet access.



In Warsaw, **Zofia Jaworowska** leads a group of activists behind the Polish chapter of the Refugees Welcome<sup>8</sup> initiative, facilitating the process of subletting rooms to refugees. Referred to as “The Airbnb for Refugees”, the platform aims at connecting local flat owners with persons who fled to their cities. The service operates in Germany, Austria, Greece, Portugal, Spain, Sweden, The Netherlands, and Poland, with groups setting up similar schemes in several other countries.

It appears that in order to increase empathy and hospitality levels it is best to start working with kids and young adults. Frequently, the most effective learning is through play. A Polish game developer, **Grzegorz Miechowski**, could not have possibly foreseen the backlash to accepting refugees in his home country when he came up with the video game *This War of Mine*<sup>9</sup>. The innovative game may be a powerful tool in raising awareness about the reality of conflict as the player experiences war through the eyes of civilians struggling for survival in a besieged city.

The concept of fighting indifference with play is no stranger to Romania-born **Stefania Druga**, the brains behind HackIDemia,<sup>10</sup> an international network promoting civic engagement among the youngest citizens. During these workshops, children are encouraged to kickstart their own projects answering the biggest political, social and environmental challenges, from access to water or food to digital literacy.

Educating people to do better in the future is crucial for achieving long-term change in the societal mindset. At the

same time, it is equally important to network potential altruists with likeminded people with various skills. HashtagCharity<sup>11</sup>, a startup created by a Hungarian **József Czaporovics**, does precisely so by connecting social entrepreneurs and tech professionals to collaborate on high-impact projects.



photo: Stephan Roch

► Refugees using services provided by Keleti Wifi and Mobile Charging Project at Keleti railway station in Budapest in 2015.

There is a trait that makes the above initiatives stand out, and it is not solely a creative use of technology. It is their founders’ belief that it is high time to change the refugee “problem” to a manageable process. This will not be achieved by even the best international migration law regulations, or by the most compassionate and charismatic political leaders if there are no challengers to the closeted mindset of the majority. Mones, Turković, and Druga demonstrate how being less scared, and more hopeful, can bring about the most fruitful results. They show the strength of change and optimism, and that it is possible for more and more people in Central and Eastern Europe to approach the world with similar convictions. /

The author is assistant editor at Visegrad Insight.

Highlighted people are New Europe 100 challengers. See full list on page 6.

NEW EUROPE 100

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# Res Publica Festival



photo: Jędrzej Sokolowski



photo: Jędrzej Sokolowski

In June 2015, we had the opportunity to meet at the first Res Publica Festival, the initial chance of many to come. It was held in a place of special significance; building 3 on Mysia street in Warsaw. This location used to be the headquarters of the Censorship Office during the communist era and was where the state administration designed the oppression of one of the most basic democratic rights – the freedom of speech of Polish citizens, journalists, and artists. The history of the space was therefore very motivating for

us to overtake it and turn it into a space for free debate and discussion.

The Res Publica Festival was our first attempt at connecting everything we find exciting – the city, ideas, and innovations. We debate, argue, and operate on a daily basis by publishing three thought-provoking magazines: Res Publica Nowa, Miasta Magazine, and Visegrad Insight. In the past year, we have intensified our efforts to achieve even better results. Through our projects – New Europe 100 and the Coalition for Polish Innovations – we analyze and promote the direction of the development of the



photo: Jędrzej Sokolowski



photo: Jędrzej Sokolowski



photo: Jędrzej Sokolowski

region; another project, City DNA helps create more informed cultural policies. We understand that ideas can have practical consequences.

The diversity of our interests was reflected in the variety of guests invited to our events. At our festival, audiences had the chance to hear speakers from a range of backgrounds, from senior politicians and social activists to journalists and founders of local start-ups.

Adam Greenfield and Justin McGuirk gave speeches and participated in the inspiring debates focused on cities during the information age. It was specifically about the threats that technological development and mass data collection brings to a city, as well as how to transform these forces into tools that democratize urban spaces. They argued that big data can be valuable to society – as long as we ensure that if the public collects data, it retains ownership of it.

In another panel, with the Deputy Minister of Science Włodzisław Duch and other representatives of education organizations and initiatives, we pondered how to reform Central European education systems to foster innovativeness, creativity, and entrepreneurial skills in the generations to come. In the end, we agreed that no investments will help spur innovation if schools don't do their job of nurturing creativity. Regarding schools specifically, our guests argued about the need to teach not only how to realize ideas but also how to conceive them in the first place.

Representatives from the main Polish centers of political thought took this topic in their own direction. They discussed how to inject this spark of innovativeness to stimulate young people in the realms of political activity.



photo: Jędrzej Sokolowski

One of our last panels entitled “Do we really need startups?” provoked a heavily-engaged debate between young entrepreneurs and political activists that went on for nearly two hours. They spoke about the role of startups in contemporary society and deliberated over what kinds of means should fund them, including a consideration of public money as a valid source. Most tended to agree that public funds provide a boost to small entrepreneurship without relying on the moods of private investors. However, there were a lot of voices saying that we need to develop a framework to assess a given startup's social utility.

Lastly, together with the European Young Innovators Forum, we have announced a joint program: European Youth Innovation Week – a pan-European men-

toring platform designed to stimulate innovativeness in young entrepreneurs.

Our official program was accompanied by live music from the Rogiewicz and Zabrodzki duet whose performance nicely paired with the varying intensity of the informal debates between our guests during the intervals. Thank you for being part of the experience with us this year! As mentioned already, this year's Res Publica Festival was the first of many. So if you missed it this time, make sure to be there next year! /

Res Publica Festival has been generously supported by  
International Visegrad Fund  
Polish Ministry of Science and Higher Education  
Warsaw City Hall  
Warsaw Innovation Days

# **NEW CHALLENGES OLD PROBLEMS**

MEDIA LANDSCAPES  
IN CENTRAL EUROPE 25 YEARS  
AFTER TRANSITION

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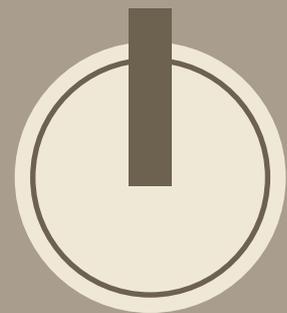
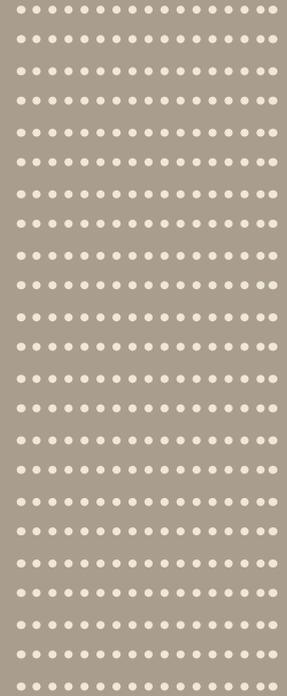
 VÁCLAV ŠTĚTKA
 

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**S**ince 1989, the media systems in Central and Eastern Europe (CEE) have generally been in a state of flux. The initial transition period, marked by the liberalization of markets and “spontaneous privatization” in both Hungary and the then-Czechoslovakia, was followed by a long and winding process of consolidation. The impetus for change came from a vision to shape institutional framework and journalistic culture after “Western” models.

However, most scholars and observers agree that this process has never been fully completed. The particularities of the post-communist transformation and the legacies of the past left their marks on the building of democratic media systems in this part of Europe; systems which have fallen short of the normative expectations emphasized at the beginning of the transition. Regardless of concerns about the public service media’s political dependence, lack of journalistic professionalism, and increasing political parallelism, media systems in Central Europe enjoyed a time of brief stability around the mid-2000s. This steadiness can be attributed to the benefits of EU accession and the subsequent period of economic growth.

Retrospectively, it turned out to be the calm before storm. Media in the region was soon hit by two macro-structural trends which significantly shattered the still-unsettled architecture of the CEE media systems: the rise of the internet and digital technologies, and the global economic recession. Their impact, both separate and combined, has been felt across all platforms. It has unleashed a wave of changes in media landscapes and the end is still nowhere in sight. This is especially true when regarding print media and their ownership structures. As recent political developments in the region have progressed, in the case of Hungary the ascent of populism and authoritarianism, even more challenges are being hurdled at professional journalism. In particular, public service broadcasters have encountered many obstacles when dealing with increasing political pressure atop of their ongoing struggle to redefine their mission in the digital age.



**THE IMPACT OF THE INTERNET**

Arguably, over the last ten years and across the world, the rise of online technologies has been the key driving force for profound transformations in the communication and media environment. In this respect, CEE has been largely following and absorbing trends and processes affecting other countries. This is particularly so with the decline of newspaper circulation being a direct consequence of the changing news consumption patterns, with more and more people seeking information online.

In countries like Denmark, Finland, Australia, and the U.S., according to this year's Digital News Report by the Reuters Institute, online media have surpassed television as the main source of news for people. In these countries, the importance of print is quickly diminishing and starting to trail even behind social media. This trend is mirrored in the plummeting of newspaper circulation and sales numbers; according to World Association of Newspapers and News Publishers, sales of European newspapers have fallen almost a quarter in the past five years, which is more than in any other region.

In the V4 countries, where the negative impact of the internet on newspaper markets has only been intensified by the long-term effects of the 2008/2009 financial crisis, some titles have suffered even deeper losses. Circulation of the still-leading Hungarian political daily newspaper, *Népszabadság*, has been halved since 2009 and currently stands at around forty thousand copies, a mere quarter of the numbers the daily used to claim in mid-

2000s. A similar drop has affected *Gazeta Wyborcza*, the once highest-selling newspaper in Poland, which went down from more than half a million copies in the early 2000s to under two hundred thousand in the past few years. In the Czech Republic and Slovakia, newspaper circulation has been declining by 7-10% per year. *Mladá fronta DNES*, the biggest Czech quality daily, is currently selling half as many copies (around 150,000+) as in 2007, similarly to the overall market leader *Blesk* (at 240,000+ copies). The Slovak daily SME has suffered a drop of 20% in circulation in last year alone.

It could be argued that the decline of print-news readership is being compensated by users accessing their internet platforms. For example *iDnes.cz* is the online version of *Mladá fronta DNES* and it claims over 4 million unique users per month, making it the top Czech online news portal. But these gains have so far not translated into generating adequate revenues for the publishers. This has been accredited to the fact that neither digital advertising nor online subscription models have been able to offset the losses incurred by print papers. According to a recent study, digital-only subscriptions represent approximately 10% of the news companies' total circulation/publication revenues, and "every one dollar gained in digital advertising has resulted in loss of seven dollars in print."

In the global hunt for innovative solutions to help publishers adapt to the new digital environment, Central Europe has been on the forefront with the birth of Piano, an original country-wide pay-

wall system developed by two Slovak online media entrepreneurs, Marcel Vašš and Tomáš Bella. Since its 2011 launch in Slovakia, where it is still being used by several major publishers, the system has been exported with mixed results. In Slovenia, the national paywall based on Piano was taken down in February this year following unsatisfactory results; however, it seems to be alive and well in Poland although some publishers have been using their own subscription models alongside the national paywall. In the Czech Republic and Hungary, on the other hand, only a handful of publishers have opted for an online subscription model, which means that the majority of online news content continues to be available for free.

**CHANGING MEDIA OWNERSHIP: NEW PATTERNS AND RISKS**

The decline of revenues following the impact of the internet as well as the global economic recession resulted not only in the search for new business models but also in significant changes on the map of media ownership in Central Europe. In fact this has been the most significant period since the arrival of Western investors in the early 1990s. During that time, a large number of print media in the region was owned by German, Austrian, Swiss, as well as Scandinavian companies; their presence and share of the market has notably shrunk during the last several years.

Although the initial wave of departures was prompted by the effects of the recession on the advertising market, the process has not stopped even after the

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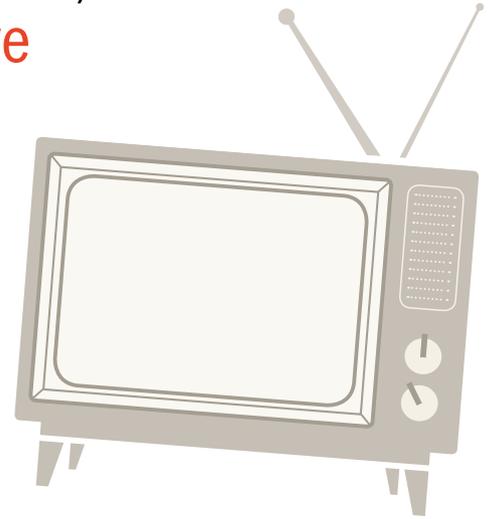


economy started to grow again. With the exception of Poland, it has even intensified in the other V4 countries – several major publishers were transferred to the control of local investors. Arguably, the most illustrative example of this process is the Czech Republic, where the reversal of ownership patterns from international to local proprietors was among the most dramatic of all CEE countries. The Czech Republic used to be a country heavily dominated by foreign media ownership before the crisis, with the share of foreign investment in many of the media segments reaching up to or even beyond 80%. Today, there are no foreign investors among the newspaper publishers. Instead the press and part of the broadcasting media scene are divided among a handful of Czech billionaires with little or no previous experience with the media business.

The one receiving the most attention is clearly Andrej Babiš, the current Deputy Prime Minister and Minister of Finance as well as the owner of the Agrofert Group: the biggest food processing and agricultural corporation in the country. Having acquired the media house MAFRA in 2013 – shortly before the snap Parliamentary Elections – from the German Rheinische Post group, he became the leading media mogul in the Czech Republic: controlling two national newspapers, a chain of regional news weeklies, and a nation-wide commercial radio station. The intertwining of business, media, and political interests has been one of the defining features of the new type of local ownership recently replacing the transnational capital across CEE. But such an explicit concentration of political, economic, and media power in the hands of one person is simply unprecedented, not only in the Czech Republic, but also in the region as a whole.

Even if the case of Mr. Babiš is exceptional, the increasing involvement of business tycoons in media markets causes concerns about the editorial autonomy of these titles. It becomes more worrisome when the powerful proprietors state that their primary motivation for investing in media is not the quest for financial profit. This has been confirmed by Marek Dospiva, the co-owner of PENTA, one of the largest investment groups in the Czech Republic and Slovakia. He has recently purchased one of Slovakia's biggest media houses, Petit Press, as well as the publisher with a monopoly on Czech regional daily newspapers, Vltava-Labe-Press. Following a journalist's question

In countries like Denmark, Finland, Australia, and the U.S., according to this year's Digital News Report by the Reuters Institute, **online media have surpassed television as the main source of news for people**



regarding their plans to invest in media, he replied “I am not going to beat around the bush: the fact that we own media gives us the assurance that it will be more difficult for anyone to attack us.” This notion of media as a security tool, or an instrument of deterrence against potential enemies, is obviously in direct contradiction to the normative ideas about journalistic independence and the ascribed role of media as “watchdogs” for democracy. It represents perhaps one of the biggest disillusionments from the post-transformation development of media systems in CEE.

#### **PUBLIC SERVICE MEDIA UNDER PRESSURE**

With the current crisis of commercial models in news media struggling to secure financial sustainability in the online environment while also combating the utilitarian intentions of new proprietors, there seems to be an even greater need for public service media to adhere to their principles. It is more pressing than ever that they safeguard the survival of professional journalism and maintain its independence from political or business pressures. However, in the CEE region, this is easier said than done. Given the notorious politicization of public service broadcasting (PSB) organizations, which

have never been allowed to fully escape from partisan or governmental influence, the initial hopes of transferring the BBC model to this region seem naïve and unrealistic. Of course, not everywhere is the situation as grim as in Hungary, where PSB has been directly controlled by the state and effectively turned into a mouthpiece of Viktor Orbán's authoritarian regime. But even in other countries, public service television has been getting into trouble. In Poland and Slovakia they have had to cope with the loss of audiences and budget cuts. In the Czech Republic they have had to deal with populist-motivated calls from various political actors for the suspension of licence fees or even privatization of the PSB; these attacks are being spearheaded by the current President Miloš Zeman and his allies. So as new challenges have been piling on to still-unresolved issues, the search for institutional stability, professionalization, and structural independence, the defining struggle in the history of not just public service broadcasting but of media systems in Central and Eastern Europe in general, is clearly far from over. /

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# INSIDE THE HOUSE OF THE DEAD

*Son of Saul:*  
A Hungarian Success in Cannes

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 ÁGNES ORZÓY
 

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## *A Cause for Celebration*

The winner of the Grand Prix at this year's Cannes Film Festival, László Nemes' debut feature *Son of Saul* earned rave reviews in major media outlets both in Hungary and abroad. Depicting one and a half days of the life of a *Sonderkommando* member in Auschwitz who is obsessed with the idea of giving a proper Jewish burial to a child killed in the gas chamber, *Son of Saul* was praised as a landmark in visual representations of the Holocaust, as well as for its startling and experimental cinematography. In addition to the Grand Prix, Nemes' film was awarded the film critics' award, an award for sound design, and the François Chalais Prize; given to films dedicated to the values of life affirmation and journalism.

## *A Schism in Hungary's History*

The role Hungary played in the Shoah (Holocaust) has been a heated topic in public debate in the last few years, especially during the 2014 Hungarian Holocaust Memorial Year. Generally, there has been a lack of consensus about the place of the Shoah in Hungarian history; well-illustrated by the bitter controversies that surround the museums and monuments dedicated wholly, or in part, to the fate of the Hungarian Jews. An ideal example would be the controversial monument for the victims of the German occupation of Hungary in Budapest's Liberty Square. Despite protests by Jewish organizations, who objected to the representation of Hungary as an innocent victim of Nazi Germany, the monument was erected by the government in July 2014, under the cover of night. This immediately gave rise to a spontaneous counter-monument. Now, in front of the German eagle attacking the archangel Gabriel, there stands a display of hundreds of weather-worn personal items including photographs, pebbles, and typed messages. These have all been amassed by citizens wishing to put their two cents into the debate or simply to commemorate the victims.

Although public discourse in Hungary on the Shoah is often distressing on the surface, there are a number of important literary and cinematic works which attempt to reconstruct and interpret the events, and, at the same time, record and challenge the process of reconstruction. Let me just mention three books published in the last two decades. The first is a collection of photos taken of the inhabitants of a small Hungarian town who were killed in the Shoah. László Márton's *Shady High Street* (1999) is an attempt to resuscitate those "shadows" to whom we were unable to say goodbye and therefore, who still linger around us. Iván Sándor's *Legacy* (2006, published in English in 2014 by Peter Owen) tackles the problem of the unreliability of the human mind and the "editorial process" involved in making sense of the past. Set in 1944 and following in the footsteps of a fourteen-year-old boy, the book is a direct reflection of the author himself who endured the war at the same age. The third book, by Zoltán

Halasi, contains a translation of Itzhak Katzenelson's *Song of the Murdered Jewish People*, as well as Halasi's prose work on Yiddish culture and his poem cycle about Europe before Auschwitz. Both compositions reflect on Katzenelson's poem, written in a French detention camp in 1943.

As for cinema, the fate of the Hungarian Jews is the topic of several notable Hungarian films, from *No Man's Land* (1993) by András Jeles (László Nemes's father) to István Szabó's *Sunshine* (1999). Lajos Koltai's *Fateless* (2005) is based on Imre Kertész's Nobel Prize-winning novel<sup>1</sup> which, along with other works by Kertész, has become a major point of orientation for artists and theoreticians the world over who wish to engage with the issue of the Holocaust. Though the film certainly has its merits, it essentially proved that what makes Kertész's works radically different from most Holocaust fiction cannot be adapted to cinema. With didactic and emotional scenes, images in sepia and grey and Ennio Morricone's bombastic score, the film is in a sense, anti-*Fatelessness*.

## A Calculated Risk

As the film *Fateless* turned out to be a major flop, the Hungarian Film Fund headed by the controversial ex-Hollywood producer and Hungarian-born Andy Vajna responsible for *Rambo* and *Terminator* was certainly taking a risk when they decided to finance *Son of Saul*. Another Holocaust movie by a virtually unknown director, with amateur actors and experimental techniques did not sound like a recipe for success.

And strangely enough, the Hungarians were the only ones willing to take that risk. As Nemes mentioned in several interviews, nobody wanted to co-finance the film; he applied to French, Israeli and German film funds, but was rejected by all. The young director puts this down less to a lack of interest and more to the fact that there are strict, though unspoken, conventions in Europe on how to think and how to make a film about the Holocaust, and that those who finance films are usually not interested in unusual approaches.

The creators of the film are also Hungarian (except for co-writer Clara Royer) though both the director and the main actor have been living outside Hungary for a long time. This seems to have given them an essential mixture of integration and distance to be able to make this film. László Nemes (b. 1977) is the son of András Jeles, director of the cult film *The Little Valentino*. László left Hungary with his mother – a dissident professor of philosophy – and moved to Paris where he went to school. After studying history and scriptwriting, he started to work as an assistant director for films in France and in Hungary, including a two-year stint as Béla Tarr's assistant.

Géza Röhrig (b. 1967), the main actor, was a poet and the front man for the underground Budapest band Huckleberry in the 80s, but he would later become a Hasidic Jew and live in Brooklyn. Röhrig is a real believer ("I would not be able to get up from my bed in the morning, let alone pray, if I didn't fully believe that God somehow was there holding the hands of each and every Jew in the gas chamber – each and every Tutsi, Armenian, Kurd, Israeli, Palestinian who suffers unjustly," he told a journalist in *The Guardian*<sup>2</sup>). Although he lives permanently in New York with his family, he follows events in Hungary, and finds Hungarian public discourse – which is in

fact increasingly polarized by both political sides demonizing the other – depressing.

## Eluding the Genre

Thus, both financially and by virtue of the creators' national origin, *Son of Saul* is certainly a Hungarian film. It is not, however, a Hungarian Holocaust film in the same sense that Paweł Pawlikowski's Oscar-winning *Ida* is a Polish Holocaust film. *Ida* generated controversy in Poland when conservatives accused it of having an anti-Polish bias while leftists accused it of anti-Semitism; which goes to show that it succeeded in shedding a new light on the Holocaust in Poland. Though the protagonist of *Son of Saul* is a Hungarian Jew from Ungvár, today Uzhhorod, Ukraine a town which belonged to Hungary in October 1944 when the plot takes place, the focus of it is neither on the fate of the Hungarian Jews nor the response of Hungarian society to it.

Neither was this the intention of the creators, who have repeatedly stressed that *Son of Saul* is "not a Holocaust film." What they mean is that rather than trying to do the impossible, i.e., portray "Auschwitz" – either as the locus of *tremendum* or as a historical reality – *Son of Saul* shows what is available to us: the subjective, fragmentary experience of one individual. This approach is consonant with that of historian Timothy Snyder who stresses that "To be enlisted posthumously into competing national memories, bolstered by the numbers of which your life has become a part, is to sacrifice individuality."<sup>3</sup> Numbers are abstractions; they can only be made sense of as X million times one. All else is fraught with aestheticization, political intention, and retrospective bias.

Despite the intentions of the creators, *Son of Saul* is inevitably being discussed within the framework of Holocaust films. It is hailed by most reviewers as essentially different from previous productions though some critics have opined that Nemes' film is actually quite typical in its treatment of the topic if not in its cinematographic techniques.

## The Grey Zone

Thematically, the novelty of *Son of Saul* lies in the fact that a large part of the film takes place inside the crematoria and is centred on the *Sonderkommandos*, Jewish work units whose task it was to usher people into the gas chambers, then clean up the gas chambers and dispose of the corpses.<sup>4</sup> As these people were *Geheimnisträger* (bearers of secrets) they were isolated from the other inmates, fed relatively well, and then regularly liquidated. Early testimonies considered *Sonderkommando* members as collaborators without whose help the death factory would have collapsed, and who were therefore stigmatized to the end of their lives if they survived (very few of them actually did). In *Son of Saul*, however, they are portrayed as victims ("they are 100% victims,") Röhrig told *The Guardian*<sup>5</sup>. Again, whatever the intention of the creators, the film joins in the debate about how perpetrators diffused responsibility and whether victimhood precludes responsibility. Thus, it challenges black and white thinking, an attitude which is not helpful for understanding the enormity of events that happened in the 1940s, the consequences of which are strongly felt in our society today. Focusing on a group stigmatized by many, the film highlights the fact that between the completely innocent

victim and the totally depraved perpetrator, there is always a grey zone populated by cooperating victims, passive bystanders, enablers, and complicit helpers.

## Creating a Stifling Atmosphere

Visually, *Son of Saul* is extremely claustrophobic, offering no respite for the viewer. In an era of digital filmmaking, the film was shot on 35 mm celluloid, with the camera closely following the protagonist. We mostly see faces and the movement of people, with “Auschwitz” being visible in the peripheral vision. As the visual designer of the film, László Rajk<sup>6</sup> describes it, “space appears in your brain rather than on the screen. It is an invisible set.”<sup>7</sup> There are no extreme long-range shots except for the nature scenes in the end that would give repose to the viewer. We move around with the protagonist and *feel* rather than see the space, which causes a sense of anxiety. As for the sounds, we mainly hear people screaming and crying, trucks speeding, dogs barking, and László Melis’s hardly perceptible music, built on these noises. The characters speak, or rather grunt and howl, in fragmented Hungarian and Yiddish and only the Germans use full sentences.

*Son of Saul* is also unusual in presenting the world of Auschwitz as chaos rather than constructing a neatly structured, aestheticized, and rationalized passion narrative – although the well-known stations all appear dimly in the periphery. Röhrig’s character hardly looks anyone in the face; his gaze does not interpret the events as there is no place for reflection – there is only mechanical action and visceral terror.

## A Subject of Controversy

Yet there is a dramatic conflict in *Son of Saul* that propels the film onwards: the obsession of the protagonist to find a rabbi and bury a child, who may or may not be Saul’s son, and who survived the gas chamber only to be strangled by a German doctor.

Critics are divided over the burial theme. Some say it cancels out the original intention of the director to break the conventions of Holocaust films because the motif of the child

introduces a linear storyline, moral lesson, and stirs emotional effect. One critic contrasts the radicalism of Kertész’s idea of fatelessness – being deprived of the world as well as of any form of transcendence – as well as of any form of transcendence with the message of this film; inherent in Saul’s obstinate search and his smile directed to the Polish boy in the end, just before being shot.<sup>8</sup>

Others do not see this motif as contradicting the original intention. Nemes repeatedly stressed that it was primarily the viewpoint of the survivor – the external viewpoint – that he intended to do away with. Saul’s obsession does imply, as one critic points out, that he transcended the closed world of Auschwitz and thus, as one of his companions remarks, “he let down the living for the dead.”<sup>9</sup> But this transcendence, whatever else it may involve – preserving tradition, individuality, love or responsibility: anything that involves choice and meaning, beyond sheer physical existence – surely does not involve any hope of survival. In this sense, Saul’s obsession essentially differs from the strategies of his fellow *Sonderkommando* members; resistance and documentation. These latter are based on real-life events and facts: the *Sonderkommando*’s brutally crushed revolt of 7 October 1944, and the so called “*Sonderkommando* photographs,” four blurred photos taken by *Sonderkommando* members. These images might be the only extant pictures that depict details of the mass killing process at Auschwitz.

The inclusion of these photos in the film seems to be more than just a clever dramaturgical device. The visual experience of Auschwitz in *Son of Saul* is similar to that of the *Sonderkommando* photos, with the life of the camp blurred, glimpsed only in peripheral vision, as seen by someone who is already as good as dead. In discussions about the representability of the Holocaust, it is a central question whether images bring us closer to the reality of what happened, or whether they are in fact veils masking reality – or even worse, fetishes that depict suffering as sheer spectacle.<sup>10</sup> With its minimalistic devices and fractured, chaotic view, Nemes’ film attempts the impossible: to show the reality of Auschwitz without interpreting it, and without falling into the trap of voyeurism – as much as this is feasible in the visual and narrative art form that film is. /

The author is a literary editor and translator.

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# KRZYSZTOF CIEŚLIK

## *No Other Polish Republic is Possible*

**N**othing parallels the force of creativity culture can access via a multiplicity of language, culture, and religion. For proof of this, look no further than Polish literature.

The Polish translation of Katia Petrovsky's sensational debut, *Maybe Esther*, will soon be available in bookstores. Written in German by the Ukrainian, who

has also been a recipient of grants to study at Columbia and Stanford universities in the United States, the text is an exploration of her Jewish roots. Petrovsky sources a lot of the material from her family history, and thanks in part to this quasi-novel, the author is experiencing a rise in fame from the German populous. This response from the public and the prose itself confirm that some of the most outstanding work produced today are inspired by the crossroads between languages and cultures.

To prove this point, there is no need for us to focus solely on German literature. In Great Britain, the literary forefront is infused with immigrants who play as equally an important role as established literary giants like Julian Barnes, Hilary Mantel, and Ian McEwan. This is demonstrated by the likes of Salman Rushdie (brought up in Bombay in an English boarding school), Zadie Smith (the daughter of a Jamaican who arrived in England in the late 60s), and Kazuo Ishiguro (born in Nagasaki and arriving to the UK at the age of five). In other words, without immigrants contemporary British literature would not exist. Or said in another way; it would exist but the worldwide consensus that the English write some of the most profound works, would not.

Homogeneity does not serve the purposes of literature. Creative minds require the fertile grounds that result from migration and the mixing of cultures. For examples of this in our own backyard, we need not look further back than the 19th century when the majority of Polish cultural compositions, outstanding in quality as well as nuance, emerged out of France. Nor do we need reminding that a significant portion of Polish literature from the 20th century was crafted in exile because honest work was impossible to make inside the Polish borders, and dishonest art – dishonest mainly unto itself – can only rarely redeem itself. The prominent Polish historian Bogdan Walczak determined that borderland influences con-

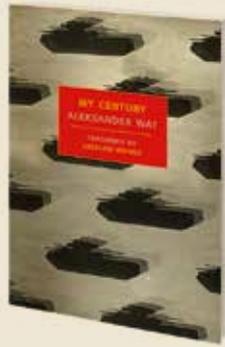
stitute up to 20% of the contemporary Polish language. Since the dawn of Polish literature, there have been thematic and linguistic associations with eastern lands. Jan Kochanowski wrote *Raid on Moscow* (*Jezda do Moskwy*) in honor of Krzysztof Radziwiłł. The works of Mikołaj Rej are saturated with Ruthenian (meaning coming from Red Ruthenia) language idioms. One might even venture to say that Polish originality is indebted to the borderlands which served as the sights

for cultural clashes between the Tartars, Ruthenians, Cossacks, Jews, and so on. They certainly held a great influence during the times when Antoni Malmczewski (probably the most genuine representative of Polish Romanticism) composed *Maria* and when Adam Mickiewicz created his most important works. The results of this amalgamating force continued to inspire future generations, represented by writers like Czesław Miłosz and Florian Czarnyszewicz.

Of these four mentioned, Czarnyszewicz is perhaps the least well-known, but also the best example of how much is owed to the intermixing of culture and ethnicity. Czarnyszewicz's *Nadberezyńcy* resounds with wonderful Polish phrases not found anywhere today. The rhetoric rings with an eastern dialect heavily subject to Belarussian influence. Taking a look at Polish literature through the perspective of "longevity," as the historian Fernand Braudel would say, it can

be seen just how much was gained from the migrations of the Ashkenazi Jews. In this area four names stand out: Bruno Schulz, Antoni Słonimski, Julian Tuwim, and Aleksander Wat. So what is left without these four notable contributors to possibly the greatest literary era in Poland history, namely the inter-war period? Not a lot, in fact almost nothing at all. There would be no Skamandrites, and the futurists would lose their most prominent writer. In prose, there would be only one "Polish nobleman," Gombrowicz, but Miłosz would have no one to record at Berkley, so there would be no *My Century*. This work is arguably the most important 20th century interview to take place in the Polish language, and it was created in cooperation between Miłosz and Wat, which means a resident of Vilnius and Warsaw, a Lithuanian and a Jew; both Polish. It is true that no other Polish Republic is, or ever was, possible.

Today, Polish culture often appears monolithic. This is a fundamental misconception. But the error is perhaps in-



Aleksander Wat,

*My Century*,

(foreword by Czesław Miłosz,  
trans. Richard Lourie, New York  
Review of Books, 2003)

evitable because the consequences of the 20th century instituted a severe homogenization of society. However, the greatest loss is paid by Polish people – who have forgotten that real wealth comes from “the Other.” Unsurprisingly, it is foreigners who are writing the best contemporary novels about Polish history. A majority of the blame for this belongs to the 20th century regimes which drained Poland of its colorfulness, but perhaps the public cannot escape sharing some of the fault. While Poles within Poland remain unable to deliver great works there are a few foreigners that can be looked to for inspiration. Kristina Sabaliauskaite who, writing in a magnificent Baroque-style, tells the story of the Polish-Lithuanian Commonwealth (one of the forgotten communities only remembered today by the motto “return Vilnius and Lviv to Poland”). György Spiró, the author of *The X-s* and *Messiahs* (the best novel about Tavianists; our crazy emi-

grants who were so creative in the field of culture). As well as, Szczepan Twardoch who, embodying a triple identity of Polish-German-Silesian, has written such works as *Eternal Grunwald* and *Drach*. President Duda says that Polish people who have emigrated should not hurry back. And he is right; for if they return, and return quickly, it is certain that their contributions to our culture will not be great. I believe we will have to wait a long time to see new, superb Polish prose. Native authors have not been delivering work worthy of merit in recent decades, so perhaps we should be counting on those who will arrive with the next wave of people, those on and part of a great journey. /

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## NOÉMI SZÉCSI

### *The World As a Language Lesson*

learn from the newspapers and the television that a ten-year old Turkish child has died of exhaustion and exposure while illegally crossing the Swiss border with his parents. (...) My first reaction is that of any Swiss citizen: “How could people have embarked on such a risky adventure with children?” (...) The voice of memory rises up inside me with stupefaction: “What? Have you completely forgotten? You did exactly the same thing, exactly the same thing. And your child was practically a newborn.” Yes, I remember.<sup>1</sup>

This summer, a number of Eastern Europeans – who take it for granted that their history is constituted by a series of emigration waves – protested insisting that it was high time to reciprocate all the goodwill received by the floods of Hungarians who had previously relocated from their country whenever the chips were down. Those who protested claimed that these migrants do not fall into the same category as those who were exiled as a consequence of Eastern European politics. Whatever the cause, the loss of one’s country and language does resonate with some universal themes, themes that have been cultivated and embraced by literature.



**Agota Kristof**  
*The Illiterate*, (trans. Nina Bogin,  
CB Editions, 2014)

Living as a refugee is essentially a 20th century phenomenon though one could cite the names of Ovid, Dante, Rousseau, Mickiewicz, Victor Hugo, Henry James, Joyce, Thomas Mann, Brecht, Gombrowicz, Nabokov and Rushdie to prove that it has been an inspiration for world literature for many generations. The motivation of these writers to leave their home countries, either temporarily or forever, was different in each case as were their strategies of survival. Quite a few Polish, Czech, and Russian emigrants wrote in the language of their adopted countries. As for Hungarians, many of them continued to write in Hungarian, but their works were often translated into various languages. Sándor Márai rebuked those who abandoned their mother tongue, claiming

that it amounted to a denial of identity in *The Blood of San Gennaro*: “These people are preparing for the world as if they were preparing for a language lesson. As soon as they abandon the diacritical marks, they abandon their mother tongue, and start to speak and read in all kinds of languages.”

Agota Kristof (1935–2011), who ended up in Switzerland after the 1956 emigration wave, is one of the few Hungarian

émigré writers who produced a significant oeuvre in the language of the adopted country. In her 2004 memoir entitled *The Illiterate*, Kristof, who began writing in French after the age of 40, described the greatest affliction of first-generation migrants; the loss of competence in their mother tongue.

Agota Kristof – or, as she was called back then, Kristóf Ágota – learned to read and write in Hungary at the age of four. In exile, however, her linguistic abilities slowly atrophied due to a lack of regular usage and, perhaps, cultural affinity. With regards to this new adopted language, she was forced to return to a childhood state: even though she spoke decent French after five years, the written language proved elusive. Besides, she failed in her primary duty to transmit language as she was no longer able to speak in Hungarian to her child, who was born in Hungary but brought up in a French-language environment. This situation made the concept of mother tongue, as well as the connection between motherhood and language, quite precarious: “In the evening I come home with the child. My little daughter looks at me wide-eyed when I speak to her in Hungarian. One time, she begins to cry because I don’t understand her; another time, because she doesn’t understand me.”<sup>2</sup>

As it often happens nowadays in language courses organized for families of emigrants, rather than teaching the language that will be the primary language of the family, the mother learns it simultaneously with the child: “I will have two more children. With them I will practice reading, spelling, conjugation.”<sup>3</sup> With Agota Kristof and her children, the hierarchy between parent and child was upset as it is partly based on the greater linguistic competence of the parent. When she was asked the meaning of a certain word by her children, she had to look it up and so she could not give a prompt answer.

Even Nabokov, who had learnt English as a young child, wrote with a dictionary on his desk, and alleviated his anxiety for writing in a language that was not his mother tongue by overcompensating for any linguistic incompetence. With Agota Kristof, however, the “strenuous” and “passionate” use of the dictionary symbolizes the authority she must appeal to in order to dominate the language that she had to learn together with, rather than teach, her children. In this peculiar

state, multilingual yet devoid of language, she referred to this second language as an “enemy language.”

“I have spoken French for more than thirty years, I have written in French for twenty years, but I still don’t know it. I don’t speak it without mistakes, and I can only write it with the help of dictionaries, which I frequently consult. It is for this reason that I call the French language an enemy language. There is a further reason, the most serious of all: this language is killing my mother tongue.”<sup>4</sup>

German and Russian were also enemy languages for Kristof because they symbolized political oppression. As she lived in exile, the French language became a sort of internalized enemy. In a language acquired as an adult, the desired self-expression comes only through a willed self-destruction of the mother tongue, and, consequently, this process can wholly or partially eliminate the original linguistic self-identity.

No other Hungarian writer who had emigrated transformed this loss of language into such a great, expressive force. With Agota Kristof, however, the reduction of stylistic, lexical, and grammatical means to a minimum made each sentence more significant. The lack of verb tenses is conspicuous: *The Notebook* is written in present tense. In a sense, this can be explained by the fact that for Kristof, language itself became childish and lesson-like. As the writer recalls the birth of her first novel:

“My son was 12 at the time, and I made use of his homework to create the sentence structures that are almost childish in their simplicity. You know, in my first book, *The Notebook*, the speakers are children. This is more or less how my son used to write. This book is used for teaching language at a number of places, they give it to schoolchildren to practice reading.”<sup>5</sup>

As the sentences in a French textbook are transformed into literature by Agota Kristof, so this literature can again become a language lesson. And perhaps her books will be used by children who arrived in Europe in 2015 as refugees. /

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## JULIA SHERWOOD

# *The Seven Lives of Agneša Kalinová*

**F**ear-mongering, Islamophobia, and xenophobia have set the tone of the current debate on Europe's refugee crisis, drowning out voices of compassion and solidarity. Instead of leading with rational arguments to dispel these vitriolic opinions in the debate, most politicians have jumped on the populist bandwagon and further exacerbated tensions. There have, of course, been exceptions – notably Slovakia's president Andrej Kiska and the civil society volunteers who banded together to help the refugees stranded at the Keleti Station in Budapest and on Europe's border crossings.

A more welcoming general response might have been expected from countries with a recent history of oppression and atrocities that generated successive waves of migration from Central Europe through much of the twentieth century. One of the many people whose life exemplifies this history was my mother, Slovak journalist Agneša Kalinová (1924-2014).

In *Mojich 7 životov* (*My Seven Lives*), a book-length conversation with Jana Juráňová published by ASPEKT in 2012, Agneša Kalinová defined discontinuity as a characteristic feature of her life:

"A lifelong – and typically Central European – motif. A sudden upheaval, imposed by outside circumstances, by the unwanted interference of external forces, would suddenly erase everything, or at least much of what we had until then taken for granted. Everything would have to begin again from scratch; it would be like the start of a new era."

The book is structured in seven chapters, each reflecting a distinct period of Agneša Kalinová's long and tumultuous life. It began with an idyllic childhood in the tolerant and multicultural city of Prešov, in the easternmost part of interwar Czechoslovakia. This was followed by exclusion, anti-Jewish legislation, and finally the Holocaust, which consumed her parents and extended family while she survived most of the war hidden in a convent in the Hungarian capital, Budapest. The nuns of the order of the Good Shepherd protected her along with numerous others; deportations from the Hungarian countryside began in 1944 and dozens of Jewish girls found refuge in the convent. My 20-year-old mother, together with another Jewish girl, left the nuns' protection and spent the last year of the war in a working-class suburb of Budapest. They were hosted in the house of a kind Hungarian railway man, who risked his own life by offering them sanctuary.

After the war, like many other survivors of the horrors of Nazism, my mother was taken in by the promise of a bright, so-

cialist future. While the Stalinist 1950s culminated in the monstrous Slánský show trials which brought with them a lingering disillusionment, they were followed by the 1960s thaw. During this time she wrote for the cultural weekly *Kultúrny život* and was at the forefront of the Prague Spring in Slovakia. Those heady days were brutally ended by the Soviet-led invasion of Czechoslovakia in 1968. During this so-called normalization period, Agneša Kalinová was banned from practicing her profession, suffered harassment, and detention (my father spent a year in prison). This culminated in our forced relocation to Germany, in 1978, where we lived in exile. Here she received a warm welcome and began another career as a political commentator for Radio Free Europe, her voice becoming familiar to thousands of listeners.

In *My Seven Lives* that familiar voice can be heard loud and clear, thanks to Jana Juráňová's skillful and sensitive use of the techniques of oral history to bring out my mother's lively personality, and her extraordinary ability to stay positive in the face of adversity.

Although my mother visited Slovakia frequently after 1989, she chose to stay in Germany after she retired. When people questioned her decision to remain in the country that unleashed the Holocaust, she would reply that she felt safe among people who had engaged in a thorough discussion of their past

and admitted their role in atrocities. By comparison, Slovakia has never fully come to terms with its past and admitted its complicity in the deportations of some 70,000 of its Jewish citizens. She was particularly disturbed by the recent trend to relativize the war crimes, which has led to attempts to whitewash the wartime Slovak state and rehabilitate its leading politicians.

In spite of this ambivalence, Agneša Kalinová, as well as my father, the satirist Ján Ladislav Kalina (who died in exile in Munich in 1981), had a deep bond with Slovak culture, and I decided that their final resting place should be Bratislava. On the 8th of June, 2015, a sizeable crowd of friends and acquaintances gathered to pay their final tribute to my parents. A week later a much larger crowd of extreme right-wing supporters as well as many ordinary citizens, marched through the center of Bratislava protesting against the alleged "Islamization of Slovakia" and shouting "Slovakia for the Slovaks!"

However, Agneša Kalinová's memory is cherished in Slovakia by the legions of her friends, her listeners and readers, many of whom were born well after the historic upheavals that shaped her seven lives. /



**Agneša Kalinová**  
*Mojich 7 životov* ("My Seven Lives",  
Aspekt, 2012)

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## MARTIN THARP

# *The Unwritten Against the Unwritable*

**A** prosperous and open society: these traits may not require one another for fulfilment, but clearly they are essential for a social circumstance in which new arrivals, i.e. migrants, could join cultural activity. Perhaps more difficult and less obvious questions for inclusivity concern the hierarchies of international cultural prestige and the local configurations of culture and identity. It seems redundant to state that the Visegrad countries have pledged to achieve prosperity and openness. But it isn't repetitive to critically examine the Visegrad social orders, where prosperity and openness have at least partially been achieved, to investigate the attractiveness of the cultural environment and the dangers posed by the exclusion-technologies of ethno-linguistic nationalism.

One mistake common Western progressives and Eastern rightists both make is the assumption that the Visegrad lands are "not migration countries." First, this error blithely ignores the fluidity of national boundaries in the history of the region (e.g., the creation of sizeable Hungarian "diasporas" abroad through the new borders drawn in the Treaty of Trianon from 1920). Second, the current artificial ethnostate-homogeneity is itself the product of negative consequences: the industrial mass-murder by the Holocaust and the violent post-1945 expulsions of the German-speaking minorities. And in yet another twist the forcible "naturalization" of the territories, first emptied then resettled (specifically the Czech Sudetenland and the western regions of Poland) and managed by insensitive Communist state officialdom, themselves represented a cultural-demographic shift far more damaging than any spontaneous settling of immigrants has ever done in Europe.

From the other side, present collective self-understanding in the societies of the Visegrad region is anything but fluid. Rigid and exacting self-reifications of the "true Czech/Pole/Slovak/Hungarian" extend far beyond the confines of the nationalist Right. The habit of speaking about the nation in the first-person plural, deploring the less enlightened fellow-nationals, persists even among the cosmopolites. Even more, linguistic questions of "literary style" and the lack of the self-reflection afforded a language through its acquisition by learners (immigrant patois, colonial creoles etc.) has petrified the Visegrad languages into artificialities of classicism. This is of course not to say that differences are impossible – only that it will take considerable imagination to see what possibilities, what potential literature may emerge in the future.

Briefly put, defining the cultural entity of "a literature," for example, "Czech literature," presents many of the same

questions as defining the political entity of "a nation." And as such, we face the first question: the criterion of territory or language. Is Czech literature to be defined as "all writing that emerged in the historical Kingdom of Bohemia and Margraviate of Moravia" or as "all writing in the Czech language?" The former, of course, has one major advantage in bringing Franz Kafka (or other Prague German literary figures from Rilke to Werfel) into the collective entity. And its evocation of a nostalgia-tinged, multicultural past definitely has an irresistible appeal for a certain generation of post-1989 Czech intellectuals. The latter, by contrast, has the greater advantage of corresponding to reality: to the crucial role of language in modern state identity.

"Non-self-evidence" is a term borrowed originally from Milan Kundera's 1967 address to the Czechoslovak Writers' Union, yet is used here according to the broader framework applied to it by the Czech political scientist Jiří Pehe.<sup>1</sup> Such a national identity is reified by more or less all of the Visegrad states: an awareness of the contingency, accidentalness, fragility of this collective self-identification, emerging out of a history of political subjugation and cultural marginality only to pass through still more damaging experiences of the past century's two totalitarian orders. Historically, Czech has been repeatedly in danger of disappearing – at least as a literary language – the case in point being the "Age of Darkness" between the end of the Thirty Years' War (1648) and the National Revival of the early 19<sup>th</sup> century. It was also threatened as a genuine literary language – not a politically subservient generator of unctuous phraseology – during what some term the "Fifty Years' War" of the totalitarian regimes of 1939-1989. Such a history molds a different consciousness for the Czech language, especially among those who use it. It's more affected by this than a language of much greater real-world power would be. But it remains to be seen whether this status is seen as a bulwark of security or a crushing burden of tradition.

A secondary outcome of this non-self-evidence is the experience of forced exile. We should recall that Czech exile-writing has historical roots beyond the totalitarian regimes from the last-century, starting with Comenius and the post-1648 Protestant exiles up through the banishment of the Czech nationalist author Karel Havlíček Borovský to Brixen under Hapsburg rule. Given that these early exiles formed such a crucial part of the nationalist pantheon, a sense of the precariousness and harsh caprice of fate is built into the literary edifice, for better as well as for worse. Nor should we ignore the writings and cultural activities among pre-1918 Czechs who, as we now would say, voluntarily pursued eco-

nomic-based emigration. Some may have gone to imperial Vienna or the New World, but we also can't forget (from the other side of the class spectrum) the ties among Czech artists and authors residing in other major cultural centers, e.g., early 20<sup>th</sup>-century Paris. Complicating the picture further is the first Czechoslovak Republic which itself was a haven for exiles and political refugees; the Russian émigré community in the early 1920s, followed by German exiles after 1933; the latter met a far more ambivalent reception.

The legacy of Czech writers in exile from 1939 to 1989, though, looms largest not only in Czech public consciousness, but in the actual number of authors, works, and even Czech-language enclaves across the globe. Often, "Czech exile writing" is reduced to a small number of celebrities and can be exemplified by many. Milan Kundera's displays an effort to maintaining the language as a medium for émigré readers. As well as the work of both publisher and novelist, Josef Škvorecký in Toronto. First, the reduction of exile to the post-1968 generation ignores the no less important wave of emigration two decades before, after the "Victorious February" Communist coup of 1948, and still more damagingly, subsumes differences of politics and aesthetics under a uniform anti-totalitarianism. Post-1948 émigrés tended to be centrist Anglo-American democrats (e.g. Ferdinand Peroutka) or even conservative Catholics (e.g., Jan Čep), if not deeply rebellious individualists (Ivan Blatný, Bohuslav Brouk) who saw no place for themselves in forcibly joyful Socialism. Even the dissidents driven abroad in the wake of Charter 77 found their inspiration more in international counterculture and rock music than in the Prague Spring's efforts towards "socialism with a human face." And the generation of refugees from Nazi occupation – whether Jews or Gentiles, whether speaking German or Czech – offers an even more heterogeneous element to the discussion; adding to the list of what is easily overlooked.

All this can give us background, but what about the present? From the observation of the Czech literary scene across the past quarter-century, a more apt question might be – what present? The experience of cultural Gleichschaltung under the 1970-1989 political order was a rupture far more damaging than what occurred in Poland or Hungary during the same period. After 1989, Czech literary culture was overwhelmed by a historicism that lasted well into the new millennium. Here is when the rewriting of the national canon – stressing the "dark" authors of the Hapsburg fin-de-siècle alongside the "existential displacement" of newly uncovered exile authors

– tended to overshadow new work.<sup>2</sup> Even at present, it is no accident that several of the most noteworthy Czech authors have deliberately turned to German past in their novels (Radka Denemarková, Kateřina Tučková). Such an increasing willingness to face the complicity of the Czech nation in the past century's inhumanities, and not to hide in the comfort of innocent national victimhood, is certainly welcome. Yet it still remains to be seen if the recollection of the past can truly be integrated into a cultural sphere that is capable of balanced assessment and openness to new impulses – rather than a repetition of the old refrain of national self-pity.

Moreover, while forced migration has not vanished from the world, there is a strong argument that "exile" in the twentieth-century is deeply limited by history and geography and is now unrepeatable. Reflections of European exile, in purely sociological terms, were the product of a specific class; the educated culture-bearing bourgeoisie of early modernity which was driven from a sphere of cultivated comfort into the radical shock of loss. Now we live in awareness of the 20<sup>th</sup>-century horrors as part of our cultural upbringing. Conversely, the all-embracing fluidity of cyberspace would appear to consign the language-enclaves of an exile community to the metaphorical museum alongside typewriters and samizdat.

Nonetheless, in the literary fields of post-totalitarian Europe there is still room where something unexpected can emerge. Simply put, there are writers included within the Czech canon who suggest trajectories, unwritable-until-written approaches, and these writers share a common stance of being at odds with the solid edifice of literary culture. There are the significant authors in a latently-gained second language; there are the recorders of experiences untransmittable beyond themselves (Egon Hostovský); there are the macaronic creators of a trans-linguistic language, such as the poet Ivan Blatný in his East Anglian psychiatric ward. And there are even earlier presences, such as Richard Weiner (1884-1937), who are neglected by the international critical scene in a manner that verges on the obscene. This is not an attempt to reference models, merely to recall the importance of strangeness within artistic creation. Or in another sense, to remember that technologies of exclusion represented by artistic work are among the least reliable and best suited for self-subversion. /

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## REFERENCES

1. This use of the term is based on Pehe's essay "Historické kořeny a politické důsledky nesamozřejmosti českého národa", published 10.1.2013 in the "Salon" weekend supplement to the Czech daily *Právo*.
2. The crucial text of this period was the volume of studies *Expresionisté* by the influential critic Jindřich Chaloupecký, published in 1993 but completed and distributed in samizdat around a decade previously.



photo: Tammam Azamm

📷 The artworks presented in this issue, courtesy of the artist and Ayam Gallery, were also exhibited during the Fabula Festival in Conversano, Italy in September 2015.



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